



AUDIT AND SCRUTINY COMMITTEE

Thursday 28 March 2024 at 7.30 pm

Place: Council Chamber, Epsom Town Hall

Online access to this meeting is available on YouTube: [Link to online broadcast](#)

The members listed below are summoned to attend the Audit and Scrutiny Committee meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor Steve Bridger (Chair)
Councillor Robert Leach (Vice-Chair)
Councillor Chris Ames
Councillor Rachel King

Councillor James Lawrence
Councillor Jan Mason
Councillor Phil Neale
Councillor Chris Watson

Yours sincerely

Chief Executive

For further information, please contact democraticservices@epsom-ewell.gov.uk or tel: 01372 732000

EMERGENCY EVACUATION PROCEDURE

No emergency drill is planned to take place during the meeting. If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions.

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move to the assembly point at Dullshot Green and await further instructions; and
- Do not re-enter the building until told that it is safe to do so.

Public information

Please note that this meeting will be held at the Town Hall, Epsom and will be available to observe live using free YouTube software.

A link to the online address for this meeting is provided on the first page of this agenda. A limited number of seats will be available on a first-come first-served basis in the public gallery at the Town Hall. If you wish to observe the meeting from the public gallery, please arrive at the Town Hall reception before the start of the meeting. A member of staff will show you to the seating area. For further information please contact Democratic Services, email: democraticservices@epsom-ewell.gov.uk, telephone: 01372 732000.

Information about the terms of reference and membership of this Committee are available on the [Council's website](#). The website also provides copies of agendas, reports and minutes.

Agendas, reports and minutes for this Committee are also available on the free Modern.Gov app for iPad, Android and Windows devices. For further information on how to access information regarding this Committee, please email us at democraticservices@epsom-ewell.gov.uk.

Exclusion of the Press and the Public

There are matters scheduled to be discussed at this meeting that would appear to disclose confidential or exempt information under the provisions Schedule 12A of the Local Government Act 1972 (as amended). Should any such matters arise during the course of discussion of the below items or should the Chair agree to discuss any other such matters on the grounds of urgency, the Committee may wish to resolve to exclude the press and public by virtue of the private nature of the business to be transacted.

Questions and statements from the Public

Up to 30 minutes will be set aside for questions and statements from members of the public at meetings of this Committee. Any member of the public who lives, works, attends an educational establishment or owns or leases land in the Borough may ask a question or make a statement on matters within the Terms of Reference of the Committee.

All questions must consist of one question only and cannot consist of multiple parts. Questions and statements cannot relate to planning or licensing committees matters, the personal affairs of an individual, or a matter which is exempt from disclosure or confidential under the Local Government Act 1972. Questions which in the view of the Chair are defamatory, offensive, vexatious or frivolous will not be accepted. Each question or statement will be limited to 3 minutes in length.

If you wish to ask a question or make a statement at a meeting of this Committee, please contact Democratic Services at: democraticservices@epsom-ewell.gov.uk

Questions must be received in writing by Democratic Services by noon on the third working day before the day of the meeting. For this meeting this is **Noon, Monday 25 March**.

A written copy of statements must be received by Democratic Services by noon on the working day before the day of the meeting. For this meeting this is **Noon, Wednesday 27 March**.

For more information on public speaking protocol at Committees, please see [Annex 4.2](#) of the Epsom & Ewell Borough Council Operating Framework.

Filming and recording of meetings

The Council allows filming, recording and photography at its public meetings. By entering the Council Chamber and using the public gallery, you are consenting to being filmed and to the possible use of those images and sound recordings.

Members of the Press who wish to film, record or photograph a public meeting should contact the Council's Communications team prior to the meeting by email at: communications@epsom-ewell.gov.uk

Filming or recording must be overt and persons filming should not move around the room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non-handheld devices, including tripods, will not be allowed.

AGENDA

1. QUESTIONS AND STATEMENTS FROM THE PUBLIC

To take any questions or statements from members of the Public.

2. DECLARATIONS OF INTEREST

Members are asked to declare the existence and nature of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting.

3. MINUTES OF THE PREVIOUS MEETING (Pages 5 - 14)

The Committee is asked to confirm as a true record the Minutes of the Meeting of the Committee held on the 1 February 2024 (attached) and to authorise the Chair to sign them.

4. EXTERNAL AUDIT UPDATE (Pages 15 - 206)

This report presents the 2022/23 Statement of Accounts, Grant Thornton's Audit Findings Report, and the Auditor's Annual Report following the external audit.

5. INTERNAL AUDIT PLAN AND CHARTER 2024-2025 (Pages 207 - 230)

This report introduces the Internal Audit Plan and Charter for 2024-2025.

6. INTERNAL AUDIT PROGRESS REPORT - MARCH 2024 (Pages 231 - 252)

This report summarises progress against the Internal Audit Plan 2023-2024.

7. ANNUAL REPORT ON THE USE OF RIPA POWERS (Pages 253 - 256)

To report on the Council's activities relating to surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) for 2023.

8. COMMITTEE ANNUAL REPORT 2023-2024 (Pages 257 - 266)

This report presents the Annual Report of the Audit and Scrutiny Committee for 2023-2024, which covers the work of the Committee between April 2023 and February 2024.

9. COMPLAINTS REPORT APRIL 2023 - DECEMBER 2023 (Pages 267 - 278)

This report details Stage 1 and Stage 2 complaints received by the Council from 01 April 2023 to 31 December 2023.

10. ICO AND LGO COMPLAINTS REPORT (Pages 279 - 282)

This report contains information on recent council complaints, including those from the Local Government and Social Care Ombudsman (LGSCO) and the Information Commissioner's Office (ICO).

11. PERFORMANCE AND RISK REPORT - MARCH 2024 (Pages 283 - 340)

The appendix to this report provides an overview of the Council's performance with respect to its 2023-2024 annual plan objectives, key performance indicators, corporate risks, committee risks, and annual governance statement actions.

12. WORK PROGRAMME (Pages 341 - 346)

This report presents the Committee with its annual Work Programme.

13. EXCLUSION OF THE PRESS AND PUBLIC (Pages 347 - 348)

The Committee is asked to consider whether it wishes to pass a resolution to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involves the likely disclosure of exempt information as defined in paragraph 3 and 5 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14. REPORT OF THE MONITORING OFFICER (Pages 349 - 402)

This report has not been published because the meeting is likely to be closed to the press and public in view of the nature of the business to be transacted/nature of the proceedings. The report deals with information relating to the financial and business affairs of a particular person or authority and information in respect of which a claim to legal professional privilege can be maintained in legal proceedings and the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

Minutes of the Meeting of the AUDIT AND SCRUTINY COMMITTEE held at the Council Chamber, Epsom Town Hall on 1 February 2024

PRESENT -

Councillor Steve Bridger (Chair); Councillor Robert Leach (Vice-Chair); Councillors Chris Ames, Rachel King, James Lawrence, Phil Neale and Chris Watson

In Attendance: Councillor Alex Coley (for Minute items 74 - 81 ONLY)

Absent: Councillor Jan Mason

Officers present: Andrew Bircher (Interim Director of Corporate Services), Brendan Bradley (Head of Finance), Rod Brown (Head of Housing and Community) (for Minute items 74-77 ONLY), Sue Emmons (Chief Accountant), Will Mace (Business Assurance Manager), Phoebe Batchelor (Democratic Services Officer), Natalie Jerams (Deputy Head of Partnership) (for Minute items 79 - 85 ONLY) and Neil Pitman (Head of Southern Internal Audit Partnership) (virtually for Minute items 74 - 80 ONLY)

74 QUESTION AND STATEMENTS FROM THE PUBLIC

No questions were received from members of the public. One invalid request to make a statement was received.

75 DECLARATIONS OF INTEREST

No declarations of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting were made by Members.

76 MINUTES OF THE PREVIOUS MEETING

The Committee confirmed as a true record the Minutes of the Meeting of the Committee held on **16 November 2023** and authorised the Chair to sign them.

77 ANNUAL REVIEW OF COMMUNITY SAFETY PARTNERSHIP

The Committee received a report providing an update on the work of the Epsom and Ewell Community Safety Partnership.

The following matters were considered:

- a) **Crime & Disorder Committee.** A Member of the Committee raised that they also sit on the Crime & Disorder Committee and asked for

clarification on whether they could participate in the debate and vote on this item. The Interim Director of Corporate Services and the Chair confirmed to the Member that they were able to take part in the debate and vote without any conflict-of-interest issues.

- b) **New Borough Commander.** A Member of the Committee asked if the new Borough Commander has been announced. The Head of Housing & Community responded to inform the Committee that they have not been told officially who has been appointed but they are aware that the police have appointed a new borough commander for Epsom & Ewell and councillors will no doubt be informed shortly.
- c) **CSP Responsibilities.** A Member of the Committee queried the years stated in paragraph 3.1, on page 12 of the report. The Head of Housing & Community confirmed to the Member that the report should state that the priorities are agreed for a three-year period, covering 2022-2024.

Councillor Alex Coley made a verbal statement to the Committee.

Following consideration, the Committee unanimously resolved to:

- (1) **Note the work of the Epsom and Ewell Community Safety Partnership (CSP).**

78 EQUALITY AND DIVERSITY ANNUAL REPORT 2023-2024

The report summarised the activities undertaken in 2023-2024 by the Council to progress our Diversity, Equity, and Inclusion Framework. The Framework includes three thematic objectives that demonstrate how we are meeting our responsibilities under the public sector equality duty.

The following matters were considered:

- a) **Equality related complaints.** A Member of the Committee raised that in Appendix 1, para 4.2.5, it states that there were no equality related complaints and queried if that was a sign of improvements in that area or if that is typical for the Council. The Business Assurance Manager responded to confirm that the Customer Service Team had reported that no equality related complaints were received this year and that the Council does not typically receive many equality related complaints.
- b) **Borough Profile.** A Member of the Committee asked if the Borough Profile referenced in Appendix 1 is the same as the Borough Profile document, they were aware of, a 20-page document showing a breakdown and comparison of areas throughout the Borough. The Business Assurance Manager confirmed that they are the same document. The Business Assurance Manager explained to the Committee that the document is only being shared internally currently, since being updated with the release of the census data, this is due to it currently being comprised of the raw data and not yet being formatted in an easily

digestible or engaging way for it to be shared more widely. The Business Assurance Manager confirmed that it is currently being looked at as to how to prioritise the data and make it more engaging and applicable to audiences. The Member asked if the updated data could be put into a similar format as previously and shared more widely. The Business Assurance Manager informed the Member that once the relevant information is identified, the next step will be to resource the work needed to format the document before it could be shared for general use. The Member asked for a date as to when the Borough Profile could be published. The Business Assurance Manager informed the Committee that it could be added onto their work schedule for the coming municipal year and a further update could be provided at the March Committee Meeting. Another Member of the Committee expressed their interest in having access to the updated Borough Profile document.

- c) **Categorisation of Complaints.** A Member of the Committee asked how a complaint is categorised once it has been received. The Business Assurance Manager responded to confirm that they would provide a response after consulting with the Customer Service Team. The Business Assurance Manager informed the Committee that all complaints are reviewed, and the members of the Customer Service Team are members of the internal diversity, equity and inclusion group, to help ensure they are able to confidently and accurately identify and categorise complaints received.
- d) **Equity or Equality.** The Vice Chair queried if equity or equality was the correct term when discussing the complaints. A Member of the Committee stated that equity is the relevant term. The Business Assurance Manager informed the Committee that a definition of equity is set out in the report, and equity is referred to in the framework.

Following consideration, the Committee unanimously resolved to:

- (1) **Note and comment on the activities undertaken in 2023-2024 by the Council to progress our Diversity, Equity, and Inclusion Framework (Appendix 1).**

79 PERFORMANCE AND RISK REPORT - FEBRUARY 2024

The appendix to this report provides an overview of the Council's performance with respect to its 2023-2024 annual plan objectives, key performance indicators, corporate risks, committee risks, and annual governance statement actions.

The following matters were considered:

- a) **Delivering the Local Plan.** A Member of the Committee asked why the risk is still so high for a failure to deliver the Local Plan now the Local Plan process has been unpaused. The Interim Director of Corporate Services responded to confirm that the recommencing of the Local Plan process removed one set of risks, however other risks around the changing of

national legislation, the cost, the strict timeline, and availability of staffing have all contributed to the risk staying high.

- b) **Surrey Transport Assessment.** A Member of the Committee asked if the relevant documentation has been submitted to SCC for the Transport Assessment to be completed in time to continue to hit the Local Plan deadlines and whether this has also been factored in to the risk report. The Interim Director of Corporate Services confirmed that SCC have received the relevant information to carry out the Transport Assessment, however this step has not been reflected in the risk set out in the report, as it was not completed within quarter two, it will be reflected in the next report for quarter three to assess the overall risk level.
- c) **Local Plan Site Selection.** A Member of the Committee asked if there was scope for the Committee to discuss a suggested mitigating factor of the Local Plan Site Selection being approved by Committee before being sent to SCC. The Interim Director of Corporate Services informed the Committee that officers were empowered to take forward the necessary steps in order to progress to the next required step and they have been guided by the Member Briefings held regarding the site selection. The Interim Director of Corporate Services continued to explain that submitting the documentation to SCC is not something that needs formal approval from Members in order to progress.
- d) **Red Categories.** A Member of the Committee asked how many quarters an item will remain as red before it is escalated, with either further resources put in, or an in-depth consideration as to how to progress the item and lower the risk. The Interim Director of Corporate Services informed the Committee that some risks will continue in red, due to the inherent high-risk nature of the activity and there may be little that can be done to mitigate those risks. The Interim Director of Corporate Services highlighted that if it gets to a point where an item is regarded as too risky, it can be a conversation with the relevant Committee Chair to discuss whether continuing down that route is something the Council should do. The Interim Director of Corporate Services informed the Committee that the risk register goes to monthly meetings with Committee Chairs, and is regularly reviewed and managed, through conversations with officers to talk about the risks and to add new risks to mitigate existing risks. The Business Assurance Manager informed the Committee that Strategy and Resources Committee approved the annual review of the risk management strategy in November and as part of that they agreed to run Councillor workshops on risk appetite, where risk targets can be discussed. The Business Assurance Manager confirmed that some of the red category risks are difficult to mitigate further without significant additional resource.
- e) **Climate Change Strategy.** A Member of the Committee asked why the impact of failure to deliver the Climate Change Strategy is the same level as the impact of failure to balance the budget. The Business Assurance Manager informed the Committee that they would need to consult with the

relevant officers to provide a definitive answers. The Business Assurance Manager explained to the Committee that in the risk management strategy, there are various categories of risk impact, if something relates to a key strategic objective and priority of the Council and it looks like it will not be achieved, that is why it is categorised as red.

Following consideration, the Committee unanimously resolved to:

- (1) Note and comment on the performance and risk information located at Appendix 1.**

80 COMPLAINTS REPORT

The Committee received a report containing information on council complaints, including those from the Local Government and Social Care Ombudsman (LGSCO) and the Information Commissioner's Office (ICO).

The following matters were considered:

- a) **Complaint Report.** Members of the Committee expressed their thanks to the Chair and officers that this report was added to the agenda.
- b) **Complaints Process.** A Member of the Committee asked if the case referenced in paragraph 3.3.6 on page 103, involved a failure of the complaint handling process. The Interim Director of Corporate Services confirmed that there was a failure of the complaint handling process, as the complaint was not acted up in a timely enough manner from when it was received and therefore, it escalated to a stage two complaint. The Interim Director of Corporate Services informed the Committee that the wider learning gained through this case was to make sure that the focus is on dealing with complaints in a timely manner so that they do get a response and don't needlessly escalate to stage two, but also going back to customers to manage expectations and keep them up to date with the status of their complaint if more time is needed to provide a full and helpful response, this emphasis on communication and timeliness is being rolled out in the training.
- c) **Access to Complaint details.** A Member of the Committee asked if Members of the Committee were allowed access to the details of the complaint or complainant. The Interim Director of Corporate Services informed the Committee that there must be care taken when discussing individual cases and highlighted that the Local Government Ombudsman anonymise information when publishing on their website so that cases cannot be identified. The Interim Director of Corporate Services continued to explain that there is no issue sharing the information with the relevant Ward Councillor about the case in question outside of the Committee Meeting.

- d) **Tracking response times.** A Member of the Committee asked if the response times for stage one and two complaints will be tracked and recorded. The Interim Director of Corporate Services confirmed to the Committee that response times for complaints will be tracked and recorded going forwards and explained that the LGO is currently consulting on a new complaint handling code, where there will certainly be an expectation that as Local Authority, we will have the data regarding complaint response times, as well as sharing the learning of our complaints.

Following consideration, the Committee unanimously resolved to:

- (1) **Note and comment on the complaint's information provided in report.**

81 WORK PROGRAMME

The Committee received a report presenting its annual Work Programme.

The following matters were considered:

- a) **Agenda items.** A Member of the Committee queried how to get items added to the agenda and workplan. The Chair informed the Committee that if a written request is received within the correct timeframe and it can be resourced, it can be added to the agenda. The Member raised that in December they requested an item to be added to the agenda which details and clarifies the process for getting a scrutiny action added to the agenda, and asked if this is something that can be added to the Committee's workplan. The Interim Director of Corporate Services informed the Committee that scrutiny work requires resourcing and input from Officers and Members over a period of time and this must all be taken into account before a scrutiny item can be actioned and added to the workplan. The Vice Chair confirmed that producing a scrutiny report can be time intensive but it is important for all Members of the Committee to raise concerns they have to the Chair so they can be dealt with in the most appropriate way possible.
- b) **Scrutiny Items.** A Member of the Committee raised their discontent with the answer that was given regarding getting items added to the agenda. The Member stated that the Council's operating framework sets out how a Councillor can get an item added to an agenda of this Committee and that does not include the Chair, Vice Chair or officers being able to veto items that are raised. The Vice Chair asked the Member to let them know the items which have been raised but not ended up on an agenda of the Committee. The Member wished to emphasise the importance of the Committee operating as set out in the Council's operating framework.
- c) **Process of Scrutiny Operation.** A Member of the Committee informed the Committee that they had requested an item detailing how to get a scrutiny item on the agenda and the process of carrying out a scrutiny operation was brought to the Committee.

- d) **Section 106 Agreement.** A Member of the Committee raised a concern regarding S106 payments not being tracked and requested an item regarding the tracking of key S106 performance indicators is added to the workplan. The Chair asked the Member to put the request into an email so it can be considered and discussed further.
- e) **Scheme of Delegation.** A Member of the Committee expressed their disappointment that the Scheme of Delegation Report has been pushed back on the workplan from the February Committee Meeting to the March Committee Meeting. The Chair noted the Member's comments.
- f) **Roof Repair Audit Item.** A Member of the Committee asked for an update on the audit plan item regarding the roof repair costs approved by Strategy and Resources Committee. The Interim Director of Corporate Services confirmed that the Internal Auditors, SIAP, were currently carrying out a review and the fieldwork is underway, with a report likely to come back to Committee in July of this year.
- g) **Part II Items.** A Member of the Committee asked if a report reviewing the increased use of Part II reports could be added to the workplan. The Chair asked the Member to put their request into an email so it could be considered and discussed further.

Following consideration, the Committee resolved;

(5 for, 1 against and the Chair not voting) to:

- (1) **Note and agree the ongoing Work Programme as presented in Section 2.**

82 EXTERNAL AUDIT UPDATE

The Committee received a report presenting a progress update on the external audit of 2022/23's Statement of Accounts.

The following matters were considered:

- a) **Finance Team.** The Chair expressed their thanks to the Finance Team for all their hard work on the External Audit.

Following consideration, the Committee unanimously resolved to:

- (1) **Note the progress update on the 2022/23 external audit.**

83 CAPITAL BUDGET MONITORING - QUARTER 3

The Committee received a report presenting the capital monitoring position at Quarter 3 for the current financial year 2023/24, covering the period 01/04/2023 to 31/12/2023. The Committee was asked to review the progress of capital projects as set out in Appendix 1.

The following matters were considered:

- a) **Financing of Core Capital Programme.** A Member of the Committee asked for the row headings, set out in the table at 4.1 on page 118, to be explained. The Chief Accountant provided an explanation to each row heading for the Committee.
- b) **Fairview Road.** A Member of the Committee asked for an update on the Temporary Housing Accommodation project on Fairview Road. The Chief Accountant confirmed that a Committee Report agreed to earmark the funds for the scheme. The Head of Finance informed the Committee that there has been an issue around accessing the site and a resolution is needed before progress can be made. The Interim Director of Corporate Services confirmed that the access issue has not been resolved but the work on a resolution is ongoing.
- c) **CIL Funds.** A Member of the Committee asked why the CIL funds have built up for an extended period of time whilst no one has been able to apply for them. The Head of Finance informed the Committee that a CIL Spending Protocol has been agreed by the Licensing and Planning Policy Committee in January 2024, which sets up how the funds can be spent going forward. The Member asked why the old framework was not employed whilst the new spending protocol was written. The Chair responded to explain that there were some issues with the old protocol that had to be resolved and have since been by the new approved spending protocol. The Chair informed the Committee that Councillors are able to bid on the Community Neighbourhood Fund. The Chief Accountant confirmed that the strategic infrastructure fund is for major infrastructure schemes and there is a lot of legislation around how CIL fund can be spent.
- d) **CIL Working Group.** A Member of the Committee asked who is involved in selecting and approving CIL bids. The Chief Accountant encouraged the Committee to consult the recently approved CIL spending protocol, which sets out how the funds will be agreed for use. The Democratic Services Officer informed the Committee that the Membership of the CIL Working Group is set out in CIL spending protocol document.

Following consideration, the Committee unanimously resolved to:

- (1) **Receive the capital monitoring position at Quarter 3, as set out in the report.**

84 REVENUE BUDGET MONITORING - QUARTER 3

The Committee received a report presenting the forecast revenue outturn position for the current financial year 2023/24, as at Quarter 3, covering the period 01/04/2023 to 31/12/2023.

The following matters were considered:

- a) **Council Reserves.** A Member of the Committee asked how many years it would be sustainable for the Council to transfer from reserves to manage the budget deficit. The Head of Finance responded to explain that there's a lot of uncertainty ahead, in terms of central government and demand pressures on Council services, and at the moment around £500,000 a year is being used from our reserves. The Head of Finance continued to explain that the Council's General fund reserve balance is around £3million and £1.5million uncommitted in our Corporate Projects reserve. The Head of Finance explained that the Council cannot continue until those reserves are exhausted and needs to address its budget deficit as soon as possible, so it retains financial resilience to deal with the unforeseen.
- b) **Property Dividend reduction.** A Member of the Committee asked if the property mentioned in paragraph 6.1 on page 135, is the property the Council is planning to move to with the Town Hall Relocation and highlighted the large reduction in dividend income from £1.3million to £700,000. The Head of Finance responded to inform the Committee that it is a different property mentioned in paragraph 3.6, and the 23/24 and budget would have been set in in February 2023, with the work going into that happening in late 2022 based on the existing leases that were in place at the properties. The Head of Finance continued to explain that in the spring of 2023, a rent-free period had to be agreed with one of the property tenants in order to retain them in the property and that reduced the dividend income temporarily for a period of two years, the lease is due to revert back to full rent in April 2025 and that was agreed by the Strategy and Resources Committee in in March 2023, therefore, the lease adjustment happened after the budget was set.

Following consideration, the Committee unanimously resolved to:

- (1) **Receive the revenue budget monitoring report, which sets-out a projected deficit of £146,000 for 2023/24;**
- (2) **Note that specific reports have been taken to Licensing & Planning Policy Committee (November 2023) and Community & Wellbeing Committee (October 2023) to address the most significant adverse budget variances;**
- (3) **Note that the final outturn position will be reported to Strategy & Resources in July 2024, then to this committee alongside the Statement of Accounts in autumn.**

85 INTERNAL AUDIT PROGRESS REPORT - FEBRUARY 2024

The Committee received a report summarising the progress against the Internal Audit Plan 2023-2024.

The following matters were considered:

- a) **Biodiversity Net Gain.** A Member of the Committee asked for an explanation of the Biodiversity Net Gain Grant listed on page 155. The Council's Internal Auditor responded to explain there was a very short, restricted piece of work that was required, and it was set by central government. The Internal Auditor explained that it was required to have Chief Executive and chief internal auditor sign off and the review would have purely looked at the spend of that grant and whether the spent was in line with the grant conditions set, which they were comfortable with therefore able to sign that off. The Member asked if outside expertise has been required to audit this grant. The Internal Auditor responded to state that any additional expertise was not necessary to review and audit the Biodiversity Net Gain grant.

Following consideration, the Committee unanimously resolved to:

- (1) **Note the internal audit progress report 2023-2024 from Southern Internal Audit Partnership (SIAP) attached at Appendix 1.**

The meeting began at 7.30 pm and ended at 9.04 pm

COUNCILLOR STEVE BRIDGER (CHAIR)

2022-23 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS

Head of Service:	Brendan Bradley, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1 – Audit Findings Report Appendix 2 – 2022/23 Statement of Accounts (includes Annual Governance Statement) Appendix 3 – Letter of Representation Appendix 4 – Auditor’s Annual Report

Summary

This report presents the 2022/23 Statement of Accounts, Grant Thornton’s Audit Findings Report, and the Auditor’s Annual Report following the external audit.

Recommendation (s)

The Committee is asked to:

- (1) Approve the Statement of Accounts for the year ended 31 March 2023;**
- (2) Receive the Audit Findings for 2022/23;**
- (3) Agree the management action in response to the audit recommendations detailed at Appendix A of the Audit Findings report;**
- (4) Authorise and agree that the Chair or Vice Chair of Audit and Scrutiny Committee and the Chief Finance Officer sign the Statement of Accounts and Letter of Representation on behalf of the Council;**
- (5) Nominate and authorise the Chief Finance Officer, in consultation with the Chair or Vice Chair of Audit & Scrutiny Committee, to make any further amendments to the 2022/23 Statement of Accounts;**
- (6) Receive the Auditor’s Annual Report for 2022/23;**
- (7) Agree the management actions in response to the recommendations in the Auditor’s Annual Report;**
- (8) Note that the Auditor’s Annual Report will also be presented to the next meeting of Full Council.**

1 Reason for Recommendations

- 1.1 Approving the recommendations will enable the Council to meet its statutory requirements under the Accounts and Audit Regulations (England), regarding the preparation of its year-end accounts for 2022/23.

2 Background

- 2.1 The Accounts and Audit Regulations require Councils to publish audited Statement of Accounts by 30 September each year, or where this is not possible, to publish an explanatory public notice on its website.
- 2.2 The Council was unable to publish audited accounts by 30 September, because owing to resourcing issues in the audit sector, Grant Thornton had to defer the audit commencement until October, as reported to this Committee in July 2023. However, the Council has met its overall statutory requirements by publishing the explanatory public notice.

3 Audit Update

- 3.1 As reported to this Committee in February, the audit has progressed and Grant Thornton has now issued their Audit Findings Report (Appendix 1), and Auditor's Annual Report (Appendix 4), relating to the 2022/23 financial year and the Statement of Accounts.
- 3.2 The Statement of Accounts incorporate disclosures that show the combined financial position of the Council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts and are attached at Appendix 2.
- 3.3 As part of the audit, Grant Thornton performed sufficient work to gain assurance that the group accounts are materially accurate.
- 3.4 The Audit Findings Report will be presented to the committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit.
- 3.5 The audited Statement of Accounts are included as Appendix 2 to this report. **The accounts are complex and so Members are asked to raise any detailed queries with the Chief Finance Officer prior to the meeting.**
- 3.6 The Council is required to provide Grant Thornton with a Letter of Representation, attached at Appendix 3. The Letter of Representation provides the auditor with assurance that the Council has fulfilled its responsibilities relating to the audit and financial statements.
- 3.7 The Council's provisional financial performance for 2022/23 was previously reported to Strategy & Resources Committee in July 2023, and there are no changes to the provisional figures arising from the audit.

4 Audit Findings Report (Appendix 1)

- 4.1 The following specific points are made in the report:-
- 4.2 The auditor's overall headline finding is that: *"Our anticipated audit report opinion will be unqualified [i.e. favourable]. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources"*.
- 4.3 Any adjustments required to the Statement of Accounts have been agreed and implemented and they did not affect the Council's reported outturn position or usable reserves. The agreed adjustments are detailed at Appendix C to the Audit Findings Report, with the main one being a £1.188m increase in the value of investment properties.
- 4.4 For context, this means the reported valuation of the Council's investment properties increases from £115m in the draft accounts to £116m in the audited accounts. The increase is recognised in the Capital Adjustment Account (an unusable reserve), so does not impact the Council's usable reserves and revenue outturn position.
- 4.5 There are three 'unadjusted misstatements', detailed at Appendix C of the Audit Findings Report. The auditor is satisfied that these items are immaterial and so should be adjusted in the following year's accounts where necessary.
- 4.6 The auditor has made one minor improvement recommendation, detailed at Appendix B of the Audit Findings report, which management has agreed to implement.

5 Auditor's Annual Report (Appendix 4)

- 5.1 The Auditor's Annual Report is attached at Appendix 4. The report can be considered to reflect positively on the Council, with key findings summarised as follows:

Financial Sustainability

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

Governance

5.1.2 *“The Council continues to maintain appropriate governance arrangements and have all required compliance policies in place. The Risk Management Strategy update is prudent and allows for suitable risk planning. We note that the Council implemented last year’s recommendation to include sources of assurance in Risk Register templates. The Council suitably use the principles of CIPFA’s Delivering Good Governance in Local Government Framework to guide their internal controls. They have a sufficient Internal Audit function providing assurance over the Council’s functions. Internal Audit Progress Reports demonstrate that the Council should prioritise completion of management actions; we have raised a recommendation to this effect. Furthermore, we noted that there are two members of Strategy & Resources Committee who are also members of Audit & Scrutiny Committee, so we have raised a recommendation to consider the composition of the Committee and consider the benefits of appointing independent members of the Committee.*

Improving Economy, Efficiency and Effectiveness (Value for Money)

5.1.3 *“The Council’s approach to improving economy, efficiency and effectiveness is aligned to delivering value for money. Their Four Year Plan and more detailed annual planning is centred around delivering value to the wider community, however we have raised a recommendation to develop a partnership governance framework to help guide and track success of partnership working at Epsom & Ewell. See page 25 [of our report] for more detail. In addition, we noted the Council’s underperformance in processing minor planning applications [in 2022/23]. However, we acknowledge that performance has improved in 2023. See page 25 [of our report] for more detail. Whilst we have not identified any significant weaknesses in this section, our recommendation should further enhance the Council’s ability to deliver value for money”.*

5.2 The Auditor’s Annual Report presents four improvement recommendations in total, to further strengthen the Councils processes. The four recommendations, detailed in full at Appendix 4, are summarised in the following table along with the management response to each.

5.3

Auditor Recommendation	Management Response
1. The Council should ensure that internal audits focussed on the financial controls are completed ahead of the end of the financial year in order to help inform the opinion of the Head of Internal Audit	<i>Management acknowledges the importance of completing audits as planned during the financial year. Over the last 21 months, the finance team has experienced significant resource challenges due to elevated staff turnover and a case of long-term sickness (now resolved). The team is now sufficiently resourced and going forward expects to deliver against the internal audit plan. Progress against the internal audit plan continues to be monitored by both Strategic Leadership Team and Audit & Scrutiny Committee, ensuring oversight of audit progress.</i>
2. The Council should develop a monitoring framework for management actions identified in Internal Audit Reports and prioritise completion of management actions by the agreed due date. A monitoring framework would provide more clarity and accountability to service and function leads to complete all outstanding actions.	<i>The Council already has a robust framework in place for monitoring outstanding audit actions. The Business Assurance team maintains a log of all open actions, with Heads of Service required quarterly to provide progress updates. Actions are only closed once confirmed as completed. Looking ahead, the Council has recently procured performance management software, which is expected to further enhance monitoring capabilities.</i>

<p>3. The Council should:</p> <p>a) Consider reviewing the composition of Audit & Scrutiny Committee to exclude Strategy & Resources Members to help maintain independence.</p> <p>B) Consider the merits of appointing independent members to Audit & Scrutiny Committee.</p>	<p><i>Following a Corporate Peer Challenge in March 2024, the Council already expects to review the operation of Audit & Scrutiny Committee in the coming year. This audit recommendation will be considered, in consultation with relevant members, as part of this review.</i></p>
<p>4. To support the Council's partnership working, the Council could develop a partnership governance framework to help bring clarity, to guide partnership work and to help evaluate success and effectiveness of working arrangements.</p>	<p><i>The Council is committed to positive partnership working and is aware that this has also been recognised as part of the recent Corporate Peer Challenge. Management will consider this recommendation in conjunction with the Action Plan that arises from the Corporate Peer Challenge.</i></p>

5.4 Audit & Scrutiny Committee is asked to note the management responses to the four recommendations within the Auditor's Annual Report.

5.5 Grant Thornton has previously advised that it is best practice for the Auditor's Annual Report to also be presented to Full Council. This is because the national 'Redmond Review' found that in a number of high-profile corporate failures, those at the top of the organisation often cited in their defence that they were not made aware of issues raised by auditors, because audit reports had been discussed elsewhere in the governance structure.

As such, the report will also be presented to Full Council for information at its next meeting.

6 2022/23 Housing Benefit Subsidy Certification

- 6.1 At the time of writing, audit work on the Council's Housing Benefit Subsidy claim for 2022/23 remains ongoing. Certification of the claim is expected to complete by 31 May 2024.
- 6.2 The deadline for auditors to complete certification work had originally been 31 January 2024, however, Grant Thornton deferred this work due to their resourcing issues. There is not expected to be any penalty from the Department of Work & Pensions as a result of the deferral, and it does not impact on approval of the Council's Statement of Accounts.
- 6.3 Looking forward, officers will seek assurance from Grant Thornton that it will have resources in place to meet statutory deadlines for 2023/24.

7 Risk Assessment

Legal or other duties

7.1 Equality Impact Assessment

7.1.1 None.

7.2 Crime & Disorder

7.2.1 None.

7.3 Safeguarding

7.3.1 None.

7.4 Dependencies

7.4.1 None.

7.5 Other

7.5.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts, under the Accounts and Audit Regulations.

8 Financial Implications

8.1 The 2022/23 Audit Plan originally anticipated an audit fee of £67,548.

8.2 However, the deferral of the audit from July to October meant it clashed with other significant workstreams, such as setting the Council's 2024/25 budget. It also coincided with a period of elevated staff turnover in the finance team. This presented significant challenges for staff to provide immediate responses to all audit queries. Despite this, officers have managed to work with Grant Thornton to progress the audit to completion, remaining amongst the first districts in Surrey to do so.

8.3 Grant Thornton advise that it has incurred additional costs of £10,000, due to delays in receiving responses to some audit requests, as officers faced multiple demands from competing workstreams.

8.4 Officers have pointed out that the original audit deferral from July, which was at Grant Thornton's request as it did not have sufficient resources to undertake the audit at that time, contributed to the audit clashing with other significant workstreams in October.

8.5 Usually additional audit costs would be passed in full to the client organisation (i.e. the Council). However, given the mitigating factors above, it may be considered reasonable for Grant Thornton and the Council to share the additional costs 50:50, i.e. £5,000 each. Officers intend to refer the additional fee request to the independent PSAA (Public Sector Audit Appointments Ltd) for a decision. Should PSAA decide that an additional £5,000 fee is reasonable and therefore payable, it will take the total main audit fee for 2022/23 to £72,548. This could be met from existing budgets, supported by government grant funding for additional financial reporting burdens.

8.6 **Section 151 Officer's comments:** The Statement of Accounts are extensive and detailed so please raise any queries regarding Appendix 2 with the Chief Finance Officer prior to the Committee meeting.

9 Legal Implications

9.1 The requirements for external audit are set out in the executive summary of the Audit Findings report.

9.2 The Accounts and Audit Regulations require that the audited Statement of Accounts and Annual Governance Statement be approved by a member committee and published on the Council's website by 30 September 2023, or where this is not possible, to publish an explanatory public notice on its website and to complete the audit as soon as practicable thereafter. The Council has complied with its statutory obligations.

9.3 **Legal Officer's comments:** None arising from the contents of this report.

10 Policies, Plans & Partnerships

10.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council

10.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

10.3 **Climate & Environmental Impact of recommendations:** None.

10.4 **Sustainability Policy & Community Safety Implications:** None.

10.5 **Partnerships:** None.

11 Background papers

11.1 The documents referred to in compiling this report are as follows:

Previous reports:

- External Audit Update reports to Audit and Scrutiny Committee, 18 July 2023, 28 September 2023, 16 November 2023 and 1 February 2024.
- Provisional Financial Outturn reported to Strategy & Resources Committee on 13 July 2023.

Other papers:

- None.


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The Audit Findings Report for Epsom and Ewell Borough Council

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Your key Grant Thornton team members are:

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This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Scrutiny Committee.

Name: **Matt Dean**
For **Grant Thornton UK LLP**
Date: **March 2024**

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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Agenda Item 4
Appendix 1

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Epsom and Ewell Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Group and Council's financial statements:

- give a true and fair view of the financial position of the Group and Council and the Group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was held remotely during October 2023 to February 2024. Our findings are summarised on pages 6 to 18. We have identified two (2) corrected adjustments that have resulted in a £1.2m adjustment to the Group's Comprehensive Income and Expenditure Statement (CIES). We also noted three (3) uncorrected adjustments with £321k impact on the Council's CIES, and amendments to notes to the financial statements. These are detailed in Appendix C. We have also raised one recommendation for management as a result of our audit work. This is set out in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (please see Appendix G) or material changes to the financial statements, subject to the following outstanding matters;

- Processing of a) IAS 19 assurance from pension fund auditors and b) housing benefits modules.
- Final review of audit file;
- Receipt of management representation letter (please see appendix F); and
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

Agenda Item 4
Appendix 1

1. Headlines

Value for Money (VFM) arrangements

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 in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on page 17, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us. The audit team and the Council have worked constructively with the Council to resolve issues and challenges encountered to progress the audit by this point.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

With regards to Epsom and Ewell Borough Council, the Borrowing strategy in accordance with their latest Treasury Management Strategy Statement is to maintain an under-borrowed position. As quoted in our separate Auditors Annual Report (AAR), the Council's borrowing rates are monitored which means that if borrowing rates change then borrowing would be postponed and the portfolio position is re-appraised. External borrowing is undertaken specifically to invest in commercial properties to generate long-term income streams. The Council's long-term borrowing position remain at £64.4 million as of 31st March 2023 which was unchanged from the previous year.

On our AAR, we have added our benchmarking tool which provides further insight into the Council's level of borrowing. In 2022/23, long-term borrowing as a proportion of long-term assets at the Council was at 32%. The Council is ranked as having the 11th highest proportion of long-term borrowing against assets, compared to 110 districts in the UK. Compared with other districts in Surrey, the Council ranked third with a proportion of long-term borrowing against assets. The 2020-2024 Financial Plan outlined that part of the Council's asset management strategy was to increase income generated from commercial property and as mentioned, external borrowing is undertaken to invest in commercial properties. Please refer to our separate AAR for further details.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Scrutiny Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Group and the Council's business and is risk based, and in particular included:

- An evaluation of the Group and the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion as detailed in Appendix G.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. At the time of writing (February 2024), there are still areas to be concluded. The final audit fee will be reported to the committee and is subject to approval by PSAA.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	939,000	938,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	657,000	656,000	Calculated as 70% of headline materiality. This is a measure used in audit of testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	46,000	45,000	This has been calculated based upon 5% of your headline materiality.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Risk of fraud in revenue recognition</p> <p>Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>In our audit plan, we mentioned that based on our judgement, the significant risk due to fraud at the Council relates to the improper recognition of grants with terms and conditions attached. Having considered the risk factors set out in ISA240 and the nature of the revenue streams including recognition of grant income at Epsom and Ewell Borough Council, we have determined that the risk of fraud arising from revenue recognition on the Group and the Council’s revenue streams can be rebutted, because:</p> <ul style="list-style-type: none">- There is little incentive to manipulate revenue recognition- Opportunities to manipulate revenue recognition are very limited- The culture and ethical frameworks of local authorities, including Epsom and Ewell Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We have not identified any issues in this regard.</p>	<p>Group and Council</p>
<p>Risk of fraud in expenditure recognition</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period.</p> <p>Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p>	<p>We have:</p> <ul style="list-style-type: none">• inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period;• inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and• investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. <p>Our audit work has not identified significant issues in respect of this risk.</p>	<p>Group and Council</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Management over-ride of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals ; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; obtained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work is to be finalised however at the time of writing, we have not identified issues in respect of this risk. We will provide an update to Management and Those Charged with Governance should any issues be identified from our remaining testing.</p>	<p>Group and Council</p>
<p>Valuation of land and buildings</p> <p>You revalue your land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; wrote to the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; tested revaluations made during the year to see if they had been input correctly into your asset register; and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>The lease terms used for the reversionary rent in calculating the valuation for investment properties for two of the investment properties of the Council's subsidiary were wrong. This was corrected using the lease agreements for these properties resulting in an increase in the revaluation gain of £1.118 million. As this only affects the Council's subsidiary, adjustments were made only on the Group accounts.</p> <p>Other than above, we obtained reasonable assurance that the valuation of land and buildings are not materially misstated.</p>	<p>Group and Council</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to
<p>Valuation of the pension fund net liability</p> <p>Your pension fund net liability, as reflected in its balance sheet as defined benefit pension liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£5.4 million in your balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. obtained assurance from the auditor of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>The Surrey Pension Fund auditors identified £6m undervaluation of level 3 investments due to timing differences of valuation between 31 December 2022 and 31 March 2023. The calculated difference allocated to the Council is £120k which the Council opted not to adjust on the grounds of immateriality.</p> <p>In addition to above, the pension fund auditors also identified one investment totalling £7.6 million where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern, valuation other than FRS102 and in liquidation. The Council's share on this investment of £152k was not considered material. Please refer to Appendix C for details.</p>	Council

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other land & buildings valuations NBV £63,043,000	<p>Other land and buildings that were revalued in 2022/23 comprises £41.1 million of specialised assets such as leisure centre and theatre, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings revalued in year (£4.6 million) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2023 on a five yearly cyclical basis. About 67% of total assets were revalued during 2022/23.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £8.2 million for other land and buildings. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022, considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties. The Council has made an adjustment of £1.7 million on other land and building representing revaluation gain between December 2022 and March 2023.</p> <p>After applying indices, depreciation and impairment, and other movements, the total year end net carrying value of Other Land and Buildings was £63 million, which was a net decrease of £0.1 million from the 2021/22 (£63.1 million).</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022. Management's assessment of assets not revalued has identified no material change to the properties value.</p>	<p>The Council has engaged Wilks Head and Eve for the valuation of other land and buildings. We have considered and completed the following in the course of our audit:</p> <ul style="list-style-type: none"> - assessment of management's expert; - Impact of any changes on the valuation method; - consistency of estimate against Montagu Evans report; - reasonableness of movement in estimates; - adequacy of disclosure of estimate in the financial statements; and <p>We have recalculated the indexation to 31 March 2023 applied by the management over assets revalued in December 2022 using the percentage change as defined in the valuation report and resulted in difference below triviality. We have assessed the rate used to be in line with the BCIS rate.</p> <p>We have not identified any issues in respect of the valuation of land and buildings other than the error on the amount disclosed as properties revalued. Amount disclosed was updated to £41,939k from £42,354k.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment properties valuations NBV £116,279,000	<p>The Group's investment property portfolio has a value of £116 million (£64 million for the Council) as at 31 March 2023. All Investment properties have been valued at fair value in 2022/23.</p> <p>The valuation of properties valued by the valuer has resulted in a net net decrease of £2.4 million for investment properties. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022, considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties. No adjustment was made for investment property as the movement was assessed by management as immaterial.</p> <p>After applying indices, depreciation and impairment, and other movements, the total year end net carrying value of Investment properties was a net decrease of £2.2 million from 2021/22 (£118.5 million).</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2022. Management's assessment of assets not revalued has identified no material change to the properties value.</p>	<p>The Council has engaged Wilks, Head and Eve for the valuation of investment properties. We have considered and completed the following in the course of our audit:</p> <ul style="list-style-type: none"> - assessment of management's expert; - Impact of any changes on the valuation method; - consistency of estimate against Montagu Evans report; - reasonableness of movement in estimates; - adequacy of disclosure of estimate in the financial statements; and - evaluated classification of investment properties. <p>We have recalculated the indexation to 31 March 2023 applied by the management over assets revalued in December 2022 using the percentage change as defined in the valuation report and resulted in difference below triviality. We have assessed the rate used to be in line with the BCIS rate.</p> <p>The lease terms used for the reversionary rent in calculating the valuation for investment properties for two of the investment properties of the Council's subsidiary were wrong. This was corrected using the lease agreements for these properties resulting in increase in revaluation gain of £1.118 million. As this only affects the Council's subsidiary, adjustments were made only on the Group accounts.</p> <p>Other than above, we have not identified issues in respect of the valuation of investment properties.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																							
Net pension liability – £5,400,000	<p>The Council's net pension liability at 31 March 2023 is £5.4 million (PY – £10.4 million).</p> <p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 31 March 2022 (representing year zero of triennial valuation). A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> Assessment of management's expert; Assessment of actuary's approach taken, based on the full valuation to confirm reasonableness of approach; Use of PwC as auditor's expert to assess actuary and assumptions made by actuary – the table compares your Actuary's assumptions <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.75%</td><td>4.75% p.a. for all employers</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>3%</td><td>Unadjusted: 2.85% to 2.90% p.a.; Adjusted*: 2.95% to 3.00% p.a. for all employers.</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4%</td><td>Typically assumption will be between CPI and CPI + 1.0% p.a.</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22.4 / 21.8</td><td rowspan="2">Figures within the IAS19 results schedule may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.*</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>26.2 / 24.5</td><td>●</td></tr> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75% p.a. for all employers	●	Pension increase rate	3%	Unadjusted: 2.85% to 2.90% p.a.; Adjusted*: 2.95% to 3.00% p.a. for all employers.	●	Salary growth	4%	Typically assumption will be between CPI and CPI + 1.0% p.a.	●	Life expectancy – Males currently aged 45 / 65	22.4 / 21.8	Figures within the IAS19 results schedule may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.*	●	Life expectancy – Females currently aged 45 / 65	26.2 / 24.5	●	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Assumption	Actuary Value	PwC range	Assessment																							
Discount rate	4.75%	4.75% p.a. for all employers	●																							
Pension increase rate	3%	Unadjusted: 2.85% to 2.90% p.a.; Adjusted*: 2.95% to 3.00% p.a. for all employers.	●																							
Salary growth	4%	Typically assumption will be between CPI and CPI + 1.0% p.a.	●																							
Life expectancy – Males currently aged 45 / 65	22.4 / 21.8	Figures within the IAS19 results schedule may now show individual employer level life expectancies). As a result of the significantly larger differences at individual employer level (in comparison to LGPS fund averages), the life expectancy ranges may now be significantly wider at both the lower and upper bounds. The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.*	●																							
Life expectancy – Females currently aged 45 / 65	26.2 / 24.5		●																							

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £5,400,000, cont'd		<ul style="list-style-type: none">With regards to the mortality on the PwC report, they are comfortable with Hymans approach to estimating mortality rates. To obtain further assurance, we have done a comparison to the prior year mortality rates and did not note any significant differences.We have reviewed the completeness and accuracy of the underlying information used to determine the estimateWe have confirmed there were no significant changes in 2022/23 valuation method and IAS19 assumptions are reasonable.We have reviewed the reasonableness of the Council's share of Local Pension Scheme (LPS) pension assets.We have reviewed the reasonableness of increase/decrease in estimateWe have reviewed the adequacy of disclosure of estimate in the financial statements <p>The Surrey Pension Fund auditors identified a £6 million undervaluation of level 3 investments due to timing differences of valuation between 31 December 2022 and 31 March 2023. The calculated difference allocated to the Council is £120k which the Council opted not to adjust on the grounds of immateriality.</p> <p>In addition to above, the pension fund auditors also identified one investment totalling £7.6 million where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern, valuation other than FRS102 and in liquidation. The Council's share on this investment of £152k was not considered material. Please refer to Appendix C for details.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment









- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology





This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

In our audit plan, we included Real Asset Management (RAM) as in scope for our ITGC assessment however, following completion of our risk assessment, we determined that this is not a relevant IT application and therefore no ITGC assessment is required. On the other hand, we have considered iTrent system as in scope IT application used for HR purposes and have included below result of our assessment.

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IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica Financials	ITGC assessment (design and implementation effectiveness only)					None identified.
iTrent	ITGC assessment (design and implementation effectiveness only)					None identified.

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Group which is appended in this report.
Confirmation requests from third parties	We sought external confirmations from relevant banks and financial institutions to support our view of the Group and the Council's yearend cash and investment balances. We received positive confirmation for all balances. There are no issues to report.
Accounting practices	We have evaluated the appropriateness of the Group and the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. However, we encountered delays in receiving requested audit evidence due to capacity challenges within the Council. This resulted in delays to our audit timeframes, and there will be additional fees charged as overruns for the additional time incurred – our current proposal can be seen in Appendix D .

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entitiesfor many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Group and the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Group and the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">the nature of the Group and Council and the environment in which it operatesthe Group and the Council's financial reporting frameworkthe Group and the Council's system of internal control for identifying events or conditions relevant to going concernmanagement’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">a material uncertainty related to going concern has not been identifiedmanagement’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

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Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix G.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,• if we have applied any of our statutory powers or duties.• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA Group audit instructions. Note that work is not required as the Council is not expected to exceed the threshold.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented alongside this report.

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. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statement.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in **Appendix D**.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics, cont'd

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Estimated Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	£43,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £43,000 in comparison to the total fee for the audit and in particular, relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Audit Adjustments
- D. Fees and non-audit services
- E. Auditing developments
- F. Management Letter of Representation
- G. Audit opinion

A.Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<div><div></div><div>Low</div></div>	<p>Completeness of lease register</p> <p>The Council does not include immaterial leases within the lease register provided to the engagement team and although new leases were disclosed, it raises questions over the completeness of other listings moving forward.</p>	<p>We suggest the Council consider including all leases on their lease register regardless of the value. This will serve as supporting evidence to the external auditors that the cumulative impact of leases wont be material and therefore fine to not be disclosed. In preparation for the IFRS 16 that will be effective from 1st April 2024, the Council should be able to demonstrate completeness of all leases considered for IFRS 16 assessment as a starting point.</p> <p>Management response</p> <p>Management already maintains a register of material leases, but this will be updated to ensure it captures all known leases including those of low value, as requested.</p>

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have identified the following adjusted audit misstatements which we are required to report to those charged with governance.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
<p>Investment property – Group accounts</p> <p>The lease terms used for the reversionary rent in calculating the valuation for investment properties for two of the investment properties of the Council’s subsidiary were wrong. This was corrected using the lease agreements for these properties resulting in increase in revaluation gain of £1.118 million. As this only affects the Council’s subsidiary, adjustments were made only on the Group accounts. Management agreed to adjust.</p>	(1,188) – Increase in Group CIES (income)	Dr. Investment properties – 1,188 Cr. Revaluation gain – (1,188)	(1,188) – reduction in Group total net expenditure
<p>Error within MIRS</p> <p>We noted an understatement of £466k on Capital Adjustments Account (CAA) within MIRS when compared to trial balance. This is offset by the corresponding overstatement on Revaluation Reserve (RR) within MIRS. Management confirmed this as clerical error on value picked up for MIRS hence draft accounts have just not been updated and trial balance is showing the correct amounts.</p> <p>Management updated the accounts based on the amount per trial balance. Movement in Note 9 related to adjustment within MIRS have also been updated to reflect this change.</p>	n/a – no impact on the CIES	Dr CAA reserve – 466 Cr. RR – (466)	-
Net impact	(1,188) – Increase in Group CIES (income)		- (1,188) – reduction in Group total net expenditure

C. Audit Adjustments, cont'd

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 7 - Expenditure and Funding Analysis Incorrect figures disclosed on "Adjustments between internal reporting and statutory position" should show as (£1,415k) and not (£688k). Following correction of error within MIRS from the preceding slide, "Adjustments between for capital purposes" of (£6,121k) and "Total adjustments between funding and accounting basis" of (£4,796k) have been amended to (£5,654k) and (£4,329k), respectively.	Audit adjustment proposed to correct error in Note 7. Management response Agreed to adjust.	✓
Note 15 – Property, plant and equipment The Council updated the note to reflect the amount of properties revalued per the fixed asset register (FAR) of £41,939k from £42,354k.	Audit adjustment proposed to correct error in Note 15. Management response Agreed to adjust.	✓
Other minor errors within the notes to the accounts such as: <ul style="list-style-type: none"> ▪ Narrative report – 2. Financial performance Casting error of sub-total variance. Amount adjusted from £544k to £526k. ▪ Narrative report – 3. Employee Benefits Discount rate disclosed was wrong. Updated from 2.7% to 4.8%. ▪ Note 18 - Financial instruments Removal of 'There is no indication that the investment may be materially impaired' which management confirmed to have been added in error. 	Adjustments proposed to correct fundamental errors noted within the accounts. Management response Agreed to adjust.	✓

C. Audit Adjustments, cont'd

Impact of unadjusted misstatements

The table below provides details of adjustment identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
Grant Income				
We noted a duplicate entry on our samples for grant income. Management explained that this transaction is to offset a corresponding debit in grants income however this was unintentionally doubled within the grant income listing and therefore overstated the grant income by £338k . The corresponding debit was made to the capital grants reserve and is therefore understated by the same amount.	Dr Grant income – 338	Cr Capital grant reserve – (338)	338	The Council has not adjusted as this is below materiality.
The adjustment has no impact on the overall reserve. Client do not intend to make an adjustment for it in the accounts. As there are only three transactions under capital grants we can conclude that this is an isolated error and will not materially affect the capital grants figure stated in the accounts.				
Holiday accruals				
Relates to the balance of leave accruals at the end of the financial period. Client explained that they don't accrue for this leave based on it's low (immaterial) value to their accounts users, we have therefore made a note of this in our unadjusted misstatements log, as this amount is above our triviality threshold. The adjustment to the right represent the net impact on CIES. We note that the overall impact on both balance sheet and reserves taking into account similar treatment in prior year have a net amount of below triviality (£20k).	Dr Payroll – 103	Cr Accruals – (103)	103 – increase in total net expenditures	The Council has not adjusted as this is below materiality.
Overstatement on the pension fund liability				
The Surrey Pension Fund auditors identified a £6 million undervaluation of level 3 investments due to timing differences of valuation between 31 December 2022 and 31 March 2023. The pension fund account has not been amended for the timing difference as it is not material. The calculated difference allocated to Epsom and Ewell based on 2% asset share over the total pension asset is £120k . In effect, the net pension fund liability is overstated by the same amount as at 31 March 2023.	Cr Remeasurement of net pension liability – (120)	Dr Pension fund liability – 120	(120) – decrease in total net expenditures	The Council has not adjusted as this is below materiality.
In addition to above, the pension fund auditors also identified one investment totalling £7.6 million where the auditor's report on the investments was unqualified but reported an 'emphasis of matter' on going concern, valuation other than FRS102 and in liquidation. The Council's share on this investment of £152k was not considered material.				
Net impact	321 – decrease in Group CIES (income)	(321) – decrease in net asset	321 – Increase total net expenditure	

D. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
New scale fee	£44,739	£44,739
Additional work on Value for Money (VfM) under new NAO Code	£9,000	£9,000
Increased audit requirements of revised ISAs 315	£3,000	£3,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000	£3,000
Audit of Group Accounts (not included in the Scale Fee)	£2,959	£2,959
Increased audit requirements of revised ISAs 540	£2,100	£2,100
Quality review – response to FRC (Quality Partner)	£1,500	£1,500
Enhanced audit procedures collection Fund - reliefs testing	£750	£750
Additional audit costs due to delay in receipt of audit evidence	-	£5,000
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	£500	£500
Total audit fees 2022/23 (excluding VAT)	£67,548	£72,548*

* Fees subject to PSAA agreement – the fees over and above the Scale Fee cannot be charged until approved by PSAA

Reconciliation of audit fees**	Audit Costs (Note 29) £000
Fees per draft accounts	94
Reconciling items:	
• Additional audit fee variation	12
• Difference in proposed HB grant fee	15
Audit Findings Report	121

**Management to amend the note upon finalisation of final proposed fee.

D. Fees and non-audit services, cont'd

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing benefit subsidy claim	£43,000	TBC
Total non-audit fees (excluding VAT)	£43,000	TBC

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

F. Management Letter of Representation

Dear Sirs

Epsom and Ewell Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council and its subsidiary undertakings, Epsom and Ewell Property Investment Company Limited, for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the Group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand

our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the Group and Council financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the Group and Council has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

F. Management Letter of Representation, cont'd

RAAC - we have considered the impact of reinforced autoclaved aerated concrete (RAAC) on our financial statements. We have no knowledge of any material events or circumstances that would require adjustments to be made to our financial statements.

Equal Pay - we have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the Group and Council means that, notwithstanding any intention to cease the Group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Group and Council's ability to continue as a going concern need to be made in the financial statements.

xvi. The Group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the Group and Council's financial statements in the event of non-compliance.

Information Provided

xviii. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Group and Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Group and Council, and involves:

- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

F. Management Letter of Representation, cont'd

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- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the Group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the Group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Scrutiny Committee at its meeting on [ENTER DATE].

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

Agenda Item 4
Appendix 1

G. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Group and the Council with an unmodified audit report

Independent auditor's report to the members of Epsom and Ewell Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Epsom and Ewell Borough Council (the 'Authority') and its subsidiary (the 'Group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Group and of the Authority as at 31 March 2023 and of the Group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK,

including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the Group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23 that the Authority and Group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Group and Authority and the Group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

G. Audit opinion, cont'd

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, Narrative Reports, the Annual Governance Statement other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities [set out on page x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the Group will no longer be provided.

The Audit and Scrutiny Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

G. Audit opinion, cont'd

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit & Scrutiny Committee, concerning the Group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit & Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and Group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the Group and Authority's engagement team included consideration of the engagement team's:

G. Audit opinion, cont'd

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority and Group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and Group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Authority and Group's control environment, including the policies and procedures implemented by the Authority and Group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

G. Audit opinion, cont'd

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We certify that we have completed the audit of Epsom and Ewell Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Matt Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

March 2024





Statement of Accounts

2022/23

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Certificate of the Chief Finance Officer

I certify that the unaudited Statement of Accounts, set out on the following pages 4 to 81, presents a true and fair view of the financial position of the Council at 31 March 2023 and of its income and expenditure for the year ended 31 March 2023. The accounts will be subject to external audit and are therefore subject to change.

Brendan Bradley (CPFA)

Chief Finance Officer (S151 Officer)

28 March 2024

Councillor Steve Bridger

Chair of Audit and Scrutiny Committee

28 March 2024

Narrative Report

1. Introduction

Welcome to Epsom and Ewell Borough Council's Statement of Accounts for 2022/23, which reports the Council's financial performance during the year.

Epsom and Ewell Borough Council (EEBC) sits within Surrey and provides a wide range of services to residents and businesses, including waste & recycling, planning, parking, environmental health, housing and economic development. During 2022/23 the Council's full range of services were delivered by four Committees – Environment & Safe Communities, Community & Wellbeing, Licensing & Planning Policy and Strategy & Resources – and can be accessed online at www.epsom-ewell.gov.uk.

EEBC has a Four Year Corporate Plan for the period 2020-2024, which is also available on the Council's website. The plan identifies six key themes for the Borough – Green & Vibrant, Safe & Well, Opportunity & Prosperity, Smart & Connected, Cultural & Creative, and Effective Council.

Following the recent local election in May 2023, the Council plans to develop an updated corporate/business plan for 2024 and beyond.

The Council's governance arrangements are set-out in the Annual Governance Statement, which is appended to the Statement of Accounts. The Council's key performance indicators are reported to Audit and Scrutiny Committee and are publicly available through the Council website.

2. Financial Performance

The Council's financial performance is summarised by the table below, due to be reported to Members in July 2023:

*Restated 2021/22		2022/23		
Outturn £'000	Committee	Budget £'000	Outturn £'000	Variance £'000
855	Strategy and Resources	225	(543)	(768)
5,031	Environment & Safe Communities	5,059	5,255	196
5,188	Community & Wellbeing	5,182	5,210	28
737	Licensing & Planning Policy	829	847	18
11,811	SUB-TOTAL	11,295	10,769	(526)
(2,669)	Capital Charges	(2,669)	(2,669)	0
(8,612)	External Funding	(8,626)	(8,626)	0
530	SUB-TOTAL GENERAL FUND	0	(526)	(526)
0	Reverse planned transfer from corporate projects reserve as not required		262	262
530	TOTAL (met by contribution (to)/from General Fund reserve)	0	(264)	(264)

* The previous year's accounts have been restated to reflect a change in committee structure which took effect from May 2022.

The Council's favourable outturn position resulted in a £264k contribution back to the General Fund balance at year-end.

The Council achieved collection rates of 99.0% for council tax and 99.2% for business rates. Outstanding council tax arrears remain subject to recovery action (subject to government guidance) until such times as these sums are fully paid or written off.

3. Reserves

The Council's General Fund balance stands at £3.12m at 31 March 2023 (£2.85m prior year). In-year net additions to strategic earmarked reserves totalled £1.416m. Usable reserve balances are summarised by the following table; a full breakdown is shown in the notes to the Statement of Accounts.

Usable Reserves	2022/23 Opening Balance £'000	2022/23 Movement £'000	2022/23 Closing Balance £'000
General Fund Balance	(2,853)	(264)	(3,118)
Strategic Earmarked Reserves	(23,255)	(1,416)	(24,671)
Sub-Total Revenue Reserves	(26,109)	(1,680)	(27,789)
Community Infrastructure Levy	(9,320)	24	(9,296)
Capital Receipts Reserve	(3,821)	(120)	(3,940)
Total Usable Reserves	(39,249)	(1,776)	(41,025)

The Council has a policy of maintaining a minimum, prudent General Fund balance of £2.5m to provide for unforeseen requirements.

4. Capital Expenditure

Capital investment on the Council's core capital programme amounted to £1.533m in 2022/23 (£1.735m in 2021/22). A summary of expenditure by Committee is shown below:

2021/22	Core Capital Programme Expenditure	2022/23		
Outturn £'000		Current Budget £'000	Outturn £'000	Variance £'000
333	Strategy & Resources	721	186	(535)
873	Environment & Safe Communities	1,302	548	(754)
529	Community & Wellbeing	2,002	799	(1,203)
0	Licensing & Planning Policy	0	0	0
1,735	Total	4,025	1,533	(2,492)

On the core capital programme, actual expenditure was £1.533m, which is £2.492m less than the 2022/23 budget. The main projects contributing to the underspend are Disabled Facilities Grant

(£957k); Replacement of EEBC Lamp Columns (£396k); the CRM and Data Warehouse project (£312k); Plan E (£335k); ICT Programme of Works (£221k); Playhouse works (£128k), which had been on hold during the pandemic; and Football Pitch Drainage Systems (£74k). This latter scheme was completed for just £15k, as this is below the Council's £20k de-minimis for capitalising assets, the scheme has been classified as revenue expenditure.

The detailed capital outturn position was reported to Strategy & Resources Committee on 13 July 2023.

In addition to the core capital programme, £242k was spent on the CIL 15% Neighbourhood Scheme, £13k on new vehicles on a finance lease, £39k on the residential property acquisition programme and £144k paid from capital resources to fund the Horton Chapel project.

The capital expenditure has been funded as shown in the following table:

2021/22 £'000		2022/23 £'000
	<u>Expenditure</u>	
1,735	Core Programme	1,533
34	Vehicle Finance Lease	13
228	Property Acquisition Funds	39
224	CIL Neighbourhood Scheme	242
303	Horton Chapel	144
2,523	Total Expenditure	1,971
	<u>Funding</u>	
229	Capital Reserves	270
455	Government Grants	616
398	Revenue	602
361	Section 106 Receipts	160
1,046	Community Infrastructure Levy Receipts	309
2,489	Subtotal Capital Funding	1,958
34	Vehicle Finance Lease - to be financed in future years	13
2,523	Total	1,971

The Council's capital investment is required to maintain existing levels of service provision, and to generate additional income streams for the Council which can be used to fund the delivery of services.

The Council received £390k of new capital receipts in 2022/23; £340k relating to properties at South Street transferred to Transform Housing Association; £22k relating to the disposal of a residential property by Rosebery Housing Association; and £28k relating to the early disposal of leased vehicles. The balance of the Council's usable capital reserves at 31 March 2023 is £3.94m (compared to £3.821m at 31 March 2022), of which £685k is committed to funding capital projects rolled forward into 2023/24.

5. Pension Liability

For accounting purposes, a valuation of the pension fund is carried out under IAS19 to produce an accounting surplus or deficit at the balance sheet date. The balance of the Council's pension liability decreased from £36.8m to £5.4m at 31 March 2023, a favourable movement of £31.4m. The Council's actuary estimated that at 31 March 2023, future liabilities amount to £93.1m (£122.6m at 31 March 2022) with assets of £87.7m (£85.8m at 31 March 2022).

The financial assumptions used by the actuary to calculate the future liability – such as those for inflation and discount rates – are set-out in the pension liability disclosure note. The main reason for the favourable movement in 2022/23 is an increase, from 2.7% to 4.75% in the assumed discount rate used to calculate future liabilities.

Although the IAS19 pension liability has a significant impact on the Council's balance sheet, the valuation methodology is affected by short-term economic market conditions and is not used to determine the impact on council tax of the cost of paying pensions. There are separate statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the scheme over the remaining working lives of the staff.

6. Investments and Borrowings

The annual treasury management strategy, which was approved by Councillors in February 2023, is available on the Council's website.

At 31 March 2023, the Council held £24.1m long-term investments and £36.2m loans to its wholly owned subsidiary company, these balances were unchanged from the prior year. The Council held £20.0m in short term investments at year end (£10.0m at 31 March 2022); in addition to £7.4m invested in money market funds at 31 March 2023 (prior year £25.0m). During 2022/23, the Council generated £2.64m of interest income (£1.89m in 2021/22) and received £0.603m dividend income (also £0.603m in 2021/22).

In previous years, the Council has undertaken external borrowing specifically to invest in commercial properties, to generate long term income streams. Long-term borrowing at 31 March 2023 remained at £64.4m, unchanged from the prior year. The Council paid £1.63m interest on these borrowings during the year (also £1.63m in 2021/22).

7. Epsom & Ewell Property Investment Company Limited

In September 2017, the Council established a 100%-owned subsidiary, Epsom & Ewell Property Investment Company Limited, principally to manage its two high quality, out-of-Borough commercial properties. The company aims to achieve rental yields from the properties, which will assist the Council in becoming more financially self-sufficient and sustaining high-quality services to local residents and businesses. The two properties have a combined value of £50.9m at 31 March 2023 (prior year £59.5m). The property portfolio remained unchanged during 2022/23, with the company delivering a net £894k benefit, after transfers to earmarked reserves, to the Council's general fund in the year (net £894k benefit in 2021/22). The assets, liabilities, reserves, income and expenditure figures for the company have been consolidated into group accounts.

8. Future and Economic Outlook

Changes in economic/social activity following the Covid-19 pandemic, and the ongoing 'cost of living' crisis due to elevated inflation, energy costs and interest rates, are all expected to have a lasting impact on the economy throughout 2023/24 and beyond.

Income from council tax, business rates and fees and charges – such as from car parks, Council venues, and planning fees – is dependent on the ability of individuals and businesses to pay. These income streams will all be impacted in some way by economic changes associated with the cost of living crisis and elevated interest rates, as the wider economy adapts to new ways of operating. The Council's income streams are monitored closely to ensure that any adverse trends are identified and addressed early.

Central Government funding also remains uncertain due to its Fair Funding Review, which has again been deferred. New Homes Bonus has also been further reduced, which will impact upon the funding available for projects in future financial years.

Demographic growth and an increasing ageing population will continue to present challenges for this Council and County in years to come.

The Council's Medium Term Financial Strategy 2020-2024 (report available on the Council's website) requires the delivery of identified annual savings totalling £1.8 million between now and 2024, in order to achieve a balanced revenue budget over the period. The Council continues to monitor and review its future financial plans accordingly during 2023/24.

9. Statement of Accounts

The Statement of Accounts follow this narrative section and comprise the following:

- Comprehensive Income and Expenditure Statement (CIES)
- Movements in Reserve Statement (MIRS)
- Balance Sheet (BS)
- Cash Flow Statement (CFS)
- Notes to the Financial Statements including Accounting Policies
- Collection Fund Accounts
- Group Accounts
- Statement of Responsibilities

The Statement of Accounts is designed to meet statutory government and accounting standards, which can make it a complex, technical document in places.

Further Information

Additional information about the accounts is available from Brendan Bradley (Chief Finance Officer), at Epsom and Ewell Borough Council, Town Hall, The Parade, Epsom, Surrey KT18 5BY. Telephone:- 01372-732000 email:- bbradley@epsom-ewell.gov.uk.

Comprehensive Income and Expenditure Statement for year ended 31 March 2023

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

*Restated 2021/22			Committee	2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
13,191	(6,655)	6,536	Environment & Safe Communities	11,723	(7,055)	4,669
10,045	(4,049)	5,996	Community & Wellbeing	10,647	(5,963)	4,684
24,084	(19,955)	4,129	Strategy and Resources	21,512	(17,629)	3,883
2,248	(903)	1,345	Licensing & Planning Policy	3,087	(1,736)	1,351
49,568	(31,563)	18,005	Cost of Services	46,970	(32,382)	14,587
0	0	0	Other Operating Expenditure (Note 11)	362	(390)	(28)
3,182	(12,656)	(9,474)	Financing and investment Income and Expenditure (Note 12)	3,464	(14,132)	(10,668)
0	(11,576)	(11,576)	Taxation and non-specific grant income and expenditure (Note 13)	0	(9,901)	(9,901)
52,750	(55,796)	(3,045)	(Surplus) or Deficit on Provision of Services	50,796	(56,805)	(6,009)
		4,782	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(1,884)
		(12,055)	Remeasurement of net defined benefit liability/(asset) (Note 32)			(33,800)
		(7,273)	Other Comprehensive (Income) and Expenditure			(35,684)
		(10,318)	Total Comprehensive (Income) and Expenditure			(41,693)

* The previous year's accounts have been restated to reflect a change in committee structure which took effect from May 2022.

Movement in Reserves Statement for the year ended 31 March 2023

This statement shows the movement on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The statement shows how the movements of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to amounts chargeable to council tax for the year.

	Usable Reserves				Unusable Reserves					Total Reserves
	General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Subtotal Usable Reserve	Revaluation Reserves	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Subtotal Unusable Reserves	
2022/23	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2022	(26,109)	(3,821)	(9,320)	(39,249)	(44,231)	(62,775)	2,714	36,793	(67,500)	(106,750)
Movement in Reserves										
Total Comprehensive Income and Expenditure	(6,009)	0	0	(6,009)	(1,884)	0	0	(33,800)	(35,684)	(41,693)
Adjustments between accounting basis and funding under regulations (Note 9)	4,329	(120)	24	4,234	466	(6,025)	(1,082)	2,407	(4,234)	(0)
(Increase) or Decrease	(1,680)	(120)	24	(1,776)	(1,418)	(6,025)	(1,082)	(31,393)	(39,918)	(41,693)
Balance at 31 March 2023 carried forward	(27,790)	(3,940)	(9,296)	(41,025)	(45,649)	(68,800)	1,633	5,400	(107,418)	(148,442)
General Fund analysed over:										
Amounts earmarked (Note 10)	(24,672)									
Amounts uncommitted	(3,118)									
Total	(27,790)									
2021/22										
Balance at 01 April 2021	(28,535)	(4,050)	(8,419)	(41,003)	(49,013)	(59,224)	6,609	46,201	(55,428)	(96,431)
Movement in Reserves										
Total Comprehensive Income and Expenditure	(3,045)	0	0	(3,045)	4,782	0	0	(12,055)	(7,273)	(10,318)
Adjustments between accounting basis and funding under regulations (Note 9)	5,470	229	(901)	4,798	0	(3,551)	(3,895)	2,647	(4,798)	0
(Increase) or Decrease	2,425	229	(901)	1,753	4,782	(3,551)	(3,895)	(9,408)	(12,072)	(10,318)
Balance at 31 March 2022 carried forward	(26,109)	(3,821)	(9,320)	(39,249)	(44,231)	(62,775)	2,714	36,793	(67,500)	(106,750)

Balance Sheet as at 31 March 2023

The Balance Sheet shows the value of assets and liabilities recognised by the Council. The Council's net assets are matched by its reserves. Reserves are reported in two categories. The first category are usable reserves, which the Council may use to provide services or capital investment, subject to

the need to maintain a prudent level of reserves and any statutory limitations. The second category is those that cannot be used to provide services. This category includes reserves holding unrealised gains/losses (e.g. the Revaluation Reserve), where amounts only become available if assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement.

2021/22 £'000		Note	2022/23 £'000
	Long-term Assets		
74,840	Property, Plant and Equipment	15	76,315
58,974	Investment Properties	16	64,190
722	Heritage Assets		722
584	Intangible Assets	17	442
24,117	Long Term Investments	18	24,117
36,806	Long Term Debtors	19	36,818
592	Surplus Assets	15	38
196,634	Total Long-term Assets		202,642
	Current Assets		
78	Inventories		66
2,861	Short-term Debtors	19	4,120
10,000	Short-term Investments	18	20,000
34,635	Cash and Cash Equivalents	20	8,299
47,574	Total Current Assets		32,486
	Current Liabilities		
(30,290)	Short-term Creditors	21	(9,656)
0	Short-term Provisions	22	(250)
(410)	Lease Liability - Within One year	31	(408)
(30,700)	Total Current liabilities		(10,314)
	Long-term Liabilities		
(64,427)	Long Term Borrowing	18	(64,427)
(36,793)	Defined Benefit Pension Liability	32	(5,400)
(3,203)	Grants Receipts in Advance	14	(3,746)
(460)	Long-term Provisions	22	(1,338)
(1,877)	Lease Liability - Over One year	31	(1,461)
(106,759)	Total Long-term Liabilities		(76,372)
106,749	NET ASSETS		148,442
	Total Reserves		
(39,249)	Usable Reserves	23	(41,025)
(67,500)	Unusable Reserves	23	(107,417)
(106,749)	TOTAL RESERVES		(148,442)

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 5 July 2023.

Cash Flow Statement as at 31 March 2023

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2021/22			2022/23
£'000		Note	£'000
(3,045)	Net (Surplus) or Deficit on the Provision of Services	CIES	(6,009)
(2,947)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	24	230
3,608	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	24	1,640
(2,384)	Net cash flows from Operating Activities		(4,139)
7,257	Net cash outflow / (inflow) from Investing Activities	25	9,052
(18,784)	Net cash outflow / (inflow) from Financing Activities	26	21,422
(13,911)	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period		26,336
20,724	Cash and Cash Equivalents at the Beginning of the Period		34,635
13,911	Net Increase/(decrease) in Cash and Cash Equivalents		(26,336)
34,635	Cash and Cash Equivalents at the End of the Reporting Period	20	8,299

Notes to the Core Statement of Accounts

Note 1: Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future. The going concern assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies, with limits on their revenue-raising powers arising only at the discretion of central government.

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. The Council has a de-minimis level of £20,000 when recognising assets and liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave which has not been accrued due to the amount being immaterial to the accounts and the year on year difference not being material.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue (including NNDR, Council Tax and Grants) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Employee leave/overtime carried forward from previous year is not accrued unless material.

3. Employee Benefits

Benefits Payable During Employment: Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. car loans) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits: Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits: Employees of the Council are members of the Local Government Pensions Scheme, administered by Surrey Pension Fund. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (derived from a "Hymans Robertson" corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.

- The assets of Surrey Pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities - current bid price;
 - Unquoted securities - professional estimate;
 - Unitised securities - current bid price; and
 - Property - market value.

The change in the net pensions liability is analysed into the following components:

1. Current service cost: the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past Service Cost: the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
3. Net interest on the net defined benefit liability: the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
4. Remeasurement on the return of plan assets: the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return is credited to the Pension Reserve as Other Comprehensive Income and Expenditure.
5. Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
6. Contributions Paid to the Pension Fund: cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits: The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of

an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

4. Events after the Balance Sheet Date

Amounts are adjusted in the Statement of Accounts if an event arises after the Balance Sheet date which provides additional evidence of conditions that existed at that date and materially affects the amounts to be included. If an event arises after the Balance Sheet date which concerns conditions which did not exist at that date, it is disclosed in the notes if it is considered material. Once audited, the Statement of Accounts will be authorised by the Chief Finance Officer, events will be considered up to the authorisation date.

5. Financial Instruments

Financial Liabilities: Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument; they are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets: The Council holds financial assets that are classified into two types:

1. Amortised cost
2. Fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The Council assesses expected credit losses on all of its financial assets held at amortised cost. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Any material fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on market prices wherever possible.

The only such financial assets in this category held by the Council are Money Market Fund and Global Liquidity Fund investments, as detailed in the financial instruments disclosure notes. The Council has assessed that the fair value of these assets is not materially different to amortised cost.

6. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

7. Interest in Subsidiary Company

The Council has a material interest in its wholly owned subsidiary company, Epsom & Ewell Property Investment Company Limited. Group accounts, which present the combined financial position of the

Council and the subsidiary, are published following the Council's disclosure notes. In the Council's own single-entity accounts, the interest is recorded in the balance sheet as a long-term investment at cost.

8. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. An exception is made for properties valued under the Council's de minimis threshold of £20,000. These properties are instead valued every 5 years in line with operational properties, as any annual movement would not be material to presenting a true and fair view of the accounts. Any material change in Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

9. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases: Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is

shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases: Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases: Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

10. Overheads and Support Services

The costs of overheads and support services hosted within Strategy and Resources Committee are re-charged to other service segments in accordance with the Council's arrangements for accountability and financial performance. The Strategy and Resources segment does not report such overhead recharges as income, but as a reduction of gross expenditure.

11. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council operates a de-minimis level of £20,000 below which the total costs of a capital scheme or rolling programme of schemes will not be charged to capital on the grounds of materiality.

Measurement: Assets are initially measured at cost, comprising:

- The purchase price, including any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended by management; and
- The costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and operational properties are valued at current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where this cannot be assessed because there is no open market for the asset because of the specialist nature of an asset, the depreciated replacement cost (DRC) is used as an estimate of current value. The exception are new buildings included at the cost of construction and re-valued at the end of the year in which they become fully operational
- Infrastructure and community assets are not revalued but included in the balance sheet at historic cost
- Vehicle, plant and equipment, where not integral to the fabric of the building, are shown separately at depreciated historic cost.
- Assets under construction are valued on the basis of those costs incurred up to 31 March and are held as non-operational assets until the asset becomes available for use. At that point it is transferred to the appropriate asset class on the Balance Sheet depending on its use or nature.
- Non-operational assets (investment properties) are valued on open market value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Investment properties are re-valued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer, up to a maximum of 50 years.
- Vehicles, plant and equipment – straight-line allocation over the useful life of the asset

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item and with different estimated useful lives, the components are depreciated separately (Componentisation).

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no

longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve and are only used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

12. Charges to Revenue for Non-Current Assets

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Amortisation of intangible non-current assets attributable to the service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

13. Heritage Assets

The Council is required to separately identify Heritage Assets on its Balance Sheet. Heritage Assets can be tangible or intangible and are defined as assets with historical, cultural, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture

Recognition: The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. The de-minimis levels applied to all Non-Current Assets will be applied to this asset class.

Where a Heritage Asset is operational this will be treated as Property, Plant and Equipment (PPE) rather than as a Heritage Asset.

Measurement: Heritage Assets will be valued in line with the existing policies for Property, Plant and Equipment. Where Heritage Assets do not fall into this category they will be valued in line with the Council's insurance valuation. The carrying amounts of Heritage Assets will also be reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised in accordance with the Authority's policies on impairment. Heritage Assets with an indefinite life will not be subject to annual depreciation.

14. Provisions

Provisions: Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

15. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the

Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, local taxation and employee retirement benefits and do not represent usable resources for the Council.

16. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

17. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The funds' key features relevant to accounting for council tax in the core Statement of Accounts are:

- In its capacity as a billing authority an authority acts as an agent. The Council collects and distributes council tax income on behalf of the major preceptors (Surrey County Council and Surrey Police) and itself. Also, the Council collects and distributes NDR on behalf of the major preceptors (Surrey County Council, itself and central government).
- While the council tax and NDR income for the year credited to the Comprehensive Income and Expenditure Statement and Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Council. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the Council's share of any surplus or deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with code, although in practice the difference would usually be small.
- The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

18. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government Grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors / receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once applied.

Grants that can't be directly allocated to a service are credited to Taxation and Non-Specific Grants.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL) on chargeable developments within the borough. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

19. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

20. Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Note 2: Accounting Standards that have been issued but have not yet been adopted

There are no accounting standards due to come into force in 2023/24 that would have a material effect on the Council's transactions for 2022/23 and balances at 31 March 2023. As permitted by CIPFA, the Council expects to implement IFRS16 for the 2024/25 Statement of Accounts. Ahead of implementation, an impact assessment will be undertaken and disclosed as required within the 2023/24 Statement of Accounts.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Property, Plant and Equipment assets are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end; as a minimum, revaluations occur at least once every five years. In addition, the Council instructs its valuers to undertake a review of assets held in the other land and buildings category not re-valued in the year, to ensure that the carrying value is not materially different from their current value.

The Council has a material interest in its wholly owned subsidiary company, Epsom & Ewell Property Investment Company Limited. Group accounts, which present the combined financial position of the Council and the subsidiary, are published following the Council's disclosure notes. In the Council's own single-entity accounts, the Council's shareholding in the company is recorded in the balance sheet as a long-term investment at cost.

Note 4: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and

estimates. The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment £76.3m	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life.</p> <p>Despite elements of uncertainty at the reporting date, relating to the invasion of Ukraine; changes to the UK and EU relationship; and the continued impact of the pandemic, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>The annual depreciation charge for PPE was £1.71m. A movement of 1% would result in a change in the depreciation charge of approximately £17.1k.</p> <p>A 1% movement in the net book value of all PPE would result in a movement in the balance sheet of £763k.</p>
Investment Properties £64.19m	<p>The Council's investment properties have been independently valued by Wilks, Head and Eve. Despite elements of uncertainty at the reporting date, relating to the invasion of Ukraine; changes to the UK and EU relationship; and the continued impact of the pandemic, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.</p>	<p>A movement of 1% in the value of the investment property portfolio would result in an additional debit/credit to the CIES of £642k, which would be charged against the Revaluation Reserve or Capital Adjustment Account balances. The impact on usable reserves would be nil.</p>
Pension Liability £5.4m	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p>	<p>The assumptions interact in complex ways – the pension disclosure note contains a sensitivity analysis of the impact of changes to individual assumptions.</p>

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Note 5: Material Items of Income and Expenditure

There are no material items of income and expenditure that are not detailed in the notes below.

Note 6: Events after the Balance Sheet Date

There are no material post balance sheet events to disclose.

Note 7: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

*Restated 2021/22				Committee	2022/23			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal and statutory reporting	Net Expenditure in the CIES		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal and statutory reporting	Net Expenditure in the CIES
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
5,031	2,908	(1,404)	6,536	Environment & Safe Communities	5,255	897	(1,483)	4,669
5,186	2,007	(1,198)	5,996	Community & Wellbeing	5,210	1,262	(1,788)	4,684
856	(1,535)	4,808	4,129	Strategy & Resources	(543)	(1,475)	5,902	3,883
737	361	247	1,345	Licensing & Planning Policy	847	410	93	1,351
11,811	3,740	2,453	18,005	Net Cost of Services	10,769	1,095	2,724	14,587
(11,281)	(9,211)	(558)	(21,050)	Other Income and Expenditure	(11,295)	(5,424)	(3,878)	(20,597)
530	(5,471)	1,896	(3,045)	(Surplus) or Deficit	(526)	(4,329)	(1,154)	(6,009)
(3,383)				Opening General Fund balance	(2,853)			
530				(Surplus) or Deficit	(526)			
0				Transfer to Corporate Projects Reserve	262			
(2,853)				Closing General Fund balance	(3,118)			

* The previous year's accounts have been restated to reflect a change in committee structure which took effect from May 2022.

Note to the Expenditure & Funding Analysis 2022/23

Note to the Expenditure & Funding Analysis 2022/23							
Committee	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Adjustments for Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal & statutory reporting	Net Expenditure in the CIES
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment & Safe Communities	5,255	(162)	1,058	0	897	(1,483)	4,669
Community & Wellbeing	5,210	631	631	0	1,262	(1,788)	4,684
Strategy & Resources	(543)	(770)	(705)	0	(1,475)	5,902	3,883
Licensing & Planning Policy	847	0	410	0	410	93	1,351
Net Cost of Services	10,769	(300)	1,395	0	1,095	2,724	14,587
Other Income and Expenditure	(11,295)	(5,354)	1,012	(1,082)	(5,424)	(3,878)	(20,597)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(526)	(5,654)	2,407	(1,082)	(4,329)	(1,154)	(6,009)
	£'000						
Opening General Fund at 1 April 2022 (Surplus)/Deficit	(2,853)	(526)					
Transfer to Corporate Projects Reserve	262						
Closing General Fund balance at 31 March 2023	(3,118)						

Note to the Expenditure & Funding Analysis 2021/22

*Restated Note to the Expenditure & Funding Analysis 2021/22							
Committee	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Adjustments for Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal & statutory reporting	Net Expenditure in the CIES
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment & Safe Communities	5,031	1,710	1,198	0	2,908	(1,404)	6,536
Community & Wellbeing	5,186	1,248	759	0	2,007	(1,198)	5,996
Licensing & Planning Policy	856	(923)	(612)	0	(1,535)	4,808	4,129
Strategy & Resources	737	0	361	0	361	247	1,345
Net Cost of Services	11,811	2,034	1,706	0	3,740	2,453	18,005
Other Income and Expenditure	(11,281)	(6,258)	940	(3,894)	(9,211)	(558)	(21,050)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	530	(4,224)	2,646	(3,894)	(5,471)	1,896	(3,045)
	£'000						
Opening General Fund at 1 April 2021 (Surplus)/Deficit	(3,383)	530					
Closing General Fund balance at 31 March 2022	(2,853)						

* The previous year's accounts have been restated to reflect a change in committee structure which took effect from May 2022.

Note 1. Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2. Adjustments for Pension Benefits

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** — the net interest on the defined benefit liability is charged to the CIES.

Note 3. Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Note 8: Expenditure and Income analysed by Nature

The Council's expenditure and income is analysed as follows:

2021/22 £'000	Expenditure/Income	2022/23 £'000
	Expenditure	
15,754	Employee benefits expenses	15,797
31,065	Other services expenses	30,125
(530)	Support Services recharges	(523)
3,151	Depreciation, amortisation, impairment, & revaluation	1,662
2,747	Interest payments	2,796
562	Precepts and Levies	576
0	Movement in Investment Properties	0
0	Disposal of assets	362
52,750	Total Expenditure	50,796
	Income	
(19,008)	Fees, charges and other service income	(18,828)
(2,613)	Interest and investment income	(3,366)
(8,314)	Income from council tax, non-domestic rates (business rates) and associated S31 grants	(8,970)
(21,550)	Government grants and contributions	(20,182)
(4,311)	Movement in Investment Properties	(5,069)
0	Disposal of assets	(390)
(55,796)	Total Income	(56,805)
(3,045)	(Surplus) or Deficit on the Provision of Services	(6,009)

Note 9: Adjustments between Accounting basis and Funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2022-23	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants Unapplied (CIL)	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the CIES</u>				
Charges for depreciation and impairment of non current assets	(1,181)	0	0	1,181
Revaluation losses on Property Plant and Equipment	(313)	0	0	313
Reversal of movements in the market value of Investment Properties	5,069	0	0	(5,069)
Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year	67	0	0	(67)
Amortisation of intangible assets	(231)	0	0	231
Revenue expenditure funded from capital under statute	(765)	0	0	765
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(362)	0	0	362
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,460	0	0	(1,460)
Capital expenditure charged against General Fund balances	602	0	0	(602)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	285	0	(285)	0
Application of grants to capital financing transferred to the CAA	632	0	309	(942)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	390	(390)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	270	0	(270)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(4,914)	0	0	4,914
Employer's pensions contributions and direct payments to pensioners payable in the year	2,507	0	0	(2,507)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements	(4)	0	0	4
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	1,086	0	0	(1,086)
Total Adjustments	4,329	(120)	24	(4,234)

2021-22	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants Unapplied (CIL)	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the CIES</u>				
Charges for depreciation and impairment of non current assets	(2,217)	0	0	2,217
Revaluation losses on Property Plant and Equipment	(1,139)	0	0	1,139
Reversal of movements in the market value of Investment Properties	4,311	0	0	(4,311)
Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year	395	0	0	(395)
Amortisation of intangible assets	(191)	0	0	191
Revenue expenditure funded from capital under statute	(1,513)	0	0	1,513
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,416	0	0	(1,416)
Capital expenditure charged against General Fund balances	398	0	0	(398)
Revaluation gains charged direct to Revaluation Reserve				
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	1,947	0	(1,947)	0
Application of grants to capital financing transferred to the CAA	816	0	1,046	(1,863)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	229	0	(229)
Other adjustment				
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(5,103)	0	0	5,103
Employer's pensions contributions and direct payments to pensioners payable in the year	2,456	0	0	(2,456)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements	51	0	0	(51)
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	3,844	0	0	(3,844)
Total Adjustments	5,470	229	(901)	(4,798)

Note 10: Movements in Usable Reserves

	Balance at 31 March 2021 £'000	Transfers		Balance at 31 March 2022 £'000	Transfers		Balance at 31 March 2023 £'000
		In	Out		In	Out	
		£'000	£'000		£'000	£'000	
General Fund	(3,383)	0	530	(2,853)	(264)	0	(3,118)
Strategic Reserves							
Insurance	(442)	(1)	9	(434)	0	0	(434)
Repairs and Renewals	(391)	(66)	1	(456)	(77)	0	(533)
Interest Equalisation	(400)	0	400	0	0	0	0
VAT Reserve	(199)	(8)	0	(206)	0	0	(206)
Place Development Reserve (Formerly Housing & Planning Delivery Grant)	(87)	(176)	39	(225)	(657)	201	(681)
Property Maintenance	(548)	(223)	82	(689)	(34)	73	(650)
Commuted Sums	(1,447)	(29)	36	(1,439)	(29)	29	(1,439)
Corporate Projects Reserve	(4,673)	(756)	1,299	(4,130)	(208)	190	(4,148)
Community Safety	(109)	0	5	(104)	(46)	10	(140)
Local Partnership Fund	(28)	0	0	(28)	0	0	(28)
Prevention, Personalisation & Partnership Fund	(73)	0	0	(73)	(42)	4	(111)
Business Rates Equalisation	(9,306)	(2,736)	6,884	(5,158)	0	1,156	(4,002)
Residential Property Acquisition Fund	(1,066)	0	49	(1,017)	0	40	(977)
Property Income Equalisation	(5,496)	(3,102)	138	(8,459)	(2,758)	1,336	(9,881)
HIA Hardship fund	(124)	0	0	(124)	0	0	(124)
Sports & Leisure Development	(87)	(2)	13	(76)	(66)	0	(142)
Housing/Homelessness Support Grants	(385)	(63)	116	(332)	(735)	34	(1,033)
Homelessness Reduction Act	(19)	0	19	0	0	0	0
Mortgage Rescue Funding	(9)	0	9	0	0	0	0
Surrey Homeless Alliance Funding	(1)	0	1	0	0	0	0
Basic Payments Scheme	(141)	(3)	2	(142)	0	0	(142)
Covid Grants Reserve	(121)	(94)	52	(163)	0	163	0
Subtotal Strategic Reserves	(25,152)	(7,259)	9,154	(23,255)	(4,652)	3,236	(24,671)
Community Infrastructure Levy	(8,419)	(2,084)	1,183	(9,320)	(338)	362	(9,296)
Capital Receipts Reserves	(4,050)	0	229	(3,821)	(390)	270	(3,940)
Total Usable Reserves	(41,003)	(9,343)	11,096	(39,249)	(5,644)	3,868	(41,025)

Note 11: Other Operating Expenditure in CIES

2021/22 £'000		2022/23 £'000
0	(Gains) /Losses on the Disposal of Non-Current Assets	(28)
0	Total	(28)

Note 12: Financing and Investment Income and Expenditure in CIES

2021/22 £'000		2022/23 £'000
1,807	Interest Payable and Similar Charges	1,784
940	Net Interest on the Net Defined Benefit Liability	1,012
(4,311)	Movement in Investment Property Valuations	(5,069)
(5,298)	Investment Property Rentals Trading Account	(5,029)
(1,887)	Interest Receivable and Similar Income	(2,643)
(726)	Other Income from Subsidiary	(723)
(9,474)	Total	(10,668)

Note 13: Taxation and Non Specific Grant Income in CIES

The Council recognised the following taxation and non-specific grant income in the year:

2021/22 £'000		2022/23 £'000
(6,948)	Council Tax Income	(7,132)
(1,366)	Non Domestic Rates & S31 Relief Grants	(1,838)
(249)	New Homes Bonus Grant	(174)
(365)	Unringfenced Support Grant	(65)
(506)	Covid-19 Income Compensation Scheme	0
(2,143)	Capital Grants and Contributions	(692)
(11,576)	Total	(9,901)

Further grants credited to services are detailed in Note 14.

Note 14: Other Government Grants Credited to Services

In addition to Taxation and Non Specific Grant Income in Note 13 the following significant government grants and contributions were credited to Cost of Services in the CIES:

2021/22 £'000		2022/23 £'000
(122)	Council Tax Support Admin Grant	(53)
(130)	Benefits Admin Grant	(132)
(16,033)	Rent Allowances- Housing Benefit Subsidy	(15,084)
(81)	Elections	(26)
(201)	Personal Services	(214)
(83)	Highways and parking	(78)
(116)	Venues	(141)
(821)	Housing, Homelessness & Rough Sleepers (22/23 includes Ukrainian, Afghan and Syrian refugee funding)	(1,696)
(529)	New Burden & Support Grants	(517)
(1,442)	Covid-19 Support for eligible Businesses & Individuals	0
(79)	Contain Outbreak Management Fund (Covid-19)	0
(145)	Place Development Grants	(739)
(52)	Youth Hub	(105)
(455)	Disabled Facilities Grant	(616)
0	Community Safety	(226)
(140)	Other Smaller Grants	(315)
(20,431)	Total	(19,943)

Grants and Contributions Receipts in advance

These are grants and contributions held that were received in advance or where the Council has not yet satisfied the condition attached to the grant/contribution but expects to meet the conditions in the future.

2021/22 £'000		2022/23 £'000
(3,203)	Other grants and Section 106 Contributions	(3,746)
(3,203)	Total	(3,746)

Note 15: Property, Plant and Equipment

Property, Plant and Equipment Valuation

The Borough Council's property portfolio is valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end; as a minimum, revaluations occur at least once every five years. In line with the Code of Practice the Council maintains a valuation programme that concentrates on categories of assets. Valuations are undertaken by Wilks, Head and Eve, Chartered Surveyors. The properties that were revalued in 2022/23 account for £108.2 million of the gross book value of assets at 31 March 2023.

Despite elements of uncertainty at the reporting date, relating to the invasion of Ukraine; changes to the UK and EU relationship; and the continued impact of the pandemic, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.

The UK officially left the EU with the transition period ending as of 31st December 2020. Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications of the deal will take some time to realise. There remains therefore a period of uncertainty in relation to many factors that impact the construction markets, supply & demand and, costs associated with this market. As at the time of preparing this commentary the outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy –with some real estate markets having experienced lower levels of transactional activity and liquidity.

The recent Russian invasion of Ukraine has added to the levels of global uncertainty during the period. As a response the international community has been united in applying sanctions against the Russian state which is now reported to be having an impact on the Russian economy. We are not aware of any specific impact to the value of the assets within the portfolio because of the invasion currently although we will continue to monitor as the crisis develops.

Infrastructure, community assets and assets under construction are held at historical cost and have not been formally re-valued. Properties are also revalued to take into account any potential impairment in their value and also consequently upon construction and the completion of any material improvements.

Depreciation

Assets are depreciated in accordance with the requirements of IAS 16 and IAS 36. The following useful lives have been used in the calculation of depreciation:

- Other Land and Buildings – 5 to 50 years
- Vehicles, plant and equipment – 1 to 39 years
- Infrastructure Assets – 4 to 50 years

Movements on Non Current Assets – Property, Plant & Equipment & Surplus Assets 2022/23

Property, Plant Equipment & Surplus Assets	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Totals
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1 April 2022	68,219	9,106	1,227	4,375	728	592	84,247
Additions	0	279	0	0	694	0	973
Revaluation Movement Recognised in the Revaluation Reserve	184	501	0	0	0	(537)	148
Derecognition - Disposals	0	(440)	0	0	0	(340)	(780)
Assets Reclassified		88	506		(1,065)	470	0
Other Movements	(1,055)		0	1,055	0	(147)	(147)
Gross Book Carrying Value at 31 March 2023	67,348	9,534	1,734	5,430	357	38	84,441
Accumulated Impairment & Depreciation as at 1 April 2022	(5,081)	(2,731)	(62)	(942)	0	0	(8,816)
Adjustment to opening balance*	529	0	0	0	0	0	529
Depreciation Charge for the Year	(950)	(725)	(34)	0	0	0	(1,709)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	(245)	0	0	0	0	0	(245)
Derecognition - disposals	0	417	0	0	0	0	417
Depreciation Written out to the Revaluation Reserve	1,443	293	0	0	0	0	1,736
Accumulated Impairment & Depreciation as at 31 March 2023	(4,305)	(2,746)	(96)	(942)	0	0	(8,089)
TOTAL NET CARRYING BOOK VALUE at 31 March 2023	63,043	6,788	1,638	4,488	357	38	76,352

* An adjustment has been made to the opening balance to reflect updated asset lives for calculating depreciation from 2022/23.

Movements on Non Current Assets – Property, Plant & Equipment & Surplus Assets 2021/22

Property, Plant Equipment & Surplus Assets	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Totals
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1 April 2021	73,560	9,190	1,108	4,375	353	592	89,178
Additions	71	197	119	0	458	0	847
Revaluation Movement Recognised in the Revaluation Reserve	(5,412)	109	0	0	0	0	(5,303)
Derecognition - Disposals	0	(475)	0	0	0	0	(475)
Assets Reclassified	0	83	0	0	(83)	0	0
Other Movements	0	0	0	0	0	0	0
Gross Book Carrying Value at 31 March 2022	68,219	9,106	1,227	4,375	728	592	84,247
Accumulated Impairment & Depreciation as at 1 April 2021	(3,377)	(2,500)	(32)	(942)	0	0	(6,851)
Depreciation Charge for the Year	(1,482)	(705)	(30)	0	0	0	(2,217)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	(743)	0	0	0	0	0	(743)
Derecognition - disposals	0	474	0	0	0	0	474
Depreciation Written out to the Revaluation Reserve	521	0	0	0	0	0	521
Accumulated Impairment & Depreciation as at 31 March 2022	(5,081)	(2,731)	(62)	(942)	0	0	(8,816)
TOTAL NET CARRYING BOOK VALUE at 31 March 2022	63,138	6,375	1,166	3,433	728	592	75,431

Capital Expenditure

Capital expenditure and revenue expenditure funded from capital under statute (REFCUS) of £1.827m was incurred in 2022/23 as follows:

2021/22 £'000		2022/23 £'000
847	Non Current Assets - PPE	973
164	Intangibles	89
1,513	Revenue Expenditure Funded from Capital Under Statute	765
2,523	Total Capital Expenditure	1,827

Funding of capital expenditure is detailed below:

2021/22 £'000		2022/23 £'000
229	Capital Reserves	270
455	Government Grants	616
398	Revenue	602
361	Section 106 Receipts	16
1,046	Community Infrastructure Levy Receipts	309
2,489	Subtotal Capital Funding	1,814
34	Vehicle Finance Lease - to be financed in future years	13
2,523	Total	1,827

A net contribution of £602k (£398k contribution in 2021/22) was set aside from revenue to finance capital expenditure in 2022/23.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2023 amounts to £333k as detailed below.

2021/22 £'000		2022/23 £'000
0	Wellbeing Centre - Replacement of Boilers	21
380	Replacement of CRM and Data Warehouse	312
380	Total Capital Commitments	333

Componentisation

When valuing the assets for the five-year rolling programme, the valuer considered component accounting requirements. Typically, operational properties are split into land and building components.

Revaluations

The Council ensures that all property, plant and equipment required to be measured at fair value is re-valued, at least every five years. All operational buildings have been revalued within the past two years. In 2019/20, the Council engaged a new property valuing firm, Wilks, Head & Eve, following a competitive procurement exercise. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The timing and amounts of the valuations of those classes of asset held at current value are summarised in the following table:

Valued at fair value as at:	31 March 2020 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2023 £'000
Operational Assets				
Land and Buildings	40,412	31,291	21,462	41,939

Infrastructure, community assets and assets under construction are held at historical value and have not been formally re-valued.

Note 16: Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2021/22		2022/23
£'000		£'000
(5,733)	Rental Income from Investment Property	(5,713)
435	Other Net Expenditure Arising from Investment Property	690
(5,298)	Net (Income)/Expenditure	(5,023)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property.

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2023 by Wilks Head and Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Despite global events such as the invasion of Ukraine, and the resultant impact of the Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards. The following table summarises the movement in the fair value of investment properties over the year.

2021/22 £'000		2022/23 £'000
54,663	Balance at the Start of the Year	58,974
4,311	Net gains/(losses) from Fair Value Adjustments	5,069
0	Transfers to/from Assets Held For Sale/Other adjustments	147
58,974	Balance at the Year End	64,190

Note 17: Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both the purchased licenses and any internally generated software.

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on Intangible Assets balances during the year is as follows:

2021/22 £'000		2022/23 £'000
	Balance at the start of the year	
786	Gross Carrying Amounts	926
(175)	Accumulated Amortisation	(342)
611	Net Carrying Amount at the Start of the Year	584
164	Additions	89
(24)	Disposals	0
24	Amortisation written out on disposal	0
(191)	Amortisation for the Period	(231)
584	Net Carrying Value at the End of the Year	442

Note 18: Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. For the Council this means that all treasury contracts (borrowings and investments) are recognised as financial instruments as well as trade receivables, loans for policy purposes, trade payables and bank deposits. Statutory charges and payments (e.g. amounts due from Council Tax) are not recognised as financial instruments as these do not arise from contractual agreements and are outside the scope of the accounting treatment for financial instruments.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

2021/22			2022/23	
Non-Current £'000	Current £'000		Non-Current £'000	Current £'000
		Financial Assets - Loans and Investments		
60,293	10,000	Loans and Investments (Amortised Cost)	60,293	20,000
0	25,000	Loans and Investments (FVPL)	0	7,400
60,293	35,000	Total Loans and Investments	60,293	27,400
		Financial Assets - Debtors		
0	1,822	Trade Debtors (Amortised Cost)	0	1,833
0	1	Other Debtors (Amortised Cost)	0	1
0	1,823	Total included in Debtors	0	1,834
		Financial Liabilities - Borrowings		
(64,427)	0	Borrowings (Amortised Cost)	(64,427)	0
(64,427)	0	Total included in Borrowings	(64,427)	0
		Other Financial Liabilities		
(1,877)	(410)	Finance Lease (Amortised Cost)	(1,935)	(408)
(1,877)	(410)	Total included Other Financial Liabilities	(1,935)	(408)
		Financial Liabilities - Creditors		
0	(1,561)	Creditors (Amortised Cost)	0	(1,975)
0	(1,561)	Total included in Creditors	0	(1,975)

Cash and cash equivalents are also financial assets and are disclosed separately in Note 20.

Material Soft Loans made by the Council

The Council has no material soft loans outstanding at 31 March 2023.

Unquoted Equity Instruments Measured at Cost

The Council has a shareholding in Epsom & Ewell Property Investment Company Limited (representing 100% of the company's capital). The shares are carried at cost of £24.117m and have not been re-valued, as a fair value cannot be measured without incurring excessive expense. The company was formed in September 2017. There are no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. The Council has no current intention to dispose of the shareholding.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2021/22				2022/23		
Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000		Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000
181	0	181	Interest expense - finance leases	153	0	153
1,625	0	1,625	Interest expense - borrowings	1,626	0	1,626
0	0	0	Fee expense	0	0	0
1,806	0	1,806	Total expense in Surplus or Deficit on the Provision of Services	1,779	0	1,779
0	(76)	(76)	Interest Income - treasury investments	0	(829)	(829)
0	(1,809)	(1,809)	Interest Income - loans to subsidiary	0	(1,809)	(1,809)
0	(1,885)	(1,885)	Total Income in Surplus or Deficit on the Provision of Services	0	(2,638)	(2,638)
1,806	(1,885)	(79)	Net (Income)/Expenditure for the Year	1,779	(2,638)	(860)

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the finance team, under policies approved by Strategy & Resources Committee in the Treasury Management Strategy.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Risk to the Council is minimised through the annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors. The annual Investment Strategy also imposes a £5m maximum sum to be invested with financial institutions located within each category.

The financial assets held by the Council are detailed below.

Financial Asset Category	Counterparty	Investment at 31 March 2022	Investment at 31 March 2023
Cash Equivalents - Fair Value Through Profit & Loss			
Deposits with Money Market Funds	Goldman Sachs	£5.0m	£2.4m
	Deutsche	£5.0m	£5.0m
	RBS	£5.0m	-
	UBS	£5.0m	-
	State Street	£5.0m	-
Total Cash Equivalents		£25.0m	£7.4m
Short Term Investments - Amortised Cost			
Fixed Term Deposits with building societies and banks	Standard Chartered	£5.0m	£5.0m
	Goldman Sachs	£5.0m	-
	Lloyds	-	£5.0m
	National Counties	-	£5.0m
	Bayerische Landesbank	-	£5.0m
Total Short Term Investments		£10.0m	£20.0m

The Authority's maximum exposure to credit risk in relation to its investments is £27.4m. The Council has assessed its investment portfolio for signs of impairment, in accordance with the requirements of IFRS 9. All treasury investments are held in low risk funds and/or with low risk counterparties. As such, any impairment to the investment portfolio is immaterial and has not been recognised in the CIES.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The following analysis summarises the Council's potential maximum exposure to credit risk, based upon experience of default over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2023	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-23	Estimated maximum exposure to default and un- collectability at 31 March 2023	Historical experience adjusted for market conditions at 31-Mar-22	Estimated maximum exposure at 31-Mar-22
	£'000	%	%	£'000	%	£'000
	A	B	C	(A x C)	C	
<u>Money Market Funds</u>						
Goldman Sachs	2,400	0	0	0	0	0
Deutsche	5,000	0	0	0	0	0
<u>Fixed Term Deposits</u>						
Standard Chartered	5,000	0	0	0	0	0
Lloyds	5,000	0	0	0	0	0
National Counties	5,000	0	0	0	0	0
Bayerische Landesbank	5,000	0	0	0	0	0
<u>Other</u>						
Customers	1,833	4.06%	20.37%	373	52.45%	956

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council does not generally allow credit for customers, but of the £1.8m balance £1.3m is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-22 £'000		31-Mar-23 £'000
243	Less than three months	557
1,152	Over three months	751
1,395	Total	1,308

To reflect the latest profile of aged debtors, the bad debt provision has decreased by a net £583k, from £956k at 31 March 2022 to £373k at 31 March 2023.

Liquidity Risk

All trade and other amounts owing are due to be paid in less than one year.

Market & Interest rate risk: The Council is exposed to relatively modest risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have an impact on the Council. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

However, interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The finance team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This allows any adverse changes to be accommodated in the budget setting process.

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	154
Increase in interest receivable on fixed rate investments	223
Impact on Surplus or Deficit on the Provision of Services	377

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

There have been no changes to the method and approach for compiling the risk information for 2022/23 compared to 2021/22.

The Council uses external advisors to help manage the majority of its cash backed reserves. Surplus cash may be invested in gilts or in temporary investments with other public sector authorities, major clearing banks and building societies.

These investments are included in the balance sheet at amortised cost less any expected credit loss (if short term investments) and those not due within the next year (long term investments).

Fair Values of Financial Assets and Financial Liabilities

All financial assets and financial liabilities held by the Authority are carried in the Balance Sheet at amortised cost or fair value through profit or loss. The fair values are calculated as follows; where cost is used as the proxy for fair value, this falls within Level 3 of the fair value hierarchy.

Financial Assets

The Other Investments and Trade Debtors are short term in nature, and therefore the fair value is not materially different for the book value. There is no impairment implication for investments. Short term debtors are carried at cost less any impairment, as this is a fair approximation of their value.

31-Mar-22			31-Mar-23	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Assets		
24,117	24,117	Unquoted Equity Investment (Amortised Cost)	24,117	16,487
36,176	62,687	Loans to Subsidiary (Amortised Cost)	36,176	36,176
10,000	9,995	Other Investments (Amortised Cost)	20,000	20,000
25,000	25,000	Other Investments (FVPL)	7,400	7,400
1,822	1,822	Trade Debtors (Amortised Cost)	1,833	1,833
97,115	123,621	Total Financial Assets	89,526	81,896

The Council's loan to its subsidiary has not been re-valued, as a fair value cannot be measured without incurring excessive expense. There is no indication that the loan is impaired.

Regarding the Council's unquoted equity investment in its subsidiary company, there are no other established companies with similar aims in the area whose shares are traded and which might provide comparable fair value market data. As a proxy for fair value, the Council has disclosed the audited net assets of the subsidiary company at 31 March 2023. The Council has no current intention to dispose of the shareholding.

Financial Liabilities

31-Mar-22			31-Mar-23	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at amortised cost		
64,427	67,196	PWLB Loans	64,427	42,613
2,287	2,287	Finance Lease Liabilities	1,869	1,869
1,501	1,501	Creditors	1,975	1,975
68,215	70,984	Total Financial Liabilities	68,271	46,457

The Council's PWLB loans have been fair-valued by Link Asset Services, using Level 2 inputs based on new loan rates. Finance lease liabilities and short term creditors are carried at contracted amounts, fair value is not materially different

Note 19: Debtors

A summary of debtors due within the next financial year is detailed below.

2021/22 £'000		2022/23 £'000
106	Central government bodies	665
528	Other Local Authorities	7
379	Council Tax Payers	209
333	Non Domestic Rate Payers	268
1,515	Other Entities and individuals	2,972
2,861	Total Debtors	4,120

Long term debtors (greater than 365 days):

2021/22 £'000		2022/23 £'000
630	Lease Debtors	643
36,176	Loans to Subsidiary	36,176
36,806	Total	36,818

Note 20: Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in specified period (no more than three months) or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

2021/22 £'000		2022/23 £'000
9,635	Cash at Bank	899
25,000	Cash Equivalents	7,400
34,635	Cash and Cash Equivalents	8,299

Note 21: Creditors

A summary of creditors is detailed below.

2021/22 £'000		2022/23 £'000
(24,857)	Central Government Bodies	(2,590)
(1,616)	Other Local Authorities	(2,739)
(91)	Council Tax Payers	(119)
(445)	Non Domestic Ratepayers	(264)
(3,281)	Other Entities and individuals	(3,943)
(30,290)	Total	(9,656)

Note 22: Provisions

A summary of provisions is detailed below.

	Short Term Provision £'000	Long Term Provision £'000
2021/22		
Opening balance at 1 April 2021	0	(536)
Net additional provision made in year	0	77
Balance at 31 March 2022	0	(459)
2022/23		
Net additional provision made in year	(250)	(879)
Balance at 31 March 2023	(250)	(1,338)

The Council has one short term provision of £0.25m, reflecting an estimate of the potential financial impact that may arise from an ongoing Health & Safety Executive investigation into an incident that occurred in December 2021 involving a waste collection vehicle.

The Council has one long term provision of £1.338m for its share of appeals against NDR (Business Rates) charges. The total £1.338m provision reflects an estimate of the potential effects of appeals that may be settled in future years.

Note 23: Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 2021/22 £'000	Net Movement in year £'000	Balance 2022/23 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(2,853)	(264)	(3,117)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement (Note 10)
Strategic Reserves	(23,255)	(1,416)	(24,671)	Earmarked resources to provide funding for specific areas	Movement in Reserve Statement (Note 10)
Capital Grants Unapplied Account (CIL)	(9,320)	24	(9,296)	Community Infrastructure Levy used to fund investment in infrastructure.	Movement in Reserve Statement (Note 10)
Capital Receipts Reserve	(3,821)	(120)	(3,940)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total Usable Reserves	(39,249)	(1,776)	(41,025)		
Revaluation Reserve	(44,231)	(1,418)	(45,649)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(62,775)	(6,025)	(68,800)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Council Tax Adjustment Account	(56)	4	(52)	Balance held on collection fund and NNDR AC	Detailed in this note below
NNDR Adj Account	2,770	(1,086)	1,683	Balance held on collection fund and NNDR AC	Detailed in this note below
Pensions Reserve	36,793	(31,393)	5,400	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 32
Total Unusable Reserves	(67,500)	(39,917)	(107,417)		
Total Reserves	(106,749)	(41,693)	(148,442)		

Revaluation Reserve

The Revaluation Reserve records the net gain (if any) from revaluations made after 1 April 2007. Unrealised (gains)/losses occur when non-current assets are revalued. If an asset is revalued at an increased amount over the current net book value in the Balance Sheet, then there is an unrealised gain. If the asset is revalued below its net book value, then there is an unrealised loss. However, when the review of an asset value reveals a reduction, it is necessary to determine whether impairment has occurred, either because of general price decreases or because of the clear consumption of the economic benefits of the assets.

The main reason for this is to ensure that non-current assets are recorded in the Statement of Accounts at no more than their recoverable amount and any resulting impairment loss is measured and recognised on a consistent basis.

All non-current assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is normally charged to the relevant service revenue account.

In the event that the relevant asset has a balance in the Revaluation Reserve, the decrease in value is written off against any revaluation gains held, with any excess charged to the relevant service revenue account. Where an impairment loss is charged against gains in the Revaluation Reserve for that asset, the amount up to the value of the balance in the Revaluation Reserve is transferred from the Revaluation Reserve to the Capital Adjustment Account.

The balance on the account represents the difference between the original values of assets and their revalued amounts where appropriate. The account is written down by the net book value of assets as they are disposed of, and either debited with the deficits or credited with the surpluses arising on future revaluations.

2021/22 £'000		2022/23 £'000
(49,013)	Balance at 1 April	(44,231)
(2,340)	Upward revaluation of assets	(3,734)
7,122	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,850
4,782	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,884)
0	Amount written off to the Capital Adjustment Account	466
(44,231)	Balance at 31 March	(45,649)

Movements in Amounts Capital Adjustment Account to Finance Capital Investment

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Total movements in amounts set aside to finance capital investment were as follows:

2021/22 £'000		2022/23 £'000
(59,224)	Balance brought forward at 1 April	(62,775)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
0	- adjustment to accumulated depreciation opening balance	(529)
2,217	- charges for depreciation and impairment of non-current assets	1,710
743	- revaluation (gains)/losses on property, plant & equipment	245
191	- amortisation of intangible assets	231
1,513	- revenue expenditure funded from capital under statute	765
0	- amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	362
4,664	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement	2,785
(54,650)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(59,990)
	<u>Capital Financing Applied in the Year</u>	
(229)	- use of the Capital Receipts Reserve used to finance new expenditure	(270)
(1,863)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(941)
(1,416)	- statutory provision for the financing of capital investment charged against the general fund	(1,460)
(398)	- capital expenditure charged against the General Fund	(602)
(3,905)	Total Capital Financing Applied	(3,274)
(4,311)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5,069)
0	- amounts written off from revaluation reserve	(466)
(62,775)	Balance Carried Forward at 31 March	(68,800)

Usable Capital Receipts Reserve

2021/22 £'000		2022/23 £'000
(4,050)	Balance brought forward at 1 April	(3,821)
0	Amounts receivable in year	(390)
229	Amounts applied to finance new capital investment	270
229	Total (Increase)/decrease in realised capital receipts	(120)
(3,821)	Balance carried forward at 31 March	(3,940)

The usable capital receipts reserve represents the receipts available to finance capital expenditure in future years, after setting aside the required statutory amounts for the repayment of external loans.

Pensions Reserve

Pension costs are detailed in Note 32.

Council Tax Collection Fund Adjustment Account and NNDR Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22 £'000		2022/23 £'000
6,609	Balance at the start of the year	2,714
(51)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	4
(3,844)	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	(1,086)
2,714	Balance at the end of the year	1,632

Note 24: Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements

2021/22 £'000	Details	2022/23 £'000
(2,961)	Charges for depreciation, impairment, and revaluation of non-current assets	(1,426)
4,311	Movements in the market value of Investment Properties	5,069
(191)	Amortisation of intangible assets	(231)
(2,647)	Movement in pension liability	(2,407)
(2,634)	Increase/(decrease) in debtors	1,647
1,087	(Increase)/decrease in creditors	(1,282)
76	(Increase)/decrease in provisions	(1,128)
12	Increase/(decrease) in inventories	(12)
(2,947)	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	230

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2021/22 £'000	Details	2022/23 £'000
3,608	Capital Grants credited to surplus or deficit on the provision of services	1,250
0	Proceeds from the sale of property plant and equipment, investment property and intangible assets	390
3,608	Total	1,640

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2021/22 £'000	Details	2022/23 £'000
865	Purchase of property, plant and equipment, investment property and intangible assets	692
10,000	Short Term Investments	10,000
(3,608)	Capital Grants Received	(1,250)
0	Receipts from sale of assets	(390)
7,257	Total	9,052

Note 26: Cashflow from Financing Activities

2021/22 £'000	Details	2022/23 £'000
413	Net cash payments for the reduction of finance leases	431
(19,197)	Other financing activities (collection fund and grant agency arrangements)	20,991
(18,784)	Total	21,422

The changes in the Council's liabilities arising from financing activities can be classified as follows:

	Borrowings £'000	Lease Liabilities £'000	Total £'000
2021/22			
Opening Balance at 1 April 2021	(64,427)	(2,666)	(67,093)
<u>Cash Flows</u>			0
Repayment	0	413	413
<u>Non-Cash</u>			0
Acquisition	0	(34)	(34)
Balance at 31 March 2022	(64,427)	(2,287)	(66,714)
2022/23			
<u>Cash Flows</u>			
Repayment	0	407	407
Proceeds	0	25	25
<u>Non-Cash</u>			
Acquisition	0	(13)	(13)
Balance at 31 March 2023	(64,427)	(1,868)	(66,295)

Note 27: Members' Allowances

The authority paid the following amounts to members of the council during the year:

Payments made	2021/22 £'000	2022/23 £'000
Allowances	185	189
Expenses	6	4
Total	190	193

Note 28: Executive Remuneration Bands and Exit Packages

The following table shows the number of staff whose total remuneration, excluding employer's pensions contribution but including gross salary, expense allowances, supplements, compensation for loss of office (i.e. redundancy) and benefits, exceed £50k in bands of £5k:

No. of Staff 2021/22	Remuneration Range	No. of Staff 2022/23
2	£50,000 - £54,999	6
1	£55,000 - £59,999	3
4	£60,000 - £64,999	1
1	£65,000 - £69,999	2
6	£70,000 - £74,999	1
0	£75,000 - £79,999	5
1	£85,000 - £89,999	0
0	£100,000 - £104,999	1
1	£120,000 - £124,999	1
16	Total	20

Senior Officer Remuneration

Detailed remuneration information for senior employees is set out below.

NOTE 28: OFFICER'S REMUNERATION - remuneration of certain senior employees:								
Post holder information	2021/22				2022/23			
	Sub-Note	Remuneration incl Expenses £	Employer's Pension contributions £	Total £	Sub-Note	Remuneration incl Expenses £	Employer's Pension contributions £	Total £
Chief Executive								
Officer A		124,281	19,495	143,776	1	51,599	5,410	57,009
Officer B		0	0	0	1b	83,066	13,043	96,109
Director of Environment, Housing and Regeneration								
Officer C	5	88,522	13,668	102,190	2a	101,682	14,971	116,653
Officer D		0	0	0	2b	23,925	3,701	27,626
Director of Corporate Services								
Officer B	6	63,633	9,913	73,546	3a	38,670	5,934	44,604
Officer E		0	0	0	3b	23,913	3,693	27,606
Chief Finance Officer								
Officer F		70,994	12,353	83,347		67,217	11,696	78,913
Chief Legal Officer								
Officer G	7	40,553	6,901	47,454	4	0	0	0

Sub Notes

2022/23
1a. Chief Executive until July 2022, remuneration for 2022/23 was a salary of £51,599.
1b. Chief Executive from July 2022, remuneration in this post for 2022/23 was a salary of £83,066.
2a. Director of Environment, Housing and Regeneration until March 2023, remuneration for 2022/23 was a salary of £101,682.
2b. Interim Director of Environment, Housing and Regeneration from January 2023, remuneration in this post for 2022/23 was a salary of £23,925.
3a. Director of Corporate Resources until July 2022, remuneration in this post was a salary of £38,670.
3b. Interim Director of Corporate Services from January 2023, remuneration in this post for 2022/23 was a salary of £23,913.
4. No Chief Legal Officer was directly employed during 2022-23.

2021/22
5. Director of Environment, Housing and Regeneration from May 2021, remuneration for 2021/22 was a salary of £88,522.
6. Director of Corporate Services from August 2021, remuneration for 2021/22 was a salary of £63,633.
7. Chief Legal Officer until October 2021, remuneration for 2021/22 was a salary of £40,553.

Exit Packages

There was one exit package paid in 2022/23. Following a corporate restructure in 2021/22, there were 13 exit packages totalling £295k including obligatory pension contributions in the prior year.

No. of Staff 2021/22	Exit Packages	No. of Staff 2022/23
9	£0 - £19,999	1
3	£20,000 - £39,999	0
1	£120,000 - £139,000	0
13	Total	1

Note 29: Audit Costs

In 2022/23, the Council expects to incur the following fees relating to external audit and inspection:

2021/22 Re-stated £'000		2022/23 £'000
36	Scale fee payable to the external auditors with regard to external audit	36
25	Additional audit fee variations (subject to agreement of PSAA)	30
25	Fees payable to the external audit for the certification of Housing Benefit subsidy claim	28
86	Total	94

*2021/22 figures have been re-stated to reflect final fees following completion of the audit.

Note 30: Capital Financing Requirement

2021/22 £'000		2022/23 £'000
90,277	Opening Capital Financing Requirement	88,895
0	Adjustment to opening balance	103
	Capital investment:	
388	Property, Plant and Equipment	279
458	Assets under Construction	694
164	Intangible Assets	89
1,513	Revenue Expenditure Funded from Capital under Statute	765
	Sources of finance:	
(229)	Capital receipts	(270)
(1,863)	Government grants and other contributions	(942)
	Sums set aside from revenue:	
(398)	Direct revenue contributions	(602)
(1,416)	Minimum Revenue Provision	(1,460)
88,895	Closing Capital Financing Requirement	87,551
(1,382)	Increase/(decrease) in Capital Financing Requirement	(1,447)

Note 31: Finance and Operating Leases

Finance Leases in (Council as Lessee):

The Council has acquired a number of vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2021/22 £'000		2022/23 £'000
2,451	Vehicles, Plant, and Equipment	1,991

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2021/22 £'000		2022/23 £'000
410	Finance lease liabilities: Current	408
1,877	Finance lease liabilities: non-Current	1,461
443	Finance costs payable in future years – Interest	294
2,731	Minimum lease payments	2,163

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2021/22 £'000	2021/22 £'000		2022/23 £'000	2022/23 £'000
558	410	Not later than one year	529	408
2,090	1,797	Later than one year and not later than five years	1,633	1,460
82	81	Later than five years	1	0

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment recognised in the Income and Expenditure account – applied to write down the lease liability;
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement); and
- Minimum lease payments include both finance charge (interest) and lease liability (principal).

Operating Leases in (Council as Lessee)

The Council has no material operating leases in.

Operating Leases out (Council as Lessor)

In 2022/23 the Council received £5.713m (note 16) gross rental and other income from investment properties (£5.733m in 2021/22), the majority of which was generated from operating leases.

With regard to the Council's activity as a lessor, the gross value of land and buildings assets held for use in operating leases was £62.3m in 2022/23 (£58.2m in 2021/22).

The lease payments receivable in future years are:

Lease Income at 31 March 2022 £'000		Lease Income at 31 March 2023 £'000
2,861	Not later than one year	2,518
9,523	Later than one year and not later than five years	8,125
85,593	Later than five years	116,963
97,977	Total	127,606

£41.1 million of the income is from leases granted on Longmead and Nonsuch industrial estates. The decrease in rent due within 5 years is due to a property becoming vacant. The increase in rent later than 5 years is due to a lease extension agreed in 2022/23.

Note 32: Pension Costs

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Transactions Relating to Retirement Benefits

EEBC recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserve Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and Statement of Movement in Reserves Statement during the year:

2021/22 £'000		2022/23 £'000
	Comprehensive Income and Expenditure Statement	
	<u>Net Cost of Services:</u>	
4,038	Current service cost	3,902
125	Past service gain/cost	0
	<u>Financing and Investment Income and Expenditure:</u>	
940	Net Interest Expense	1,012
5,103	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,914
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<u>Remeasurements</u>	
(635)	Changes in demographic assumptions	(1,983)
(7,882)	Changes in financial assumptions	(41,640)
259	Other experience	6,364
(3,797)	Return on assets excluding amounts included in net interest	3,459
(12,055)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(33,800)
	<u>Movement in Reserves Statement</u>	
(5,103)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(4,914)
2,456	Employers' contributions payable to scheme	2,507

Assets and Liabilities in Relation to Post-employment Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2023 are as follows:

2021/22 £'000		2022/23 £'000
(127,127)	1 April 2022	(122,575)
(4,038)	Current service cost	(3,902)
(125)	Past service cost	0
(2,552)	Interest cost	(3,318)
(549)	Contribution from scheme participants	(582)
90	Unfunded benefits paid	93
3,468	Benefits paid	3,620
	<u>Remeasurement gains/(losses):</u>	
635	- actuarial gains/losses arising from changes in demographic assumptions	1,983
7,882	- actuarial gains/losses arising from changes in financial assumptions	41,640
(259)	- Other experience	(10,042)
(122,575)	Estimated scheme liabilities at 31 March 2023	(93,082)
80,926	1 April 2022	85,782
1,612	Interest income	2,306
0	Remeasurement gain/(loss):	3,678
3,797	- return on plan assets, excluding the amount in net interest expense	(3,459)
2,366	Contributions from employer	2,507
549	Contributions from employees into the scheme	582
(3,468)	Benefits paid	(3,713)
85,782	Estimated scheme assets at 31 March 2023	87,682
(36,793)	Net asset / (liability) 31 March 2023	(5,400)

The liabilities represent the underlying commitments that the authority has to pay in retirement benefits over the long-term.

Since 31 March 2022, there has been a £31.4m decrease in the net liability, from £36.8m to £5.4m at 31 March 2023. The movement is principally due to changes in the actuarial assumptions, particularly the discount rate, as shown in the table overleaf. The movement impacts favourably on the net assets of the authority as recorded in the balance sheet. The pension liability is 3.6% of the balance sheet net value in 2022/23 compared to 34.5% in 2021/22.

The remaining deficit on the local government scheme will continue to be addressed by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Actual Return on Scheme Assets as per Actuaries

2021/22 £'000		2022/23 £'000
5,409	Actual return/(loss) on assets as per actuary	(1,153)

The return on the fund in market value terms for the period to 31 March 2023 is estimated based on actual funds return as provided by the administering authority and index returns where necessary.

Scheme History

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Present value of liabilities:						
Local Government Pension Scheme	(101,242)	(109,928)	(100,859)	(127,127)	(122,575)	(93,082)
Fair Value of Assets:						
Local Government Pension Scheme	67,207	70,394	63,505	80,926	85,782	87,682
Total	(34,035)	(39,534)	(37,354)	(46,201)	(36,793)	(5,400)

Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit will be made good by increased contributions over the remaining working life of employees (before payments fall due), as assessed by scheme actuary.

The Council expects to make employer's contributions totalling an estimated £2.35m into the Local Government Pension Scheme in the year to 31 March 2023.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Surrey County Council Fund liabilities have been assessed by Hyman Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

2021/22		2022/23
	Longevity at 65 for current pensioners:	
22.1	Men	21.8
24.5	Women	24.5
	Longevity at 65 for future pensioners:	
23.1	Men	22.4
26.2	Women	26.2
3.2%	Rate of increase in pensions	3.0%
4.1%	Rate of increase in salaries	4.0%
2.7%	Rate for discounting scheme liabilities	4.8%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used.

The sensitivities in relation to the principal financial assumptions which have been used to measure the scheme liabilities are:-

- 0.1% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £1.46m (2%)
- 0.1% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £0.11m (0%)
- 0.1% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £1.37m (1%)

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). It is estimated that a one year increase in life expectancy would approximately increase the Employer's defined benefit obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The above figures have been based on the membership profile as at the date of the most recent actuarial valuation.

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 16 years.

Assets in the Surrey Pension Fund are valued at fair value, principally market value for investments. The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

Percentage of Fund Assets		Percentage of Fund Assets
2021/22		2022/23
77%	Equity Investments	81%
14%	Bonds	11%
6%	Property	6%
3%	Cash	2%
100%	Total	100%

Movement in net pension liability:

2021/22 £'000		2022/23 £'000
(46,201)	Opening Balance	(36,793)
(4,038)	Current Service Costs	(3,902)
(125)	Past Service gains/(Costs)	0
(940)	Net Interest Expense	(1,012)
2,456	Employer Contributions	2,507
12,055	Remeasurements	33,800
(36,793)	Closing Balance	(5,400)

Note 33: Contingent Liabilities & Assets

Contingent Liabilities

The Council had been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd that the amount subject to levy is £83,615 which may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities. The amount is unchanged from 31 March 2022. The Council's earmarked Insurance Reserve includes an amount to cover any potential future claims.

Contingent Assets

There are no material contingent assets at 31 March 2023.

Note 34: Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to influence the Council or be influenced by the Council.

UK Central Government has effective control over general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates. UK Central Government provides funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills and housing benefits). These transactions are listed in the core statements and supporting notes.

Members of the Council have direct control over the Council's financials and operating policies. The net cost to Epsom and Ewell Borough Council of related party transactions was £305k in 2022/23 (£541k in 2021/22). The grants and expenditure were incurred with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	2021/22 £'000	2022/23 £'000
Age Concern	27	27
British Telecommunications Plc	17	0
Citizen Advice Bureau	133	134
Horton Chapel Arts & Heritage Society	303	144
London Borough of Merton	49	0
Local Government Association	9	0
Reed Employment	4	0
Total	541	305

Epsom & Ewell Property Investment Company Limited

The Council owns a subsidiary company, Epsom and Ewell Property Investment Company Limited (EEPIC). As at 31 March 2023, three Council officers served as Directors of EEPIC – the Head of Finance, Head of Property and Regeneration, and Head of Housing & Communities. One Council officer – the Senior Accountant – served as Company Secretary. Under EEPIC’s Business Plan, originally approved by Council in September 2017 and subsequently by the Shareholder Subcommittee each year, the Council provided loans and equity to EEPIC, for it to invest in commercial property and generate a return. During 2022/23 the Council entered into the following related party transactions with EEPIC:

Organisation	2021/22 £'000	2022/23 £'000
<u>Amounts received by EEPIC from EEPIC</u>		
Interest receivable from EEPIC	(1,809)	(1,809)
Support services rechargeable to EEPIC	(123)	(120)
Dividend from EEPIC	(603)	(603)
Subtotal	(2,535)	(2,531)

The combined financial position of the Council and EEPIC is shown in the group accounts.

Note 35: Collection Fund Income and Expenditure Account

This account reflects the statutory requirements for the Epsom and Ewell Borough Council, as the billing Authority, to maintain a separate Collection Fund. The Fund shows the transactions in relation to the Council Tax and Non-Domestic Rates, and sets out the way in which these have been distributed between the General Fund, Surrey County Council and Surrey Police Authority (the preceptors). Council Tax is the means of raising income from local residents to pay for council services. Under the Business Rate Retention Scheme local authorities retain 40% of income collected on local Business Rates. Of the remainder, 50% is passed over to the Government and 10% to the County. This account sets out the income and the shares between the preceptors.

2021/22				2022/23		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
0	(68,410)	(68,410)	INCOME:	0	(71,665)	(71,665)
(18,697)	0	(18,697)	Council Tax Receivable	(22,998)	0	(22,998)
149	0	149	Business Rates Receivable	44	0	44
			Transitional Payments Payable			
(18,547)	(68,410)	(86,958)	Total Income	(22,954)	(71,665)	(94,619)
			EXPENDITURE:			
			Apportionment of Prior Year Surplus/(Deficit)			
(8,030)	0	(8,030)	Central Government	(3,482)	0	(3,482)
(6,424)	(6)	(6,430)	Epsom & Ewell Borough Council	(2,786)	47	(2,739)
(1,606)	(46)	(1,652)	Surrey County Council	(696)	349	(347)
0	(8)	(8)	Surrey Police Authority	0	64	64
			Precepts, Demands and Shares			
12,686	0	12,686	Central Government	12,547	0	12,547
10,149	6,904	17,053	Epsom & Ewell Borough Council	10,037	7,090	17,127
2,537	51,351	53,889	Surrey County Council	2,509	54,080	56,589
0	9,467	9,467	Surrey Police Authority	0	9,828	9,828
			Charges to Collection Fund			
(267)	253	(14)	Increase / (Decrease) in Bad Debt Provision	(166)	240	74
(190)	0	(190)	Increase / (Decrease) in Provision for Appeals	2,196	0	2,196
81	0	81	Cost of Collection	80	0	80
8,938	67,914	76,852	Total Expenditure	20,239	71,698	91,937
(9,610)	(496)	(10,106)	(Surplus) / Deficit arising during the year	(2,715)	33	(2,682)
16,536	(55)	16,481	(Surplus) / Deficit b/fwd 1 April	6,925	(551)	6,375
6,925	(551)	6,375	(Surplus) / Deficit c/fwd 31 March	4,210	(518)	3,692
			Apportionment to Preceptors/EEBC			
3,463	0	3,463	Central Government	2,105	0	2,105
2,770	(56)	2,714	Epsom & Ewell Borough Council	1,684	(52)	1,632
693	(418)	274	Surrey County Council	421	(394)	27
0	(77)	(77)	Surrey Police Authority	0	(72)	(72)
6,925	(551)	6,375		4,210	(518)	3,692

Notes to the Collection Fund Income and Expenditure Account

The Council's tax base, that is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

	Band	Total Properties For Band	Proportion To Band D	Relevant Amount for
	A	82.99	6/9 th	55.33
	B	775.07	7/9 th	602.83
	C	4,162.93	8/9 th	3,700.38
	D	7,769.90	9/9 th	7,769.90
	E	6,998.57	11/9 th	8,553.81
	F	4,398.21	13/9 th	6,352.97
	G	3,897.23	15/9 th	6,495.38
	H	130.75	18/9 th	261.5
Aggregate of Relevant Amounts				33,792.10
Estimated Collection Rate				98.40%
Council Tax Base				33,251.43

The Council achieved a council tax collection rate of 99.0% in 2022/23 (98.5% in 2021/22).

Non-Domestic Rates Statistics

2021/22 £'000		2022/23 £'000
64,127	Total Non-Domestic Rateable Value at year end	63,337
51.2	National Non-Domestic Rate Multiplier (Standard)	51.2

The Council achieved a business rates collection rate of 99.2% in 2022/23 (98.7% in 2021/22).

Precepting Bodies

Epsom & Ewell Borough Council, as a billing authority, collects Council Tax and passes on the payments to the preceptors.

2021/22 £'000		2022/23 £'000
51,351	Surrey County Council	54,080
9,467	Surrey Police	9,828
6,904	Epsom and Ewell Borough Council	7,090
67,722	Total Precepts on Collection Fund	70,997

Distribution of Council Tax Surplus/(Deficit)

2021/22 £000		2022/23 £000
(46)	Surrey County Council	349
(8)	Surrey Police Authority	64
(6)	Epsom & Ewell Borough Council	47
(60)	Balance at Year End	461

Council Tax Provision for Bad Debts

2021/22 Re-stated £000		2022/23 £000
935	Opening Balance	1,163
(25)	Write offs	(248)
253	Increase/(Decrease) in Bad Debt Provision	240
1,163	Balance at Year End	1,155

2021/22 has been re-stated to show write offs as a gross figure, separately from the overall bad debt provision movement.

Group Accounts

In September 2017, the Council established a 100%-owned subsidiary company, Epsom & Ewell Property Investment Company Limited (EEPIC), principally to invest in high quality, out-of-Borough, commercial property. The company aims to achieve rental yields from commercial property, delivering a long term income stream to the Council. This income stream will assist the Council in becoming more financially self-sufficient (independent from government grants) and sustaining high-quality services to local residents and businesses.

EEPIC is based in the Council's Town Hall offices in Epsom. Its board of directors are also officers of the Council. Other than EEPIC, the Council has no other subsidiary.

The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity within the local authority's control.

The assets, liabilities, reserves and income and expenditure figures for EEPIC have been consolidated into group accounts on the following pages.

The Council is required to prepare the core statements to the group accounts together with the relevant notes where they are materially different to the reporting in its own accounts. The following statements have been prepared:

Group Comprehensive Income and Expenditure Statement
Group Movement in Reserves statement.
Group Balance Sheet
Group Cash Flow Statement

Disclosure Notes

Group Creditors
Group Debtors
Group Investment Properties
Group Related Parties

Audited accounts of Epsom & Ewell Property Investment Company Ltd will be filed with Companies House and available on request from:

Brendan Bradley (Chief Finance Officer)
Epsom & Ewell Borough Council
Town Hall
The Parade
KT18 5BY

Accounting Policies

The group income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the Council and its subsidiary on a line by line basis. The accounts of the subsidiary have been prepared in accordance with UK Accounting Standards, FRS 102 and applicable law, using similar accounting policies and practices to those of the Council. However some accounting policies and practices do

differ in some respects from the Council's due to legislative requirements. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

Group Comprehensive Income & Expenditure Statement

*Restated 2021/22 Group CIES			Committee	2022/23 Group CIES		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
13,191	(6,655)	6,536	Environment & Safe Communities	11,723	(7,055)	4,669
10,045	(4,049)	5,996	Community & Wellbeing	10,647	(5,963)	4,684
24,084	(19,955)	4,129	Strategy and Resources	21,512	(17,629)	3,883
2,248	(903)	1,345	Licensing & Planning Policy	3,087	(1,736)	1,351
49,568	(31,563)	18,005	Cost of Services	46,970	(32,382)	14,587
0	0	0	Other Operating Expenditure (Note 11)	362	(390)	(27)
3,569	(14,475)	(10,906)	Financing and investment Income and Expenditure (Note 12)	4,204	(7,955)	(3,751)
0	(11,576)	(11,576)	Taxation and non-specific grant income and expenditure (Note 13)	0	(9,901)	(9,901)
53,138	(57,615)	(4,477)	(Surplus) or Deficit on Provision of Services	51,536	(50,628)	908
		4,782	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(1,884)
		(12,055)	Remeasurement of net defined benefit liability/(asset) (Note 32)			(33,800)
		(7,273)	Other Comprehensive (Income) and Expenditure			(35,684)
		(11,750)	Total Comprehensive (Income) and Expenditure			(34,776)

* The previous year's accounts have been restated to reflect a change in committee structure which took effect from May 2022.

Group Movement in Reserves Statement

Group Movement in Reserves Statement	EEBC Usable Reserves	EEBC Unusable Reserves	EEPIC Retained Earnings	EEPIC Revaluation Reserve	Total Group Reserves
2022/23	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2022	(39,249)	(67,500)	(893)	417	(107,225)
Movement in Reserves During 2022/23					
Total Comprehensive Income, Expenditure and Dividends	(6,009)	(35,684)	(515)	7,432	(34,776)
Adjustments between accounting basis and funding under regulations (Note 9)	4,234	(4,234)	0	0	(0)
Increase or Decrease in 2022/23	(1,776)	(39,917)	(515)	7,432	(34,776)
Balance at 31 March 2023 carried forward	(41,025)	(107,417)	(1,408)	7,850	(142,000)
2021/22	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2021	(41,003)	(55,428)	(466)	1,422	(95,474)
Movement in Reserves During 2021/22					
Total Comprehensive Income, Expenditure and Dividends	(3,045)	(7,273)	(427)	(1,005)	(11,750)
Adjustments between accounting basis and funding under regulations (Note 9)	4,798	(4,798)	0	0	0
Increase or Decrease in 2021/22	1,753	(12,072)	(427)	(1,005)	(11,750)
Balance at 31 March 2022 carried forward	(39,249)	(67,500)	(893)	417	(107,225)

Group Balance Sheet

2021/22 Group Balance Sheet £'000		2022/23 Group Balance Sheet £'000
	Long-term Assets	
74,840	Property, Plant and Equipment	76,315
118,495	Investment Properties	116,279
722	Heritage Assets	722
584	Intangible Assets	442
630	Long Term Debtors	643
592	Surplus Assets	38
195,863	Total Long-term Assets	194,438
	Current Assets	
78	Inventories	66
3,978	Short-term Debtors	6,224
10,000	Short-term Investments	20,000
35,881	Cash and Cash Equivalents	9,451
49,937	Total Current Assets	35,741
	Current Liabilities	
(31,307)	Short-term Creditors	(11,004)
0	Short-term Provisions	(250)
(410)	Lease Liability - Within One year	(408)
(31,717)	Total Current liabilities	(11,662)
	Long-term Liabilities	
(64,427)	Long Term Borrowing	(64,427)
(36,793)	Defined Benefit Pension Liability	(5,400)
(3,203)	Grants Receipts in Advance	(3,746)
(559)	Long-term Provisions	(1,484)
(1,877)	Lease Liability - Over One year	(1,461)
(106,859)	Total Long-term Liabilities	(76,517)
107,225	NET ASSETS	142,000
	Total Reserves	
(40,141)	Usable Reserves	(42,433)
(67,083)	Unusable Reserves	(99,567)
(107,225)	TOTAL RESERVES	(142,000)

Group Cash Flow Statement

2021/22 Group £'000		2022/23 Group £'000
(4,477)	Net (Surplus) or Deficit on the Provision of Services	908
(1,794)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	(6,594)
3,608	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	1,640
(2,663)	Net cash flows from Operating Activities	(4,045)
7,257	Net cash outflow / (inflow) from Investing Activities	9,052
(18,784)	Net cash outflow / (inflow) from Financing Activities	21,422
(14,190)	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period	26,430
21,691	Cash and Cash Equivalents at the Beginning of the Period	35,881
14,190	Net Increase/(decrease) in Cash and Cash Equivalents	(26,430)
35,881	Cash and Cash Equivalents at the End of the Reporting Period	9,451

Group Creditors - Current

2021/22 Group Creditors £'000		2022/23 Group Creditors £'000
(25,216)	Central Government Bodies	(3,008)
(1,616)	Other Local Authorities	(2,739)
(91)	Council Tax Payers	(119)
(445)	Non Domestic Ratepayers	(264)
(3,938)	Other Entities and individuals	(4,874)
(31,307)	Total	(11,004)

Group Debtors - Current

2021/22 Group Debtors £'000		2022/23 Group Debtors £'000
106	Central government bodies	665
528	Other Local Authorities	7
379	Council Tax Payers	209
333	Non Domestic Rate Payers	268
2,632	Other Entities and individuals	5,075
3,978	Total Debtors	6,224

Group Investment Properties

The following items of income and expenditure relating to investment properties have been accounted for in the Financing and Investment Income and Expenditure line in the Group CIES:

2021/22 Group £'000		2022/23 Group £'000
(9,181)	Rental Income from Investment Property	(9,256)
551	Other Net Expenditure Arising from Investment Property	829
(8,630)	Net (Income)/Expenditure	(8,427)

There are no restrictions on the Group's ability to realise the value inherent in its investment property or on the remittance of income and the proceeds of disposal. The Group has no contractual obligations to purchase, construct or develop investment property.

Fair Value Hierarchy

All the Group's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

Investment Properties are measured in the year of purchase at cost including transaction costs, which is taken as the best estimate of fair value, unless there are indications to the contrary. In subsequent years, investment properties are revalued annually and held at fair value at the balance sheet date. Any increase or decrease in fair value is taken to profit or loss for the year.

The fair value measurement of investment property uses a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

In estimating the fair value of the Group's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Group's investment properties have been valued as at 31 March 2023 by Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

2021/22 Group £'000		2022/23 Group £'000
113,279	Balance at the Start of the Year	118,495
5,216	Net gains/(losses) from Fair Value Adjustments	(2,363)
0	Transfers to/from Assets Held For Sale/Other adjustments	147
118,495	Balance at the Year End	116,279

Group Related Parties

During 2022/23, the Council entered into the following related party transactions with EEPIC:

Transaction Description	2021/22 £'000	2022/23 £'000
<u>Amounts received by EEBC from EEPIC</u>		
Interest receivable from EEPIC	(1,809)	(1,809)
Support services rechargeable to EEPIC	(123)	(120)
Dividend from EEPIC	(603)	(603)
Total	(2,535)	(2,531)

The Council holds long-term loans of £36.2m and equity investments of £24.1m in EEPIC, which are recognised and measured at cost in the Council's balance sheet. The loans are repayable at maturity in 2067. Interest is payable annually at a fixed 5% rate. If EEPIC breached financial covenants included in the loan agreements, the loan could become repayable to the Council before 2067.

EEPIC made a full-year profit before tax (excluding property revaluations) of £1.4m in 2022/23, paying a dividend of £0.6m to the Council. EEPIC's property valuations decreased by £8.6m compared to 31 March 2022.

At 31 March 2023, three Council officers served as Directors of EEPIC – the Head of Finance, Head of Property and Regeneration, and Head of Housing & Communities. One Council officer – the Senior Accountant – served as Company Secretary.

Statement of Responsibilities

Council's Responsibilities

1. The Borough Council is required to:
 - Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Chief Finance Officer.
 - Manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
 - Approve and publish the audited Statement of Accounts by 30 September 2023.

Chief Finance Officer's (S151) Responsibilities

2. The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made reasonable and prudent judgements and estimates;
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper and up to date accounting records;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

ANNUAL GOVERNANCE STATEMENT (SUBJECT TO APPROVAL BY THE COUNCIL'S RELEVANT COMMITTEE)

Executive Summary

Epsom & Ewell Borough Council are committed to delivering on the themes that emerged from the long term vision of the Borough, also known as [Future40](#). The



themes form the core of our [Four Year Plan 2020-2024](#), they are:

We continue our drive to work as efficiently and effectively as possible towards these priorities, reviewing services, assets and other sources of income, but remaining adaptable to changes in government legislation and other external factors.

Central to our success, is having a robust foundation of good governance and sound financial management. Our local [Code of Corporate Governance](#) outlines our governance arrangements and systems of internal control, which ensures we are meeting the CIPFA principles of good governance.¹

Each year the council is required to produce an Annual Governance Statement (AGS), which describes how our corporate governance arrangements, set out in the local code, have been working. This AGS gives assurances on compliance for the year ending 31 March 2023 and an update on the approval of the year's Statement of Accounts.

The Chair of Strategy and Resources Committee and Chief Executive both recognise the importance of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this AGS, and to further enhance our governance arrangements to enable delivery of our Four Year Plan. Further, they confirm they have been advised of the implications of the governance review of governance by senior management. In addition, they are assured that the Audit & Scrutiny Committee are satisfied that the steps outlined in this document will ensure that our governance arrangements remain fit for the future.

¹ CIPFA (2016) Delivering Good Governance in Local Government Framework, 2016 Edition. CIPFA: London.

Signed on behalf of Epsom & Ewell Borough Council:



Chair of Strategy & Resources Committee
Date: 24th July 2023



Chief Executive
Date: 24th July 2023

Review of the Effectiveness of the Council's Governance Framework

Governance can be defined as comprising “the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.”² Governance includes processes, procedures, policies, administrative systems, legal arrangements and so forth, “through which [an organisation’s] objectives are set and pursued in” their environmental context, while “ensuring that stakeholders can have confidence that their trust in [the organisation] is well founded.”³

Throughout the year, the council regularly reviews the effectiveness of its governance arrangements, through performance reporting, Internal and External auditing, and the activities of the Audit & Scrutiny Committee. In addition, the AGS is informed by senior management governance assessments, including by statutory officers, and the controls outlined in the Code of Corporate Governance. Together these practices ensure there is regular corporate oversight, and that our governance arrangements remain effective.

The AGS incorporates our continuous assessment of our governance arrangements, and through this identifies areas where we can improve.⁴ Although this approach seeks to manage risks to the council's governance, and ensure we are doing things in the right way and delivering value for money, our operating environment is continually changing and evolving. Consequently, this AGS can provide a reasonable, rather than absolute, assurance of the council's governance arrangements.

Effectiveness Assessment

This Statement's appraisal shows that we generally have a sound foundation of governance, systems of internal control and risk management in place. However, there are some areas which remain a challenge for us and require further improvement. These weaknesses may impact our ability to manage risks effectively and achieve our aims and objectives. Yet we are aware of these issues and have [plans in place](#) to address them.

The council is also aware of other issues that could affect our financial position, such as inflationary pressure, insurance claims, appeals (such as for planning) and other matters.

² IFAC and CIPFA (2014) The International Framework: Good Governance in the Public Sector, p. 2. Online available: https://www.ifac.org/flysystem/azure-private/publications/files/IFAC-CIPFA-International-Framework-Good-Governance-in-Public-Sector-Exec-Summary_0.pdf [last accessed 30/05/2023].

³ The Chartered Governance Institute UK & Ireland (2022) *What is corporate governance?* Online available: <https://www.cgi.org.uk/about-us/policy/what-is-corporate-governance> [last accessed 18/04/2023].

⁴ See the following sections: “Rationale for the Statement’s *TBC* Assurance Opinion” and the “Action Plan”.

Compliance with CIPFA Financial Management Code

CIPFA published its first edition 'Financial Management Code' for local authorities in October 2019. CIPFA considers that compliance with this code is mandatory for all local authorities although such compliance is not specifically mandated by statute. The code is essentially a best practice guide to financial management in the local authority sector. It covers the following areas:

- The responsibilities of the chief financial officer and the leadership team (including members).
- Governance and financial management style.
- Medium to long term financial management.
- The annual budget.
- Stakeholder engagement and business plans.
- Monitoring financial performance.
- External financial reporting.

Officers have undertaken an assessment of the council's compliance with the code and in general terms the council's arrangements meet the recommended standards.

Subsidiary Company

The council has one subsidiary company – Epsom & Ewell Property Investment Company Ltd (EEPIC) – a 100% wholly owned trading company of the council. It was set up in September 2017 to provide the council with the flexibility to undertake commercial trading activities in property investment. In accordance with Government guidance introduced in April 2018, no further out of Borough property investment acquisitions have been made. As the sole shareholder of EEPIC, the council ensures strong governance through regular meetings of the Shareholder Sub-Committee. It approves EEPIC's Annual Business Plan and receives an Annual Review each November as provided by the Shareholder Agreement. In addition to its role as shareholder, the council is also EEPIC's lender with separate governance provided through Strategy & Resources Committee for loan agreement matters. EEPIC Board Meetings are held quarterly with quarterly management and finance monitoring reports submitted to the council's S151 Officer to ensure loan monitoring compliance. All Directors are senior officers of the council, and all have received appropriate training. To maintain strong governance, the council's S151 Officer and Monitoring Officer are excluded from joining the EEPIC Board and act solely as representatives of the council.

Statutory Assurances

Several officers at the council hold [statutory roles](#), which are established in legislation and have specific responsibilities. It is important that assurances from these officers are included in this AGS to support its conclusion on the council's governance arrangements.

1. Head of Paid Service

The Head of Paid Service is responsible for the overall corporate and operational management of the council. These responsibilities have been considered within the context of this statement and the Head of Paid Service can confirm that proper arrangements have been put in place for the overall operation and management of the council.

The Head of Paid Service has no significant concerns to report and continues to evolve the senior management structure and organisational strategy to align responsibilities and resources to deliver the council's ambitions and priorities.

In yet another challenging year for the council the organisation continues to recover from the Covid pandemic and deal with the significant and increasing service and economic pressures we face, exacerbated by the growing cost of living crisis. Governance arrangements are improving and there has been a continued and sustained focus on performance and risk management.

The ongoing job market upheaval means there are often numerous employment options available to potential candidates and in some cases the council have found it difficult to recruit to specialist posts. However, job turnover has slowed significantly in the last six months and most key posts are filled, with a permanent Head of Legal Services and Monitoring Officer crucially now in post. We have had changes at the most senior level of the organisation and our S151 Officer is retiring in the near future, but succession plans are in place for this, and the Director posts are currently covered by internal interim appointments which are working well. This position will be resolved in the Autumn with a permanent recruitment campaign.

We welcome the opportunity to commence an LGA Corporate Peer review in January 2024 and will work with any recommendations to further strengthen our corporate governance arrangements.

2. Chief Financial and Section 151 Officer

The Chief Finance Officer (CFO) is responsible for the proper administration of the council's financial affairs. The Chief Finance Officer confirms that the council's arrangements conform to Section 151 of the Local Government Act 1972 and that the council complies with CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016). While the council has robust financial management arrangements in place, it is important to note that the 2023/24 budget was produced in the context of prevailing economic uncertainty, particularly in

relation to interest rates, inflation (including volatile utility costs) and the impact of a potential recession next year and beyond. The uncertain economic outlook and potential recession has resulted in increased uncertainty within the council's finances and demonstrates the ongoing importance of holding sufficient reserves to enable the council to manage the risks it faces.

The council will develop its Medium Term Financial Strategy 2024-28 to deliver corporate priorities while addressing the future budget gap (projected at £1.6m by 2025/26, as reported to Full Council in February 2023) and reducing risk. Financial risk remains elevated however, particularly with regard to service demands, utility costs and inflationary pressure. Provision has been made to manage risks as far as possible, but this remains an area of concern that will continue to be monitored.

3. Monitoring Officer

The Monitoring Officer is required to report to the council in any case where it appears that any proposal, decision, or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989.

The Monitoring Office joined the council in May 2023, thus outside of this Statement's reporting period. Therefore, while the Monitoring Officer cannot provide assurances over the Statement period, they can confirm that the council's Monitoring Officer during 2022-23 raised no concerns regarding the outcomes of the governance review undertaken to produce it.

4. Internal Audit Annual Opinion⁵

I am satisfied that sufficient assurance work has been carried out to allow me to form a **reasonable** conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are reasonable and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

⁵ Please note our Internal Audit function is delivered by the Southern Internal Audit Partnership (SIAP), operated by Hampshire County Council. This paragraph is a direct quote from the *Annual Internal Audit Report & Opinion 2022-2023*, prepared by SIAP's Deputy Head of Partnership. It will be available in the [committee papers for this meeting](#) (once the agenda is published). The meaning of "reasonable" is defined in page 4 of the annual report.




5. External Audit

External Audit provided an unqualified (i.e. favourable) opinion on the Statement of Accounts 2021-2022, and did not identify any significant weaknesses in our: governance arrangements, financial sustainability, or our economy, efficiency and effectiveness.⁶

The external audit of 2022-2023's Statement of Accounts is expected to take place in summer 2023.

⁶ Note: this is based on the most recent audit report provided by Grant Thornton UK LLP (2021-2022 audit). Grant Thornton define governance as: "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."



Rational for this Annual Governance Statement's Assurance Opinion




Definition ⁷	Description
<p>Adequate</p> 	<p>There are sound policies and processes in place, which are working effectively across services, which provide for good governance arrangements and support compliance with requirements of the CIPFA Principle, and achievement of the council's aims and objectives.</p> <p>There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the council's overall governance framework.</p>
<p>Some development or areas for improvement</p> 	<p>Whilst there are policies and processes in place, there are some areas which remain a challenge for the council or require further improvement, which may impact the effectiveness of elements of the council's governance arrangements, compliance with the CIPFA principle and achievement of the council's aims and objectives. The council has in place an action plan to address challenges and improvement matters.</p>
<p>Key development or many</p> 	<p>We have identified significant challenges in relation to the policies and processes, which may impact the effectiveness of elements of our governance arrangements, compliance with the CIPFA principle and achievement of our aims and objectives. We have implemented plans for corrective actions to manage these risks.</p>



⁷ We have referred to [Basildon Council's criteria](#) to inform this section's assessment (last accessed 02/06/2023).

areas for improvement	
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Please note: the items included in the table below are controls, processes etc. that have changed in the year, that is, where we improved or identified an area to improve. It is therefore not a list of all the governance arrangements we have in place. For a full list and further detail on our arrangements, please see our [Code of Corporate Governance](#).

Core CIPFA Governance Principle	Overall Assessment	What's working well	Where we can improve
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>		<p>I. Our constitution and operating framework were updated recently and implemented in May 2023.</p> <p>II. Re-launched our staff equality group and refreshed our Diversity, Equity and Inclusion Framework.</p> <p>III. We've recruited a new Head of Legal Services / Monitoring Officer.</p>	<p>I. Our fraud policies are being updated at present, we had hoped to complete this piece of work in 2022-2023.</p> <p>II. Through our constitution work, we identified that our councillors' code of conduct should be reviewed to ensure it still reflects best practice.</p> <p>III. We would like to promote 'The Seven Principles of Public Life' more widely within the organisation to reinforce our ethical values.</p> <p>IV. Our People Framework requires finalising.</p> <p>V. We are undertaking an audit on Complaints, to ensure our processes are working effectively.</p> <p>VI. We are making minor updates to our Whistleblowing Policy.</p> <p>VII. We are updating our Health and Safety policies and continuing with inspections to identify any gaps in practices.</p>
<p>B. Ensuring openness and comprehensive stakeholder engagement</p>		<p>I. We've reviewed our transparency page on our website and will be making some improvements over the next year.</p> <p>II. New format corporate performance reports have been taken to Audit & Scrutiny Committee.</p> <p>III. We have filled all vacancies in our Communications team.</p> <p>IV. New consultation platforms were trialled as part of our masterplan and local plan</p>	<p>I. We have a new customer engagement project underway (see Annual Plan 2023-2024).</p>

		consultations.	
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		<ul style="list-style-type: none"> I. Our climate change strategy has been reviewed and updated. II. The Annual Plan 2023-2024 has been agreed, and benefits are linked to our Four Year Plan. III. Although still in its consultation phase, the local plan considers sustainable economic, social and environmental benefits. 	<ul style="list-style-type: none"> I. A new medium term corporate plan will be required for 2024 onwards.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes		<ul style="list-style-type: none"> I. The Medium Term Financial Strategy was reviewed in year as part of the budget setting process. II. An Arts, Heritage & Culture Strategy is being prepared. III. A new corporate project (oversight) board, and a project management community of practice group, have both been established. IV. New corporate performance and risk management frameworks have been developed and established in year. V. Democratic Services have begun trialling the use of a committee action tracker using our ModGov software. 	<ul style="list-style-type: none"> I. Our community development plan requires review, given delays to actions due to the additional workload created by government refugee support schemes.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		<ul style="list-style-type: none"> I. A permanent Chief Executive has been recruited. II. Building Control has moved into a new partnership arrangement with Elmbridge Borough Council. III. There is an induction programme for new councillors following the May 2023 elections. 	<ul style="list-style-type: none"> I. Recruitment to HR roles is taking longer than anticipated. II. IT Strategy due to Strategy & Resources Committee in September 2023. III. New permanent Directors require appointing.

		<p>IV. A Project Management Group has been created (a community of practice).</p> <p>V. Officers continue to participate in and complete management training courses.</p>	
<p>F. Managing risks and performance through robust internal control and strong public financial management</p>		<p>I. We have had a positive outturn with regard to our finances, and treasury income has increased significantly.</p> <p>II. We adopted a new Risk Management Strategy in July 2022, which was part of a risk management assessment led by Internal Audit. Our external auditors have also reviewed aspects of the new framework. This work also includes the development of new committee risk registers.</p> <p>III. A transformation of our Planning (development management) service has been completed, and performance is significantly improving.</p> <p>IV. New format corporate performance reports have been taken to Audit & Scrutiny Committee.</p>	<p>I. The IT Strategy is due to Strategy & Resources Committee in September 2023, and IT governance practices and policies required updating. These are priority areas for improvement.</p> <p>II. We are reviewing the data we hold and ensuring it is filed correctly and securely.</p> <p>III. Our fraud policies are being updated at present, we had hoped to complete this piece of work in 2022-2023.</p>
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>		<p>I. A new live streaming system is now used for committee meetings.</p> <p>II. We've reviewed our transparency page on our website and will be making some improvements over the next year.</p> <p>III. A new 'Governance' webpage has been created.</p> <p>IV. Internal and External Audit have reported to Audit & Scrutiny Committee throughout the year.</p> <p>V. The Internal Audit Plan for 2023-2024 was</p>	<p>I. We are making minor updates to our Whistleblowing Policy.</p>

		<p>agreed by Audit & Scrutiny Committee.</p> <p>VI. A new corporate project (oversight) board has been setup.</p> <p>VII. A SharePoint based “Members News” intranet site was created.</p> <p>VIII. This AGS and our Local Code of Governance have been reformatted to make them clearer and more accessible.</p>	
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Action Plan

2021-2022 Action Plan

Issues identified	Action taken	RAG status
Uncertainty regarding local government funding which will impact on the current Medium Term Financial Strategy financial stability	The re-basing exercise was reported to, and agreed by, Strategy & Resources Committee in July 2022. Updated budgets for 2023/24, factoring in latest government funding announcements, are currently being prepared for January policy committees and Full Council in February 2023, in line with the Council's budget setting framework.	Completed
Existing strategies in relation to changes in risk relating to investment properties may need reviewed	A revised investment strategy for 2023-2025 is being prepared. It is anticipated that this will be brought to committee in the next six months.	Completed
The arrangements for Information Governance and data protection need to be reviewed to ensure they are fully compliant with legislation and ICO guidance	Complete the recruitment of a new Data Protection Officer who will bring together and progress our information governance improvements.	Completed
Strengthening and updating the Constitution	The Constitution Working Group has agreed a proposal for an updated constitution. The proposal is due to Standards and Constitution Committee on 25 January 2023.	Completed

2022-2023 Action Plan

Issues Identified	Action to be taken	Due date
To develop a new Medium Term Financial Strategy, in support the Council's annual service objectives and to maintain and improve the Council's financial resilience [Finance]	Strategic Financial Planning report to Strategy & Resources (July 2023) Budget/MTFS report to Full Council (February 2024)	29 Feb 2024

Community Infrastructure Levy (CIL) [Place Development]	Review and update CIL policies and procedures (inc. Neighbourhood CIL).	31 Dec 2023
Information governance [Policy & Corporate Resources]	Establish officer information governance scrutiny and oversight group.	30 Sep 2023
IT Strategy [IT]	Approval of IT Strategy with associated funding and implementation plan.	30 Sep 2023
PSN Certificate [IT]	Complete PSN health check (May 2023) and any remedial actions that result.	31 Mar 2024
IT policies [IT]	Review and update IT policies as necessary.	31 Mar 2024
Human resources [People & Organisational Development]	Enhance the resilience of the People & Organisational Development Service by recruiting vacant posts and continuing with multi-role training for new team members.	31 Mar 2024
Development Management [Place Development]	Review the Development Management transformation project to ensure the council is no longer under 'threat of designation'.	30 Sep 2023
Recruitment and retention [All Services / People & Organisational Development]	Review and enhance recruitment and retention policies and procedures for key roles across the council.	31 Mar 2024
The Local Plan [Place Development]	Ensure there is adequate resourcing in place to the Local Plan is progressed in the most efficient way possible.	31 Mar 2024
Health and safety [All Services / Policy & Corporate Resources]	Continue to gather assurance on the effectiveness of health and safety management across all council services and venues.	31 Mar 2024
Officer schemes of delegation [Legal Services]	Review and update as required the officer schemes of delegation.	30 Sep 2023
Homelessness [Housing & Community]	Review governance arrangements around the Homelessness and Rough Sleeper Strategy.	31 Mar 2024
Business continuity [Policy & Corporate Resources]	Review and update as necessary all team's business continuity plans.	31 Mar 2024

**Independent auditor's report to the members of Epsom & Ewell Borough
Council**

To be added once audit completes.

Glossary of Financial Terms

The following terms and abbreviations, while not being exhaustive, may prove of assistance in understanding the Statement of Accounts.

FINANCIAL TERMS

Accounting Period	The period of time covered by the Council's accounts. The Council's financial year is the period from 1 April to the following 31 March.
Accrual	The recognition of income and expenditure as it is earned or incurred, i.e. not as cash received or paid.
Actuary	Independent advisor to the Council on the financial position of the Pension Fund.
Actuarial Valuation	Independent triennial review of the Pension Fund assets, liabilities and reserves, the results of which, including recommended employer's contribution rates, the Actuary reports to the Council.
Agency Arrangement	Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.
Amortisation	The writing off of intangible assets or loan balances to revenue service accounts over an appropriate period of time.
Balances	The surplus or deficit on any account at the end of an accounting period. The term is often used specifically to refer to the availability of unallocated revenue reserves.
Budget	A statement defining the Council's policies over a specified period of time in terms of finance.
Capital Charges	Charges made to individual service revenue accounts to reflect the cost of the assets employed. Charges may include both notional interest and depreciation elements (also referred to as asset rentals).
Capital Expenditure	Expenditure incurred on the purchase or improvement of significant assets including land, buildings and equipment, which will be of use or benefit in providing services for more than one financial year.
Capital Financing Charges	The annual cost of capital, including principal repayments, interest charges and leasing costs.
Capital Receipts	A capital receipt is the income received from the disposal of a capital asset, the repayment of any loan, grant or other financial assistance given for a capital purpose. The receipts can only be used to meet capital expenditure, debts or other long-term liabilities. To qualify as a capital

receipt the income must exceed £10k.

Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.
Collection Fund	A fund administered by the Council as a 'billing authority'. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Surrey Police as required by statute.
Collection Fund Adjustment Account	An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council's element of the Collection Fund balance at year-end.
Contingent Liabilities	Where possible "one-off" future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is inappropriate. Such items are disclosed in the form of a note to the accounts.
Council Tax	The main source of local taxation to local authorities. This is levied on households within its area by the billing authority and the proceeds paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.
Creditors	Amounts owed by the Council at the end of the accounting period.
Current Assets/Liabilities	These are assets or liabilities that are expected to fall due or be realised within one year of the reporting date.
Debtors	Amounts owed to the Council at the end of the accounting period.
Depreciation	The measure of the cost of the benefit of the non-current asset that has been consumed during the period.
Earmarked Reserves	Balances set aside to meet specific future, usually non-recurring, commitments.
Fees and Charges	Income receivable as payment for goods or services provided.
Intangible Assets	Capitalised expenditure not resulting in a tangible asset. Such amounts are amortised over an appropriate period.
Minimum Revenue	The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external

Provision	loans outstanding. The Council can set aside amounts in addition to the minimum requirement, known as a voluntary provision for debt redemption.
(National) Non-Domestic Rate(s) (NNDR)	A levy on businesses based on the rateable value of the premises they occupy. It is also known as "business rates", the "uniform business rate" and the "national non-domestic rate". Since the localisation of Business Rates was introduced, NNDR is collected by billing authorities and distributed to central government, county and fire authorities on the basis of a pre-set formula which includes retaining a proportion of rate income for the billing authority.
Non-Current Assets/Liabilities	These are assets or liabilities that are expected to fall due or be realised more than one year after the reporting date.
Post Balance Sheet Events	Significant events which occur after the end of the accounting period but prior to the date when the accounts are issued.
Precept	The precepting authorities' council tax. This is collected by billing authorities on behalf of the precepting authorities.
Precepting Authorities	Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. The Council bills and collects on behalf of the Surrey County Council and Police Authority. In addition, billing authorities pay a proportion of rate income to precepting authorities (see NNDR above).
Provisions	Amounts set aside to meet probable "one-off" future liabilities or losses but where exact dates and amounts are uncertain.
Public Works Loans Board	A government body that provides loans to local authorities.
Revenue Expenditure	This is the routine day to day cost of providing the Council services. Under the <u>Local Government and Housing Act 1989</u> , all expenditure is regarded as revenue unless it is specifically classified as capital.
Revenue Expenditure funded from Capital Resources Under Statute	Expenditure that can be classified as capital expenditure but which does not result in the acquisition of an asset.
Revenue Support Grant	A grant paid by central government as part of "formula grant" to support local authority services in general, as opposed to specific grants which may only be used for a prescribed purpose.

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March 2024

Dear Sirs

Epsom and Ewell Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council and its subsidiary undertakings, Epsom and Ewell Property Company Limited, for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group and Council have been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, misclassification and disclosure changes included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. RAAC – we have considered the impact of reinforced autoclaved aerated concrete (RAAC) on our financial statements. We have no knowledge of any material events or circumstances that would require adjustments to be made to our financial statements.
- xiii. Equal Pay – we have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosure or adjustments to be made to our financial statements related to equal pay.
- xiv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvi. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities

and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out at a) above; and
- c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

- xvii. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.
- xviii. Any other matters that the auditor may consider appropriate.

Information Provided

- xix. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xx. We have communicated to you all deficiencies in internal control of which management is aware.
- xxi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxiii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxiv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxvi. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxix. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Scrutiny Committee at its meeting on 28 March 2023.

Yours faithfully

Signed:

Name: Brendan Bradley

Position: Chief Finance Officer (S151 officer)

Date: March 2024

Signed:

Name: Steve Bridger

Position: Chair of Audit & Scrutiny Committee

Date: March 2024

Auditor's Annual Report on Epsom & Ewell Borough Council

2022/23

28 March 2024

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

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



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

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Executive summary



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council’s arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

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

- G

No significant weaknesses in arrangements identified or improvement recommendation made.
- A

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

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

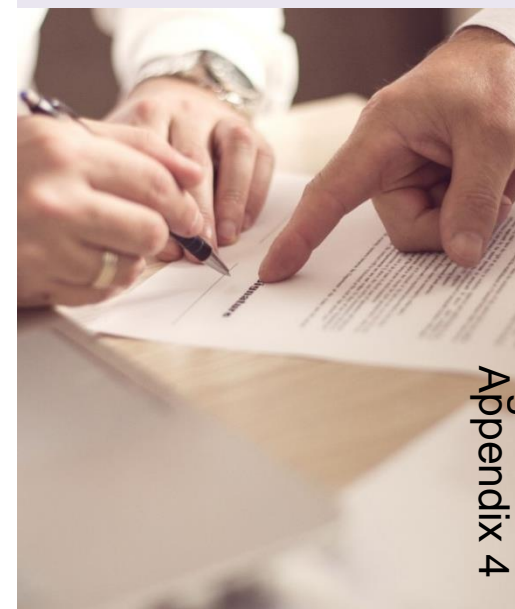
Acknowledgements

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



Financial Statements opinion

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



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Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

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

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

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

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

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

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

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



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

The current LG landscape



National context

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

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

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

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

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

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

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

The current LG landscape (continued)



Local context

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

The Epsom Urban District Council was established as a Local Government District in 1894. Later, in 1933, it merged with Ewell, most of Cuddington, and small parts of other parishes to form the Epsom & Ewell Urban District Council. The final reorganisation occurred in 1974, resulting in the current Epsom & Ewell Borough Council. Today, Epsom & Ewell Borough Council is the local authority for the borough of Epsom & Ewell. As a non-metropolitan district Council, the Council is a tier two English local authority and sits under Surrey County Council alongside ten other district/borough councils. The Council is elected every four years via a first past the post voting system. The most recent election was in May 2023. The Full Council contains 35 seats representing four wards; the structure of Full Council is unique in that the majority of members are from the local party, the Residents Association (26), followed by Liberal Democrats (4), Labour (3) and Conservative (2) members. The Residents Association have held majority control of Epsom and Ewell Borough Council since its inception.

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

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

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2022/23 Financial Performance

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

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

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

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

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

Medium-Term Financial Planning

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

The Financial Plan include the following key assumptions:

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

Medium-Term Financial Planning (continued)

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

The Council does not have significant levels of income from commercial activities. Epsom & Ewell Property Investment Company Ltd (EEPIC), the Council's wholly-owned subsidiary, holds two commercial properties outside the Borough. The properties were acquired in 2017 to generate additional income for the Council, before the introduction of new statutory guidance in 2018, which restricted the ability to acquire further properties outside the Borough using borrowing.

For 2024/25, dividend income from EEPIC is expected to be c.£0.6m (unchanged from 2023/24), as a temporary reduction in rental income from one tenant remains in place until 30 March 2025. This dividend income is supplemented by a £0.7m transfer from the property income equalisation reserve, until the temporary rent reduction expires in March 2025. Should income from EEPIC fall below budget for any reason, the Council holds the property income equalisation (PIE) reserve which can be used to neutralise the impact on the revenue budget in the short term. It is not ideal to use reserves to fill income gaps, but this is not intended to be a long-term situation and there are sufficient levels to support this purpose. The PIE reserve had a balance of £9.8m at March 2023.

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

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

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

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

Annual budget setting & budgetary control

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

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

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

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

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

Financial sustainability (continued)

Managing risks to financial resilience

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

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

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

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

Managing risks to financial resilience - reserves

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

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

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

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

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

Financial sustainability (continued)

Managing risks to financial resilience - Savings and additional income

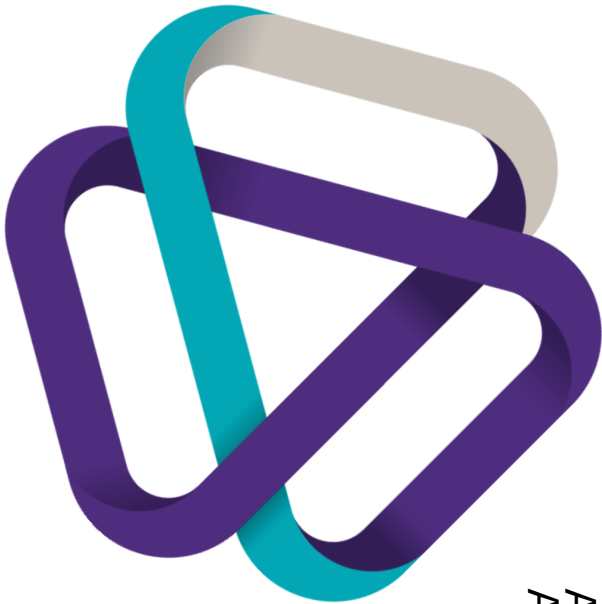
The Council's 2022/23 budget required £342,000 of new additional income and savings to be delivered during the year. The majority of the budgeted additional income/savings were achieved in 2022/23, as detailed in the following table and paragraphs below:

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

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

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

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



Financial sustainability (continued)

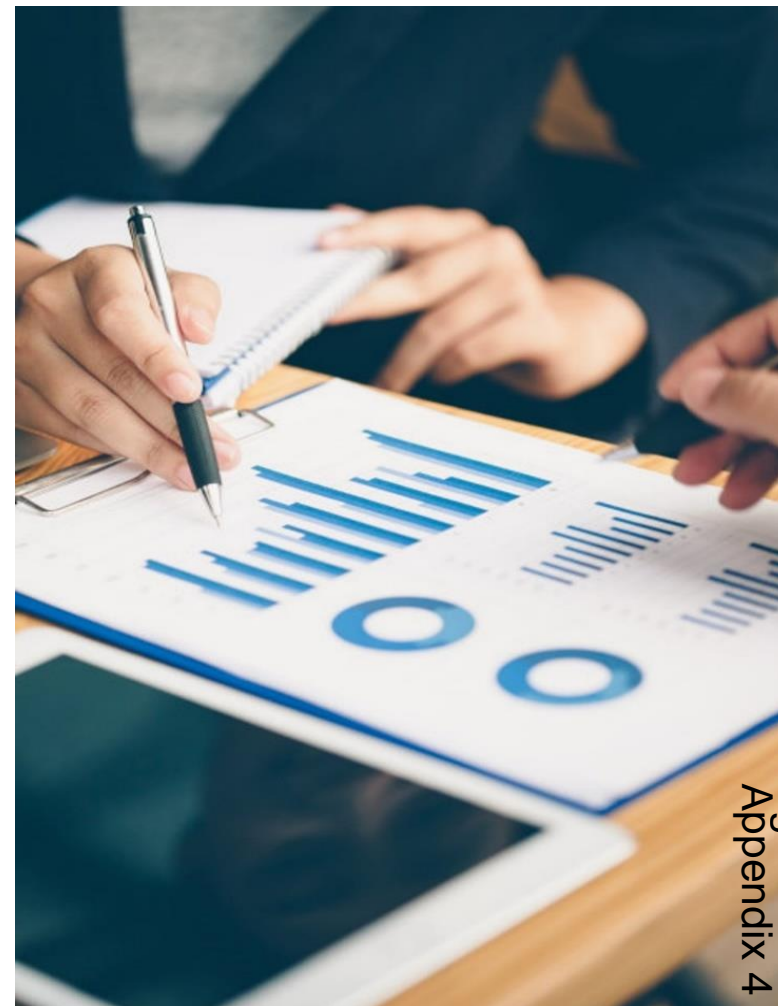
Managing risks to financial resilience - Savings and additional income

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

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

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

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



Financial sustainability (continued)

Capital

Capital strategy

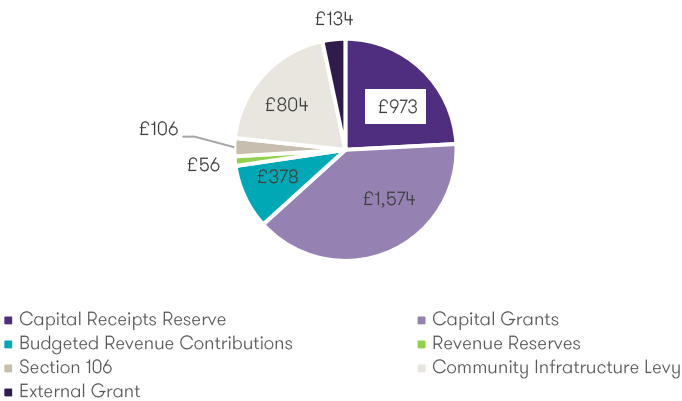
The capital strategy is annually refreshed as part of the budget report presented to the Full Council in February every year. As with the Revenue Budget Monitoring Reports, the Capital Monitoring Reports are presented to the Audit & Scrutiny Committee on a quarterly basis and are included in the overall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

Capital expenditure

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

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Capital budget funding sources in £000s



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

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

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

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

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

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

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

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

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Financial sustainability (continued)

Treasury Management, Borrowing & Investment position

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

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

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

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

Minimum Revenue Provision

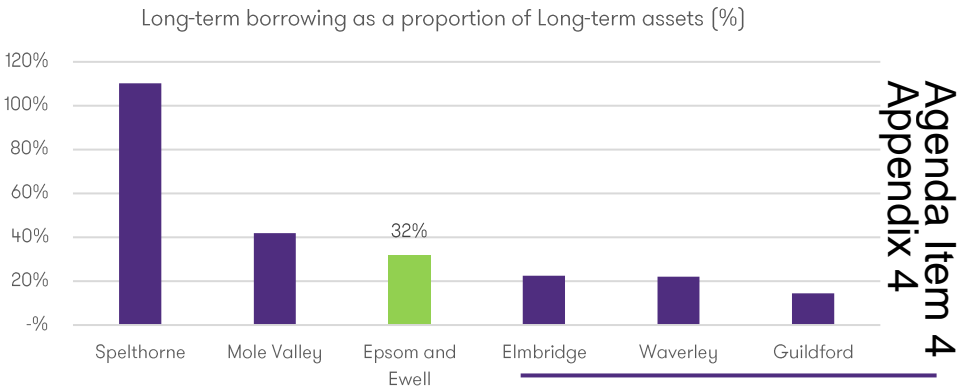
The Council is required to make annual contributions to the MRP. As stated in the 2022/23 Unaudited Statement of Accounts, the Council paid £1,630k of interest on their long-term assets. The Council is not required to raise council tax to fund depreciation, revaluation and

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

Borrowing

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

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



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Appendix 4

Financial sustainability (continued)

Conclusion

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

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

Governance



We considered how the Council:

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

Risk management and internal controls

Risk Management Strategy

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

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

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

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

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

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

Risk monitoring and reporting

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

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

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

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

Governance (continued)

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

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

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

Internal controls

Annual Governance Statement (AGS)

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

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

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

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

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

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

Governance (continued)

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

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

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

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

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

Informed decision making including the Audit & Scrutiny Committee

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

Internal Audit

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

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

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

The Audit & Scrutiny Committee composition has at least 8 members which is in line with the CIPFA Guidance on Audit Committee effectiveness¹. The Committee receives reports from Internal Audit and progress on any follow-up required for weak audit reports.

Governance (continued)

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

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

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

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

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

Compliance with legislation and regulatory standards

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

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

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

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

Governance (continued)

Counter Fraud and Whistleblowing

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

Financial governance

Budget setting arrangements

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

Budget monitoring arrangements

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

Conclusion

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

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



Improvement recommendations



Governance

Recommendation 1	The Council should ensure that internal audits focussed on the financial controls are completed ahead of the end of the financial year in order to help inform the opinion of the Head of Internal Audit.
Audit year	2022/23
Why/impact	Outstanding audits have been carried forward to the next financial year in both 2021/22 and 2022/23. Whilst it is expected that there may be an element of delay in achieving all of the audits outlined in the internal audit plan each year, it would be expected that key audits related to the financial controls should be completed on an annual basis and used to inform the Head of Internal Audit Opinion. This provides an understanding of the integrity of financial and accounting information. However, for 2022/23, the outstanding audits included Accounts Receivable and Main Accounting (alongside Recruitment in Human Resources). An understanding of these controls should inform the Head of Internal Audit Opinion, which is not possible if the audits are yet to be completed.
Management Comments	Management acknowledges the importance of completing audits as planned during the financial year. Over the last 21 months, the finance team has experienced significant resource challenges due to elevated staff turnover and a case of long-term sickness (now resolved). The team is now sufficiently resourced and going forward expects to deliver against the internal audit plan. Progress against the internal audit plan continues to be monitored by both Strategic Leadership Team and Audit & Scrutiny Committee, ensuring oversight of audit progress.



Appendix 4
Agenda Item 4

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

Improvement recommendations



Governance

Recommendation 2

The Council should develop a monitoring framework for management actions identified in Internal Audit Reports and prioritise completion of management actions by the agreed due date. A monitoring framework would provide more clarity and accountability to service and function leads to complete all outstanding actions.

Audit year

2022/23

Why/impact

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

Management Comments

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



Appendix 4
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The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

Recommendation 3 Audit & Scrutiny Committee

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

Audit year 2022/23

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

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

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



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Appendix 4

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

Improving economy, efficiency and effectiveness



We considered how the Council:

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

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Performance management

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

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

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

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

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



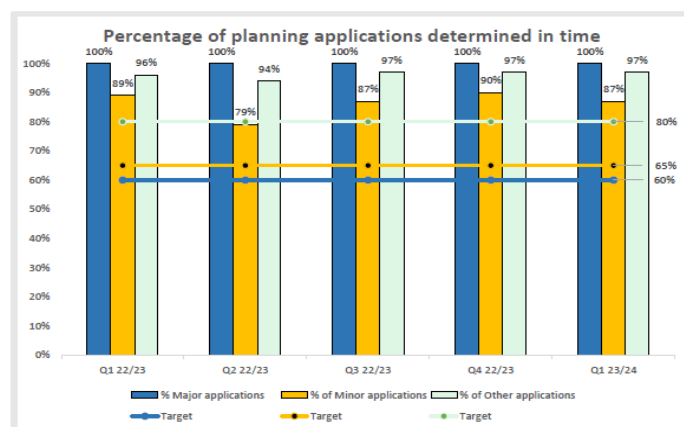
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Improving economy, efficiency and effectiveness (continued)

Planning performance

Under the government's criteria for designation, a planning department must decide over 70% of its minor planning applications within 8 weeks to avoid being placed into special measures. In April 2023, the Secretary of State for Levelling Up, Housing and Communities wrote to the Council to express concern in relation to the speed of decision-making for planning applications for non-major developments. This identified a performance of 53.5% between October 2020 and September 2022. The letter highlighted that if performance was not improved a formal designation could be put in place so all applicants would have to submit relevant planning applications directly to the Planning Inspectorate. However, an opportunity was provided to improve performance by June 2023.

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



Partnership working

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

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

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

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

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

Improving economy, efficiency and effectiveness (continued)

Procurement

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

It describes the procurement process as follows:

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

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

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

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

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

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

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

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

Improving economy, efficiency and effectiveness (continued)

Conclusion

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

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

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

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

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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 4	To support the Council’s partnership working, the Council could develop a partnership governance framework to help bring clarity, to guide partnership work and to help evaluate success and effectiveness of working arrangements.
Why/impact	<p>Guidance on partnership working will help ensure that:</p> <ul style="list-style-type: none">• the Council is clear about the purposes and expected outcomes of partnerships for local people.• the Council’s own agreed vision and priorities are being met• performance activity and outcomes are monitored and evaluated where possible• there is clarity and shared understanding on the roles of partners and accountability for jointly agreed outcomes.
Summary findings	In order to capitalise on effective partnership working, it is vital to have in place shared visions, close relationships underpinned by robust structures and true co-production between partners. To help support this the Council should consider including a partnership governance framework to bring clarity and help guide partnership work.
Management Comments	The Council is committed to positive partnership working and is aware that this has also been recognised as part of the recent Corporate Peer Challenge. Management will consider this recommendation in conjunction with the Action Plan that arises from the Corporate Peer Challenge.



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

Follow-up of previous recommendations

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Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council needs to set a timeline for how it will develop longer term saving plans that will ensure reserves are not further depleted. Current levels of reserves are well within the advised targets suggested by CIPFA but the reduction over the MTFS reduces the amount of headroom available to the Council.	Improvement	April 2023	The Council have identified key savings that need to be made as outlined in the Financial Sustainability section of this report. The 2022/23 Outturn and 2023/24 budget report identify savings delivery and savings targets more transparently than the years prior.	Yes	No
2 The inclusion of the sources of assurance will allow the Council to produce more accurate risk scores to mitigate individual risks.	Improvement	April 2023	Now complete. The latest Corporate Risk Report template clearly identifies sources of assurance.	Yes	No
3 Share quarterly budget monitoring reports with the Strategy & Resources Committee would support that committee in discharging its responsibilities around finances.	Improvement	April 2023	Now complete. Council papers available on the Epsom & Ewell Borough Council website demonstrate that budget monitoring reports are shared with the Strategy & Resources Committee.	Yes	No

Opinion on the financial statements



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

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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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

Audit opinion is expected to be issued after the March 2024 Audit & Scrutiny Committee meeting. As per our Audit Findings Report (AFR), we anticipate issuing an unqualified audit opinion subject to satisfactory completion of open items we reported in our AFR.

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



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Opinion on the financial statements



Timescale for the audit of the financial statements

- The Indicative Audit Plan was issued and presented to the Audit & Scrutiny Committee in August 2023. This was then subsequently issued as a Final Audit Plan following completion of planning and risk assessment in October 2023.

Interim visit was conducted in October 2023 while year end fieldwork was undertaken between October 2023 and February 2024.

- The Council provided draft financial statements in line with the national timetable
- We did not identify significant issues that had an impact on the timely completion of the audit other than slight delays in the receipt of requested audit evidence.
- The audit opinion on the financial statements is not yet issued and therefore was not issued in line with the national timetable. The audit is expected to be completed by end of March 2024.

Findings from the audit of the financial statements

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

Whole of Government Accounts

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



Other reporting requirements



Other opinion/key findings

We are required to report on a number of matters by exception in a number of areas:

- if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,
- if we have applied any of our statutory powers or duties.

where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.

We have nothing to report on these matters.

Audit Findings Report

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

Whole of Government Accounts

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

Epsom and Ewell Borough Council does not exceed the threshold, and thus no detailed work is required.



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Appendices

Appendix A: Responsibilities of the Council

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

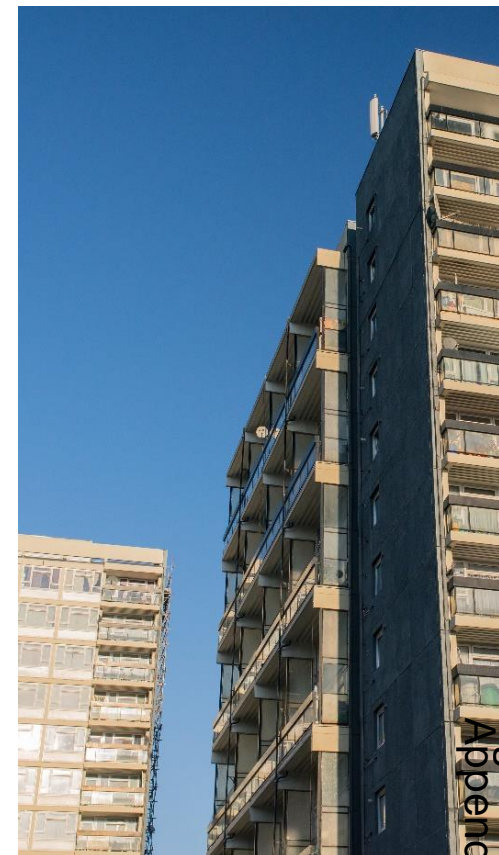
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council’s arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	22,23,24,29

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SIAP INTERNAL AUDIT PLAN 2024-2025 AND INTERNAL AUDIT CHARTER 2024-25

Head of Service:	Andrew Bircher, Acting Director of Corporate Services
Wards affected:	(All Wards)
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1 – Internal Audit Plan 2024-2025 Appendix 2 – Internal Audit Charter 2024-2025

Summary

This report introduces the Internal Audit Plan and Charter for 2024-2025.

Recommendation (s)

The Committee is asked to:

- (1) endorse the Internal Audit Plan 2024-2025 as set out at Appendix 1.**
- (2) approve the Internal Audit Charter 2024-2025 as set out in Appendix 2.**

1 Reason for Recommendation

- 1.1 The Committee has overall responsibility for audit and governance frameworks, including the functions of an audit committee.

2 Background

- 2.1 Internal Audit provides the Council, through the Audit and Scrutiny Committee, with an independent and objective opinion on risk management, control and governance.
- 2.2 The internal audit plan establishes how internal audit resources across a given year are to be utilised in order to enable the Chief Internal Auditor to provide their statement of assurance.

- 2.3 Southern Internal Audit Partnership (SIAP) was appointed as the Council's internal auditors on 1 April 2019. Since then, it has progressed work against five audit plans which were endorsed by the Committee on 16 April 2019, 19 November 2020 (delayed due to the COVID-19 pandemic), 8 April 2021, 7 April 2022 and 6 April 2023.

3 Internal Audit Plan 2024-2025

- 3.1 In preparation for the audit plan for 2024-2025, SIAP has once again used several different sources of information such as the corporate risk register, previous audits, and feedback from the Strategic Leadership Team.
- 3.2 Please see Appendix 1 for the Audit Plan for 2024-2025.

4 Internal Audit Charter 2024-2025

- 4.1 The Public Sector Internal Audit Standards require all internal audit activities to implement and retain a Charter. The Internal Audit Charter for 2024-2025 is attached at Appendix 2. This Charter sets out the purpose, authority and responsibilities for the internal audit services at the Council. Approval of the Charter is a responsibility of this Committee.

5 Risk Assessment

Legal or other duties

5.1 Equality Impact Assessment

- 5.1.1 None for the purposes of this report.

5.2 Crime & Disorder

- 5.2.1 None for the purposes of this report.

5.3 Safeguarding

- 5.3.1 None for the purposes of this report.

5.4 Dependencies

- 5.4.1 None for the purposes of this report.

5.5 Other

- 5.5.1 The annual opinion due in July could potentially result in a proposal to amend the annual audit plan, as it is risk-based.

6 Financial Implications

- 6.1 The audit days within the plan can be funded from the agreed budget.

- 6.2 **Section 151 Officer's comments:** None arising from the contents of this report.

7 Legal Implications

- 7.1 No implications for the purpose of this report.
- 7.2 **Legal Officer's comments:** None arising from the contents of this report.

8 Policies, Plans & Partnerships

- 8.1 **Council's Key Priorities:** The following Key Priorities are engaged:

8.1.1 Effective Council – Engaging, responsive and resilient Council

- 8.2 **Service Plans:** The matter is included within the 2024-2025 Service Delivery Plan.

- 8.3 **Climate & Environmental Impact of recommendations:**

8.3.1 No implications for the purpose of this report.

- 8.4 **Sustainability Policy & Community Safety Implications:**

8.4.1 No implications for the purpose of this report.

- 8.5 **Partnerships:**

8.5.1 The Council's arrangements with partners, such as shared services, are considered during the plan's preparation.

9 Background papers

- 9.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Audit & Scrutiny Committee (2023) *SIAP Internal Audit Plan 2023-2024 and Internal Audit Charter*, 6th April. Online available: <https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=157&MId=1254> [Last accessed 11/01/2024]

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Southern Internal Audit Partnership

Assurance through excellence
and innovation

EPSOM AND EWELL BOROUGH COUNCIL INTERNAL AUDIT PLAN 2024-25

Prepared by: Natalie Jerams, Deputy Head of Partnership
February 2024

Introduction

The role of internal audit is that of an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of Internal Audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership’s continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Natalie Jerams, Deputy Head of Southern Internal Audit Partnership and supported by Joanne Barrett, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team which are required to be disclosed under internal auditing standards.

Four Year Plan 2020-2024

Epsom & Ewell Borough Council have developed a long-term vision for the borough, Future40. Through extensive engagement and consultation, the Council have brought together the views and aspirations of people that live and work in Epsom and Ewell. Five themes have been identified reflecting people's views and priorities for the borough until 2040. These five themes form the core of the four-year plan.



Council Risk

The corporate risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives.

Ref	Risk
PD14	Failing to deliver a local plan (e.g. due to budget, staffing, legislative changes).
HC9	Risk of Homelessness expenditure exceeding budget provision.
IT6	Failure or interruption to IT services.
HC5	Non compliance with safeguarding legislation, internal policies, and best practice.
PD1	Failing to deliver the climate change strategy.
PCR16	Failure to comply with GDPR/Data Protection 2018.
HR10	Vacancies in roles which have significant impact on service delivery and corporate leadership.
F2	Failure to balance the budget annually & MTFS.
PCR18	Failure to respond effectively to a major incident or civil emergency.
PCR13	Failure to successfully prevent a significant Health and Safety incident.

*Corporate Risks as per the Corporate Performance Report February 2024

We will monitor the corporate risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Developing the internal audit plan 2024/25

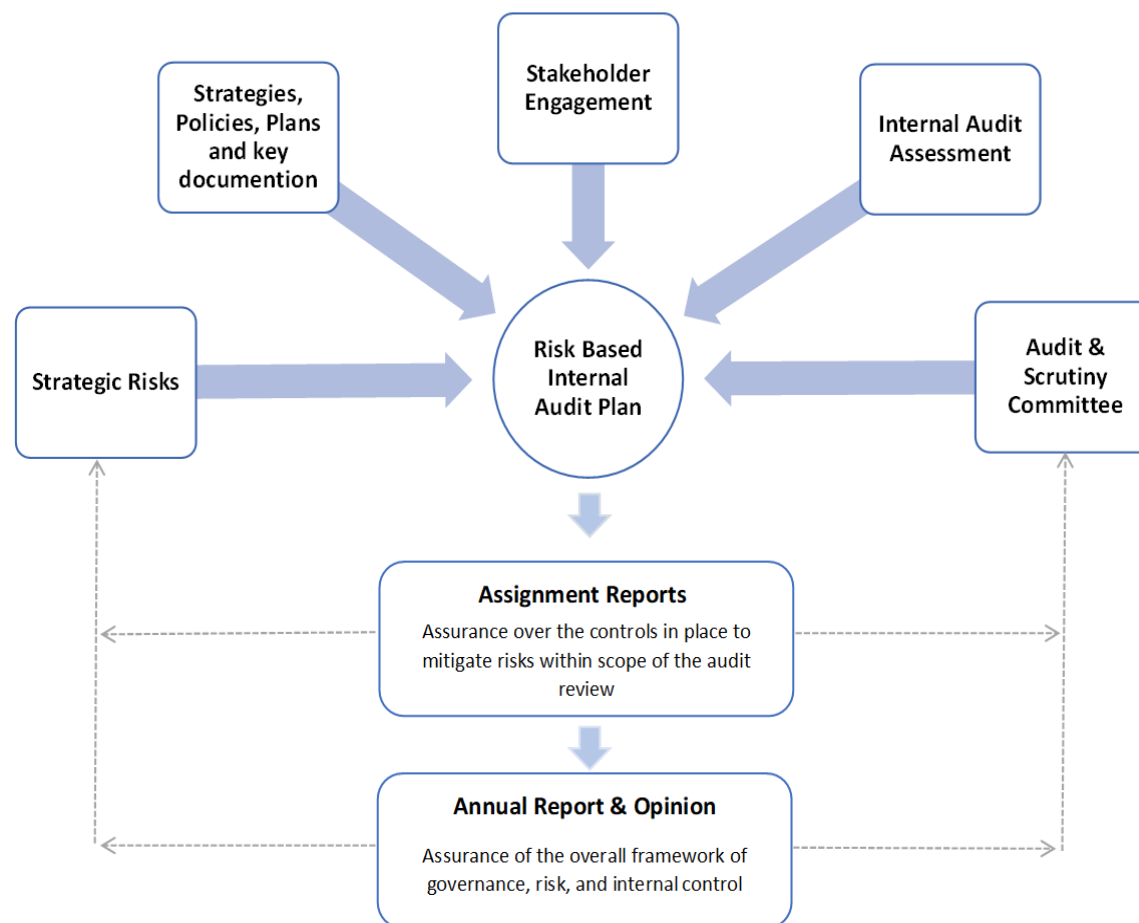
In accordance with the Public Sector Internal Audit Standards there is a requirement that internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals.

Based on conversations with key stakeholders, review of risk registers, key corporate documents and our understanding of the organisation, the Southern Internal Audit Partnership have developed an annual audit plan for the coming year.

Audit planning is a perpetual process throughout the course of the year to ensure we are able to react to new and emerging risks and the changing needs of the organisation.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.



Internal Audit Plan 2024-25

Audit	Sponsor	Scope/ Risk	Corporate Risk	Quarter
Corporate / Governance				
Relocation of Town Hall	HofP&R	To review the governance arrangements in place for the project management of the relocation of the Town Hall.		Q1
Human Resources	HofHR&OD	Assurances over: <ul style="list-style-type: none"> • Performance Management • Absence management • Recruitment • Training & Development • Workforce Strategy / Development • Flexible Working • HR policies and procedures • Agency staff, volunteers. 2024/25 scope – Use of volunteers.	HR10	Q4
Financial Governance Framework (including Savings Realisation)	CFO	To review the governance arrangements in place for the preparation and approval of the Medium-Term Financial Strategy (MTFS) and 2024/25 budget along with the monitoring and reporting against savings targets/initiatives.	F2	Q1
Decision Making & Accountability	HofLS	Assurance over the effectiveness and transparency of the decision-making process at officer and Member level. To consider governance, sufficiency, accuracy and timeliness of information including consultation with the public as necessary.		Q3
EEPIC – Governance Arrangements	HofP&R	To review the governance arrangements in place for EEPIC.		Q3

Audit	Sponsor	Scope/ Risk	Corporate Risk	Quarter
IT				
IT Strategy	HofIT	Assurance over progress on delivering the IT strategy and its fitness for purpose.	IT6	Q3
Data Backup & Ransomware Protection	HofIT	Assurance over the controls in place to ensure Council data is backed up and protected from ransomware threats.	IT6	Q4
IT Follow Up	HofIT	Follow up to provide assurance that management actions from the 22/23 Networks and Firewalls and the 21/22 Database Management audits have been implemented.	IT6	Q1
Core Financial Reviews				
Treasury Management	CFO	Cyclical review of core financial system.	F2	Q2
Housing Benefits	CFO	Cyclical review of core financial system.		Q4
Payroll	HofHR&OD	Review of contract management arrangements. Assurance that EEBC are receiving all outcomes expected from the contract and to review EEBC in-house operations.		Q2
Service Reviews				
Playgrounds	HofOS	Assurance over the controls in place for inspections and repairs of playgrounds.	PCR13	Q2
Planning Enforcement	HofPD	Assurance over the Council's response to breaches of planning control.		Q4
Tree Management	HofPD	Assurance over the processes in place for planning applications and insurance claims.	PCR13	Q3
Asset Management – Management of Leases and Rents	HofP&R	To review the arrangements for the review of leases and rental agreements and overall record keeping.		Q4

Audit	Sponsor	Scope/ Risk	Corporate Risk	Quarter
Housing Allocations Policy	HofH&C	Assurance over the assessing, approving and prioritising of applications on the Housing Register.		Q3
Environmental Health – Food Hygiene	HofH&C	Assurance over the timeliness and recording of inspections.		Q1
Safeguarding	HofH&C	To ensure effective policies and procedures are in place and training provided to staff along with appropriate statutory checks.	HC5	Q3
Other				
Follow Up	Various	To follow up on the key observations raised for a number of “limited assurance” reviews to ensure actions have been fully implemented and embedded.		Q2
EWDC Conservators Account	CFO	Review and completion of the annual governance and accountability return.		Q1
Management				Q1-4

Audit Sponsor			
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ADofCS	Acting Director of Corporate Services	ADofEHR	Acting Director of Environment, Housing & Regeneration
HofPD	Head of Place Development	HofOS	Head of Operational Services
HofHR&OD	Head of HR and OD	HofP&R	Head of Property & Regeneration
CFO	Chief Finance Officer	HofF	Head of Finance
HofLS	Head of Legal Services & Monitoring Officer	HofIT	Head of IT
HofH&C	Head of Housing & Community	HofP&CR	Head of Policy & Corporate Resources (vacant)

Southern Internal Audit Partnership

Assurance through excellence
and innovation

**EPSOM & EWELL
BOROUGH COUNCIL**

Internal Audit Charter 2024-25

**Prepared By: Natalie Jerams, Deputy Head of Partnership
February 2024**

Internal Audit Charter 2024-25

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes:

- the mission;
- core principles;
- definition of internal audit; and
- Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.



The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which state that a relevant body must:

‘undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

‘independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Epsom & Ewell Borough Council lies with the Acting Director of Corporate Services and the Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Deputy Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the ‘Mission’, ‘Core Principles’, ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and ‘the Standards’.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit and Scrutiny Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Strategic Leadership Team (SLT).

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Acting Director of Corporate Services and Chief Finance Officer who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit and Scrutiny Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Acting Director of Corporate Services and the Chief Finance Officer will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the plan, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and *'the Board'* will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to *'senior management'* and *'the Board'*, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to *'senior management'* and *'the Board'*.

If the Chief Internal Auditor, *'the Board'* or *'Senior Management'* consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Chief Executive accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to *'senior management'* and *'the Board'*;
- reports functionally to *'the Board'*;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team; and
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the *'Mission', Core Principles', Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported in accordance with the Council's Anti-fraud and Corruption Policy.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under

review to the organisation's success, the risks inherent in the achievement of its objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Managing the risk of fraud is the responsibility of line management and strategic responsibility for reactive and proactive fraud work sits with the Acting Director of Corporate Services and S151 Officer who would ensure any suspected or detected fraud or corruption was investigated.

The Council participates in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other local authorities and external agencies to detect potential fraudulent activity.

The Acting Director of Corporate Services or S151 Officer will notify SIAP of any suspected or detected fraud to inform their opinion. They will instruct either SIAP or an external provider to undertake any investigations or reviews as required. SIAP will review the governance arrangements to prevent, detect and investigate fraud and irregularities on a cyclical basis.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council. It is imperative that the Strategic Management Team are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board' for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Crawley Borough Council Arun District Council Guildford Borough Council Hart District Council
Blue light Key Stakeholder Partners:	Hampshire & IoW Fire & Rescue Authority West Sussex Fire Service Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Ringwood Town Council Lymington & Pennington Town Council Langstone Harbour Authority Chichester Harbour Authority Isle of Wight College

Key Stakeholder Partners – have joined the Partnership by way of a discharge of function (S101 Local Government Act) and maintain a place on the Partnership Board. The arrangement is not time limited and runs in perpetuity until such time as either party wish to exist the Agreement.

External Clients – are those that operate under a contractual arrangement and are generally shorter term (3 to 5 year) agreements.

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

SIAP INTERNAL AUDIT PROGRESS REPORT - MARCH 2024

Head of Service:	Andrew Bircher, Acting Director of Corporate Services
Wards affected:	All Wards
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A

Appendices (attached):	Appendix 1: Internal Audit Progress Report – March 2024 Appendix 2: Part 2 Exempt Paper
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Summary

This report summarises progress against the Internal Audit Plan 2023-2024.

Recommendation (s)

The Committee is asked to:

- (1) **Note the internal audit progress report 2023-2024 from Southern Internal Audit Partnership (SIAP) attached at Appendix 1.**

1 Reason for Recommendation

- 1.1 This Committee has overall responsibility for the audit and governance frameworks, including the functions of an audit committee.
- 1.2 The Committee receives regular internal audit progress reports which update the Committee on progress made against the annual audit plan and the outcomes of individual audits.

2 Background

- 2.1 Southern Internal Audit Partnership (SIAP) was appointed as the Council's internal auditors from April 2019.
- 2.2 The Internal Audit Plan and Charter was endorsed by the Committee on 6 April 2023.

3 Internal Audit Plan 2023- 2024

- 3.1 The report attached at Appendix 1 outlines the progress made against the Internal Audit Plan 2023-2024 and analysis of live audit reports and outstanding management actions. Appendix 2 contains one management action update, which can be reviewed under Part 2 business.

4 Outstanding Management Actions

- 4.1 Section 4 of Appendix 1 contains details of outstanding management actions from previous audits. A breakdown of the overdue actions by priority is provided in the table below.

Overdue actions by priority	This report	Previous report
High	4	6
Medium	13	19
Low	6	5
Total	23	30

Further verbal updates can be provided by officers during the meeting.

5 Risk Assessment

Legal or other duties

- 5.1 Equality Impact Assessment

5.1.1 None for the purposes of this report.

- 5.2 Crime & Disorder

5.2.1 None for the purposes of this report.

- 5.3 Safeguarding

5.3.1 None for the purposes of this report.

- 5.4 Dependencies

5.4.1 None

- 5.5 Other

5.5.1 None for the purposes of this report.

6 Financial Implications

- 6.1 There are no financial implications in this report.
- 6.2 **Section 151 Officer's comments:** None arising from the contents of this report.

7 Legal Implications

- 7.1 There are no legal implications arising from this report.
- 7.2 **Legal Officer's comments:**

The council is required by statute (under the Regulations 3 & 5 of the Accounts and Audit Regulations 2015 and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function. Regulation 3 of the Accounts and Audit Regulations 2015 requires the council to ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk. Regulation 5 of the Accounts and Audit Regulations 2015 requires the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In addition, the council must each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement (Regulation 6 (1) of the Accounts and Audit Regulations 2015). SIAP are the appointed council's internal auditors. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

8 Policies, Plans & Partnerships

- 8.1 **Council's Key Priorities:** The following Key Priorities are engaged:
 - 8.1.1 Effective Council: Engaging, responsive and resilient Council.
- 8.2 **Service Plans:**
 - 8.2.1 The matter is included within the current Service Delivery Plan.
- 8.3 **Climate & Environmental Impact of recommendations:**
 - 8.3.1 No relevance for the purpose of this report.
- 8.4 **Sustainability Policy & Community Safety Implications:**
 - 8.4.1 No relevance for the purpose of this report.

8.5 **Partnerships:**

- 8.5.1 The council's arrangements with partners, such as shared services, are considered within the remit of Internal Audit.

9 Background papers

- 9.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Audit and Scrutiny Committee (2024) *Internal Audit Progress Report - February 2024*, 1st February. Online available: <https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=157&MId=1512> [Last accessed: 16/02/2024].
- Audit and Scrutiny Committee (2023) *Internal Audit Plan 2023-2024 and Internal Audit Charter 2023-2024*, 6th April 2023. Online available: <https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=157&MId=1254> [Last accessed 11/08/2023].



Southern Internal Audit Partnership

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EPSOM & EWELL BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT 2023-24

Prepared by: Natalie Jerams, Deputy Head of Partnership
February 2024

Agenda Item 6
Appendix 1

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

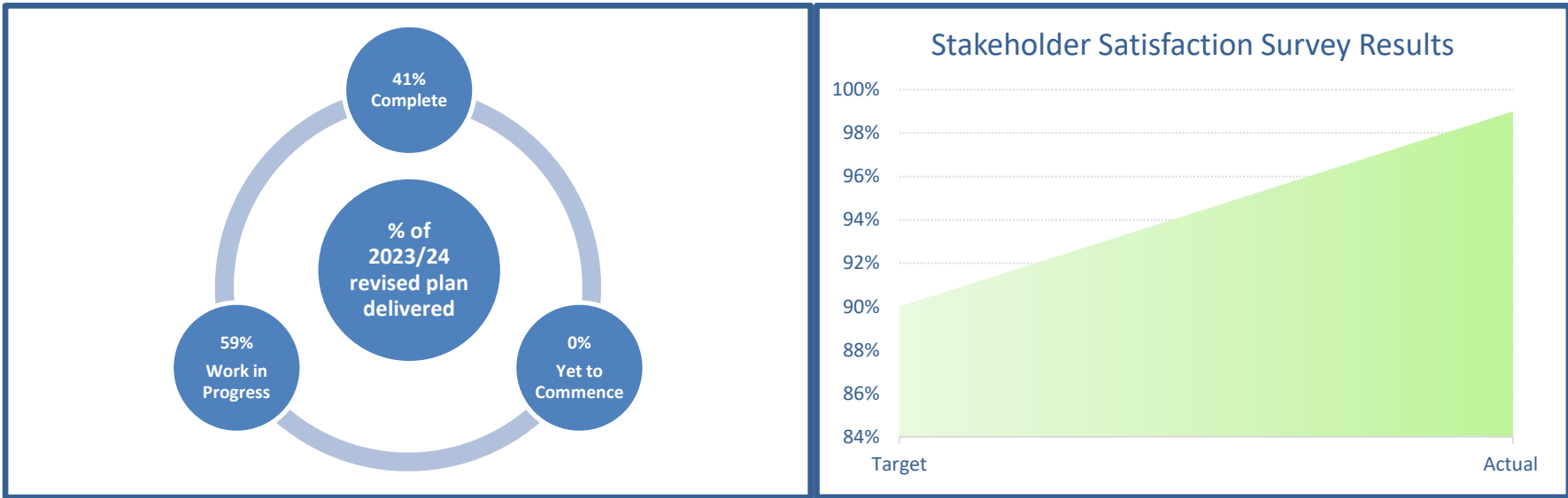
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'


4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions*	Not Yet Due	Complete	Overdue		
							L	M	H
Accounts Payable	18/05/2021	CFO	Reasonable	6(0)	0(0)	5(0)	1		
HR & OD Performance Management	20/05/2022	HofHR&OD	Limited	11(7)	0(0)	8(6)		2	1
Data Management	30/05/2022	HofIT	Limited	7(5)	0(0)	6(5)		1	
Health and Safety	30/05/2022	HofP&CR	Limited	11(2)	0(0)	10(2)		1	
Information Security	30/05/2022	HofIT	Reasonable	5(1)	0(0)	4(1)	1		
Information Governance	30/05/2022	HofP&CR	Limited	10(3)	0(0)	8(3)		2	
Environmental Health	06/06/2022	HofH&C	Reasonable	4(1)	0(0)	3(1)	1		
Operational Services	01/11/2022	HofOS	Reasonable	4(3)	0(0)	3(2)			1
Affordable Housing Delivery	03/01/2023	HofH&C	Limited	14(7)	3(2)	11(5)			
Investments	28/02/2023	HofP&R	Reasonable	2(0)	2(0)	0(0)			
Council Tax	02/02/2023	HofF	Reasonable	1(0)	1(0)	0(0)			
Development Management - CIL	22/03/2023	HofPD	Limited	11(3)	0(0)	9(3)		2	
Ethical Governance	11/05/2023	HofP&CR	Reasonable	11(2)	5(0)	3(1)	1	1	1
Emergency Planning	02/06/2023	HofP&CR	Reasonable	3(0)	0(0)	2(0)	1		
Network Management	05/06/2023	HofIT	Limited	10(3)	0(0)	6(2)		3	1
Accounts Receivable & Debt Management	03/10/2023	HofF	Reasonable	5(0)	0(0)	3(0)	1	1	
Complaints	04/01/2024	ADofCS	Limited	9(0)	8(0)	1(0)			
HR – Recruitment	10/01/2024	ADofCS	Reasonable	14(9)	13(8)	1(1)			
Planning Enforcement	09/02/2024	HofPD	No	15(8)	11(6)	4(2)			
Fraud Framework	15/03/2024	ADofCS	Reasonable	8(1)	7(0)	1(1)			
Total				161(55)	50(16)	88(35)	6	13	4

*Total number of actions (total number of high priority actions)

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There has been one new final report published concluding a “no” assurance opinion since the last progress report in December 2023.

Planning Enforcement		
Audit Sponsor	Assurance opinion	Management Actions
Head of Place Development		<div><div>Low 2</div><div>Medium 5</div><div>High 8</div></div>
<p>Summary of key observations:</p> <p>This audit reviewed the administration of planning enforcement and record keeping of actions taken to ensure that regulations were applied consistently and in line with documented procedures. Since the completion of the audit, a new permanent Enforcement Officer has been recruited, with the temporary Enforcement Officer able to provide a period of handover.</p> <p>The Council has a Local Enforcement Plan in place that is published on the Council’s website. This sets out the categories for enforcement action, and the timescales that the public should expect for cases to be progressed. The Plan includes details of the triage process and the levels of service to be expected when a planning complaint is received. The timescales set out within the published Local Enforcement Plan requires that receipt of a planning enforcement complaint is acknowledged within five working days, complainants are contacted regularly with regards to action taken, and the outcome of the case should be communicated to the complainant. Our testing of a sample of cases found that these expectations were not being met.</p> <p>The Local Enforcement Plan sets out clear timelines for the initial assessment of whether there has been a breach of planning controls, with the lowest priority cases required to be assessed within 30 working days of receipt of the notification. Our testing found that these timescales are not always being met.</p> <p>There is currently no documented internal procedural guidance that sets out the expectations of management regarding the administration of planning enforcement cases and the evidence required to support action taken, or on where the supporting evidence should be retained. Although the Local Enforcement Plan requires all cases to be triaged and assigned a priority level of one to three, there is no facility in Uniform to record the priority assigned, therefore compliance with the timescales set out in the Plan cannot be monitored.</p>		

Testing of a sample of planning enforcement complaints identified that some of the key documentation was missing for individual cases. Although all enforcement complaints are recorded in Uniform, the Council's planning database and a reference number assigned, we identified that none of the supporting documents are being retained within Uniform, they are instead held within a shared drive. Additionally, some of the documentation associated with enforcements was missing completely.

Testing of a sample of five cases where enforcement notices were issued found that there was no evidence of any follow up action taking place to ensure that the enforcement notice had been complied with.

The Town and Country Planning Act 1990 requires councils to maintain a register of enforcement notices issued. The manual register has not been maintained since 2019, and the online register is not up to date as it is updated through an interface with Uniform, and as reported above, Uniform is not being kept up to date. Therefore, the Council is not complying with this legislation.

To ensure management within the Planning Service are kept aware of numbers of open enforcement cases, a weekly report is issued detailing all open enforcement cases. Our review of a sample of reports issued in June and July 2023 confirmed that weekly reports were issued. However, the reports do not give information to management about progress, whether targets are being met, or whether cases are still open which require closing. Further to this, once it has been established that no further action should be taken on a case, the case should be closed. Significant delays were identified with closing cases impacting the accuracy of management information.

6. Planning & Resourcing

The internal audit plan for 2023-24 was presented to the Senior Management Team and the Audit & Scrutiny Committee in April 2023. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

Through discussions with the Acting Director of Corporate Services and Business Assurance Manager adjustments have been made to the plan and are detailed within section 8 of this report. This is in response to EEBC Officer's capacity to respond and engage with the Internal Audit reviews that are remaining for 2023/24. The adjustments to the plan will not impact on SIAP's ability to deliver the Annual Report and Opinion for 2023/24 but the reduction of audit days is not sustainable across multiple years.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2022/23 reviews								
Human Resources & OD - Recruitment	ADofCS	✓	✓	✓	✓	✓	Reasonable	
HR Follow Up – Performance Management	ADofCS	✓	✓	✓	✓		n/a	
Accounts Receivable/Debt Management	CFO	✓	✓	✓	✓	✓	Reasonable	
Main Accounting	CFO	✓	✓	✓				
2023/24 reviews								
Corporate								
Asset Management (Statutory Checks)	HofP&R	✓	✓	✓				
Four Year Plan	ADofCS	✓	✓	✓	✓	✓	Substantial	
Governance								
Risk Management	ADofCS	✓	✓	✓				
Fraud Framework	ADofCS	✓	✓	✓	✓	✓	Reasonable	
Health and Safety – Follow Up	ADofCS	✓	✓	✓	✓	✓	n/a	
Business Continuity	ADofCS	✓	✓	✓	✓			
Information Governance	ADofCS	✓	✓	✓				
Complaints	ADofCS	✓	✓	✓	✓	✓	Limited	
Capital Programme	HofP&R	✓	✓	✓				
Information Technology								
Legacy Systems	HofIT	✓	✓	✓				
Cyber Security	HofIT	✓	✓	✓				
Core Financial Reviews								
Accounts Payable	HofF	✓	✓	✓				

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Safe and Well								
Homelessness	HofH&C	✓	✓	✓				
Planning Enforcement	HofPD	✓	✓	✓	✓	✓	No	
Green and Vibrant								
Tree Inspections	HofPD	✓	✓	✓				
Other								
EWDC Conservators Account	CFO/HofF	✓	✓	✓	n/a	✓	n/a	
Biodiversity Net Gain Grant	CFO/HofF	✓	n/a	✓	n/a	✓	n/a	Grant certification

Audit Sponsor

ADofCS	Acting Director of Corporate Services	ADofEHR	Acting Director of Environment, Housing & Regeneration
HofPD	Head of Place Development	HofOS	Head of Operational Services
HofHR&OD	Head of HR and OD	HofP&R	Head of Property & Regeneration
CFO	Chief Finance Officer	HofF	Head of Finance
HofLS	Head of Legal Services & Monitoring Officer	HofIT	Head of IT
HofH&C	Head of Housing & Community	HofP&CR	Head of Policy & Corporate Resources (vacant)

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the 2023/24 internal audit plan:

Plan Variations	
Added to the plan	Reason
Biodiversity Net Gain Grant	The grant conditions required an internal audit review and sign off by the Chief Internal Auditor.
Removed from the plan	Reason
Savings Realisation	Please see section 6 of the report.
Human Resources	
Housing Benefits	

Overdue ‘High Priority’ Management Actions

HR & OD Performance Management – Limited Assurance

Observation:

The Induction Checklist clearly states that by the end of the second month a discussion and agreement of personal targets for a Personal Development Plan must be undertaken.

The policy states that both managers and employees are responsible for monitoring progress on the agreed goals/objectives.

A sample of new starters were tested, and we confirmed that their progress is being reviewed and the relevant probationary meetings are being held to provide feedback and take any necessary actions. However, goals and objectives have not yet been set and we were advised that this task will be completed at the beginning of the new financial year.

We acknowledge that the new starters within our sample only recently joined the council (within the last three months), including temporary staff, but the expectation on setting goals/targets remains the same and should be completed as set by the policy.

Management Action	Original Due Date	Revised Due Date	Latest Service Update From Action Owner
Conduct a survey of new starters post April 2022 to understand how they are settling in and whether they have clear goals/objectives set and a PDP set out.	30.06.2022	31.03.2024	A revised induction pack for new starters has been drafted for SMT consideration. At the end of the induction period, a survey will be conducted which forms part of the induction pack.

Operational Services – Reasonable Assurance**Observation:**

The service does not currently have a consistent method of ensuring that garden waste is only collected for households that hold a current subscription.

240-litre brown garden waste bins cost £62.70 each per year and there are in the region of 12,000 subscribers.

Due to the increasing numbers of subscribers, the original methods of tracking this have become unsustainable and have since ceased, with action being taken instead on a case by case basis as cases with no subscription come to the teams attention.

We have been advised that the service has already recognised this risk prior to the audit and have obtained a new electronic in-cab system, which will inform operatives who has a subscription in each road, allowing them to more easily filter out the bins that should not be collected. There has been a delay to the implementation for the garden waste service due to Covid-19 and other service implementation priorities, but it is planned for this to be put in place in 2023.

Management Action	Original Due Date	Revised Due Date	Latest Service Update From Action Owner
Launch My Council Services module for garden waste.	31.05.2023	30.09.2024	The launch of the Garden Waste module is subject to the priorities of the My Council Services (MCS) system as well as the need to move services off the council's CRM system which we have to stop using by August 2024. The council has a work around for normal waste services, so this work is paused and priority will be given to delivering garden waste before August 2024.

Ethical Governance – Reasonable Assurance**Observation:**

Training records are held within an e-learning system. We reviewed reports from this system which documented completion of training related to ethical governance and behaviours. Our review highlighted that more than 50% of training was noted as outstanding.

The Business Assurance Manager advised that there is currently a technical issue within the system whereby if completion dates are revised then they are lost – deeming this record unusable at the moment. We were further advised that the Council has introduced a workaround to manage this until the e-learning system is fixed, and that policy documentation will be updated to reflect the workaround. Due to the timing of this review, we were not in a position to test the effectiveness of the workaround.

Management Action	Original Due Date	Revised Due Date	Latest Service Update From Action Owner
Complete the technical fix, relating to accurately recording completion dates, with our e-learning provider.	30.06.2023	31.03.2024	The technical fix to be carried out by HR will need IT support (internal /external).

Network Management – Limited Assurance**Observation:**

Please see separate report.

Management Action	Original Due Date	Revised Due Date	Latest Service Update From Action Owner
Please see separate report.			

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Accounts Payable	18.05.2021	Reasonable	Low	31.12.2021	31.03.2024
HR & OD Performance Management	20.05.2022	Limited	Medium	30.09.2022	31.03.2024
			Medium	30.09.2022	31.03.2024
Data Management	30.05.2022	Limited	Medium	31.03.2023	01.12.2024
Health and Safety	30.05.2022	Limited	Medium	31.11.2022	31.03.2024
Information Security	30.05.2022	Reasonable	Low	31.12.2022	30.05.2024
Information Governance	30.05.2022	Limited	Medium	30.09.2022	01.04.2024
			Medium	23.12.2022	01.04.2024
Environmental Health	06.06.2022	Reasonable	Low	31.10.2022	31.03.2025
Development Management (Community Infrastructure Levy)	22.03.2023	Limited	Medium	31.05.2023	31.03.2024
			Medium	30.06.2023	31.03.2024
Ethical Governance	11.05.2023	Reasonable	Medium	31.07.2023	31.03.2024
			Low	31.12.2023	31.03.2024
Emergency Planning	02.06.2023	Reasonable	Low	31.08.2023	31.03.2024
Network Management	05.06.2023	Limited	Medium	30.06.2023	30.09.2024
			Medium	30.11.2023	30.04.2024
			Medium	30.11.2023	30.09.2024
Accounts Receivable & Debt Management	03.10.2023	Reasonable	Medium	31.12.2023	31.03.2024
			Low	31.12.2023	31.03.2024

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ANNUAL REPORT ON THE USE OF RIPA POWERS

Head of Service:	Andrew Bircher, Interim Director of Corporate Services
Wards affected:	(All Wards);
Appendices (attached):	None

Summary

To report on the Council's activities relating to surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) for 2023.

Recommendation (s)

The Committee is asked to:

- (1) Note the annual report of the Council's use of its RIPA powers in 2023.**

1 Reason for Recommendation

- 1.1 This is the required annual report to provide details of any surveillance carried out by the Council under RIPA powers. For 2023 there were no such surveillance activities carried out.

2 Background

- 2.1 The Council undertakes a number of functions which involve the enforcement of laws and regulation. On occasion, Officers may need to conduct investigations and, in exceptional circumstances, the Council has the power to make use of covert surveillance and similar activities.
- 2.2 The Regulation of Investigatory Powers Act 2000 (RIPA) and the Codes of Practice issued under section 71 of that Act, regulates the way in which the Council conducts surveillance for the purposes of law enforcement.
- 2.3 The fundamental requirement of RIPA is that when the Council considers undertaking directed surveillance or using a covert human intelligence source it must only do so if:
- a) the activity has been authorised by an Officer with appropriate powers, and

b) the relevant criteria are satisfied, including authorisation by the Magistrates Court.

- 2.4 All RIPA surveillance which the Council wishes to authorise must be approved by an Authorising Officer and also be approved by a Magistrate. Where a Local Authority wishes to seek to carry out a directed surveillance or make use of a human intelligence source the Council must apply to a single Justice of the Peace. The Home Office issued guidance to Local Authorities and to Magistrates on the approval process for RIPA authorisations.

Inspections

- 2.5 The Investigatory Powers Commissioner's Office has responsibility to oversee the exercise of the use by Councils of their surveillance powers.
- 2.6 An inspection was carried out in 2020, by the Investigatory Powers Commissioner's Office. There were no recommendations which the Council was asked to implement. A further assessment is due this year.
- 2.7 The Council has a Policy & Guidance on Lawful Surveillance, Regulation of Investigatory Powers Act 2000 and this has been updated to reflect changes in personnel.
- 2.8 Even though the Council does not often use its powers under the Regulatory Investigatory Powers Act, it remains critical for Officers to understand how to operate the Council's Surveillance Policy. The last training exercise was delivered in 2022.

Use of Powers 2023

- 2.9 There were no applications for directed surveillance authorisations in 2023.

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

- 3.1.1 Use of investigatory powers potentially engages the Human Rights Act 1998 and in particular the qualified right to private and family life under article 8 of the European Convention. This right may only be interfered with in circumstances where it is necessary and proportionate to do so in pursuit of the public interest. The Council's RIPA Policy & Guidance document is designed to facilitate compliance with the Human Rights Act.

3.2 Crime & Disorder

- 3.2.1 It is important to ensure regulatory investigative procedures are kept up to date and once the current Inspection is completed any recommendations will be included as part of the review

3.3 Safeguarding

- 3.3.1 No issues arise from this report.

3.4 Dependencies

- 3.4.1 None

3.5 Other

- 3.5.1 None

4 Financial Implications

- 4.1 No direct implications.

- 4.2 **Section 151 Officer's comments:** None arising from the contents of this report.

5 Legal Implications

- 5.1 **Legal Officer's comments:** None arising from the contents of this report.

6 Policies, Plans & Partnerships

- 6.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- This report is linked to the council's priority for Safe and Well

- 6.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

- 6.3 **Climate & Environmental Impact of recommendations:** N/a

- 6.4 **Sustainability Policy & Community Safety Implications:** n/a

- 6.5 **Partnerships:** n/a

7 Background papers

- 7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Audit & Scrutiny Committee (April 2023) *Annual report of the use of RIPA powers*. Online available: <https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=157&MId=1254> [last accessed 09/02/2024, item no. 39].

Other papers:

- None.

COMMITTEE ANNUAL REPORT 2023-2024

Head of Service:	Andrew Bircher, Acting Director of Corporate Services
Wards affected:	All Wards
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1 – Annual Report 2023-2024

Summary

This report presents the Annual Report of the Audit and Scrutiny Committee for 2023-2024, which covers the work of the Committee between April 2023 and February 2024.

Recommendation (s)

The Committee is asked to:

- (1) Approve the Annual Report 2023-2024 attached at Appendix 1 and to present the Annual Report to the next meeting of Full Council.**

1 Reason for Recommendation

- 1.1 [Annex 4.6](#) within the Council's Operating Framework requires the Audit and Scrutiny Committee to report annually to the Full Council on its workings and make recommendations for future work programmes and amended working methods if appropriate.

2 Background

- 2.1 Attached at Appendix 1 is the draft Annual Report 2023 - 2024, which looks back on the work of the Committee between April 2023 and February 2024. This meeting (28 March 2024) will be included in the next year's Annual Report 2024-2025.
- 2.2 If approved, the Annual Report 2023-2024 will be presented to the next meeting of Full Council.

3 Risk Assessment

Legal or other duties

- 3.1 Equality Impact Assessment
 - 3.1.1 No direct impacts from this report.
- 3.2 Crime & Disorder
 - 3.2.1 No direct impacts from this report.
- 3.3 Safeguarding
 - 3.3.1 No direct impacts from this report.
- 3.4 Dependencies
 - 3.4.1 None.
- 3.5 Other
 - 3.5.1 None.

4 Financial Implications

- 4.1 There are no financial implications in this report.
- 4.2 **Section 151 Officer's comments:** None arising from the contents of this report.

5 Legal Implications

- 5.1 There are no legal implications arising from this report.
- 5.2 **Legal Officer's comments:** None arising from the contents of this report.

6 Policies, Plans & Partnerships

- 6.1 **Council's Key Priorities:** The following Key Priorities are engaged:
Effective Council – Engaging, responsive and resilient Council.
- 6.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.
- 6.3 **Climate & Environmental Impact of recommendations:** No direct impacts from this report.
- 6.4 **Sustainability Policy & Community Safety Implications:** No direct implications from this report.
- 6.5 **Partnerships:** No direct impact on partnerships from this report.

7 Background papers

7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Annual Report of the Audit & Scrutiny Committee, 6th April 2023, Audit and Scrutiny Committee. Online available: <https://democracy.epsom-ewell.gov.uk/documents/s26998/Committee%20Annual%20Report%202022-2023.pdf> [last accessed 16/02/2024]

Other papers:

- As referenced in Appendix 1.

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Annual Report of the Audit and Scrutiny Committee 2023-2024

1. Introduction

- 1.1. This Annual Report provides the Council with an overview of the work of the Audit and Scrutiny Committee undertaken between April 2023 and February 2024. This meeting (28 March 2024) will be included in the next year's Annual Report 2024-2025.
- 1.2. The Committee met five times between April 2023 and February 2024 and the membership has changed during this period following the Council Election in May 2023. The table below shows the members' attendance of pre- and post-election.

Member	<u>Pre-election</u> 6 April 2023 Meeting - actual attendance	<u>Post -election*</u> 4 meetings on 18 July, 28 Sept, 16 Nov and 1 Feb – actual attendance
Councillor Steve Bridger (Chair)	1	4
Councillor Nigel Collin (Vice Chair)	1	Term ended
Councillor Rob Geleit	1	Term ended
Councillor David Gulland	0	Term ended
Councillor Christine Howells	0	Term ended
Councillor Phil Neale	1	4
Councillor David Reeve	1	Term ended
Councillor Alan Sursham	1	Term ended
Councillor Chris Webb	1	Term ended
Councillor Robert Leach (Vice Chair)	N/A	4
Councillor Chris Ames	N/A	4
Councillor Rachel King	N/A	4
Councillor James Lawrence	N/A	4
Councillor Jan Mason	N/A	0
Councillor Chris Watson	N/A	4

*This meeting (28 March 2024) has not been held yet at the time of writing this report and hence its attendance has not been recorded in the above table.

- 1.3. The Committee considered and agreed its work programme for 2023-2024 in April 2023. The work programme is designed to ensure that the Committee meets its statutory and local responsibilities, and provides the Council with added value and assurance.

2. Monitoring and Improving the Council's Governance

- 2.1. The Committee's work programme has focused on maintaining an oversight of the Council's framework of governance, performance, risk management, and internal control environment.
- 2.2. Governance can be defined as "comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."¹ Governance includes processes, procedures, policies, administrative systems, legal arrangements and so forth, "through which [an organisation's] objectives are set and pursued in" their environmental context, while "ensuring that stakeholders can have confidence that their trust in that [organisation] is well founded."²
- 2.3. To ensure good governance, the Committee has considered six reports from the Council's independent internal audit function between April 2023 and February 2024. These reports cover audit planning for the year, internal audit's findings with respect to individual business units' governance arrangements, and an overall opinion on status of the Council's governance.
- 2.4. The Head of Southern Internal Audit Partnership (SIAP) provided their annual opinion to Committee on 18 July 2023, concluding that for the year 2022-2023, the overall adequacy and effectiveness of the Council's framework of governance, risk management and control was "reasonable". The outcomes of 13 completed audits are as follows:³

Number and (percentage) of completed audits	Assurance Opinion - category
1 (8%)	Substantial – A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
8 (61%)	Reasonable – There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
4 (31%)	Limited – Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of

¹ CIPFA (2014) *International Framework: Good Governance in the Public Sector*. London: Chartered Institute of Public Finance and Accountancy, p. 8.

² The Chartered Governance Institute UK & Ireland (no date) *What is corporate governance?* Online available: <https://www.cgi.org.uk/about-us/policy/what-is-corporate-governance> [Last accessed 10/03/22].

³ See SIAP (2023) *Annual Internal Audit Report & Opinion 2022-23*, Southern Internal Audit Partnership. Online available: <https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=157&MIId=1478> [Last accessed 21/02/2024].

	governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
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There were no 'No' assurance opinions given during this period, which would require immediate actions to address fundamental gaps, weaknesses or non-compliance identified.

- 2.5. 69% of the audits received a "reasonable" or "substantial" opinion. Where weaknesses and risks have been identified through internal audit review, SIAP have worked with management to "agree appropriate corrective actions and a timescale for improvement."⁴ Progress on improvement actions are reported within each Internal Audit progress report brought to the Committee.
- 2.6. The internal audit annual opinion also underpins the Council's Annual Governance Statement (AGS). The [2022-2023 AGS](#) was approved by the Committee on 18 July 2023. The statement presented the Council's opinion on its governance arrangements and their effectiveness, as well as reporting on how governance improvements identified in the previous statement had been addressed, and actions to be pursued in the following year. The AGS is also reviewed by external audit and included alongside their annual audit of the Council's finances.
- 2.7. In addition to the above, the Committee considered:
 - 2.7.1. Two corporate performance and risk reports, which updated the Committee on the progress of the objectives within the 2023-2024 annual plan, key performance indicators, the Corporate Risk Register, the policy committees' risk registers, and AGS actions.
 - 2.7.2. The annual report on the Council's counter-fraud and whistleblowing arrangements, and the annual report on the Council's equality and diversity activities.
 - 2.7.3. The annual review of local [Code of Corporate Governance](#) for the Council in November 2023.
 - 2.7.4. An annual report on the Council's activities relating to surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) for 2021.
 - 2.7.5. Two annual reviews of complaints received by the Local Government and Social Care Ombudsman (LGSCO) during 2021-2022 and 2022-2023. In addition, a new report on complaints, including those from the LGSCO and the Information Commissioner's Office (ICO) where the

⁴ Ibid, footnote 3.

Council was found at fault, has been introduced as a standard item on every Committee meeting's agenda.

- 2.7.6. An annual review of the work undertaken by the Epsom and Ewell Community Safety Partnership.
- 2.8. The Head of Finance presented forecasts for the revenue and capital outturn for the financial year. The Committee received Quarter 1 in September 2023. With the agreement of the Committee Chair, Quarter 2 reports were deferred to enable the finance team to focus on the delayed external audit. Quarter 3 reports were brought back to the Committee in February 2024 which cover the period from 1 April to 31 December 2023.
- 2.9. Revenue monitoring identifies favourable and unfavourable variances and any mitigating actions. Capital monitoring reports focus on the core capital programme, property acquisition fund, S106 developers' contributions and Community Infrastructure Levy.
- 2.10. The Committee has also received regular external audit updates throughout the financial year.
- 2.11. As agreed at Full Council in July 2023, Financial Strategy Advisory Group (FSAG) has conducted treasury management monitoring on behalf of Audit and Scrutiny Committee throughout the year. Treasury management monitoring reports and minutes are available for members to view within the FSAG's [committee papers](#).

3. Scrutiny activities

- 3.1. This section pertains to the scrutiny element of the Committee's responsibilities. Specifically, it is responsible for the review and scrutiny of Committee decisions and performance of the Council, including the Council's budget and associated financial reports and the Annual Governance Statement.
- 3.2. To support effective, transparent and accountable decision making at the Council, the Committee has the power to review policy committee decisions made, but not yet implemented, through the call-in procedure.
- 3.3. In the year 2023-2024 the Committee:
 - 3.3.1. Received a report in July 2023 on the Use of Delegated Powers. This report sets out the significant decisions taken by officers under delegated powers in the previous year.
 - 3.3.2. Received a report on the IT Strategy approved by the Strategy and Resources Committee in March 2023.

4. Improving Services and the Quality of Life for Local People

- 4.1. Scrutiny, again, is the topic of this section, within the context of how the Council is performing in light of its Four Year Plan, which is split into four annual plans.
- 4.2. The Committee monitors progress made against the Four Year Plan, which encapsulates how the Council will contribute to the long-term vision for Epsom and Ewell. In July 2023, the Committee reviewed the 2022-2023 [end of year report](#). The table below provides the end of year position, noting the number of key objectives that were achieved in 2022-2023. It also includes information from the last two years.

2022-2023			Previous Years	
Status	No.	%	2021-2022	2020-2021
Blue (achieved)	16	53.3%	70.3%	58.5%
Amber (slippage)	10	33.3%	10.8%	9.4%
Red (off track)	4	13.3%	18.9%	32.1%
Total	30	100%	100%	100%

- 4.3. The year-end report for 2022-2023 highlighted that 53.3% of the year's objectives had been achieved and 33.3% had been delayed. There were 13.3% of objectives that were not achieved.
- 4.4. The Committee also considered the specific update on targets which had been delayed as well as those which were not achieved. These objectives have been encapsulated in the 2023-2024 Annual Plan and/or Service Delivery Plan for progression.

5. Conclusion

- 5.1. The Audit and Scrutiny Committee wishes to record its thanks to all those who contributed to the work of the Committee over the year.

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COMPLAINTS REPORT APRIL 2023 - DECEMBER 2023

Head of Service:	Andrew Bircher, Interim Director of Corporate Services
Wards affected:	(All Wards);
Appendices (attached):	None

Summary

This report details Stage 1 and Stage 2 complaints received by the Council from 01 April 2023 to 31 December 2023.

Recommendation (s)

The Committee is asked to:

- (1) **Note the contents of the report covering all complaints received by the Council between 01 April 2023 – 31 December 2023.**

1 Reason for Recommendation

- 1.1 To bring to the attention of the Committee all complaints received between April 2023 – December 2023 and, where the council has been found at fault, to advise of actions taken and lessons learnt.

2 Background

- 2.1 A complaint is defined as an expression of dissatisfaction about something we said we would do and didn't, or a poor standard of service. This could either be by ourselves or a contractor acting on our behalf.
- 2.2 A complaint is not a request for service (e.g., noise problems) or a request for information or an explanation of our policy (eg. level of Council Tax set). As an example, a one-off missed bin collection would result in a missed bin service request, however, repeated misses of the same bin at the same address would be logged as a complaint.
- 2.3 In areas where there are independent tribunals for decisions to be referred to, for example, planning application outcomes, housing review applications and Penalty Charge Notices, these matters will be dealt with by the appropriate independent body and will therefore not fall within the Council's two-stage complaint process.

- 2.4 The council has 15 working days to respond to Stage 1 complaints and 15 working days to Stage 2 complaints. If a Stage 1 complaint is not responded to within timescales, the complainant can request escalation to Stage 2 without the Stage 1 response being completed.
- 2.5 Complaints fall under three main categories which are: service delivery, staff behaviour/conduct and policy.
- 2.6 Staff within service areas deal with their own complaints with the support of Customer Services, although there are instances where Customer Services will respond to complaints on behalf of a service area if they have the relevant information.
- 2.7 Once a complaint has been through the two-stage Council complaint process and the complainant is still unsatisfied, they are able to refer the complaint to the Local Government & Social Care Ombudsman (LGSCO). This is always included in the response to the complainant so that they are aware.
- 2.8 In December 2023 a restructure took place within Customer Services resulting in the management of Stage 1 and Stage 2 complaints being transferred from the Contact Centre Manager to the new Customer Services Manager. This brought the management of all complaints, including those referred to the LGSCO, under one manager which will strengthen the process.
- 2.9 Under the previous management an audit was undertaken which resulted in several areas identified for improvement. These audit findings, along with further examination conducted by the new management, resulted in a complaints project being initiated. The project aims to bring about positive change and an improvement in the way complaints are handled and viewed across the Council.
- 2.10 Complaints provide the Council with a good opportunity to review the decisions we have made and the service we have provided. Findings in complaint outcomes can be used to bring about service improvement through identifying and sharing lessons learned across all service areas.
- 2.11 The Local Government & Social Care Ombudsman have set out a new Complaint Code which they plan to incorporate into their processes from 2026/27 onwards. They will work with pilot Councils in 2024/25 with the aim of developing a guide to accompany this code by April 2025. The Council has participated in the Consultation and intends to review the code and will look to make improvements as a result.

3 Complaints Received between 01 April 2023 – 31 December 2023

- 3.1 Table 1 shows the total number of complaints broken down by service area and complaint stage, received between April 2023 and December 2023.

- 3.2 Table 2 shows the number of complaints broken down by service area team and complaint stage between April 2023 and December 2023.
- 3.3 Table 3 shows the number of complaints by service area responded to inside and out of time at both stage one and stage two between April 2023 and December 2023
- 3.4 Table 4 shows the number of complaints upheld and not upheld by service area responded to between April 2023 and December 2023.

Table 1

Service Areas	Total complaints (Stage 1 & 2)	Percentage for total complaints	Stage 1	Stage 2
Operational Services	320	76.50%	294	26
Housing & Community	56	13.30%	49	7
Place Development	27	6.45%	20	7
Policy & Corporate Resources	8	1.90%	6	2
Finance Services	5	1.19%	5	0
Legal, Democratic & Elections	2	0.47%	1	1
Totals	418	100%	375	43

Audit and Scrutiny Committee
28 March 2024

Table 2

	Operational Services				Housing & Communities			Place Development			Policy & Corporate Resources		Legal, Democratic & Election Services	Financial Services		
	Refuse & Recycling	Grounds Maintenance	Venues	Cemeteries	Environmental Health	Car Parks	Housing	Planning	Planning enforcement	Trees	Contact Centre	Business Support	Legal	Council Tax	Benefits	Finance
Stage 1	272	16	2	4	10	28	11	18	1	1	5	1	1	3	1	1
Subtotal	294				49			20			6		1	5		
Stage 2	26				5	2	0	6	0	1	1	1	1	0	0	0
Subtotal	26				7			7			2		1	0		
Totals	320				56			27			8		2	5		

Audit and Scrutiny Committee

28 March 2024

Table 3

Service Area	Stage 1 In time	%	Stage 1 out of time	%	Stage 2 in time	%	Stage 2 out of time	%
Operational Services	256	87%	37	13%	24	92%	2	8%
Housing & Communities	31	63%	18	37%	3	43%	4	57%
Place Development	8	40%	12	60%	1	14%	6	86%
Policy & Corporate Services	5	83%	1	17%	1	50%	1	50%
Financial Services	4	80%	1	20%	0	0%	0	0%
Legal & Democratic Services	1	100%	0	0%	1	100%	0	0%

Table 4

Service Area	Stage 1 Upheld	%	Stage 1 not upheld	%	Stage 2 Upheld	%	Stage 2 not upheld	%
Operational Services**	240	82%	51	17%	24	92%	2	7%
Housing & Communities**	22	45%	25	51%	1	14%	6	86%
Place Development**	7	35%	11	61%	0	0%	7	100%
Policy & Corporate Services	2	33%	4	67%	0	0%	2	100%
Financial Services	1	20%	4	80%	0	0%	0	0%
Legal & Democratic Services	0	0%	1	100%	0	0%	1	100%

** Operational Services, Housing & Communities and Place Development had complaints withdrawn.

Operational Services

- 3.5 Customer Services deal with and respond to most of the Operational Services complaints. Most service areas respond to their own complaints, but the volume of complaints for Operational Services requires additional support from Customer Services.
- 3.6 Operational Services have received the highest number of complaints due to the nature and volume of the work they do. The main reason for complaints is Service delivery failure (86%). For example, repeated (not one-off) missed bins and issues with garden waste missed collections.
- 3.7 Despite the large volume of complaints, Operational Services have the highest percentage of complaints resolved in time for stage 1 (87%) and stage 2 (92%). There was a surge in complaints for this service area in the summer months due to cancelled garden waste collections as a result of staff shortages.
- 3.8 It is worth while reflecting on the fact that Operational Services make approximately 500,000 collections a month, and with this volume of work mistakes will happen. Although the number of complaints has risen this year mainly due to Garden Waste collection issues, we have seen this trend fall towards the end of the year. The number of complaints is still very low when compared with the number of collections made.
- 3.9 A very low percentage of stage 1 complaints escalate to stage 2, (8%) which would indicate that generally complainants are happy with the outcome of their stage 1 complaint. They do, however, have a high percentage of complaints that are upheld, 82% at stage 1 and 92% at stage 2. This generally means we are at fault, which may indicate areas of concern with certain services.
- 3.10 Customer Services have regular meetings in place with Operational Services to discuss complaints and ways in which some complaints can be prevented through proactive work. Customer Services also work with managers to understand how they are learning from these complaints and how they are communicating complaint outcomes back to the staff, and if necessary, making changes to processes and procedures.

Housing & Communities

- 3.11 Housing and Communities receive the second highest number of complaints within the Council. Their percentage rate for in-time complaint responses is 63% for their stage 1 complaints and 43% of their stage 2 complaints. This is lower than we would expect.

- 3.12 The main reason for their complaints is Service Delivery failure (51%), this includes Car Park issues, but the service delivery failure is followed very closely by Staff behaviour issues (43%). Examples are interaction with and behaviour of Civil Enforcement Officers and housing staff.
- 3.13 Housing and Parking are both areas within which high tension situations between Officers and the Public can arise. For example, the issuing of a PCN in a Council Car Park, or the Council's refusal to house a member of public. In situations such as these, the complaint can be unfairly made against the individual rather than the policy or process being followed.
- 3.14 Housing & Communities have a lower percentage of complaints upheld at stage 1 (45%) and at stage 2 (14%).
- 3.15 In terms of escalation, 14% of Housing & Community complaints escalate to a stage 2, as the complainants are unhappy with the stage 1 response or decision.
- 3.16 Regular meetings are booked in and will continue with the Housing and Communities team to discuss their complaints, especially in terms of how we can improve the number of complaints resolved in time, and also looking at lessons learnt in areas such as staff behaviour.
- 3.17 There is one complex complaint still outstanding from November 2023.

Place Development

- 3.18 This service area has a fairly low number of complaints. They do however have a low percentage of complaints resolved in time (40% for stage 1 and 14% for stage 2).
- 3.19 The main reason for Place Development complaints is regarding service delivery failure. For example, the service provided by the Planning and Enforcement officers. The main reasons their complaints were escalated to stage 2 was because complainants were unhappy with the stage 1 decision.
- 3.20 It is worth noting that a complaint cannot be made about a planning application decision. The applicant should appeal directly to the Planning Inspectorate regarding the decision. Similarly, Planning Enforcement complaints are also dealt with separately and work to the process set out in the Council's "Planning Enforcement Plan".
- 3.21 Complaints regarding the service provided by the Planning/Enforcement staff, the process they have followed, or policy failures will be accepted by the Council.
- 3.22 A low percentage of Place Development complaints are upheld (35% at stage 1 and 0% at stage 2). This suggests the service area are making the correct decisions and generally have good processes in place that they follow.

- 3.23 The improvements that could be made here are based mainly around working to timescales, ensuring that responses are provided in time to complainants.
- 3.24 Meetings between Planning Development and Customer Services will continue with a view to encouraging on time responses. In addition, Customer Services will also look to understand how the changes or improvements due to lessons learnt are being communicated to the wider team and actioned.

Policy & Corporate Resources

- 3.25 This area has a low number of complaints with a high level (83%) resolved in time at stage 1 and a lower level (50%) resolved in time at stage 2.
- 3.26 The main reason for their complaints were service delivery failure, for example complainants were unhappy with the service they received from the Customer service team and the main reason for escalation to stage 2 was due to the complainants being unhappy with the decision at stage 1.
- 3.27 There is a low upheld rate at stage 1 of 33%, with the upheld rate at stage 2 being 0%.
- 3.28 The delays seen at stage 2 have been due to specialist advice being sought, which took longer than expected to receive.

Legal, Democratic & Election Services

- 3.29 This service area only received one complaint. It was resolved in time at stage 1 and was escalated to stage 2 as the complainant wasn't happy with the decision. The stage 2 was also resolved in time with both decisions at both stages not upheld.

Finance, Revenues & Benefits

- 3.30 Finance, Revenues & Benefits received a low number of complaints at stage 1 and 80% of these were resolved in time. None of these cases were escalated to stage 2.
- 3.31 The main reason for their complaints were service delivery failure. For example, customers were unhappy with the service/outcome of their case as determined by the Council Tax and Benefit officers and that emails were not responded to as quickly as expected.
- 3.32 A low number of cases (20%) were upheld at stage 1.

Additional Information

- 3.33 As part of the project mentioned in paragraph 2.8, Customer Services have identified ways to mitigate the number of complaints not responded to in time by the service areas. Relationship meetings between Customer Services and service areas are either already in place, or planned, to ensure more robust monitoring of complaint responses and timescales for completion. Wider complaint training for both Customer Services and service areas is being planned, supported by refreshed written procedures and guidance notes.

4 Future Reporting.

- 4.1 Next year's annual complaint report will provide an analysis of year-on-year statistics that are currently not available to us this year.
- 4.2 The Council will also be aiming to capture more on lessons learned, what actions have been taken as a result, along with any improvements made as a result of learning from upheld complaints.

5 Corporate Risks

- 5.1 A risk exists if the Council does not take complaints and their outcomes seriously. To this end, the Strategy and Resources Committee has the risk of "Failing to respond to complaints effectively" included in its committee risk register. This is reviewed and reported quarterly to the Committee Chairs.
- 5.2 Findings need to be used to bring about service improvement and increased customer satisfaction. The Council also needs to be honest and transparent when it has been wrong, and it needs to act to put this right where possible. To support this, reporting on complaints is presented to this Committee at each meeting in a standalone report, and within the Corporate Performance Report. The standalone report contains information on any upheld Ombudsman and Information Commissioner's Office complaints.
- 5.3 Not having a robust and effective complaint handling process internally may result in an additional case load being referred to the Ombudsman. Ombudsman decisions are published on their website, and there is a risk to our corporate reputation if we are seen not to be handling complaints effectively.

6 Risk Assessment

Legal or other duties

- 6.1 Equality Impact Assessment

6.1.1 No direct implications

6.2 Crime & Disorder

6.2.1 No direct implications

6.3 Safeguarding

6.3.1 No direct implications

6.4 Dependencies

6.4.1 No direct implications

6.5 Other

6.5.1 None

7 Financial Implications

7.1 The financial implications of any complaints will be detailed in the relevant sections above.

7.2 **Section 151 Officer's comments:** None arising from the contents of this report.

8 Legal Implications

8.1 **Legal Officer's comments:** None arising from the contents of this report.

9 Policies, Plans & Partnerships

9.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Effective Council

9.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

9.3 **Climate & Environmental Impact of recommendations:** No direct implications

9.4 **Sustainability Policy & Community Safety Implications:** No direct implications

9.5 **Partnerships:** No direct implications

10 Background papers

10.1 The documents referred to in compiling this report are as follows:

Previous reports:

- None

Other papers: None

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ICO AND LGO COMPLAINTS REPORT

Head of Service: Andrew Bircher, Interim Director of Corporate Services

Wards affected: (All Wards);

Appendices (attached):

Summary

This report contains information on recent council complaints, including those from the Local Government and Social Care Ombudsman (LGSCO) and the Information Commissioner's Office (ICO)

Recommendation (s)

The Committee is asked to:

- (1) Note the report.

1 Reason for Recommendation

- 1.1 To ensure the committee is kept apprised of complaints raised against the council, and actions taken to remedy those where the council is found at fault.

2 Background

- 2.1 This is the second of what will be a regular report to the committee to gather all complaints related information in one place for review.
- 2.2 Information in this report may reference other sources of complaints data, such as:
 - 2.2.1 LGSCO Annual Letter: The council receives an annual letter from the LGSCO, detailing ombudsman complaints they've reviewed in the year. This letter is brought to the next available committee meeting following its receipt, usually late summer.

2.2.2 Performance indicator data: Stage 1 and 2 data related to the number of complaints received, and the time taken to process these complaints, features in the Corporate Performance Report, which is also regularly brought to this Committee. The narrative from the most recent quarterly data is included in the performance report elsewhere on the committee agenda.

2.2.3 Annual complaints report: an annual complaints report will also be brought to this committee setting out performance of the council's complaints handling for stage 1 and 2. This report is elsewhere in the committee agenda.

3 Local Government and Social Care Ombudsman and Information Commissioner's Office complaints received since last meeting

LGSCO

3.1 At the last meeting we reported on a case that had been investigated relating to an enforcement issue. Since the last meeting we have not had any further concluded investigations reported to us.

ICO

3.2 No complaints have been received, and no breaches reported to the ICO since the last meeting.

4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

4.1.1 Nothing arises from this report

4.2 Crime & Disorder

4.2.1 None arise from this report

4.3 Safeguarding

4.3.1 None arise from this report

4.4 Dependencies

4.4.1 none

4.5 Other

4.5.1 none

5 Financial Implications

5.1 There are no direct financial implications.

5.2 **Section 151 Officer's comments:** None arising from the contents of this report.

6 Legal Implications

6.1 **Legal Officer's comments:** None arising from the contents of this report

7 Policies, Plans & Partnerships

7.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Effective council

7.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

7.3 **Climate & Environmental Impact of recommendations:** N/a

7.4 **Sustainability Policy & Community Safety Implications:** The items above deal with issues of community safety, but have been resolved

7.5 **Partnerships:** n/a

8 Background papers

8.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Audit and Scrutiny Committee (2024) *Complaints Report*, 1st February. Online available: <https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=157&MId=1512> [Last accessed 27/02/2024].

Other papers:

- None.

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PERFORMANCE AND RISK REPORT - MARCH 2024

Head of Service:	Andrew Bircher, Interim Director of Corporate Services
Wards affected:	(All Wards)
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1 – Corporate Performance Report- March 2024

Summary

The appendix to this report provides an overview of the Council's performance with respect to its 2023-2024 annual plan objectives, key performance indicators, corporate risks, committee risks, and annual governance statement actions.

Recommendation (s)

The Committee is asked to:

- (1) **Note and comment on the performance and risk information located at Appendix 1.**

1 Reason for Recommendation

- 1.1 The terms of reference for this committee includes the responsibility for reviewing the performance of the Council, and evaluating and monitoring progress on whether expected outcomes are being achieved in accordance with the Council's strategic plans.
- 1.2 This report has been brought to the committee to aid its members in meeting these objectives.

2 Background

- 2.1 In February 2020 the Council agreed a Four-Year Plan for the period 2020 to 2024. The six themes are:
 - Green & Vibrant - A better place to live where people enjoy their

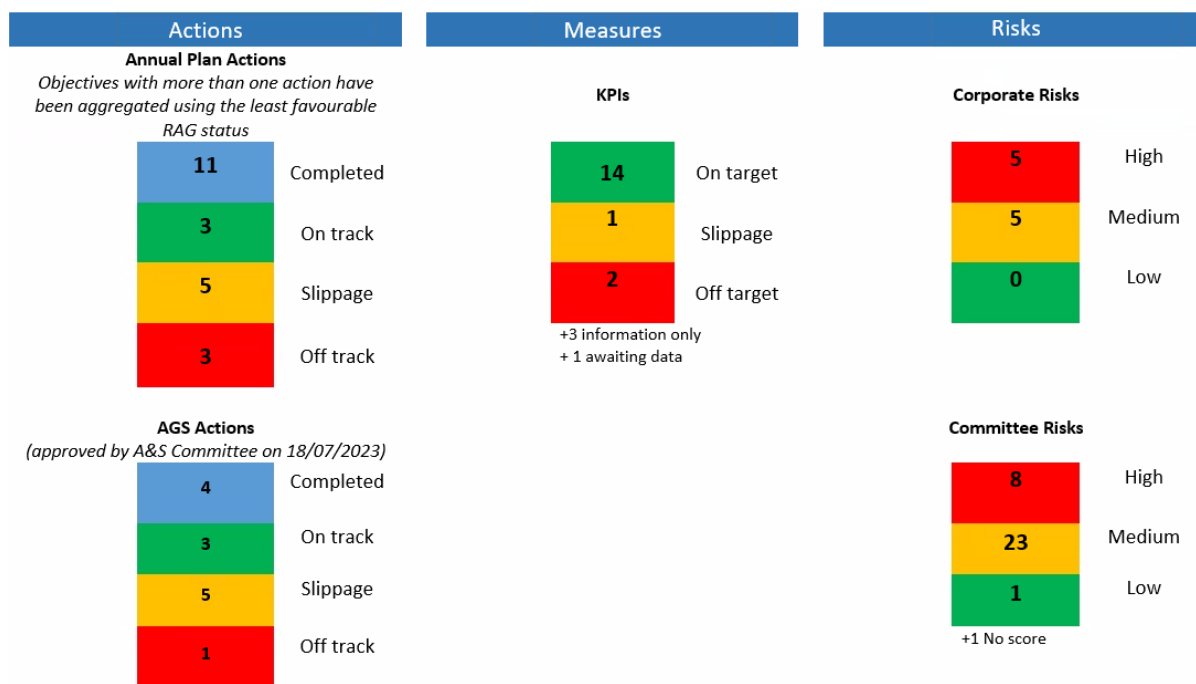
surroundings.

- Safe & Well - A place where people feel safe, secure, and lead healthy, fulfilling lives.
- Opportunity & Prosperity - A successful place with a strong, dynamic local economy where people can thrive.
- Smart & Connected - Alive and connected socially, economically, geographically, and digitally.
- Cultural & Creative - A centre for cultural and creative excellence and inspiration.
- Effective Council - Engaging, responsive and resilient council.

- 2.2 Since the Four-Year Plan's inception, four annual plans have been developed to support the delivery of these six themes and regular progress reports have been submitted to the committee. The Annual Plan 2024-2025 was recently approved by [Strategy and Resources Committee](#). A new Four-Year plan for 2024-2028 will be produced for the new financial year through a series of Member workshops and brought to the appropriate committee meetings for review and approval.

3 Performance Report – March 2024

- 3.1 Appendix 1 comprises a corporate performance report for the Council. Alongside progress updates for the Annual Plan 2023-2024, the report includes key performance indicators, the corporate risk register, committee risk registers, and the annual governance statement actions.
- 3.2 A key aim of the report is to provide a concise overview of how the Council is performing, in a single document, regarding its strategic objectives, service delivery, and risks that may hinder its ability to deliver these.
- 3.3 The table on the next page presents the summary dashboard from Appendix 1. Please note that key performance indicator information is provided on a quarterly basis, unless stated otherwise in Appendix 1. The other performance and risk information is the latest update at the time of this report's writing. Further details can be found in Appendix 1.



3.4 The paragraphs below highlight items in the performance report that have been off-target (red) for two quarters or longer. There is one Annual Plan action, five Corporate risks and seven Committee risks, and one KPI.

3.5 Annual Plan:

- Ref. 8 - Draft Infrastructure Delivery Plan (linked to the Local Plan consultation) (page 6 of Appendix 1).

3.6 Key performance indicators: Households living in nightly paid accommodation (page 15 of Appendix 1).

3.7 Corporate risks:

- PD14 - Failing to deliver a local plan (page 20 of Appendix 1).
- HC9 - Risk of homelessness expenditure exceeding budget provision (page 20 of Appendix 1).
- PCR16 - Failure to comply with GDPR/Data protection 2018 (page 21 of Appendix 1).
- IT6 - Failure or interruption to IT services (page 22 of Appendix 1).
- HC5 - Non-compliance with safeguarding legislation, internal policies, and best practice (page 22 of Appendix 1).

3.8 Committee risks:

- Environment Risk Register OS5 - Outcome of national waste strategy (page 40 of Appendix 1).
- Environment Risk Register OS21 - Climate change imperatives (page 41 of Appendix 1).

- Environment Risk Register PD22 - Increased costs associated with the new tree strategy (page 42 of Appendix 1).
- Community and Wellbeing Risk Register HC6 - Non-delivery of annual plan objectives, H & C Service, due to response to refugee crisis. (page 36 of Appendix 1).
- Community and Wellbeing Risk Register HC13 - Inadequate budget for homelessness over medium-long term (page 37 of Appendix 1).
- Licensing Policy and Planning Committee Risk Register PD7 - Unable to meet costs of essential tree maintenance (page 44 of Appendix 1).
- Licensing Policy and Planning Committee Risk Register PD26 - Failing to submit the Local Plan ahead of legislation changes in July 2025, due to delays in completing critical path items (page 45 of Appendix 1).

3.9 Annual Governance Statement actions: no items.

4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

4.1.1 No direct implications.

4.2 Crime & Disorder

4.2.1 No direct implications.

4.3 Safeguarding

4.3.1 None for the purposes of this report.

4.4 Dependencies

4.4.1 The production of this report is dependent on the capacity of other service areas and committees to consider and contribute to its content.

4.5 Other

4.5.1 None: corporate risks and committee risks are included in Appendix 1.

5 Financial Implications

5.1 No financial implications for the purposes of this report.

5.2 **Section 151 Officer's comments:** None arising from the contents of this report.

6 Legal Implications

- 6.1 No legal implications for the purposes of this report.
- 6.2 **Legal Officer's comments:** None arising from the contents of this report.

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** The following Key Priorities are engaged: Green & Vibrant, Safe & Well, Opportunity & Prosperity, Smart & Connected, Cultural & Creative, Effective Council.
- 7.2 **Service Plans:** The matter is reflected in the 2023-2024 Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** The Annual Plan reflects some objectives relating to climate change.
- 7.4 **Sustainability Policy & Community Safety Implications:** The Annual Plan reflects some objectives relating to community safety and enforcement.
- 7.5 **Partnerships:** Successful achievements of some objectives will require work with partners.

8 Background papers

- 8.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Epsom and Ewell Borough Council – Corporate Performance Report February 2024, Audit & Scrutiny Committee, 1 February 2024 Online available: <https://democracy.epsom-ewell.gov.uk/documents/s30296/Performance%20and%20Risk%20Report%20-%20February%202024.pdf> [Accessed: 09/02/2024]

Others:

- Epsom and Ewell Borough Council - Audit and Scrutiny Committee: Terms of reference. Online available: <https://democracy.epsom-ewell.gov.uk/mgCommitteeDetails.aspx?ID=157> [Accessed: 11/08/2023]

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Corporate Performance Report

Date: March 2024

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1. Summary

Actions	Measures	Risks
Annual Plan Actions <i>Objectives with more than one action have been aggregated using the least favourable RAG status</i>	KPIs	Corporate Risks
<div><div>11</div><div>Completed</div></div> <div><div>3</div><div>On track</div></div> <div><div>5</div><div>Slippage</div></div> <div><div>3</div><div>Off track</div></div>	<div><div>14</div><div>On target</div></div> <div><div>1</div><div>Slippage</div></div> <div><div>2</div><div>Off target</div></div> <div>+3 information only + 1 awaiting data</div>	<div><div>5</div><div>High</div></div> <div><div>5</div><div>Medium</div></div> <div><div>0</div><div>Low</div></div>
AGS Actions <i>approved by A&S Committee on 18/07/2023)</i>		Committee Risks
<div><div>4</div><div>Completed</div></div> <div><div>3</div><div>On track</div></div> <div><div>5</div><div>Slippage</div></div> <div><div>1</div><div>Off track</div></div>		<div><div>8</div><div>High</div></div> <div><div>23</div><div>Medium</div></div> <div><div>1</div><div>Low</div></div> <div>+1 No score</div>

Guidance

Actions/KPIs: **Red:** Off track/target (>5%) **Amber:** Behind target (< 5%) / delayed **Green:** On track/target **Blue:** Completed
Risks: **High:** Risk score of 12-16 **Medium:** Risk Score of 4-9 **Low:** Risk score of 1-3

2. Annual Plan Progress (April 2023 – March 2024)

Each year we prepare an Annual Plan, which contains objectives and actions that will deliver on the themes outlined in our [Four Year Plan](#).

Committee key: S&R - Strategy and Resources; LPP - Licensing and Planning Policy Committee; C&W - Community and Wellbeing Committee; E – Environment Committee; C&D – Crime and Disorder Committee.

No	Ctte	Key Deliverables	Target	Responsible Officer	Dates / Key Milestones	RAG Status	Narrative
1	S&R	Post election (May 23) review financial framework (including all panels and working groups) with Members to ensure underlying assumptions and governance processes are still valid and that the structure enables clear decision making.	Approved by Strategy and Resources Committee	S151 Officer	30 September 2023	Blue	Completed - At its meeting on 25 July 2023, the Full Council approved the recommendations by the Standards and Constitution Committee.
2	S&R	A costed and funded ICT Strategy, with associated delivery timeline	Approved by Strategy and Resources Committee	Head of Information Technology	30 September 2023	Blue	Completed - At its meeting on 21 September 2023, the Strategy and Resources Committee approved the IT Strategy including the indicative funding implications for delivering the defined IT Roadmap in 2023-2027.
3	S&R	Development of a costed plan around a potential Town Hall move to 70 East Street for further consideration by Members, as agreed at Strategy and Resources committee.	Programme plan completed and agreed at S&R then put to Council for approval.	Director of Environment, Housing and Regeneration	30 November 2023	Blue	Completed - Moveworks was appointed to undertake high level feasibility study regarding the business case to relocate. A costed plan around the potential Town Hall move was considered and approved by the Strategy and Resources Committee and the Council in December 2023.
4	S&R	Development of full options proposals around the development/disposal of	Programme plan completed and agreed	Director of Environment, Housing and	30 November 2023	Amber	The priority has been the completion of the first. Whilst procurement of the consultancy team (via the 'Homes England' professional

		current Town Hall site if Item 3 is approved for progression.	at S&R then put to Council for approval.	Regeneration / Head of Property and Regeneration			framework) commenced in July 2023, the framework process has designated timescales and will conclude by the end of February 2024. The undertaking of a site feasibility study and delivery options is expected to take approximately six months before submitting a reporting to S&R Committee and Full Council for consideration.
Page 293	S&R	a) Identification of business startup premises through Town Centre masterplan, Local Plan and Economic Development work. Refresh previous Economic Development Strategy. ** To be further defined following agreement of where Economic Development activity sits	a) Proposals for locations considered in the LP/MP work New Economic Development Strategy produced and agreed	Head of Place Development	31 March 2024	Amber	a) Local Plan consultation has resulted in detailed responses from site promoters. The pause on the Local Plan that applied between 22 March and 24 October 2023 could impact delivery of start-up premises. Following the approval by the Licensing and Planning Policy Committee (LPPC) on 22 November 2023, the consultation on the Draft Town Centre Master Plan was held between 24 November and 22 December 2023. Officers are now considering the responses received from the consultation. One of the key strategic aims of the recently adopted Arts, Culture and Heritage Strategy is 'economic growth'. Opportunities to secure pop-up and start up space for practitioners in the cultural sector are being explored.
		b) Hold Pop-Up shops / displays in Bourne Hall	b) 4 Pop-Ups, 1 per quarter.	Head of Operational Services		Green	b) Various events have been taken place in Bourne Hall since April 2023 including 7 'Cash in the wardrobe'. In December, we held 4 pop ups of local stalls and the first Christmas event which increased the footfall within the venue. Museum staff are continuously working with the Arts, Culture and Heritage Programme Officer on events and displays including the LGBTQ+ Gallery of Love without Limits.
		Clarify committee ownership of the Economic Development activity and identify resource	Group established and approved by committee.	Head of Place Development		Blue	Completed - LEP funding has been redirected to Tier 1 councils (Surrey County Council) and therefore discussions need to be undertaken as part of County Deal to understand impact upon
6	S&R	Clarify committee ownership of the Economic Development activity and identify resource	Group established and approved by committee.	Head of Place Development	30 September 2023	Blue	Completed - LEP funding has been redirected to Tier 1 councils (Surrey County Council) and therefore discussions need to be undertaken as part of County Deal to understand impact upon

		requirements and funding to progress further. If agreed, develop a costed and resourced Economic Development Strategy.					local Economic Development activity and funding. Economic Development sits under our Strategy and Resources Committee. Resourcing of Economic Development activity to be reviewed through the budget setting process.
Page 294	LPP	a) Regulation 18 and Regulation 19 on the Local Plan consultation. b) Continued close working with Business Improvement District Partners and other key stakeholders and partners. c) Introduction of a Community Infrastructure Levy (CIL) Protocol.	Consultation commenced. Evidence of ongoing engagement	Head of Place Development	31 March 2024	Amber	a) The Regulation 18 consultation was completed in March 2023. The pause on the Local Plan that applied between 22 March and 24 October 2023 delayed the Regulation 19 consultation by approximately 11 months to January 2025. The revised timetable and the additional funding were approved by the LPP Committee on 22 November 2023 and the Strategy and Resources Committee on 12 December 2023 respectively. Officers are working on track in meeting the revised timetable including the preparation for the Regulation 19 consultation on Local Plan. A report will be submitted to LPPC in November 2024 and the full Council in December 2024 for approval.
		Amber				b) The Council is having a monthly meeting with the Business Improvement District Partners. Resource implications – there is currently no economic development resource.	
		Green				c) A draft Community Infrastructure Levy (CIL) Spending Protocol was approved by the LPPC on 18 January 2024. Training is being scheduled for members in March 2024.	
8	LPP	Draft Infrastructure Delivery Plan (linked to the Local Plan), which includes telecommunications infrastructure. Develop clear definition of what 'digital	Draft Infrastructure Delivery Plan published alongside the Local Plan consultation.	Head of Place Development	31 March 2024	Red	The Council motion to 'pause' the Local Plan in 22 March 2023 had implications for the timetable. Following the Council's decision to 'unpause' the Local Plan on 24 October 2023, a revised timetable was approved by the LPP Committee on 22 November 2023. A revised

		connectivity' means in the context of Council Strategy and deliverables and agree delivery plan.					Infrastructure Delivery Plan will be prepared to support the Regulation 19 (Pre Submission) Local Plan and revised as appropriate following consultation.
9	LPP	Produce a business case for additional resource to enable a Tree Preservation Order Review.	Business case taken to committee by completion date.	Head of Place Development	30 September 2023	Blue	Completed - Focussing work on Ash Dieback and the backlog of tree-related applications delayed the business case. The business case has been agreed and resource will be in place during the first quarter of 2024. Therefore this action can be marked complete.
10	LPP	Produce a business case for additional resource to enable a Tree Replacement Notice Review and formulation of new process.	Business case taken to committee by completion date.	Head of Place Development	01 October 2023	Blue	Completed - As above, re: Item 9.
Page 295	LPP	A local Heritage List (to link to/inform Item 13).	Approved by committee for targeted consultation	Head of Place Development	30 September 2023	Red	LPP Committee had previously made a decision to pause the progression of the Local Heritage List in parallel to the Local Plan. Following the Council's decision to 'unpause' the Local Plan on 24 October 2023, a paper will be submitted to the LPPC in September 2024 to consider targeted consultation in finalising the list.
12	C&W	Increased surplus from Bourne Hall	<ul style="list-style-type: none"> Flying Saucer Cafe launched. Increased retail activity. Completion of charges review. 	Head of Operational Services	31 December 2023	Blue	Completed -The business plan has been agreed by SLT. There has been an increased cafe retail activity since April 2023. The income generated between April 2023 and January 2024 has exceeded the target for this financial year by approx. 35%.
13	C&W	A costed and resourced Arts, Cultural and Heritage (ACH) Strategy.	Approved by Community and Wellbeing Committee and stakeholder group.	Head of Place Development	31 October 2023	Blue	Completed -The ACH Strategy and a costed and resourced action plan were approved by the Community and Wellbeing Committee on 10 October 2023 following a stakeholder consultation event held in June 2023.






















14	C&W	Delivery of an increased programme of heritage tours and events along with digital information which promote the Borough's heritage assets, allowing residents to see local heritage assets and partake in heritage open days.	Approved by C&W Committee	Head of Place Development	Ongoing throughout 2023-2024	Blue	Completed - A programme of events has been developed after securing various sources of funding. In September 2023, a new free-to-access digital heritage tour App was launched and more digital tours are being planned. A community mural project around biodiversity of the Borough was also delivered. Two separate projects involving a group of primary pupils and the arts students from NESOT were held in Bourne Hall Museum in June and November 2023. Regular posts of events are being planned on our social channels for 2024 and the development of a new webpage to celebrate Arts, Culture and Heritage are being investigated. This work will now become business as usual as the ACH Strategy has been approved and the ACH Officer is now permanent. Therefore the action will be marked as complete.
15	C&W	a) Implementation of the Year 1 actions in the Homelessness and Rough Sleeper Strategy including updating empty homes policy b) Housing stakeholder event(s) to be agreed and arranged with clear outcomes	a) 85% of Year 1 actions complete, with quarterly reports to the committee Chairs. b) Housing event held and network operational c) Consultation completed and any recommendations from DLUHC considered - member	Head of Housing and Communities	(a) 31 March 2024 (b) & (c) 30 November 2023	Green Blue	a) Quarterly update and progress reports on Homelessness and Rough Sleeper Strategy have been provided to the Chair and Vice-Chair of Community & Wellbeing Committee (C&WB). Half yearly report on Homelessness budget reported to C&WB Committee in October 2023. An end of Year 1 report will be provided to the Committee in March 2024. Completed - b) A stakeholder analysis has been completed and a programme of engagement has been developed which is in operation.






		c) Establish a plan for private rented sector inspections and stock condition surveys	briefing paper produced if appropriate			Red	c) There are no current resources to conduct proactive private rented housing inspections and stock condition surveys as the team is currently focussing on reactive work of private rented housing inspections and the mandatory HMO licensing scheme.
16	C&W	Prepare a briefing paper on the structure and purpose of options for receiving feedback from the wider community through increased consultations, targeted citizens panels (youth, students, mixed demographics etc) and other mechanisms both digital and non digital - particularly around the seldom heard.	Approach approved by the Strategic Leadership Team / Policy Chairs	Head of Policy and Corporate Resources / Communications and Engagement Manager	30 September 2023	Blue	Completed - A proposal of community engagement was agreed by the Community and Wellbeing Committee in June 2023. It set out the objectives and engagement options with residents to receive feedback on services and better understand residents' needs.
Page 297	E	Implementation of Priority 1 2023-2024 Climate Change Action Plan actions.	85% of actions completed	Head of Place Development	31 March 2024	Green	Amongst the nine priority actions which have been identified, six of them are on track and three have further actions to meet target. The latest progress report was submitted to the Environment Committee on 23 January 2024.
18	E	a) Implementation of Priority 1 2023-2024 Tree Strategy actions (provided the Strategy is approved in March 2023). b) Progress plans for the implementation of a National Nature Reserve (NNR) - feasibility study	<ul style="list-style-type: none"> 85% of actions completed 100 trees planted 	Head of Place Development	31 March 2024	Green	a) Tree Management Plan was formally approved in June 2023, and the delivery of the Plan is now being progressed.
						Green	b) On 17 October 2023, the Environment Committee approved the continuous discussion with Natural England to include Epsom Common Local Nature Reserve (LNR), Manor Open Space, Horton Country Park LNR, Hogsmill LNR and Nonsuch Park in the proposed Thames To Downs National Nature Reserve.

19	E	A feasibility report and business case for providing a pet crematorium and memorial garden in the Borough.	Report submitted to committee for consideration.	Head of Operational Services	31 October 2023	Amber	The initial feedback by the consultant was that the business case is not feasible. Further investigatory work has been undertaken with a private operator with an established business in this sector. A joint site was held on 16 January 2024. Some options of this potential partnership are currently being prepared.
20	E	To continue to monitor developments in Government Waste Strategy	Briefings provided to ES&C on any forthcoming developments or opportunities	Head of Operational Services	Ongoing throughout 2023-2024	Green	In October 2023, the government announced that it was scrapping 'Consistency of Collections' in favour of a new strategy which is called 'Simpler Recycling'. The Council responded to the government consultation on the new strategy. In January 2024, DEFRA notified the Council of £100,000 grant to increase food recycling, likely focussing on flats.
Page 298	C&D	Complete the mobilisation phase of the new CCTV arrangements.	Completed by completion date, including being compliant with ICO regulations	Head of Housing and Communities	31 May 2023	Amber	The video surveillance system policy was approved by the Council on 12 December 2023 and the CCTV cameras are now in operation, a consultant has been appointed to audit the operation of the policy and a report with recommendation will be produced in May 2024. Once completed, this action will be concluded.
22	C&D	Work with the Community Safety Partnership (CSP) to create an evidenced-based action plan.	Updated action plan submitted to Audit and Scrutiny Committee by the completion date	Head of Housing and Communities	29 February 2024	Blue	Completed - an annual review of the CSP work was submitted to the Audit and Scrutiny Committee on 1 February 2024.

3. Key Performance Indicators

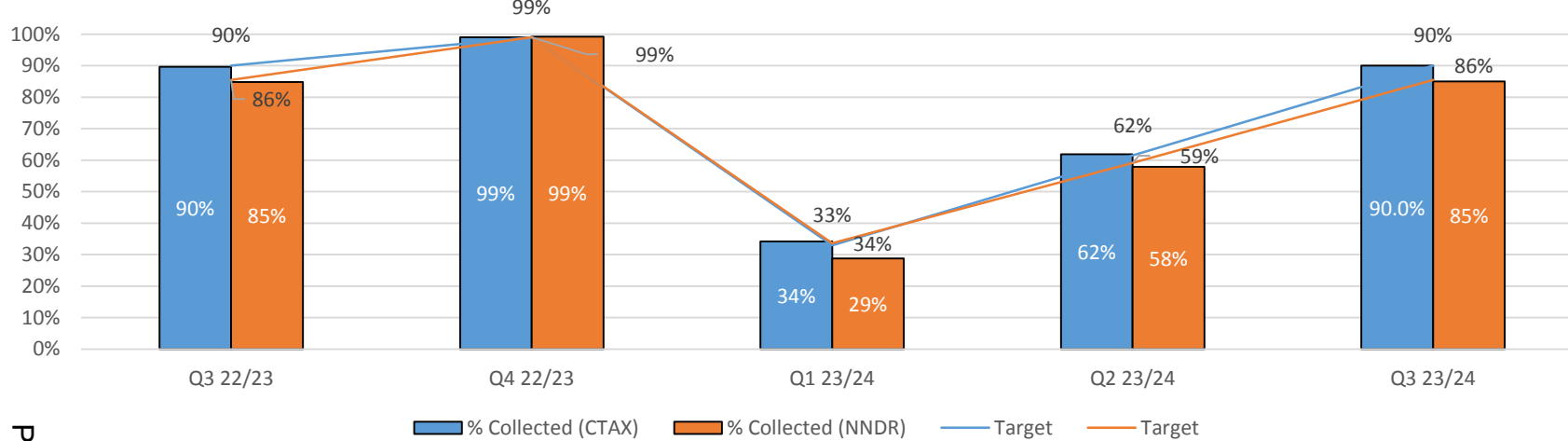
The table below contains a summary of our performance against a set of indicators. Further detail is provided in the individual graphs and commentaries that follow.

Strategy & Resources Page 299	Council tax collected		Environment	Car park visitors	
	NNDR collected			Car Park Revenue	
	Investment income			PCN appeals responded to	
	Forecast outturn			Waste collection	
	Staff sickness			Recycling	
	Staff turnover		Licensing & Planning Policy	Major applications determined	
	Vacant property rate			Minor applications determined	
	Priority reactive maintenance			Other applications processed	
	Number of complaints received			Appeals dismissed	
	Average no. of days taken to process Stage 1 & 2 complaints.		Community & Wellbeing	Household living in nightly paid accommodation	
				Homelessness preventions	

	Target met		Slippage (< 5% behind target)		Off track (> 5% behind target)		Information only		Awaiting data.
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Strategy and Resources Committee

Council Tax and Non Domestic Rates Collected Year to Date (%)



Commentary

Council Tax Collected and NNDR Collected

On target to collect projected profile figure for Council Tax. NNDR income is on track to achieve the 24/25 targeted collection rate.

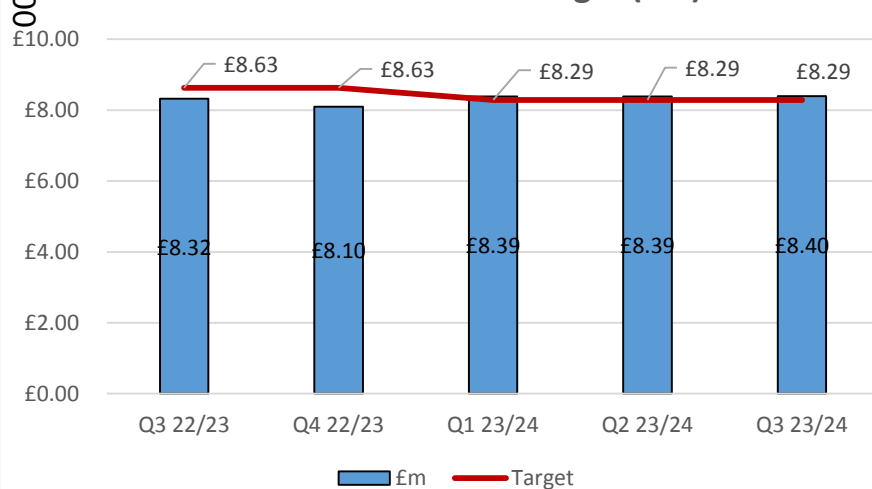
Treasury management investment income

Forecast income is on track to exceed the target, assisted by elevated interest rates.

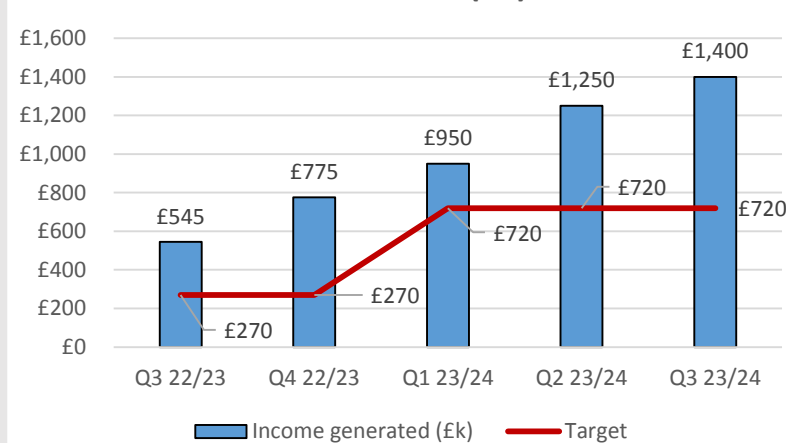
Forecast outturn vs budget.

Close to achieving target in Q3, although a relatively small increase since last quarter.

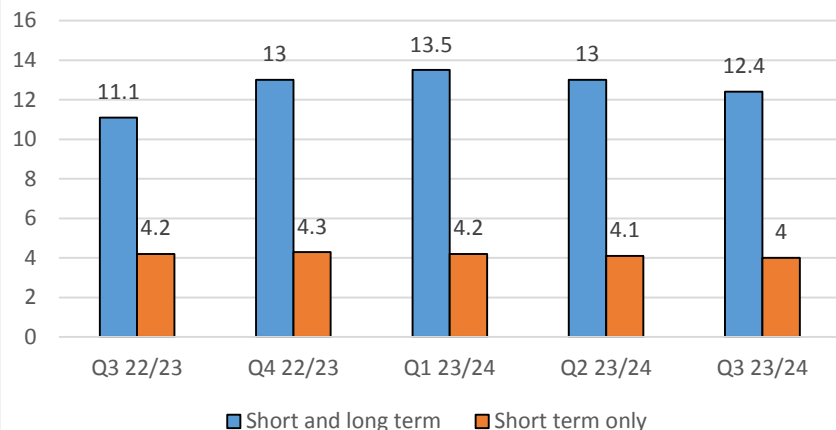
Forecast Outturn vs Budget (£m)



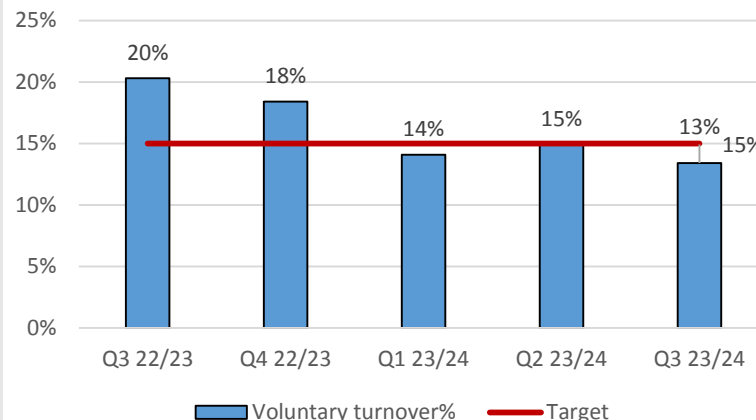
Income from Treasury Management Investment (£k)



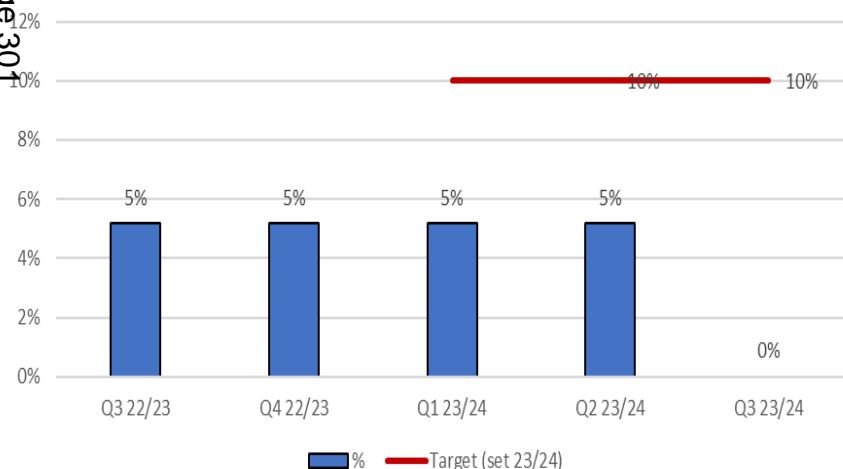
Average Number of Days of Sickness Absence



Voluntary Staff Turnover (rolling year to date %)



Council-owned vacant property rate (%)



Completion rates for property maintenance works (%)



Commentary

Days lost to staff sickness.

The position has improved as a number of long-term cases have been dealt with and this is anticipated to continue throughout the year.

Staff Turnover

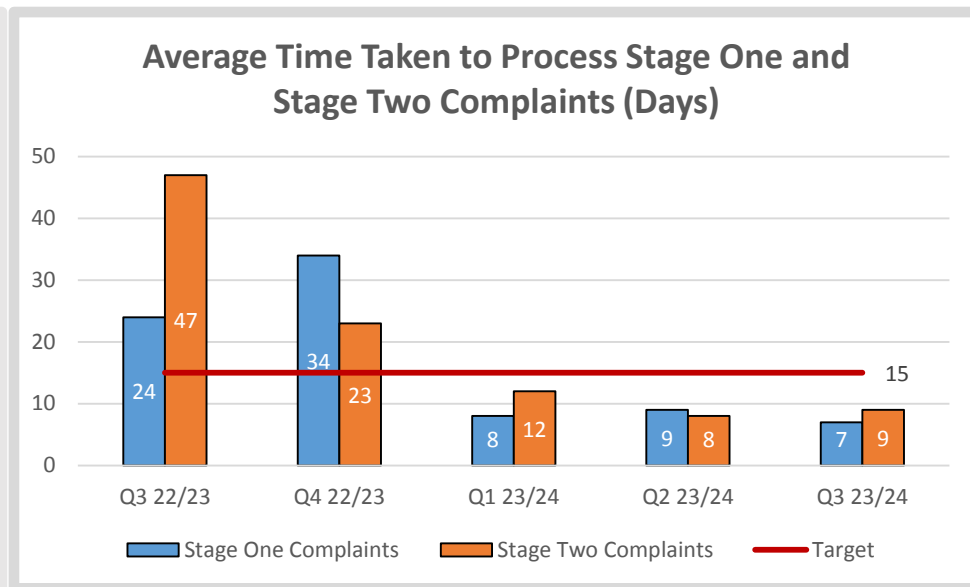
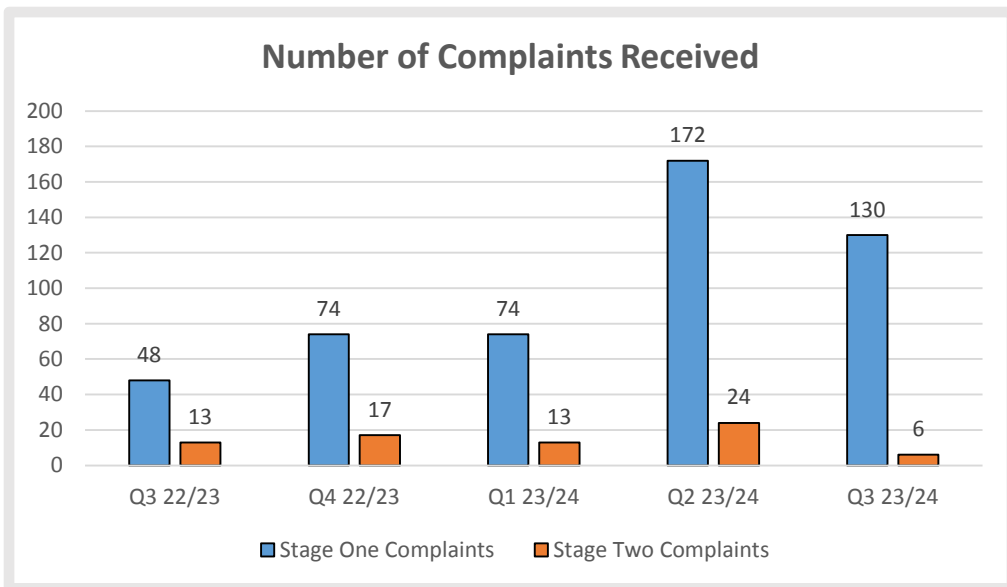
Q3 turnover improved, achieving target by 2%.

Vacant property rate

The achieved 0% vacancy rate is entirely due to UCA's lease completion of Parkside House. The rate is the valuation of the vacant properties divided by the total valuation of council's owned properties and then multiplied by 100 to arrive at this percentage. Valuations reflected last year's value, relating to one vacant property.

Priority 1 maintenance completion rate

All maintenance (statutory and planned) has been completed within the target.



Commentary

Number of complaints received.

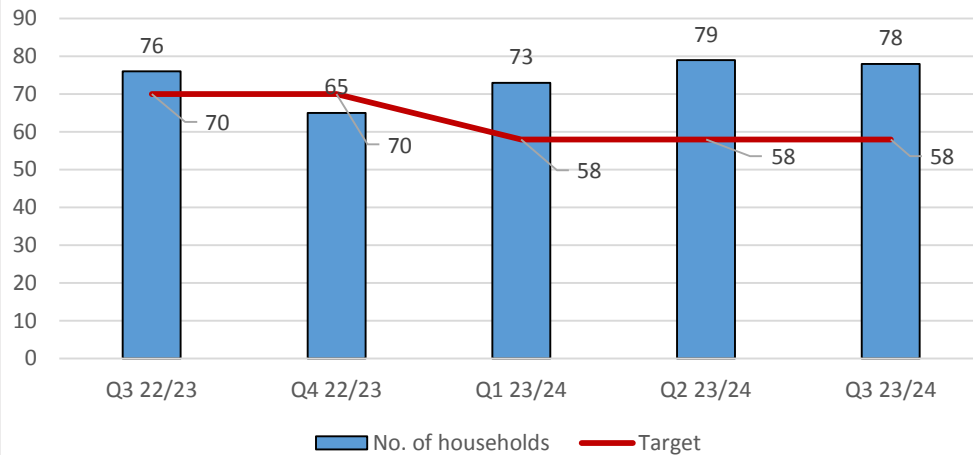
There were a high number of complaints in December due to Christmas refuse collections and cancelled garden waste and recycling collections. From December 14th to align with Local Govt Office guidance we will record 'comments' as Stage 1 complaints rather than 'unofficial' complaints, which will in future likely show an increase in complaints compared to previous quarters.

Average time taken to process complaints.

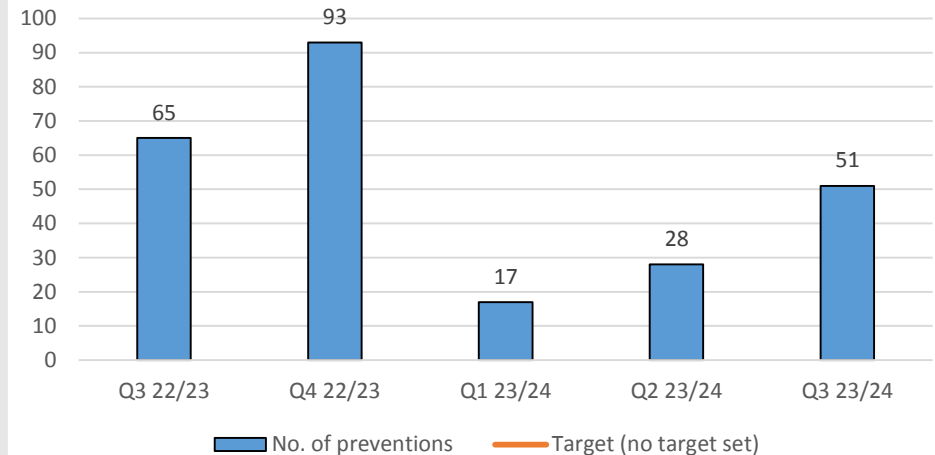
Processing times for both Stage 1 and Stage 2 complaints are within the targets.

Community and Wellbeing Committee

Number of households living in nightly paid accommodation



Number of Successful Preventions of Homelessness (Year to Date)



Commentary

No of households living in nightly paid accommodation (NPA)

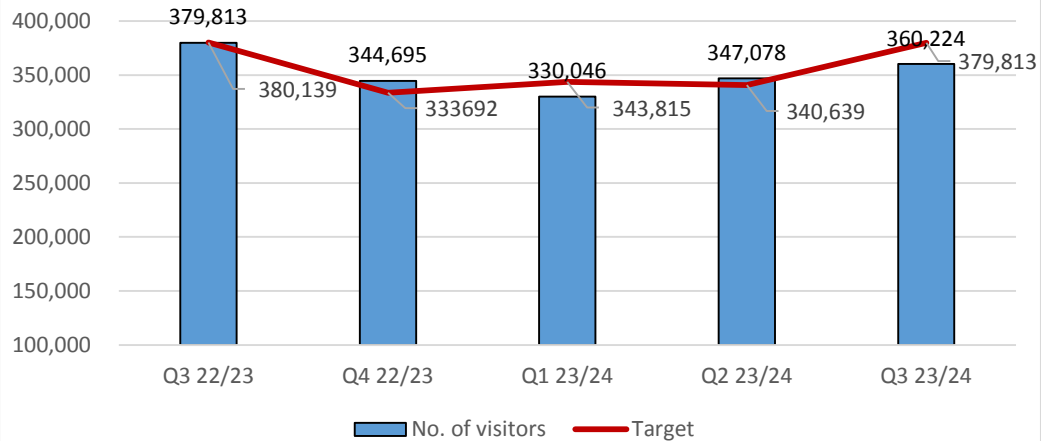
Whilst the homeless pressures continue the numbers of households in NPA has remained comparable with the previous quarter. Some larger households in NPA have moved into temporary accommodation and this has resulted in reduced expenditure in November and December 2023.

Prevention from homelessness

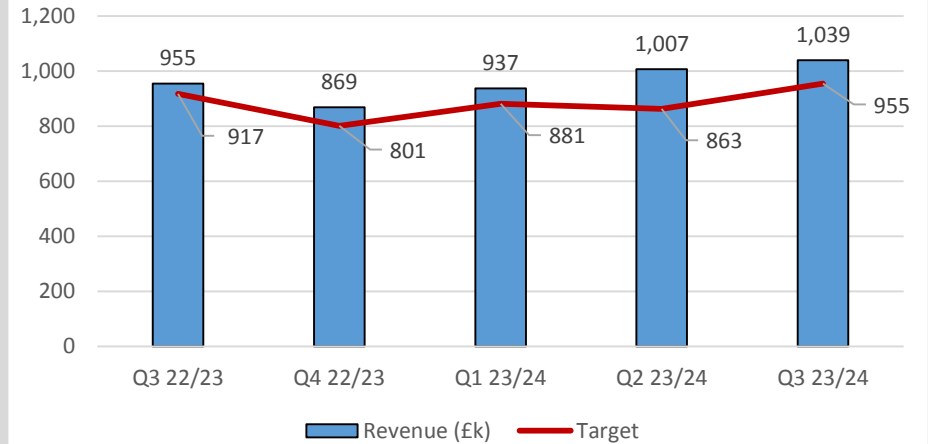
The private rented market is very challenging with rent levels well above LHA. People who are reliant on LHA to pay the rent are at risk of homelessness because of the gap between LHA and the actual rent. This gap has steadily increased over the years as the LHA remained static whilst rents have increased significantly. The second issue is that it makes it increasingly difficult for us as a local authority to help people into the private rented sector (PRS) and/or discharge our duty into the PRS as we can only do this if the accommodation is affordable.

Environment Committee

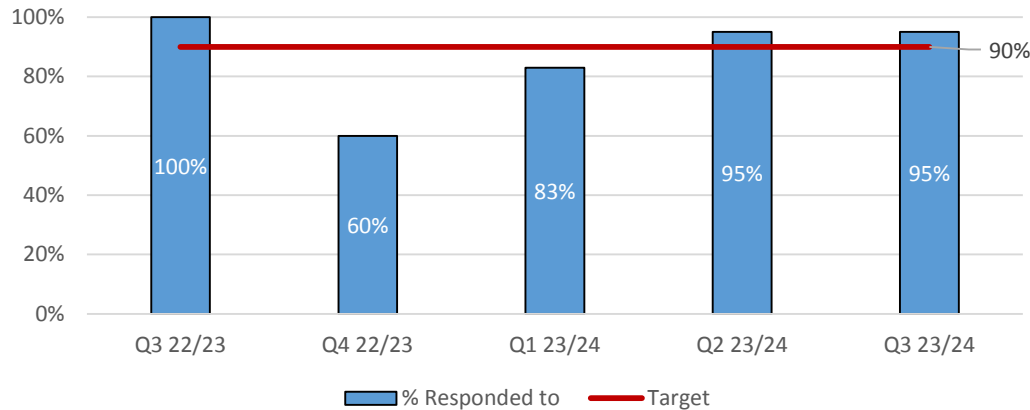
Car Park Visitor Numbers



Car Park Revenue (£k)



Parking Penalty Charge Notices Responded to in 10 Working Days



Commentary

Car park visitors

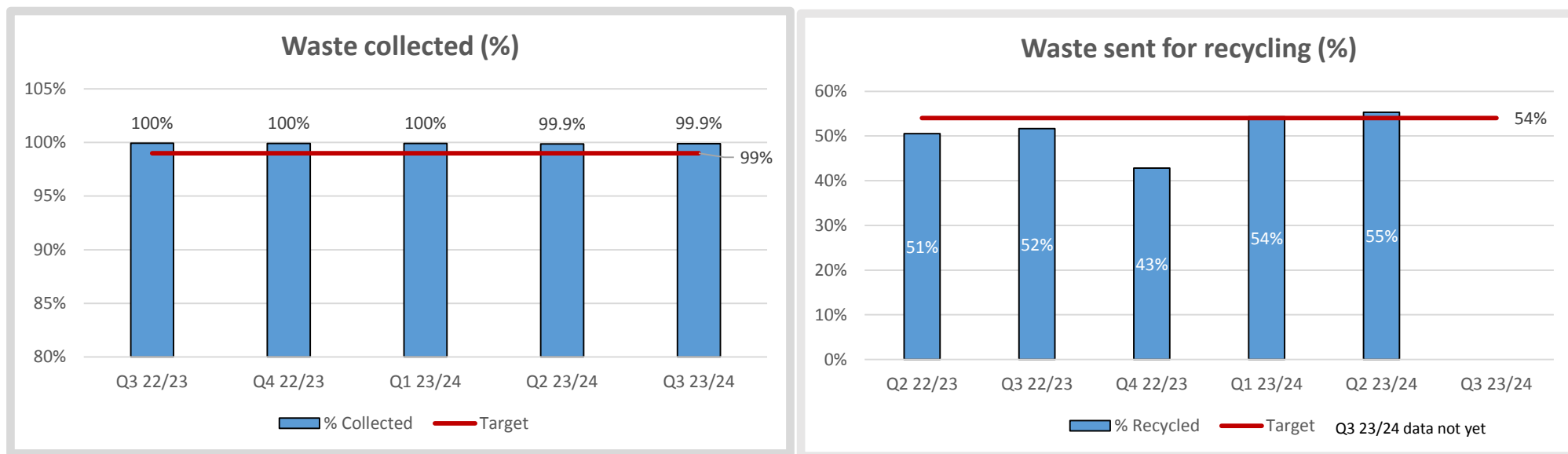
Q3 has been the busiest quarter to date in the car parks this year although overall pay to park visitor numbers have reduced in comparison 2022/23.

Car Park Revenue

Revenue has continued to increase in 2023/24 with Q3 generating the highest revenue from paying to park visitors.

PCN appeals response time.

Responses are ahead of the 90% target and all appeals answered within statutory timeframes.



Commentary

Recycling rate

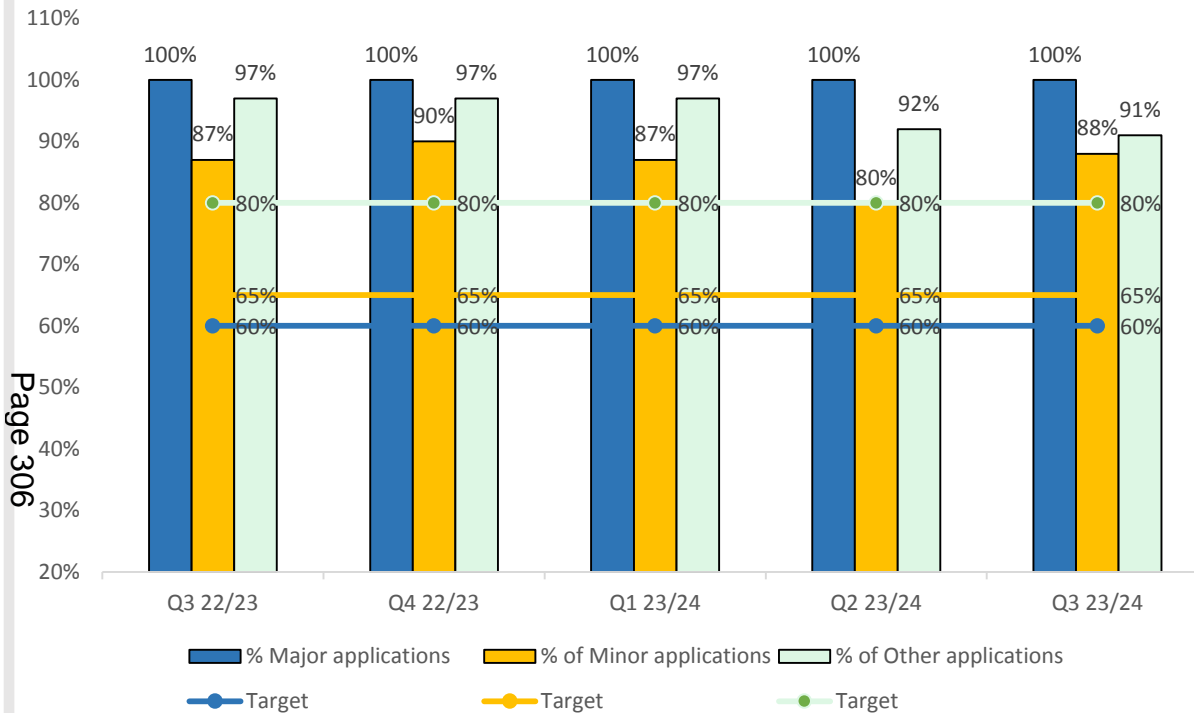
Working with the Surrey Environment Partnership on an ongoing project at flats across the Borough to increase the number of flats that have food waste recycling and reduce contamination of dry mixed recycling is showing positive impact. Further work on food waste is scheduled for May this year.

Waste collection.

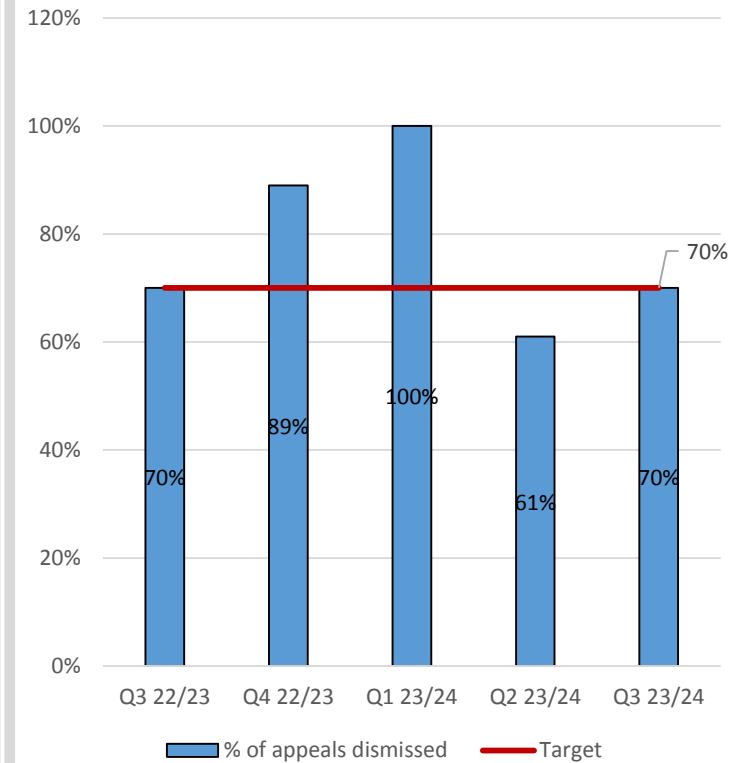
Collections in Q3 were impacted by the effects of two garden waste suspensions on 30/11 and 1/12 but still remain above target.

Licensing and Planning Policy Committee

Percentage of planning applications determined in time



Planning appeals dismissed (%)



Commentary

Major, Minor and Other applications

Performance of Major, Minor and Other applications decided in time remains strong.

Appeals dismissed.

Average trend remains strong and was on target for Q3.

Corporate Risk Register

Our corporate risk register contains our most strategic risks, those that may have a significantly detrimental effect on our ability to achieve our key objectives and delivery of core services. We assess our risks as follows:

Step 1: Score the **inherent** risk using the matrix below = the expected **impact** of the risk **multiplied** by the **likelihood** of the risk occurring (with no mitigations or controls).

Step 2: Consider how we mitigate the risk and any controls in place.

Step 3: Score the **residual** risk = impact x likelihood (taking into account the controls and mitigations we have in place).

Step 4: Review final risk score against the **risk tolerance boundary** (yellow line). If High (red), seek to further mitigate the risk to reduce it to Medium (amber) or Low (green); or acknowledge why it cannot be lowered at this time.

populifit Page 307	4 Very likely	4	8	12	16
	3 Likely	3	6	9	12
	2 Possible	2	4	6	8
	1 Remote	1	2	3	4
	<i>Multiplier</i>	1	2	3	4
		1	2	3	4
		Insignificant	Medium	High	Severe
		Impact			

Red	High risks
Amber	Medium risks
Green	Low risks
Yellow	Risk tolerance boundary

Relevant committee	S&R	Strategy & Resources
	E	Environment
	C&W	Community & Wellbeing
	LPP	Licensing & Planning Policy
	C&D	Crime & Disorder
		Relevant to more than one committee

ID	Category	Risk Identified <i>Risk that...</i> <i>Risk of...</i>	Potential Risk Consequences	Risk Owner	Likelihood	Impact	Inherent Risk	Mitigations & Controls	Likelihood (2)	Impact (2)	Residual Risk	Direction of Travel <i>Compared to previous quarter</i>	Future Actions to Further Mitigate & Control Risk
MP < 6CH Page 308	Financial	Risk of homelessness expenditure exceeding budget provision	<ul style="list-style-type: none"> * Unable to meet statutory duties. * Pressure to increase spending on accommodation in locations further outside of Borough. * Need to source funding from outside current budget and knock-on reductions to other budgets. * Potential damage to reputation. 	Strategic Housing manager	4	4	16	<ul style="list-style-type: none"> * Commissioning Reigate and Banstead Fraud Team to investigate claims. * New strategic housing manager in post. * Council working group developing mitigation measures. * Approved Homelessness and Rough Sleeping Strategy and Action Plan. * New staff in post, focusing on single homeless and homeless households. * Housing First funding for two new units of accommodation. * Additional government funding for homeless for 2023-2025, 	4	4	16	No change	<ul style="list-style-type: none"> * Two unsuccessful recruitment attempts of a Private Sector Leasing post. Now exploring the possibility of Apprenticeship. * Mid-year report to C&W Committee (10 Oct) carried out and follow up actions to be completed. Further report will be prepared for March C&W Committee. * As year-end approaches, the opportunity of decreasing costs of the annual budget reduces. * Business process review of Housing. * Microhomes proposal being developed.

PD14 <> LPP	Project	Failing to deliver a local plan (e.g. due to budget, staffing, legislative changes)	<ul style="list-style-type: none"> * Unable to provide robust planning policy for development in the Borough. * Impact on other council activities that link to the local plan, e.g. housing. * Unable to demonstrate value for money on investment in developing the plan. * Government intervention. 	Head of Place Development	4	4	16	<ul style="list-style-type: none"> * Local plan project risk register in place. * Regular reporting to key stakeholders. * Project plan funding arrangements. * Resourcing arrangements. * During Summer 2023 briefing sessions were held to ensure that Members have a clear and shared understanding of the development of the Local Plan. 	3	4	12	Improved	Full Council un-paused the Local Plan on the 24 October 2023 and workshops are being developed in relation to the spatial strategy during Nov and Jan 24. Reg 19 on target to be taken to LPPC in Nov 24.
Page 309 PCR16 <> S&R	Operational	Failure to comply with GDPR/Data protection 2018	<ul style="list-style-type: none"> * Harm to, and breach of rights of, owners of the personal (inc. sensitive) data that has been breached. * Reputational damage * A range of sanctions from Information Commissioner's Office (ICO), including prosecution and unlimited fines. 	Data Protection Officer	4	4	16	<ul style="list-style-type: none"> * Reviewed and updated relevant data policies and processes. * Continue to raise staff awareness and skills required, including annual refresher training. * Internal audit review planned Q4 2023/4. * Information Governance Group in place. * Data sharing agreement register established. 	3	4	12	Worsened	<ul style="list-style-type: none"> * Currently reviewing DPO resource requirements. * Project on data migration (and cleansing) to SharePoint underway.

Page 310 M&C <> SC HC5	IT6 <> S&R	Operational	Failure or interruption to IT services	<ul style="list-style-type: none"> * Damage caused by successful cyber-attack. * Loss of data. * Service delays. * Reputational damage. * Staff satisfaction. 	Head of IT	4	4	16	<ul style="list-style-type: none"> * On-going implementation of new IT Strategy. * On-going Business continuity planning. * Maintain effective ICT security procedures and processes. * Security operation centre monitoring systems 24/7. * This risk consolidates related IT divisional / Service risks. 	3	4	12	No change	<ul style="list-style-type: none"> * New Head of IT due to join at end of March 2024. * Complete implementation of IT Strategy in full. * Complete programme of robust management of IT Strategy implementation inc. regular reviews to track progress and effectiveness.
		Governance	Non-compliance with safeguarding legislation, internal policies, and best practice.	<ul style="list-style-type: none"> * Negative impact on resident and staff health & safety. * Legal challenge. * Financial penalty. * Reputational damage. 	Head of Housing & Community	4	4	16	<ul style="list-style-type: none"> * Safeguarding Policy in place. * Environmental Health and Community Development teams share resources and knowledge. * Staff training plan developed. * Register of vulnerable residents in place. * New communications content to all staff. * Update safeguarding EHub pages. * Initiated internal safeguarding group. 	3	4	12	No change	<ul style="list-style-type: none"> * Adult Safeguarding audit undertaken and Child Safeguarding Audit (S11) due 2024 * Implement staff training plan. * Included compulsory safeguarding module for all staff. * Exploring additional resources funded by Refugee Funding which includes safeguarding activities.

PD1 <> E	Strategic	Failure to deliver the climate change strategy	<ul style="list-style-type: none"> * Unable to deliver the Council's climate change objectives. * Fail to reduce the Council's carbon emissions. * Damage to reputation. 	Planning Policy Manager	4	4	16	<ul style="list-style-type: none"> * Climate Change Action Plan. * Environment and Sustainability Officer in post. * Capital bids submitted to reduce the council's carbon emissions. * Member Working Group meets quarterly. * Cross-organisational working group also meets frequently to ensure a co-ordinated approach. * Funding agreed for 2023/24. 	3	3	9	No change	
Page 311 HR10 <> S&R	Operational	Vacancies in roles which have significant impact on service delivery and corporate leadership.	<ul style="list-style-type: none"> * Reduced capacity and capability to make key decisions. * Future direction and planning is limited to short term. * Reduced staff resilience and morale. * Service disruption. * Lack of focus on corporate governance and compliance. * Loss of institutional knowledge. 	Head of HR & OD	3	4	12	<ul style="list-style-type: none"> * Tailored and targeted recruitment plans for identified key roles. * Role and Service resilience plans for long term absence inc. revised role and service objectives. * Long- and short-term succession planning. * Regular career development planning with individuals. * Improve offer/terms and condition. * Exit interviews. 	3	3	9	No change	<ul style="list-style-type: none"> * Permanent appointment for Director of EHR, Head of IT and HoHR arranged, continuing interim arrangement for Director of Corporate Resources and Head of Place Development pending confirmation of permanent requirements. * Permanent arrangements in place for S151 Officer role from 5/1/24. * Interim arrangement in place

													for Head of HR until permanent arrives in April 24.
F2 < S&R Page 312	Financial	Failure to balance the budget annually & MTFS	<ul style="list-style-type: none"> * Fail to perform statutory duty and issue of Section 114 notice allowing potential Government intervention and potential cuts to services. * Reduced assurance over the Council's financial sustainability. * Significant damage to reputation. * Additional budget requirement for energy and EPC mitigation reduces budgets available for service delivery. 	Head of Finance	4	4	16	<ul style="list-style-type: none"> * Budget setting framework agreed by S&R. * Budget reports scheduled on committee forward plan at regular intervals, which includes budget forecasting. * Reserves proactively managed. * Savings targets are set to deliver balanced budget. * Quarterly budget monitoring. * Competitive procurement undertaken for utilities. * Discretionary service and asset reviews to be scheduled. * Ongoing programme of improvement to energy efficiency of council buildings (inc. reporting to councillors at committee). 	4	2	8	No change	* New MTFS for 24-28 to be produced.
PCR18 – S&R	Operational	Failure to respond effectively to a major incident or civil emergency	<ul style="list-style-type: none"> * Loss of business continuity. * Health and wellbeing of residents. * Reputational damage. * Unable to support strategic and operational / service deliver partners. 	Business Assurance Manager	4	4	16	<ul style="list-style-type: none"> * Partnered with Applied Resilience to provide specific emergency planning and business continuity resource (inc. response) and advice. * Suite of emergency plans in place, with regular testing. * Suite of service business continuity plans in place. 	2	3	6	No change	* Business Continuity audit [underway].

								<ul style="list-style-type: none">* Council responders trained in various response roles.* Emergency call out numbers shared with all relevant officers.* Emergency planning audited by Internal Audit (02/06/23).					
S13 <> S&R PCRI3 Page 313	Operational	Failure to successfully prevent a significant health and safety incident	<ul style="list-style-type: none">* Harm to staff, visitors, members of the public and / or contractors.* HSE Prosecution.* Reputational damage.* Unable to maintain service delivery.	Business Assurance Manager	2	4	8	<ul style="list-style-type: none">* Assurance checks undertaken by H&S Officer (risk-based).* Managers' health & safety checklist in place.* Health & Safety Group, inc. accident reporting.* Health & Safety Officer.* Health and safety risk register.* Annual report to SLT.* Health and safety budget.* Health and safety E-Hub page.* Suite of health and safety policies, guidance and forms.* Comms sent out in staff updates.	1	4	4	No change	<ul style="list-style-type: none">* Complete remaining Health and Safety Audit (2022) action [underway].* Issue "Managing Health & Safety" e-learning as mandatory [awaiting update from HR].* Review reporting on near misses.* Inclusion of H&S elements being discussed as part of new Performance Hub implementation.

4. Committee Risk Registers

The following committee risk registers contain risks identified for the budget Policy Committees in accordance with our Risk Management Strategy. An overview of the individual committee risks is summarised on the next two pages. These risk registers are reviewed by the various policy committee Chairs on a regular basis.

In this register, the inherent risk score (before any mitigations or controls) and the residual risk score (with mitigations and controls in place) have been derived from using the risk matrix below. The matrix is included in the Risk Management Strategy. We assess our risks as follows:

Step 1: Score the **inherent** risk using the matrix below = the expected **impact** of the risk **multiplied** by the **likelihood** of the risk occurring (with no mitigations or controls).

Step 2: Consider how we mitigate the risk and any controls in place.

Step 3: Score the **residual** risk = impact x likelihood (taking into account the controls and mitigations we have in place).

Step 4: Review final risk score against the **risk tolerance boundary** (yellow line). If High (red), seek to further mitigate the risk to reduce it to Medium (amber) or Low (green); or acknowledge why it cannot be lowered at this time.

Page 314

Likelihood Multiplier	4 Very likely	4	8	12	16
	3 Likely	3	6	9	12
	2 Possible	2	4	6	8
	1 Remote	1	2	3	4
		1 Insignificant	2 Medium	3 High	4 Severe
		Impact			

Red	High risks
Amber	Medium risks
Green	Low risks
Yellow	Risk tolerance boundary

Committee risks summary

Strategy and Resources Committee		
Ref.	Risk	Residual Score
EO13	Failing to achieve the project milestones for the move from the Town Hall to 70 East Street (NEW RISK)	12
PD21	Declining economic vitality in the Borough	9
HR11	Lack of leadership & skills to deliver strategies and plan. Lack of clear vision and objectives.	9
PR3	Property portfolio fails to generate expected financial revenue due to loss of commercial tenant	8
PCR21	Retendering leisure contract	6
F10	Failure to deliver services within agreed budget envelope	4
DST10	Failing to respond to complaints effectively	4
EO8	Ineffective communications to key stakeholders	4
PCR11	Potential loss of income / tenant relating to the East Street property (RETIRING RISK)	

Community and Wellbeing Committee		
Ref.	Risk	Residual Score
HC13	Inadequate budget for homelessness over medium-long term	12
HC6	Non-delivery of annual plan objectives, Housing & Community Service, due to response to refugee crisis	12
HC14	Lack of affordable housing in the Borough	9
OS20	Not maximising commercialisation opportunities at council venues and parks/open spaces.	6
HC15	Health and wellbeing worsens in the Borough due to increases in the cost of living	4

Environment Committee		
Ref.	Risk	Residual Score
OS5	Outcome of national waste strategy	12
OS21	Climate change imperatives (e.g. emissions reduction)	12
PD22	Increased costs associated with the new tree strategy (e.g. maintenance)	12
OS22	Increasing costs related to maintaining allotments	4
HC10	Significant decrease in parking revenue from car parks	2

Licensing and Planning Policy Committee		
Ref.	Risk	Residual Score
PD7	Unable to meet costs of essential tree maintenance	12
PD26	Failing to submit the Local Plan ahead of legislation changes in July 2025, due to delays in completing critical path items.	12
PD2	Planning breaches are not enforced	9
PD19	Macro-economic factors (inc. lack of development) lead to reduced planning income e.g. related to planning applications and CIL fees	9
PD3	Decline in development management performance i.e. threat of designation	8
PD27	The spatial strategy site selection cannot be agreed at Full Council	8
PD28	Surrey County Council (SCC) fails to deliver the transport assessment in time to meet our critical path milestones to deliver our Local Plan on or before July 2025	8
PD6	CIL Governance inadequate	6
PD8	Non-recovery of planning fees	6
HC25	Reduced demand for licensing services due to increased fees/charges	6
PD20	Not preparing for legislative changes related to planning	4
PD29	Planning policy officers leaving the council	4
HC16	Not preparing for legislative changes related to licencing	4
HC23	Non-recovery of licencing fees	4

Strategy and Resources Committee Risk Register

ID.	Category	Risk Identified & Potential Consequences	Risk Owner	Likelihood	Impact	Inherent Risk	Mitigations & Controls	Likelihood (2)	Impact (2)	Residual Risk	Direction of Travel (compared to previous quarter)	Future Actions to Further Mitigate & Control Risk
EO13	Project	Failing to achieve the project milestones for the move from the Town Hall to 70 East Street * Wasted resources used to progress the project. * Reputational damage. * Negative staff moral. * Unable to achieve cost savings associated with the move.	Chief Executive	4	4	16	* Full Council decision made to move to 70 East St, based on briefing data and information.	3	4	12	NEW	* Project plan to be developed, as per Annual Plan 24/25 item.
Page 31 of 34	Strategic	Declining economic vitality in the Borough * Lack of economic drive and contributions in the Borough. * Reduced opportunities for residents and businesses.	Head of Place Development	4	3	12	* BID support. * Annual Plan and creating an environment for businesses to thrive. * Local Enterprise Partnership commissioned to undertake work on behalf of the Council. * Ongoing work with local authorities in East Surrey to develop economies and support business.	3	3	9	No change	* Currently no resource available to progress any further.

HR11 Page 318	Strategic	Lack of leadership and skills to deliver strategies and plans / lack of clear vision and objectives. * Do not meet financial targets. * Unable to implement corporate strategies and plans. * Unable to implement revenue generating initiatives / opportunities.	Director of Corporate Services	3	4	12	* Recruitment strategy. * Approach to retaining talent. * Corporate Planning. * Performance management. * My Performance Conversation review. * Risk Management. * Project Management and delivery * Performance culture and accountability.	3	3	9	No change	* Permanent appointment for Director of EHR, Head of IT and HoHR, continuing interim arrangement for Director of Corporate Resources and Head of Place Development pending confirmation of permanent requirements. * Permanent arrangements now in place for S151 Officer role from 5/1/24. * Interim arrangement in place for Head of HR. * Leadership development programme in progress for CLT. * Management development programme subject to appointment of OD business partner
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PR3	Financial	Property portfolio fails to generate expected financial revenue due to loss of commercial tenant. * Significant loss of income. * Costs associated with replacing a tenant. * Budgetary pressures.	Head of Property & Regeneration	3	4	12	* Tenant sustainability checks undertaken before lease awarded. * Commercial properties chosen on criteria that mitigates risk of lack of high-quality commercial tenants. * Reporting to members at committee - including options appraisals. * Close liaison with Head of Finance and Chief Accountant to monitor budgets.	2	4	8	No change	
PR11	Financial	Potential loss of income / tenant relating to the East Street property * Significant loss of income. * Costs associated with replacing a tenant. * Budgetary pressures.	Head of Property & Regeneration									<i>* Risk to be retired in light of Full Council decision in December 2023</i>

PCR21 Page 320	Operational	Retendering leisure contract * Reputational damage. * Health and wellbeing of residents compromised. * Loss of business continuity. * Financial impact due to reduction of management fee.	Business Assurance Manager	2	4	8	* Initial Feasibility Checklist signed off by SLT (30 Nov 23). * Early engagement with neighbouring local authority procurement services. * Monthly contract management and maintenance meetings in place with current leisure partner. * Procurement Strategy and CSOs. * Contingency time included, i.e. process started 18 months before contract award.	2	3	6	No change	* Specification for consultant tender has been drafted. It is currently being reviewed by Officers and a briefing note will be prepared for the Chair of C&W Committee. * Risk wording amended to reflect possible impacts. * Project plan to be signed off by Strategic Management team following agreement of Spec (re: consultant tender). * Plan to appoint specialist leisure consultants to run procurement (end-to-end) with a neighbouring local authority procurement partner.
	Financial	Failure to deliver services within agreed budget envelope (e.g. increase in operational costs, staffing, energy etc.) * Negative impact on council budget. * Service changes.	Head of Finance	3	3	9	* Regular budget monitoring of cost/income and reporting to committee of material budget variances around £100k. * Annual budget setting agreed by S&R Committee (inc. inflationary pressures). * Competitive procurement of utilities.	2	2	4	No change	

DST10	Operational	Failing to respond to complaints effectively * Poor customer experience. * Reputational damage. * Increased costs related to officer time required to rectify complaints after initial response. * Costs related to any financial settlements / restitutions. * Public interest for non-compliance report issued by the Local Government and Social Care Ombudsman (LGSCO).	Head of Policy & Corporate Resources	3	2	6	* Complaints information published on the council's website. * Complaints managed by two teams to enhance focus on different complaint types and improve response times. * Key staff have undertaken LGSCO training. * Holding quarterly meetings with "complaint areas".	2	2	4	No change	* Draft Joint Complaint and Handling Code from LG Social Care and Housing Ombudsman will become statutory guidance requiring Councils to adopt code from April 2024. * EEBC will review, adapt, and develop processes and procedures (inc. Committee reporting) to meet the standards required by the new Code.
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893 Page 322	Operational	<p>Ineffective communication to key stakeholders, such as: residents, businesses, Surrey County Council</p> <p>* Audiences and stakeholders are unaware of information and updates that are important and/or relevant to them</p> <p>* Negative impact on Council reputation if we are seen not to be communicating and engaging effectively with audiences</p>	Communi- cations and Engage- ment Manager	3	3	9	<p>* The communications function has been extensively reviewed by the Communications & Engagement Manager and the team over the past year and a significant number of changes have been made.</p> <p>* A communications strategy has now been developed and approved by S&R Committee and is now in the process of being embedded. The Strategy provides a clear approach for the council's communications and sets out the priorities for the communications function from 2024-28.</p> <p>* The team's work has made the shift from reactive to more proactive and strategic communications</p> <p>* All communications channels have been, or are being, reviewed and improved to ensure they are reaching and engaging our audiences</p> <p>* The team runs a number of proactive communications campaigns each year which are directly related to corporate priorities. This is in addition to business-as-usual work which supports all areas of the organisation.</p> <p>* Protocols and processes have been developed to ensure that everyone in the organisation is accessing and utilising the comms team/function in the most impactful and efficient way. We now use a client-account</p>	2	2	4	No change	
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							manager system, with each service area having a specific comms representative who attends regular meetings and builds close relationships with the teams, to ensure involvement with projects at early stages and a deep understanding of what communications work needs to achieve.					
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Community and Wellbeing Committee Risk Register

ID.	Category	Risk Identified & Potential Consequences	Risk Owner	Likelihood	Impact	Inherent Risk	Mitigations & Controls	Likelihood (2)	Impact (2)	Residual Risk	Direction of Travel (compared to previous quarter)	Future Actions to Further Mitigate & Control Risk
HC6 Page 324	Strategic	Non-delivery of annual plan objectives, Housing and Community Service, due to our response to refugee crisis (Syrian, Afghan, Ukrainian). The Homes for Ukraine Scheme has just been extended for a further year. * Unable to deliver strategic objectives in the annual plan / Four Year Plan.	Community Development Manager	4	4	16	<ul style="list-style-type: none"> * Recruited a new community development worker. In addition, grant funding has been used to recruit a new refugee coordinator (temporary post). * Framework in place for monitoring the annual plan. * Working with partners to share the workload. * Epsom and Ewell Refugee Network recruited two posts to assist with Homes for Ukraine scheme. 	4	3	12	No change	<ul style="list-style-type: none"> * Currently tolerating residual risk at present, as the team is working at full capacity and our response requires immediate attention. * Lack of capital resources to house refugees, including availability of local properties, which continues to pose a serious risk. * 'Thank you' payment to the hosts of Homes for Ukraine Scheme will now continue for another year.

Page 325	HC13	Financial	Inadequate budget for homelessness over medium-long term * Unbudgeted expenditure. * Pressure on statutory service. * Need to source funding from outside current budget envelope.	Strategic Housing Manager	3	4	12	* MTFs. * Responded to government consultation and proposed new funding model. * Business process review of Housing. * Fraud investigations. * Strategic Housing Manager in post. * Housing First funding for two new units of accommodation * Additional government funding for homelessness for 2023-2025.	4	3	12	No change	* Approved Homelessness and Rough Sleeping Strategy and Action Plan. * Microhomes planning application submitted and further sites considered. * Two unsuccessful recruitment attempts of a Private Sector Leasing post. Now exploring the possibility of Apprenticeship. * Mid-year report to C&W Committee (10 Oct) carried out and follow up actions to be completed. * As year-end approaches, the opportunity of decreasing the annual budget costs reduces.
	HC14	Strategic	Lack of affordable housing in the Borough * Changes to Borough demographics. * Homelessness. * Provision for key workers.	Strategic Housing manager	4	3	12	* Preparing a Local Plan. * Strategic Housing Manager recruited. * Strategic housing group in place. * Constructive discussions with T&C (Roseberry).	3	3	9	No change	* Affordable Housing Delivery Improvement Plan * Engagement with key stakeholders on potential for development - East Street scheme of 31 homes approved at planning Committee.

OS20	Strategic	Not maximising commercialisation opportunities at council venues and parks / open spaces * Less income to the council, leading to service pressures. * Financial sustainability of assets.	Head of Operational Services	4	3	12	* Café in Bourne Hall, launched in May 2023, which is generating good footfall and trade. * Additional project management resource recruited (2022-23). * Project management toolkit. * Any potential change of use of open spaces / land, such as for development, requires full analysis of revenue implications, e.g. in the form of a committee report detailing financial implications.	2	3	6	No change	* Business cases to generate additional income for the council are being prepared. * Established project groups for increasing commercialisation in parks. * Catering Hub developed to provide catering for events and building trade. * Media campaign to restart dementia hub for day care.
Page 326 HC15	Strategic	Health and wellbeing worsen in the Borough due to increases in the costs of living. * Reduction in health and wellbeing of those who live, work and study in the Borough. * Related socio-economic factors worsen. * Increased demand for council services. * Increased costs related to mitigation activities.	Head of Housing & Community	3	3	9	* Provision of social prescribing through NHS. * Provision of Community and Wellbeing Centre and associated services. * Health Liaison Panel. * Services provided by our community and voluntary sector. * Funding Epsom and Ewell employment hub. * Household Support Fund. * Continued funding to support key voluntary organisations. * Provided premises for Epsom and Ewell Food Pantry and Primary Care network at Bourne Hall cottage.	2	2	4	No change	* Working with NHS partners to establish new Neighbourhood Boards (PCN, EEBC). * Continued funding to support key voluntary organisations. * Development of a Suicide Prevention Action Plan to Health Liaison Panel * Initiated staff training on suicide prevention.

Environment Committee Risk Register

ID.	Category	Risk Identified & Potential Consequences	Risk Owner	Likelihood	Impact	Inherent Risk	Mitigations & Controls	Likelihood (2)	Impact (2)	Residual Risk	Direction of Travel (compared to previous quarter)	Future Actions to Further Mitigate & Control Risk
Page 32750	Operational	Outcome of national waste strategy * Budget implications. * Service delivery implications. * Operational management implications. * Stakeholder management.	Transport & Waste Services (TWS) Manager	4	3	12	* National waste strategy is being constantly monitored by both Transport & Waste Services Manager and Surrey Environment Partnership. * Extended Producer Responsibility (EPR) recently delayed to October 2025 (was 1/4/24). * Consistency of Collections ('Consistency') was delayed until 10/2025 but is now replaced by Simpler Recycling. Much lower impact on councils, and removal of threats for (a) wholesale changes to collections style, and (b) significant reductions in garden waste subscription prices. * Deposit Return Scheme (DRS) still delayed until 10/2025. * New consultation on recycling of waste electricals launched 28/12/23 (responses by 7/3/24). The Council will be responding, as will SEP.	4	3	12	No change	* Until further announcements on EPR and DRS are made, and the schemes are implemented, and their effects understood, it is not possible to properly forecast the cost and service impacts of the national waste strategy. Officers and SEP will continue to monitor and advise. * Government has recently started the process of disbursing funds to councils to assist with increased food recycling at flats that is required under the new Simpler Recycling strategy. We have no information on the basis on which that has been calculated.

OS21	Strategic	Climate change imperatives (e.g. emissions reduction) requiring significant changes to our fleet vehicles and their management. * Increased costs related to adapting / purchasing new vehicles. * Reduced efficiency. * Costs related to staff retraining. * Costs related to depot adaptations.	Transport & Waste Services (TWS) Manager	4	3	12	* Transport & Waste Services manager presented to Member Climate Change Group 11/2022 and SMT 01/2023 highlighting the significant cost and resource issues we face in replacing the current vehicle fleet with eco alternatives. * Transport & Waste Services Manager is on SEP working group on green fleet options: group also presented to Env Cttee Chair & Vice Chair 12/2023 in same vein as internal EEBC presentations. * Overall, there is no change to our overall status with regard to electrifying the fleet which remains currently financially unviable. * However, we have recently won SCC grant funding for 3 x electric Meals-at-Home vehicles to replace current diesel vans. Arrangements in progress, delivery expected no earlier than beginning of 03/2024.	4	3	12	No change	* The Council has no realistic prospect of introducing electric vehicles as a general principle without the identification of appropriate funds to accommodate their high price and requirement for charging infrastructure, and without management resources to recognise the challenges of fleet electrification. * SEP working group has identified general opportunities for use of greener fuel as an interim measure, but these are unlikely to be suitable for EEBC, which has no fuel bunkering capacity.

PD22 Page 328	Financial	Increased costs associated with the new Tree Management Plan (e.g. maintenance) * Budgetary pressures. * Public health and safety. * Increased tree planting leads to increased ongoing maintenance costs. * Reputational damage.	Head of Place Development	4	3	12	* Financial due diligence undertaken. * Budget requirements are regularly monitored. * Tree Management Plan Adopted in March 2023. * Tree maintenance contract in place, any unbudgeted spends are assessed on a case-by-case basis accounting for health and safety implications. * Epsom & Walton Downs Conservators contribute to the maintenance of trees on the Downs.	4	3	12	No change	* New Policy and fees and charges approved for third party tree planting requests to cover council's costs. We are following a risk-based approach, trees are managed within the tree maintenance contract which focuses on highest risk trees as a priority. If more high priority trees require work than accounted for, then these are dealt with on a case by case funding request.
	Operational	Increasing costs related to maintaining allotments. * Increased budgetary pressures. * Fall in 'quality' of allotments. * Impact on users' health and wellbeing. * Reputational damage.	Streetcare Manager	3	3	9	* Allotment Working Group set up. * Annual budget setting process. * MTFS.	2	2	4	No change	* Review fees and charges in relation to the cost of managing the sites * Staff in need for administration will be included as part of the planned restructure. * Allotment Forum meeting which will be attended by Chair of Allotment WG, planned for end of February.

HC10	Financial	Significant decrease in parking revenue from car parks * Increased budgetary pressures.	Parking & Enforcement Manager	3	4	12	* Budget profile exercise undertaken. * Annual budget setting process. * MTFS. * In July 2022 Strategy & Resources Committee agreed a reduction in Car Park income budgets of £781,000, to reflect the reduction in parking activity levels due to the change of working and lifestyle choices post-pandemic. * Any potential change of use of car park land requires full analysis of revenue implications, e.g., in the form of a committee report detailing financial implications.	1	2	2	Improved	* Year to date (December) - car park income is slightly above the same period last year, although visitor numbers were slightly down. * Environment Committee agreed to changes in car park fees with effect from April 2023 and the impact of these changes is under review * Car parking working group has recommended to Committee changes to car parking fees for next year.

Licensing and Planning Policy Committee Risk Register

ID.	Category	Risk Identified & Potential Consequences	Risk Owner	Likelihood	Impact	Inherent Risk	Mitigations & Controls	Likelihood (2)	Impact (2)	Residual Risk	Direction of Travel (compared to previous quarter)	Future Actions to Further Mitigate & Control Risk
PD7	Financial	Unable to meet costs of essential tree maintenance. * Budgetary pressures. * Public health and safety. * Increased tree planting leads to increased ongoing maintenance costs. * Reputational damage.	Head of Place Development	4	3	12	* Financial due diligence undertaken. * Tree Management Plan Adopted in March 2023. * Tree maintenance contract in place, any unbudgeted spends are assessed on a case-by-case basis accounting for health and safety implications. * Epsom & Walton Downs Conservators.	4	3	12	No change	* Essential tree maintenance is currently adequately covered. However there is the possibility that unplanned work is needed, which is addressed on a risk and case by case basis.

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Page 352 PD26	Project	Failing to submit the Local Plan ahead of legislation changes in July 2025, due to delays in completing critical path items. <ul style="list-style-type: none"> * Failure to deliver a key corporate objective by the July 2025 deadline. * Additional costs are incurred despite not being able to meet the deadline. * Local Plan work may become paused again and the borough remains with an old out of date plan. * Reputational damage. * Out of date planning policies core strategy. 	Planning Policy Manager	4	4	16	<ul style="list-style-type: none"> * Clearly defined critical path for the project to deliver on time. * Publish and share plan information to all members. * Define go / no-go decision points and key points of the critical path. * Prepare to pause the local plan again if July 2025 cannot be met. 	3	4	12	No change	* Tolerating the residual risk as there are no further mitigations and we are working to the new schedule.
	Operational	Planning breaches are not enforced. <ul style="list-style-type: none"> * Negative impact on neighbouring residents. * Legal challenge. * Reputational damage. 	Planning Development & Enforcement Manager	4	4	16	<ul style="list-style-type: none"> * Interim mitigation Enforcement trainer currently actioning enforcement cases * DM Review Project. 	3	3	9	No change	

PD19	Strategic	Macro-economic factors (inc. lack of development) lead to reduced planning income e.g. related to planning applications and CIL fees. * Reduced income to the Council. * Reduction in the LPPC's budget. * Unable to achieve national housing targets. * Unable to deliver CIL projects.	Head of Place Development	3	4	12	* Regular budget monitoring reports produced. * Ability to alter fees for discretionary services. Although impact limited as this is only a small percentage of overall planning income.	3	3	9	No change	* Report taken to LPPC in Dec 2023 re setting appropriate budget targets. Reduced and more realistic planning fee income now within base budget.
PD3	Operational	Decline in development management performance i.e. threat of designation. * Poor customer service. * Legal / governmental challenge. * Reputational damage. * Staff dissatisfaction.	Planning Development & Enforcement Manager	3	4	12	DM Programme Review.	2	4	8	No change	
PD27	Strategic	The spatial strategy site selection cannot be agreed at Full Council. * Failure to meet the July 2025 deadline. * Failure to meet the transport assessment date with SCC. * Creation of Regulation 19 version of the plan is at risk. * Presentation of Regulation 19 to members at full council could result in the plan being voted down.	Planning Policy Manager	3	4	12	* Briefing sessions with all councillors arranged as promptly as possible. * All information is shared and any questions or uncertainties are dealt with. * Require a large majority of councillors to agree a decision to take this site selection forward.	2	4	8	No change	

PD28	Strategic	<p>Surrey County Council (SCC) fails to deliver the transport assessment in time to meet our critical path milestones to deliver our Local Plan on or before July 2025.</p> <p>* Fail to meet the July 2025 deadline.</p> <p>* Additional costs are incurred despite not being able to meet the deadline.</p> <p>* Local Plan work may become paused again and the borough remains with an old out of date plan.</p>	Planning Policy Manager	2	4	8	* Define and share the critical path milestones with SCC and ensure that they can deliver to these.	2	4	8	No change	
PD34	Governance	<p>CIL Governance inadequate.</p> <p>* Lack of consistency re: CIL spending.</p> <p>* Fail to deliver value for money initiatives with CIL funds.</p> <p>* Unclear criteria/policy for CIL applicants.</p> <p>* Legal challenge.</p>	Planning Policy Manager	4	3	12	<p>* Formal governance now agreed.</p> <p>* CIL Officer in post.</p> <p>* Approval to spend goes to S&R.</p> <p>* CIL/S106 Business case.</p>	2	3	6	No change	
PD8	Operational	<p>Non-recovery of planning fees.</p> <p>* Reduced Council income.</p> <p>* Misalignment of resource costs and income generation.</p> <p>* Reputational damage.</p>	Planning Development & Enforcement Manager	4	3	12	<p>* Planning applications processing KPIs in place.</p> <p>* Budget monitoring in place.</p>	2	3	6	No change	

HC25	Financial	Reduced demand for licensing services due to increased fees/charges. * Reduced income to the Council. * Reduced LPPC budget.	Public Protection Manager	3	3	9	* Service managers review any proposed fee changes before being recommended to LPPC. * Regular budget monitoring reports produced.	2	3	6	No change	
PD20	Strategic	Not preparing for legislative changes related to planning. * Inappropriate governance. * Reduced service performance. * Legal challenge. * Reputational damage.	Head of Place Development	4	4	16	* Watching brief maintained by Head of Place Development, Planning Development and Enforcement Manager, and Planning Policy Manager.	1	4	4	No change	
PD29	Operational	Planning policy officers leaving the council. * Knowledge and experience leaves the council. * Increased timings to produce the Local Plan.	Planning Policy Manager	2	4	8	* Managers working closely with staff to ensure they are able to work on the Local Plan until completion.	1	4	4	No change	
HC16	Operational	Not preparing for legislative changes related to licencing. * Inappropriate governance. * Reduced service performance. * Legal challenge. * Reputational damage.	Public Protection Manager	4	4	16	* Watching brief maintained by Head of Housing and Community and Public Protection Manger.	1	4	4	No change	
HC23	Operational	Non-recovery of licencing fees. * Reduced Council income. * Misalignment of resource costs and income generation. * Reputational damage.	Public Protection Manager	4	3	12	* Budget monitoring in place - currently achieving targets.	2	2	4	No change	

5. Annual Governance Statement Actions

Every year we publish our Annual Governance Statement, which outlines our assessment of the effectiveness of our systems of internal control. As part of this review, we identify key actions which we feel will improve our corporate governance. The following actions were approved by the Audit and Scrutiny Committee on 18 July 2023 and the first progress update was provided in Quarter 2. The table below shows the update in Quarter 3.

Issues identified	Action to be undertaken	Update	RAG Status <i>Updated in Quarter 3</i>
1. To develop a new Medium Term Financial Strategy (MTFS), in support the Council's annual service objectives and to maintain and improve the Council's financial resilience	Finance – <ul style="list-style-type: none"> Strategic Financial Planning report to the Strategy and Resources (July 2023) Budget/MTFS report to Full Council (February 2024) 	The Strategic Financial Planning report was agreed by the Strategy and Resources Committee on 13 July 2023. It sets out the approach to be taken to 2024/25 budget setting and the Medium-Term Financial Strategy (MTFS) 2024-28. The budget and MTFS report was submitted to the full Council on 13 February 2024 for approval.	Blue
2.Community Infrastructure Levy (CIL)	Place Development – Review and update CIL policies and procedures (inc. Neighbourhood CIL) (31 December 2023)	A draft CIL Protocol was approved by the LPPC on 18 January 2024. Training is being scheduled for members in March 2024.	Amber
3.Development Management (DM)	Place Development – Review the Development Management transformation project to ensure the council is no longer under 'threat of designation' (30 September 2023)	Whilst the government has confirmed that the Council won't be designated, we continue to submit our performance data to the Government quarterly. Several outstanding actions of the DM transformation project are being resolved by April 2024.	Amber

4.The Local Plan	Place Development – Ensure there is adequate resourcing in place to the Local Plan is progressed in the most efficient way possible. (31 March 2024)	Following the Council’s decision to ‘un-pause’ the Local Plan on 24 October 2023, a revised timetable (Local Development Scheme) was approved by the LPPC on 22 November 2023 and the additional funding was also approved by the Strategy & Resources Committee on 12 December 2023.	Blue
5.Homelessness	Housing & Community – Review governance arrangements around the Homelessness and Rough Sleeper Strategy. (31 March 2024)	Quarterly update and progress reports on Homelessness and Rough Sleeper Strategy have been provided to the Chair and Vice-Chair of Community & Wellbeing Committee (C&WB). Half yearly report on Homelessness budget reported to C&WB Committee in October 2023.	Green
6.Business Continuity	Policy & Corporate Resources – Review and update as necessary all team’s business continuity plans. (31 March 2024)	The business continuity plans of all services have been reviewed and updated. It is on track to be completed by 31 March 2024.	Green
7.Health and Safety	All Services/ Policy & Corporate Resources - Continue to gather assurance on the effectiveness of Health and Safety (H&S) management across all council services and venues. (31 March 2024)	The first round of assurance checks was completed in Sept 2023 and it is now business as usual. Additional H&S training is being explored and a new e-learning module-managing H&S for managers will be launched soon.	Green
8.Human Resources	People & Organisational Development (OD) - Enhance the resilience of the People & Organisational Development Service by recruiting vacant posts and continuing with	In March 2023, the recruitment campaign of HR Business Partner was unsuccessful. This led to the re-advertising of the vacancy as a 12-month fixed-term OD Business Partner in Aug and Oct/Nov 2023 but no appointment. Recruitment of two	Amber

	multi-role training for new team members. (31 March 2024)	permanent OD Business Partners was underway in Jan/Feb 2024. The interim Head of HR was appointed in January 2024. An HR Apprentice was appointed in Sept 2023.	
9.Recruitment and retention	All Services/ People & Organisational Development – Review and enhance recruitment and retention policies and procedures for key roles across the council. (31 March 2024)	Policies and procedures to be updated as part of the People's Framework by the end of March 2024.	Amber
10.IT Strategy	IT- Approval of IT Strategy with associated funding and implementation plan. (30 September 2023)	Completed - At its meeting on 21 September 2023, the Strategy and Resources Committee approved the IT Strategy including the indicative funding implications for delivering the defined IT Roadmap in 2023-2027.	Blue
11.IT policies	IT- Review and update IT policies as necessary (31 March 2024)	A new Head of IT has been appointed to join in March 2024. Whilst the IT policies are being reviewed, this work may not be completed by end of March 2024.	Red
12.Information governance	Corporate Services - Establish officer information governance scrutiny and oversight group (30 September 2023)	This is still work in progress – the first meeting should take place before end of February 2024.	Amber
13.Officer schemes of delegation	Legal Services – Review, and update as required, the officer schemes of delegation. (30 September 2023)	Completed - A paper was submitted to the Council on 12/12/2023 for decision.	Blue

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COMMITTEE WORK PROGRAMME

Head of Service:	Andrew Bircher, Interim Director of Corporate Services
Wards affected:	(All Wards);
Appendices (attached):	None

Summary

This report presents the Committee with its annual Work Programme.

Recommendation (s)

The Committee is asked to:

- (1) **Note and agree the ongoing Work Programme as presented in Section 2.**

1 Reason for Recommendation

- 1.1 Paragraph 4.6 of the Constitution states that the Committee “can scrutinise decisions made by the Full Council or policy committees”¹. Paragraphs 1.3(i) and 1.3(iii) of Annex 4.6 of the Council Operating Framework also states that the Committee “will be responsible for arranging the overview and scrutiny functions on behalf of the council” as well as “approving an annual overview and scrutiny Work Programme”.² Therefore the Committee is able to maintain oversight of its Work Programme and make any additions or adjustments it wishes.

2 Background

- 2.1 The committee Work Programme is presented below. The programme includes reports that relate to the committee’s areas of responsibility, as stipulated in its terms of reference.³

¹See *Constitution of Epsom and Ewell Borough Council*, p.3. Online available: <https://democracy.epsom-ewell.gov.uk/documents/s27178/Constitution%20of%20Epsom%20and%20Ewell%20Borough%20Council.pdf> [Last accessed 18/05/2023]

² See *Council Operating Framework, Annex 4.6: Overview, Audit and Scrutiny*, p.1. Online available: <https://www.epsom-ewell.gov.uk/sites/default/files/documents/council/about-council/governance/Annex%204-6%20-%20Overview%20Audit%20and%20Scrutiny.pdf> [Last accessed 18/05/2023].

³ See *Audit and Scrutiny Committee-Terms of Reference*, Online available:

2.2 Work Programme:

Meeting		Agenda
Past	16 November 2023	<ul style="list-style-type: none"> • Code of Corporate Governance Annual Review • Counter-Fraud and Whistleblowing Annual Report (inc. gifts and hospitality) • External Audit Update (if required) • Work Programme
Past	1 February 2024	<ul style="list-style-type: none"> • Community Safety Partnership Update • Revenue Budget Monitoring – Quarters 2 & 3 (2023-2024) • Capital Budget Monitoring – Quarters 2 & 3 (2023-2024) • External Audit Update • Equality and Diversity (inc. modern slavery) Annual Report • Internal Audit: Progress Report - February 2024 • Performance and Risk Report – February 2024 • Complaints Report – February 2024⁴ • Work Programme
Present	28 March 2024	<ul style="list-style-type: none"> • Internal Audit: Annual Plan 2024-2025 & Internal Audit Charter • Internal Audit: Progress Report - March 2024 • External Audit Update • Review of the Council's Scheme of Delegation • Performance and Risk Report – March 2024 • Committee Annual Report 2023-2024 (to be presented to Full Council) • Regulation of Investigatory Powers Act (2000) Annual Report • Annual Complaints Report⁵ • Work Programme
Future	25 July 2024	<ul style="list-style-type: none"> • External Audit Update – 2023/24 Audit Plan • Internal Audit: Annual Report & Opinion 2023-2024 • Internal Audit: Progress Report – June/July 2024 • Annual Governance Statement 2023-2024 • Performance and Risk Report – July 2024 • Use of Delegated Powers Annual Report • Complaints Report – July 2024 • Work Programme

<https://democracy.epsom-ewell.gov.uk/mgCommitteeDetails.aspx?ID=157>

[Last accessed 18/05/2023].

⁴ Complaints reports have been added to the agenda for all future meetings.

⁵ This report has been moved from November as the original author left the council in October 2023 and the work has been reassigned.

Future	26 September 2024	<ul style="list-style-type: none"> • 2023-2024 External audit update • Revenue Budget Monitoring – Quarter 1 (2024-2025) • Capital Budget Monitoring – Quarter 1 (2024-2025) • Internal Audit: Progress Report – September 2024 • Performance & Risk Report - September 2024 • Local Government and Social Care Ombudsman Annual Letter • Complaints Report - September 2024 • Work Programme
Future	14 November 2024	<ul style="list-style-type: none"> • Code of Corporate Governance Annual Review • Counter-Fraud and Whistleblowing Annual Report (inc. gifts and hospitality) • External Audit Update (if required) • Complaints Report – November 2024 • Revenue Budget Monitoring – Quarter 2 (2024-2025) • Capital Budget Monitoring – Quarter 2 (2024-2025) • Work Programme
Future	6 February 2025	<ul style="list-style-type: none"> • Community Safety Partnership Update • Revenue Budget Monitoring – Quarters 3 (2024-2025) • Capital Budget Monitoring – Quarters 3 (2024-2025) • External Audit Update • Equality and Diversity (inc. modern slavery) Annual Report • Internal Audit: Progress Report - February 2025 • Performance and Risk Report – February 2025 • Complaints Report – February 2025 • Work Programme
Future	27 March 2025	<ul style="list-style-type: none"> • Internal Audit: Annual Plan 2025-2026 & Internal Audit Charter • Internal Audit: Progress Report - March 2025 • External Audit Update • Performance and Risk Report – March 2025 • Committee Annual Report 2024-2025 (to be presented to Full Council) • Regulation of Investigatory Powers Act (2000) Annual Report • Annual Complaints Report • Work Programme

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

3.1.1 No direct implications arising from this report.

3.2 Crime & Disorder

3.2.1 The next annual scrutiny of the Community Safety Partnership is proposed to be held at the February 2025 committee meeting.

3.3 Safeguarding

3.3.1 No direct implications arising from this report.

3.4 Dependencies

3.4.1 The committee does rely on some of the council's partners, and other committees, to deliver its work programme as proposed in Section 2 (e.g. internal and external audit, and the Community Safety Partnership).

3.5 Other

3.5.1 No other direct implications arising from this report.

4 Financial Implications

4.1 None for the purposes of this report.

4.2 **Section 151 Officer's comments:** None arising from the contents of this report.

5 Legal Implications

5.1 None for the purposes of this report.

5.2 **Legal Officer's comments:** None arising from the contents of this report.

6 Policies, Plans & Partnerships

6.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Effective Council: Strengthen the council's financial independence.
- Effective Council: Improve openness, transparency and customer service.
- Safe & Well: Work with partners to keep our borough safe and secure.

6.2 **Service Plans:** The report is not included within the current Service Delivery Plan, although several items contained within are.

6.3 **Climate & Environmental Impact of recommendations:** No direct implications arising from this report.

6.4 **Sustainability Policy & Community Safety Implications:** See Para. 3.2.1.

6.5 **Partnerships:** No direct implications arising from this report.

7 Background papers

7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Committee Work Programme, *Audit and Scrutiny Committee*, 1st February 2024. Online available: [Epsom and Ewell Democracy \(epsom-ewell.gov.uk\)](https://www.epsom-ewell.gov.uk), item no. 8 [last accessed 15/02/2024].

Other papers:

- None.

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EXCLUSION OF THE PRESS AND PUBLIC

Under Section 100(A)(4) of the Local Government Act 1972, the Committee may pass a resolution to exclude the public from the Meeting for Part Two of the Agenda on the grounds that the business involves the likely disclosure of exempt information as defined in paragraph 3 and 5 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The following documents are included on Part Two of the agenda and have not been published:

Item 13 – Report of the Monitoring Officer
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The report deals with information relating to the financial and business affairs of a particular person or authority and information in respect of which a claim to legal professional privilege can be maintained in legal proceedings.
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