

Epsom and Ewell Borough Council

Auditor's Annual Report
Year ending 31 March 2025

December 2025



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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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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Epsom and Ewell Borough Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its 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 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

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

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

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 (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come 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. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National	Past	Present	Future
	Funding Not Meeting Need The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.	 Financial Sustainability Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.	 Funding Reform The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.
	Workforce and Governance Challenges Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.	 External Audit Backlog Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.	 Reorganisation and Devolution Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The Council is a district council located in Surrey, serving a population of approximately 80,000 residents. The Council operates under a committee system of governance, with four main policy committees which oversee the delivery of a wide range of services including waste and recycling, planning, housing, environmental health, and economic development. The Council has 35 elected members, and elections are held every four years. The most recent elections were held in May 2023. Discussions around local government reorganisation (LGR) in Surrey are ongoing with proposals to form new unitary authorities from April 2027. In response to the anticipated changes, the Council has adopted a set of seven strategic priorities to guide its work through the transition period.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	<div>A</div> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. Four improvement recommendations made 	<ul style="list-style-type: none"> No risk of significant weakness identified 	<div>A</div> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. Three 2023/24 improvement recommendations reiterated on delivering mitigations to close the funding gap to 2027/28, the identification of more savings and the use of scenario planning in financial planning especially in the demand led homelessness service.
Governance	<div>R</div> <ul style="list-style-type: none"> One significant weaknesses in arrangements identified. Five improvement recommendations made 	<ul style="list-style-type: none"> One significant weaknesses in arrangements identified. 	<div>A</div> <ul style="list-style-type: none"> Improvements identified in governance arrangements from prior year. No significant weaknesses in arrangements identified. One new improvement recommendations made to support arrangements for audit committee effectiveness and one improvement recommendation updated from prior year.
Improving economy, efficiency and effectiveness	<div>G</div> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. No improvement recommendations made 	<ul style="list-style-type: none"> No risks of significant weakness identified 	<div>G</div> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. No improvement recommendations made.

- G

No significant weaknesses or improvement recommendations.
- A

No significant weaknesses, improvement recommendation(s) made.
- R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The 2024/25 budget included planned drawdowns from earmarked reserves for agreed one-off projects. The outturn was a 2.7% overspend of £242k against a £8.91 million net expenditure budget, funded by reserves. While this overspend included a £581k adverse variance for homelessness, the Council has since invested in initiatives to cut temporary accommodation costs and address the structural deficit. In July 2025, a revised MTFP showed a worsened financial position with a cumulative gap of £5.06 million by the end of 2028/29. Subsequent modelling linked to the Fair Funding Review suggests an improved outlook, with the gap expected to be smaller and £700k of savings identified for 2025/26. The three improvement recommendations reiterated in 2023/24 emphasised the importance of delivering mitigations to close the funding gap by 2027/28. This includes identifying additional savings and incorporating scenario planning into financial strategies—particularly for demand-led services such as homelessness.



Governance

The key weakness identified in 2023/24 on developing a clear approach towards transparency, has been addressed through constitutional revisions, clearer delegation frameworks, and regular, open audit engagements, thereby closing the prior year's Key Recommendation.

During the year two corporate risks, IT Services and Homelessness, persist on the Corporate Risk Register, signalling ongoing operational and demand-led pressures in common with many councils. Internal audit delivery is on track with three areas receiving Limited or No Assurance and majority of recommendations addressed by agreed dates.

The LGA Peer Challenge identified some gaps. An action plan is in place, but progress reporting is limited and lacks clear tracking indicators. Fraud governance is established, though reporting remains annual, with the last fraud report presented in November 2024 and next one planned for November 2025 potentially limiting visibility. Scrutiny was active, though no formal effectiveness review was undertaken in 2024/25.



Improving economy, efficiency and effectiveness

The Council continues to link cost and performance to drive improvement, supported by its refreshed Corporate Plan (May 2025) and seven strategic priorities. Oversight is provided by the Strategy and Resources Committee.

Performance monitoring of 26 Key Performance Indicators and 24 annual actions continued during the year. Homelessness pressures led to a £875k overspend in Q1 2025/26, but early interventions—like the Housing First model—are beginning to reduce demand and improve outcomes.

Procurement governance has strengthened through updated policies and training, supported by recent Substantial Assurance from internal audit. Annual waiver reporting to the Audit and Scrutiny Committee is planned for March 2026, ensuring adequate oversight of procurement decisions.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	Our audit of your draft financial statements published on 14 July 2025 and fieldwork commenced mid September and is in progress. On conclusion, we will issue our audit opinion, following the approval of the accounts by the Audit and Scrutiny Committee meeting in February 2026. Refer to pages 11 to 12 for further details.
Use of auditor’s powers	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>



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

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our audit of your draft financial statements published on 14 July 2025 is in progress. On conclusion, we will issue our audit opinion, following the approval of the accounts by the Audit and Scrutiny Committee meeting. The full opinion is included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its 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 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts on 14 July 2025 some 2 weeks after the national deadline of 30 June 2025. Draft financial statements were of a reasonable standard and supported by working papers.

Key findings and improvements arising during the audit include:

- TO BE UPDATED.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit and Scrutiny Committee on 5 February 2026. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting 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.

Our review is in progress.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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. Council's 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 (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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

Financial sustainability – commentary on arrangements

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

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The 2024/25 budget included planned drawdowns from earmarked reserves for agreed projects . The outturn was a 2.7% overspend of £242k against a £8.905 million net expenditure budget, again funded by reserves. This overspend included a £581k adverse variance for homelessness, but the Council has since invested in prevention and move-on officers and housing initiatives to reduce temporary accommodation costs. Adverse variances in demand and reduced income generation were offset by the Council’s treasury management investment which benefited from higher interest rates. On the capital programme, actual expenditure was £5.116 million, some £2.249 million less than the £7.365 million budget due to slippage. The Council has a four-year medium term financial plan (MTFP) that models future cost and income streams to identify the scale and timing of financial pressures. In July 25, a revised MTFP was presented to the Strategy and Resources Committee with a worsened financial position from that reported in February 2025. Since then, the funding outlook has improved, reducing the projected gap. To strengthen confidence in these assumptions, the Council engaged external consultants (Pixel and LG Futures) for detailed modelling, which supported the identification of £700k savings for 2025/26. The General Fund Reserve is £1.5 million and earmarked reserves are £13.63 million. Savings delivery for 2024/25 was strong, with 92% of the £326k target achieved. The 2025/26 Quarter One increased demand for homelessness in 25/26 has resulted in a negative year end forecast of £885k. The 2025/26 forecast is a £475k overspend partially funded by £400k contingency, but the remaining gap needs to be funded from reserves which has yet to be reflected in the Council’s MTFP. The following 2023/24 Improvement Recommendation 1 remains open “The Council should deliver mitigations for the £5 million funding gap forecasted to 2028/29”. This is a priority as the gap to 2027/28 has now increased to £4.095 million in September 2025 and the Council needs to safeguard its diminishing reserves. We will review this in detail as part of our 2025/26 VFM work.</p> <p>The Council’s financial resilience has also been supported by income from its wholly owned subsidiary, Epsom & Ewell Property Investment Company (EEPIC). In 2024/25, dividend and recharge income from EEPIC was £769k, significantly below the £1.4m budget due to a lease amendment at one property. This shortfall was mitigated by a £700k draw from the Property Income Equalisation Reserve. For 2025/26, EEPIC income is forecast to recover to £1.35m, and there is no planned withdrawal from the reserve, reducing the immediate risk of further reserve reliance.</p>	A

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>The 2025/26 budget and the MTFS, of February 2025, includes the requirement for the Council to complete a range of service reviews to help to ensure that in year expenditure does not exceed income. The February 2025 MTFP assumed delivery of £1million of savings from 2025/26 onwards. Savings of £326k (92% of target) were achieved in 2024/25, with £30k outstanding. There are savings included in the MTFP of £123k for 2025/26, £150k in 2026/27 (reduced from £450k as the £300k homelessness saving is deemed unachievable given the continuing increase in demand) and £430k in 2027/28, but these savings levels are insufficient. The Council has also invested in prevention and move-on officers and engaged external consultants (Pixel and LG Futures) to strengthen scenario modelling and resource planning. Given the scale of the budget gap and rising demand pressures, it is essential for the Council to identify additional efficiencies and productivity improvements. The Council should develop and implement a pipeline of sustainable savings and income generation initiatives, supported by business cases, to effectively tackle the financial challenge which may be a larger cumulative gap than £5.063 million to 2028/29 in the next iteration of the MTFS.</p> <p>The 2023/24 Improvement Recommendation 2 on the identification of sufficient savings to help close the funding gap is outstanding. Further plans for generating additional income and reducing expenditure need to be developed during 2025/26 to reduce and remove reliance on the use of reserves as a source of funding for day-to-day services over the course of the Medium-Term Financial Strategy. It is vital that this continues to be a key priority for the Council to ensure financial stability for future years.</p>	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council takes a strategic approach to financial planning, ensuring alignment between its corporate objectives and its financial strategies. In light of Local Government Reorganisation (LGR) and its likely timescales of the vesting day in May 2027, the Council has adopted new Strategic priorities for 2025-2027. The Strategic Priorities stand in place of a new long-term corporate plan and reflect the timescales of LGR. The overall policy framework and budget includes the Corporate Plan and Four-Year Financial Plan. The MTFS to 2028/29 is designed to deliver financial resilience whilst delivering the priorities set out in the Corporate Plan. These priorities—Green and Vibrant, Safe and Well, Cultural and Creative, Opportunity and Prosperity, Smart and Connected, and Effective Council—provide the strategic framework for resource allocation and decision-making. While they guide efforts to use public funds efficiently, achieving them depends on addressing financial pressures such as reliance on reserves, a growing budget gap, and demand-led risks.</p>	G

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
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	<p>The Council’s financial plan is underpinned by coordinated planning across workforce, estates, and investment programmes, ensuring consistency with delivery goals. Investment planning is coordinated through the Capital Programme which looks at business case–driven decision-making for capital initiatives, which implies consideration of value for money and financial sustainability. The £7 million Town Hall capital relocation project was decided against by Council, in May 2025, due to the impact of Local Government Reorganisation (LGR).The Council’s Treasury Management Strategy supports the MTFS by aligning borrowing and investment decisions with capital delivery and affordability objectives over the medium term.</p> <p>The Council has played an active role in the Local Government Reorganisation (LGR) process, strengthening communication and decision-making throughout. It established a cross-party LGR Working Group, issued regular resident updates, and gathered over 3,000 responses on governance options through engagement platforms. Senior officers and members contributed to Surrey-wide forums and submitted formal correspondence with clear proposals to Surrey County Council, demonstrating transparency and structured stakeholder engagement during a period of significant change. The LGR process concluded in October 2025 with the government’s decision to reorganise Surrey into two unitary authorities—East and West Surrey. The Council will join the East Surrey authority.</p>	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	<p>A financial risk assessment is completed annually as part of the Budget and Council Tax report, however these are not quantified. Plans for generating significant additional income and reducing expenditure need to be developed in the coming year to help to mitigate risks in potential reductions in government grants and business rates income and tackle increasing service costs, notably in the homelessness service, to balance budgets over the course of the Medium-Term Financial Strategy to reduce the draw on reserves.</p> <p>The Council would benefit from scenario planning, to provide greater transparency around financial risk, for key financial assumptions as that would have identified the worst and realistic case scenarios around the demand led homelessness service. The 2025/26 budget was set to accommodate an average of 70 households only in nightly paid accommodation which is lower than the actual figure of 90 at the end of 2024/25, and much lower than the ongoing elevated demand in 2025/26 whereby the Council supported an average of 116 households during quarter one in nightly paid accommodation at an additional forecast cost of £885k for 2025/26. We have therefore kept the IR4 2324 recommendation, on page 37, open.</p>	A

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has a Risk Management Strategy (RMS), reviewed annually and endorsed by Strategy and Resources Committee in November 2024. Risks are captured in the Corporate Risk Register (CRR), updated quarterly and reviewed by the Audit and Scrutiny Committee (ASC). As of year-end 2024/25, two red risks remained—IT Services and Homelessness—indicating persistent strategic pressures despite mitigation efforts. The Council is working to strengthen risk ownership and better align risks with strategic priorities, following gaps identified in earlier CRR entries. The revised RMS includes steps to map risks to corporate objectives and assign named owners.</p> <p>Internal audit is delivered by the Southern Internal Audit Partnership (SIAP). Of 18 planned audits, 88% were completed by year-end (June 2025) which fell short of the 95% target, this was due to capacity constraints. By August 2025, finalisation of 2024/25 reviews was complete. Three areas received Limited Assurance—Affordable Housing, Information Governance, and Main Accounting—and one No Assurance—Environmental Health Food Safety. This marks a slight deterioration from the prior year, which had no ‘No Assurance ratings’. 35 recommendations were issued, with over 80% completed by July 2025. However, delays in action completion were noted as a recurring concern, with several revised deadlines required.</p> <p>Fraud governance includes policies on anti-fraud, bribery, money laundering, and whistleblowing. Fraud reporting to Members currently occurs annually, which limits visibility of in-year activity. Although the Council shares a Counter Fraud work plan and progress updates, these are only provided once a year. To strengthen oversight, we recommend considering more frequent reporting—such as twice annually or quarterly. Accordingly, we have updated the prior recommendation and retained this criterion as amber. See page 38 for further details.</p> <p>Complaints are tracked through quarterly reports to ASC. In 2024/25, 460 complaints were received—an increase from 418 the previous year. While this may appear high for a small district council, 57% relate to Operational Services, which handles over 500,000 collections monthly. Stage 1 resolution rates remain high (89%), and escalation to Stage 2 is low (11%), suggesting effective initial handling. Ombudsman data shows outcomes consistent with district averages, only 2 complaints were escalated to the Ombudsman, and none were upheld following investigation. Overall, numbers escalated are low, providing some assurance over internal processes at the Council. The Council’s arrangements offer reasonable assurance overall, despite persistent red risks in homelessness and a No Assurance Internal audit rating.</p>	<p>A</p>

Governance – commentary on arrangements (continued)

Grant Thornton insight

Strengthening Governance Across Strategic Risk Areas

The Council has established a cross-functional forum, led by Finance, to address high-risk themes and overdue actions, taking a practical approach to resolving issues that affect performance. This is a positive step toward improving oversight and delivery. Continued focus is needed to ensure the forum drives timely resolution of persistent red-rated risks and Limited or No Assurance areas—particularly housing, IT resilience, and regulatory compliance—and that postponed audits and overdue actions are cleared promptly.

Grant Thornton insight

Improving Fraud Risk Oversight and Member Engagement

The Council has outlined targeted actions to strengthen fraud controls—such as investigations linked to homelessness expenditure and updates to whistleblowing policies—many councils also implement centralised fraud reporting dashboards and routine fraud risk assessments across services. Also, many councils strengthen fraud oversight by reporting more frequently than annually.

To improve transparency and responsiveness, the Council could consider introducing more frequent fraud reporting to the Audit and Scrutiny Committee or providing members with access to a live fraud risk dashboard. This would keep elected members up to date with arrangements to detect and prevent fraud and enable more agile governance responses.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The annual budget-setting process is underpinned by a service and financial planning cycle which actively involves directors and service managers in identifying estimates, financial pressures, and potential savings. The 2025/26 estimates were prepared on the basis of the budget guidelines and targets agreed by Strategy and Resources Committee in July 2024. As part of budget development, the implications of changes to key estimates and assumptions were further explored by the Financial Strategy Advisory Group later in the year. The 2025/26 budget and the Medium-Term Financial Strategy (MTFS) to March 2028 were updated to reflect the Local Government Finance Settlement, the most recent financial data, forecasts, and the broader economic outlook. The Financial Strategy Advisory Group recommended the Budget and MTFS for approval by Council on 11 February 2025.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>Quarterly revenue and capital budget monitoring reports and outturn reports are presented to the Audit and Scrutiny Committee throughout the year. These reports provide a clear understanding of the Council's financial position. The finance reports include detailed breakdowns such as key messages, financial strategy, revenue summary, savings plans and the capital position. They explain variances from the planned budget and forecast year-end outcomes, helping anticipate financial scenarios.</p> <p>Regular treasury management monitoring is carried out in year by the Financial Strategy Advisory Group (FSAG) which reported on the outcome of the treasury management activities in its Treasury Management Report to the Audit and Scrutiny Committee in March 2025. Updates on investments and borrowing positions, including the Minimum Revenue Provision (MRP), are also monitored.</p> <p>In addition to treasury activities, the Council reports on property investment income as part of its financial performance. For 2024/25, rental income from investment properties totalled £3.655 million, generating £3.118 million net income after costs. The Council's wholly owned subsidiary, Epsom & Ewell Property Investment Company (EEPIC), contributed a £620,000 dividend and an overall net benefit of £747,000 to the General Fund.</p>	G

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council operates a committee system, with Full Council (35 members) as the main decision-making body. It is supported by five policy committees, including Strategy and Resources, Environment, and Community and Wellbeing, which oversee policy development within defined remits. Full Council retains authority over key decisions such as the annual budget, and its meetings—six held in 2024/25—are documented through published agendas and minutes in line with statutory requirements.</p> <p>Scrutiny and audit functions are delivered through the Audit and Scrutiny Committee (ASC), which met five times during the year and showed strong member engagement. The ASC reviews a broad range of reports, including internal and external audit updates, performance and risk data, and governance statements. Evidence of constructive challenge was noted, although no formal self-assessment of the committee’s effectiveness was undertaken in 2024/25. As a result, an improvement recommendation will be issued to strengthen oversight and ensure regular evaluation of committee effectiveness. See page 24 for further details.</p> <p>A Corporate Peer Challenge (CPC) by the Local Government Association (LGA) in March 2024 highlighted strengths in leadership and member engagement but recommended clearer separation of audit and scrutiny roles and improved transparency in decision-making. The Council has recognised the need to separate audit and scrutiny functions and has outlined a roadmap to do so. However, implementation is at an early stage, and progress has stalled due to LGR. While some preparatory work such as training has occurred, the actual structural change has been deferred to 2026.</p> <p>The LGA Peer Review also identified the need for a more transparent approach. We note that the Council has since updated its constitution, clarified delegation frameworks, and maintained regular and open engagement with audit, thereby addressing and closing the prior year’s key recommendation.</p>	<p>A</p>

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
(continued)	<p>As part of our 2024/25 VFM review, we observed enhancements in the Council’s transparency arrangements. These included:</p> <ul style="list-style-type: none">• a review of the rationale for exempt items, supported by clear and appropriate explanations;• confirmation that exempt items were consistent with the Council’s constitution; and• increased engagement between senior officers and the external audit team. <p>Given that the Council has taken meaningful corrective actions to address the previous significant weakness, we consider this sufficient and have closed the key recommendation. See page 33 for further details.</p> <p>Overall, the Council’s governance framework remains effective, with defined structures and evidence of member challenge. Continued focus on strengthening transparency and scrutiny will be critical to maintaining governance resilience in preparation for forthcoming structural reforms.</p>	A

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>The Council’s governance is underpinned by its Constitution and Operating Framework, including the Members’ Code of Conduct, Standing Orders, Financial Regulations, and Contract Standing Orders. These are reviewed annually, with the latest update approved in May 2025. Oversight is provided by the Monitoring Officer and the Standards and Constitution Committee (SCC), which met twice in 2024/25 (June 2024 and April 2025). The SCC approved updates such as new disciplinary processes for statutory officers and established a Constitutional Working Group. A councillor training workshop is scheduled for October 2025.</p> <p>The Audit and Scrutiny Committee monitors standards through annual counter-fraud reports (Nov. 2024) and registers of gifts, hospitality, and interests. Complaint and data breach updates highlighted six minor breaches in 2024.</p> <p>Procurement processes have been updated to comply with the Procurement Act 2023. An internal audit completed in November 2025 provided Substantial Assurance on compliance, confirming that Contract Standing Orders, Financial Regulations, and the Procurement Strategy align with legislation and that key staff have received training. Waiver procedures and compliance checks are now embedded, and a compliance checklist introduced in April 2025 addresses previous record-keeping gaps. These changes significantly strengthen procurement governance. You have plans in place for annual reporting of contract exceptions (waivers) to the Audit and Scrutiny Committee and the first waiver report is scheduled for March 2026.</p>	<p>G</p>

Governance (continued)

Area for Improvement identified: committee self-assessment and effectiveness

Key Finding: The Audit and Scrutiny Committee (ASC) did not carry out an Audit Committee self assessment review in 2024/25.

Evidence: The ASC plays a dual role in the Council's governance – Audit and Scrutiny function. While the Committee is generally effective, there has been no formal effectiveness review or self-assessment in 2024/25, and the committee Annual Report did not consider inclusion of independent members on audit committees in local authorities as recommended by CIPFA. Training on committee governance and refreshed member development (covering audit, scrutiny, and governance roles) stalled due to LGR reprioritisation. Also, LGA CPC in March 2024 noted that merging audit and scrutiny may dilute effectiveness; recommended separating them.

Impact: Without clearer evidence of effectiveness and transparency improvements, there is a risk that oversight is perceived as diluted and public trust is undermined.

Improvement Recommendation IR1

IR1: The Council should strengthen governance by undertaking a formal effectiveness review of the Audit and Scrutiny Committee and ensuring transparent reporting of progress against CPC recommendations.

Governance (continued)

Area for Improvement identified: Enhancing Assurance Through CPC Action Plan Closure

Key finding: The Council has not maintained a consistent reporting cycle for the Corporate Peer Challenge (CPC) Action Plan. While initial updates were provided to the Strategy & Resources Committee in July and November 2024, no further formal updates have been reported. Progress monitoring is partially paused due to Local Government Reorganisation (LGR), and there is no formal close-out process to confirm which actions have been completed, adapted, or discontinued. Additionally, the Council's responsiveness to external audit recommendations remains slow, with several prior-year recommendations reiterated in the current report.

Evidence: A review of committee papers confirmed only two formal reports on the CPC Action Plan since March 2024: July and November 2024

- No evidence of subsequent updates or a close-out summary
- Council continues to use P-Hub for internal tracking, but reporting to members and the public is not in place
- Six out of nine improvement recommendations from the 2023/24 Auditor's Annual Report have been reiterated in 2024/25, indicating slow response to external recommendations.

Impact: The lack of a formal reporting cycle and structured close out process reduces transparency and limits the assurance available to members and the public regarding progress on key improvement actions. Delays in responding to external reviews heighten the risk that significant governance and capacity issues remain unaddressed, which may in turn impact strategic decision making and service delivery.

Improvement Recommendation IR2

IR2: The Council should implement a structured approach to reporting and closing out the Corporate Peer Challenge (CPC) Action Plan. Specifically, the Council should:

- Introduce RAG-rating for all actions within the CPC Action Plan to provide clearer visibility of progress, delays, and risks.
- Develop a formal close-out summary clarifying which actions have been completed, adapted, or superseded due to Local Government Reorganisation, and provide assurance on overall progress.
- Improve responsiveness to external audit recommendations by setting internal deadlines for management responses

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

uses financial and performance information to assess performance to identify areas for improvement

The Council actively links costs to performance to drive service improvement. In May 2025, it refreshed its Corporate Plan (to 2027), introducing seven strategic priorities—each with defined owners, outcomes, and estimated costs. Delivery is overseen by the Strategy and Resources Committee, supported by a dedicated priorities reserve fund to facilitate Local Government Reorganisation.

Performance and risk are monitored quarterly by the Audit and Scrutiny Committee. In 2024/25, of 26 KPIs, only two were red-rated at Q3, rising to five by year-end—covering budget control, sickness absence, waste, homelessness, and parking. Notably, homelessness aligns directly with one of the two red-rated corporate risks (IT Services and Homelessness) reported at year-end (see page 13), confirming that strategic risks are reflected in operational performance data. Despite these pressures, 16 KPIs were green and 17 of 24 annual plan actions were completed, indicating some resilience and progress.

Homelessness remains a key challenge. In Q1 2025/26, the Council reported an £875k overspend due to a 19% rise in applications and higher-than-budgeted use of nightly paid accommodation. In response, it redirected contingency budgets, increased prevention funding, and adopted a Housing First approach—resulting in a 28% rise in early-stage preventions.

Data quality is supported through dashboards and a performance management system, complemented by embedded data governance, internal audits, committee scrutiny, assurance statements, and regular oversight meetings. While no formal Data Quality Strategy is currently in place, these controls collectively help maintain consistency, accuracy, and accountability across services. Benchmarking is selective and informal—for example, reserves stand at £1.555m (15% of net revenue), placing the Council mid-range among Surrey districts. However, there is no corporate framework guiding benchmarking activity, and comparisons are made on a case-by-case.

G

 Grant Thornton insight

Strengthening Data Quality Assurance

Formalising a benchmarking framework and a corporate Data Quality Strategy and benchmarking framework could strengthen strategic oversight, comparability, and assurance.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council assesses performance through internal monitoring, external review, and committee oversight. A key external evaluation was the Corporate Peer Challenge (CPC) by the Local Government Association (LGA) in March 2024, which highlighted areas for improvement including temporary accommodation pressures, decision-making transparency, communication gaps, and project readiness.</p> <p>In response, the Council developed an Action Plan with 11 recommendations, presented to the Strategy and Resources Committee (SRC) in July 2024, followed by a progress update in November 2024. Oversight of the plan has been integrated into SRC, and internal groups such as SLT, Resident Association catch-ups, and the Policy Chair Group are actively engaged. The Council plans to publish updates on its Performance Hub, alongside KPIs and risk data, to improve transparency. However, reporting has been limited to only these two updates, and there is no formalised reporting cycle. Some actions have been delayed or overtaken by new priorities due to LGR. The plan lacks RAG ratings, which would enhance clarity and tracking. We previously raised this as an improvement in 2023/24 in Governance section of our report. As such we have issued a further recommendation to strengthen transparency and governance by introducing RAG-rating, a formal close-out summary, and a structured reporting cycle to provide assurance on progress and responsiveness to external recommendations. See page 25 for more details.</p> <p>Internally, the Council uses a performance management system to monitor KPIs and service delivery. Quarterly reports to the Audit and Scrutiny Committee include performance and risk updates. External assurance is also provided through inspections, such as the IPCO review in June 2024, which found no major issues but recommended minor updates to the Council’s RIPA Policy.</p>	G

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</p>	<p>The Council does not currently have a formal partnership strategy or register, but it engages with a range of external bodies listed on its website, where elected councillors represent the Council’s interests. These include statutory and non-statutory partnerships such as the Epsom and Ewell Community Safety Partnership (CSP) and the Surrey Climate Change Partnership. The CSP, which includes agencies like Surrey Police, Fire and Rescue, and the Probation Service, meets quarterly and focuses on safeguarding vulnerable residents. Its performance is monitored through key indicators, with regular updates provided to the Audit and Scrutiny Committee.</p> <p>In tackling homelessness—a significant local issue—the Community and Wellbeing Committee plays a central role. It reviews action plans and works with partners such as Surrey County Council and housing providers to reduce costs and improve service delivery. Meetings in 2024 and 2025 show active efforts to secure funding, manage temporary accommodation, and engage landlords. Recent actions include investment in prevention and ‘move-on’ officers to reduce temporary accommodation costs, reinforcing the need for structured partnership governance. While most objectives are progressing well, some actions related to early intervention and partnership engagement have experienced delays. Nonetheless, the Council continues to prioritise prevention and collaborative working to address the structural challenges posed by the national housing crisis.</p> <p>In 2022/23, we recommended that the Council implement a partnership governance framework to clarify responsibilities and strengthen oversight. This initiative is now at an advanced stage and pending final approval. The 2024/25 Annual Governance Statement confirms that a comprehensive framework is being developed to catalogue all partnerships and their associated benefits, with completion scheduled for September 2025. Given the forthcoming Local Government Reorganisation (LGR), which will establish new unitary authorities in Surrey by 2027, the framework must remain sufficiently flexible to accommodate and support the transition to new governance arrangements.</p>	<p>G</p>

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	<p>In November 2024, the Strategy and Resources Committee approved revisions to the Council’s Contract Standing Orders (CSOs) to reflect the Procurement Act 2023. This was followed by the adoption of an updated Procurement Strategy in July 2025, committing all procurement activity to legal compliance and best practice. Contract management responsibilities are clearly defined in the CSOs and supported by training, including a new guide available on the staff intranet. Refresher training for contract managers is scheduled for 2025/26. For high-value procurements, officers must establish KPIs, hold regular meetings, and involve Procurement Officers in oversight.</p> <p>Internal Audit (July 2025) gave Reasonable Assurance over governance arrangements for Epsom & Ewell Property Investment Company Ltd (EEPIC). While formal structures—such as the Shareholder Agreement, annual business plan approval, and quarterly financial reporting—are in place, the report highlighted some improvement and recommendations to address these gaps, including introducing performance metrics and strengthening shareholder challenge. We have not added further recommendations at this stage. Follow-up in 2025/26 will assess whether these improvements have been implemented and whether arrangements now supports effective value-for-money assessment.</p>	G

05 Summary of Value for Money Recommendations raised in 2024/25

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Council should strengthen governance by undertaking a formal effectiveness review of the Audit and Scrutiny Committee and ensuring transparent reporting of progress against CPC recommendations	Governance (pages 24)	<p>Actions: “We understand the intention behind this recommendation. However, Audit and Scrutiny arrangements are scheduled to change significantly from April 2027 when the Council merges into the new East Surrey Unitary Council. Given this transition, implementing changes now may have limited impact and could be overtaken by the new arrangements. Hence, any work done in this area could be wasted and probably not delivered in time to be effective in what time the Council has left.”</p> <p>Responsible Officer: N/A</p> <p>Due Date: N/A</p>
IR2	<p>The Council should implement a structured approach to reporting and closing out the Corporate Peer Challenge (CPC) Action Plan. Specifically, the Council should:</p> <ul style="list-style-type: none"> • Introduce RAG-rating for all actions within the CPC Action Plan to provide clearer visibility of progress, delays, and risks. • Develop a formal close-out summary clarifying which actions have been completed, adapted, or superseded due to Local Government Reorganisation, and provide assurance on overall progress. • Improve responsiveness to external audit recommendations by setting internal deadlines for management responses. 	Economy, Efficiency and Effectiveness (pages 29)	<p>Actions: “The Council has agreed that the recommendations and action plan for the CPC review would not be progressed given the impact of LGR. However, there were some actions such as Asset review which will be taken forward as part of the council’s 7 key priorities developed for the last remaining years of the Council. If required, we can produce a document which sets out which actions are being progressed and those which are not, in order to close the report down. However, a formal closure to the CPC would need to be issued by the LGA and is not within the Council’s gift to do. We do not believe there is any intention for the LGA to do this.</p> <p>The new regular meetings with the external auditors should help improve the dialogue between the Council and the external auditors and see improved progress on recommendations.”</p> <p>Responsible Officer: N/A</p> <p>Due Date: N/A</p>

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council should develop a clear approach towards transparency. The Council should be mindful of requirements to be open and accountable.	2023/24	The Council has now taken meaningful steps to address the governance weakness: The Council has increased frequency of meetings with auditors to stay accountable.	Addressed and closed	No. See page 22 for more details

07 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 Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should deliver mitigations for the £5 million funding gap forecast to 2028/29.	2023/24	There is a saving plan for 25/26. The Council is working on 26/27 and the future years MTFS which has revised the gap.	Partially implemented	Yes to be followed up in 2025/26
IR2	The Council needs to deliver robust detail to support its planned programme of service reviews between 2024/25 and 2028/29. Aspirations to review whole service lines to determine whether savings are possible need to be focused in on specific areas where granular detail can be delivered. As granular savings plans are delivered, monitoring arrangements will also need to be introduced.	2023/24	The MTFS was revised for the 2026/27 to 2029/30 financial years and reported to the Strategy and Resources Committee in July 2025. Additional savings have yet to be identified through the planned service reviews .	Partially implemented	Yes to be followed up in 2025/26
IR3	Once decisions around funding the new Town Hall project are finalised, the capital costs of the project should be included within the main capital programme.	2023/24	The Town Hall capital relocation project was decided against by Council, in May 2025, due to the impact of Local Government Reorganisation (LGR).	Options shelved due to LGR. IR considered closed.	No

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	The Council should consider the use of scenario planning and sensitivity analysis in budget planning to provide greater transparency around financial risk. If necessary, training could be provided to members to help understand the benefits of walking through different scenarios.	2023/24	A Members Finance Briefing, including Fair Funding Review, was scheduled for 23 July 2025. The use of scenario planning has yet to be implemented to provide greater transparency around financial risk.	Partially implemented	Yes to be followed up in 2025/26
IR5	The council should consider increasing the frequency of Counter Fraud reporting to Members beyond the current annual update—such as twice annually or quarterly—to enhance visibility of in-year activity.	2023/24	The Council shares a Counter Fraud work plan and progress updates with Members, but this is still done annually in November.	Reporting remains limited to once a year. More frequent reporting (e.g., twice annually or quarterly) has not yet been adopted.	Updated and to be followed up in 2025/26
IR6	If the activities of the Council’s subsidiary company ever expand (for example through the acquisition of more properties), recruiting independent Board members is something the Council should consider	2023/24	The Council has confirmed it has no current appetite to expand property acquisitions through its subsidiary company due to the strategic uncertainty caused by Local Government Reorganisation (LGR).	Expansion plan shelved due to LGR. IR considered closed.	No

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR7	Arrangements for reporting on progress with the Council's action plan should be agreed. Oversight of the whole plan should be consolidated into one place, at Chief Executive and Group Leaders level, or within the Strategy and Resources Committee.	2023/24	The Council has partially addressed the recommendation by integrating oversight of the CPC Action Plan into the Strategy and Resources Committee and initiating internal discussions. However, consistent reporting, RAG-rated tracking, and formal updates remain outstanding. Plans to publish progress on the Performance Hub are still in development.	Partially implemented	Yes, replaced with new IR. See IR2 on page 25.
IR8	As members assess options for generating funding for the planned relocation of the Town Hall, it will be important that they remain mindful of up-to-date professional advice. Furthermore, once the relocation project goes live, it will be important that members are sited on progress with the project, project risks, and capital programme costs.	2023/24	As confirmed on the 2024/25 AGS, the Council cancelled the Town Hall move due to Local Government Reorganisation and now includes future site strategy within its 2025–27 strategic priorities.	Options shelved due to LGR. IR considered closed.	No
IR9	Contract exceptions should be reported to Audit and Scrutiny Committee at least annually to increase transparency in procurement arrangements	2023/24	The recommendation to report contract exceptions annually to the Audit and Scrutiny Committee remains in progress. September 2024 ASC minutes show it was discussed, with concerns raised about waiver use and costs. A procurement audit (Nov 2025) confirmed strong compliance controls and embedded waiver processes, but the annual waiver reporting mechanism is still pending. The first Annual Procurement Waiver Report is scheduled for March 2026, which, if delivered, will fully address the recommendation.	Action completed with planned review scheduled for March 2026.	No



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