



Elmbridge Borough Council

Auditor's Annual Report
Year ending 31 March 2025

November 2025 - Final



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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 Elmbridge 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



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.



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.

Present



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.



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.

Future



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.



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

Elmbridge Borough Council serves a population of approximately 137,000 residents. The Council operates within a two-tier system alongside Surrey County Council. Elmbridge is characterised by its mix of urban and rural areas, with a significant proportion of its population being older adults. Local Government Reorganisation (LGR) involves merging 12 Surrey Councils into two larger unitary authorities to improve efficiency and service delivery. While LGR aims to create a more cohesive and effective local government system, it also brings uncertainties and transitional challenges that the Council must navigate to ensure continued service provision and community support. This is a key challenge for the Council going forward.

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	<p>A</p> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. One improvement recommendation made. 	<ul style="list-style-type: none"> No significant weaknesses in arrangements identified. 	<p>G</p> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. No improvement recommendation made.
Governance	<p>G</p> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. 	<ul style="list-style-type: none"> No significant weaknesses in arrangements identified. 	<p>A</p> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. Three improvement recommendations made.
Improving economy, efficiency and effectiveness	<p>G</p> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. 	<ul style="list-style-type: none"> No significant weaknesses in arrangements identified. 	<p>G</p> <ul style="list-style-type: none"> No significant weaknesses in arrangements identified. No improvement recommendation 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 Council ended 2024/25 with a balanced outturn, delivering a £0.5m underspend against its £19.6m net budget. This surplus was redirected to strategic priorities including cost-of-living support and transformation. Service pressures were managed through savings and income, reflecting sufficient budgetary control.

The capital programme underspent by £1.6m due to slippage, with funding rephased into 2025/26.

A balanced budget for 2025/26 has been approved, with no reliance on reserves for ongoing spend. £1.042m in savings is planned and supported by identified actions. The Medium-Term Financial Strategy outlines a £5m savings requirement, though a detailed multi-year savings plan has not been developed due to funding uncertainties and the impact of Local Government Reorganisation. Financial planning remains aligned with strategic priorities.



Governance

Risk management is underpinned by the Risk Management Strategy, and the Strategic Risk Register is approved by Cabinet at the start of the financial year. Internal audit issued a "reasonable" assurance opinion on the Council's internal control framework. The arrangements in place for the prevention and detection of fraud are good. Governance and decision-making processes are effective, supported by comprehensive committee documentation, clear reporting, and scrutiny through the Overview and Scrutiny Committee.

Three improvement recommendations made on improved reporting of the management of strategic risks during the year, an assessment of the effectiveness of the Audit and Standards Committee and the reporting of procurement waivers to committee where standing orders are not followed.



Improving economy, efficiency and effectiveness

In 2024/25, 84% of Vision Deliverables and 81% of KPIs were on target. Remedial actions showed early impact in some areas by Quarter one (Q1) 2025/26. Reporting timeliness improved, with Q1 data reviewed within two months of period-end.

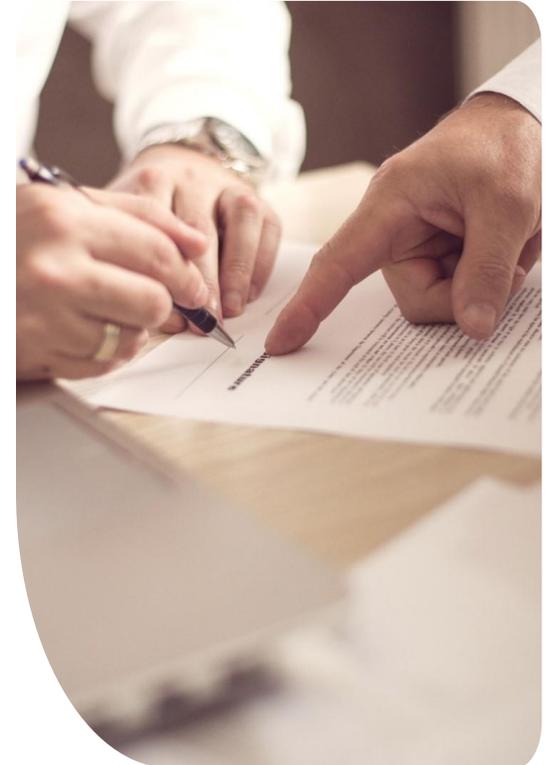
Partnership working remained strong, with active engagement through "My Elmbridge," and oversight by the Overview and Scrutiny Committee and the Elmbridge Community and Safety Partnership. These partnerships supported strategic priorities including public safety and community wellbeing. Contract management was underpinned by a detailed Contracts Register and monitoring, notably of the £53 million Amey waste contract.

The Council formally wound up EBC Homes Ltd in April 2025 due to financial unsustainability. Housing assets and liabilities were transferred back to the Council, which has since registered as a social housing provider to continue delivering housing objectives through direct provision.

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	<p>Our audit of your financial statements is completed and we signed a unmodified opinion on 26 February 2026.</p>
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

We issued an unqualified opinion on the Council's financial statements in advance of the national backstop date of 27 February 2026.

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.

Audit Findings Report

We reported the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit and Standards Committee in advance of the national backstop date of 27 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.

We have nothing to report in this regard.



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

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

The Council delivered its 2024/25 outturn within the approved £19.6 million net budget, achieving an overall underspend of £0.5 million. This surplus was reallocated to strategic priorities, including the Cost-of-Living Fund, Transformation Programme, and Local Government Reorganisation (LGR) preparation. The Council did not use reserves to balance the 2024/25 budget. Planned drawdowns were for one-off items, such as transformation and LGR costs. Homelessness staffing previously funded from reserves is now built into the base budget, but homelessness remains a pressure area with a small overspend in 2025/26.

The capital programme underspent by £1.6 million due to project slippage, with funding rephased into 2025/26 for housing and waste-related schemes. The Council’s reporting provided clear explanations for variances, supporting transparency and accountability.

As confirmed by the Section 151 Officer, the Council has set a balanced and deliverable budget for 2025/26. It avoids reliance on reserves for ongoing spend and is supported by £1.042 million in planned savings/income and £1 million in higher interest income. Reserves are used prudently for one-off costs, including LGR transition and service transformation. Working balances stood at £17.8 million, with a policy to maintain at least £10 million, and a General Fund balance of £4 million (~20% of net budget).

The Medium-Term Financial Strategy (MTFS) outlines a managed reserves approach, aiming to rebuild reserves to pre-pandemic levels by 2030. It identifies a £6.3 million savings requirement over the medium term and sets out actions including transformation, fee reviews, and strategic use of reserves. The Council remains financially resilient, with strong budgetary control and a clear plan to address future pressures.

Interest rate volatility poses a material risk to investment income, with a 0.5% change impacting income by approximately £230,000. The Council has mitigated this through a £5 million Interest Equalisation Reserve, complemented by additional measures such as diversified investments, scenario planning, and reserves linked to its substantial property portfolio (£79.1 million), including a Rent Risk Reserve and Revenue Contingency.

G

- 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.

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

plans to bridge its funding gaps and identify achievable savings

The Council’s Transformation and Savings Programme is central to its strategy for medium-term financial sustainability. In February 2024, the Medium-Term Financial Strategy (MTFS) identified a savings requirement of £6.3 million over five years. This was revised to £5.0 million in September 2025 following updated forecasts. The requirement reflects what needs to be achieved, not what has been fully identified.

For 2025/26, the savings target is £1.042 million. By Q2 2025/26, the Council had identified £1.224 million in savings, exceeding the annual target. This includes £0.825 million carried forward from Q2 2024/25 (green waste income growth, CPI-linked fee increases, and service efficiencies) and £0.399 million in additional budget savings, such as a £380,000 vacancy factor. These figures are now presented consistently across all references.

The 2024/25 outturn was delivered within budget, with no reliance on reserves, and £0.216 million added to the Transformation Fund to support future savings delivery. The Transformation Programme is embedded in the MTFS as a strategic initiative, overseen by the Transformation Board and monitored quarterly by Cabinet. It complements reserves management and fee/charge reviews in balancing future budgets.

In 2023/24, we recommended that the Council develop a detailed savings plan spanning the entire Medium-Term Financial Strategy (MTFS) period and strengthen risk-based monitoring. Some progress was made—such as embedding savings in the MTFS and identifying £1.224 million for 2025/26. Given the confirmed Local Government Reorganisation (LGR) and the Council’s continued delivery of a balanced financial position; we consider this recommendation no longer applicable. The structural changes mean that implementing a multi-year savings plan would have limited practical benefit. We have therefore closed the recommendation.

Monitoring of savings is conducted at portfolio level, but delivery assurance mechanisms such as KPIs and milestones are inconsistently applied. Stakeholder engagement is embedded in financial planning, with Vision 2030 identifying financial sustainability and savings delivery as strategic priorities.

G

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The Council’s financial planning is strategically aligned with its Vision 2030, which sets out four core priorities: Sustainable, Thriving, Community, and High Performing Organisation. These priorities are supported by annually refreshed deliverables linked to service plans and operational milestones, ensuring that budget decisions are guided by strategic intent and community needs.</p> <p>The Medium-Term Financial Strategy (MTFS) reflects these priorities, with investment decisions tied to goals such as civic pride, housing quality, and homelessness prevention. The 2025/26 budget includes targeted allocations for homelessness services and temporary accommodation, supported by additional Homelessness Prevention Grant funding. A Housing Service review is also planned, with £100,000 allocated from the Transformation Fund.</p> <p>The Council has identified £0.8 million in discretionary savings to be delivered through service transformation. These savings are overseen by the Transformation Programme and subject to Cabinet updates and committee scrutiny. However, the MTFS does not provide a detailed breakdown of which discretionary services will be reduced. This introduces a risk that some cuts may affect services that underpin Vision 2030 deliverables—particularly those related to community support, leisure, and voluntary sector engagement.</p> <p>While the Vision 2030 document does not explicitly define criteria for prioritising discretionary spend, the Council’s approach integrates resident feedback, performance monitoring, and internal challenge mechanisms. This suggests a thoughtful and responsive approach to resource allocation.</p> <p>Overall, the Council’s financial planning is well-integrated with its strategic objectives, responsive to community needs, and underpinned by a framework that supports sustainability and resilience. However, the lack of transparency around discretionary savings and their potential impact on strategic priorities highlights the importance of robust savings monitoring—reinforcing the prior year recommendation highlighted on page 16 to develop a detailed, multi-year savings plan and strengthen risk-based oversight.</p>	<p>G</p>

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

The Council’s financial planning is strategically aligned with its Vision 2030, integrating workforce, climate, asset, and transformation strategies into the Medium-Term Financial Strategy (MTFS). This alignment ensures that financial decisions support long-term sustainability and community priorities.

The 2025/26 capital programme was originally budgeted at £22 million and has since been revised to £26.5 million, compared to an outturn of £10.2 million in 2024/25 (against an £11.9 million budget). The increase reflects slippage and reprofiling of multi-year projects, alongside new allocations for strategic land acquisition and provisional schemes. The programme supports Vision 2030 priorities, including affordable housing, climate action, and community infrastructure. Major projects include solar panel installations, energy upgrades, housing grants, and green infrastructure improvements. Capital bids are appraised through a structured process and monitored quarterly, with slippage reviewed by the Council Management Board. Portfolio-level variance analysis ensures transparency and performance tracking.

While the programme demonstrates strategic ambition, the scale of the revised capital ask highlights the importance of factoring in delivery capacity, phasing, and organisational change when planning future programmes.

In preparation for Local Government Reorganisation (LGR), the Council has committed £0.25 million in its 2025/26 budget and developed a dual-track LGR Readiness Plan. This includes strategic planning and service continuity, supported by dedicated workstreams covering finance, governance, ICT, and communications. See page 19 for more details on LGR. Overall, the Council’s capital, transformation, and LGR arrangements are strategically aligned, risk-aware, and responsive to long-term priorities.

G

 Grant Thornton insight

Capital Programme Ambition vs Delivery Capacity With the 2025/26 capital programme already underway and the Council progressing through Local Government Reorganisation (LGR), it may be less feasible to review the current year’s programme in full. However, the scale of the capital investment—now £26.5 million, significantly higher than the 2024/25 outturn —highlights the importance of factoring in delivery capacity, phasing, and organisational change when planning future programmes. As the Council transitions through LGR, early-stage scrutiny of capital deliverability will be key to maintaining transparency, managing risk, and ensuring strategic alignment.

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 (continued)

Local Government Reorganisation (LGR)

In early 2025, the UK government invited councils in Surrey to submit proposals for restructuring local government as part of a wider devolution programme aimed at simplifying governance, improving service delivery, and addressing financial instability across the county.

Elmbridge Borough Council, in partnership with Surrey County Council and Mole Valley District Council, submitted an interim proposal in March followed by a full proposal on 9 May 2025. The proposal advocated for the creation of two new unitary authorities—East Surrey and West Surrey. Elmbridge would join East Surrey alongside Epsom and Ewell, Mole Valley, Reigate and Banstead, and Tandridge. This model was positioned as a financially sustainable alternative to a competing three-unitary proposal, which included councils facing significant financial challenges.

During the statutory consultation period (17 June to 5 August), Elmbridge actively engaged residents and stakeholders, highlighting the benefits of the two-unitary model, including estimated annual savings of £23 million, reduced risk to critical services, and stronger community engagement through proposed Neighbourhood Area Committees.

To support readiness, Elmbridge earmarked £250,000 and established adequate governance arrangements, including a weekly cross-party LGR Working Group and a live risk register. On 28 October 2025, the government confirmed it would implement the two-unitary model, validating Elmbridge’s strategic position.

Looking ahead, Elmbridge will transition into East Surrey Council, with shadow elections scheduled for May 2026 and the new councils going live in April 2027. Mayoral elections and the establishment of a Strategic Authority are expected in spring 2027 or 2028.

We have reviewed arrangements to date and not identified any concerns around the Council’s financial governance in this respect, which continues to be scrutinised by staff and Members.

G

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans

The Council has embedded financial risk management into its Medium-Term Financial Strategy (MTFS) and budget planning processes. The September 2025 MTFS update identifies key risks including inflation, income volatility, government funding uncertainty, and rising demand for temporary accommodation. The potential impact of Local Government Reorganisation (LGR) is also recognised. The Council’s reliance on locally raised income—over 80% of revenue—is acknowledged as a structural risk, given limited flexibility to increase Council Tax and sensitivity to economic conditions.

The February 2025 budget report includes a dedicated financial risk section, outlining the Council’s approach to risk identification and mitigation through strategic and operational risk registers, budget monitoring, and a managed reserves strategy. As of March 2025, the Council held £21.8 million in reserves, including a £4 million General Fund and £17.8 million in working balances, exceeding its £10 million minimum threshold.

Scenarios have been modelled to assess the impact of key financial assumptions. This includes variations in inflation, income levels, and government funding outcomes. The modelling also considered the risk of not delivering planned savings or transformation outcomes. Under pessimistic scenarios, reserves could fall below the £10 million minimum threshold, requiring approximately £5 million in additional savings over the MTFS period. This is separate from the £5 million medium-term savings requirement already identified in the September 2025 MTFS update (previously £6.3 million), and reflects contingency planning for adverse conditions.

Two savings delivery options were presented to Members:

- Front-loaded – achieving most savings early in the MTFS period.
- Phased – spreading savings over several years with limited use of reserves.

The Council opted for the phased approach, which is reflected in the final 2025/26 budget. Overall, the Council’s financial risk management and scenario planning are adequate, transparent, and directly inform decision-making.

G

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>Risk management is underpinned by the Risk Management Strategy. The Cabinet/Council reviewed the Council’s Strategic Risk Register in February 2025, alongside the budget. The Strategic Risk Register (SRR) currently includes 13 strategic risks and shows the gross risk score (impact × probability), internal controls in place, and the responsible officer for each risk. The SRR is designed to identify risks to the Council’s strategic objectives in a clear and understandable format for elected members and taxpayers. The Corporate Management Board proactively manages strategic risks, and the SRR is reviewed by Cabinet and Council. We raised an improvement recommendation, on page 24, for the Council to consider biannual reporting of the SRR to the Audit and Standards Committee to provide assurance on the effectiveness of risk management.</p> <p>Internal audit (IA) is compliant with professional standards, with clear reporting lines that support independence. The Head of Internal Audit Opinion on the Council’s control framework was “reasonable” for 2024/25, based on 6 substantial, 4 reasonable and one partial assurance review. There was some slippage in the IA programme with six reviews as work in progress at the year end due to resource constraints. The Council maintains an effective anti-fraud framework, supported by policies and whistleblowing arrangements that encourage early reporting and investigation of concerns. There were two whistleblowing referrals during 2024/25. The Council also actively participated in initiatives like the National Fraud Initiative and reported notable savings from fraud detection, totalling £0.930 million from 10 social houses recovered and £0.086 million in other savings. The Council has also strengthened complaint handling and governance through updated policies and procedures, including a revised Local Code of Corporate Governance for 2025/26.</p>	<p>A</p>

- 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.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>approaches and carries out its annual budget setting process</p>	<p>The 2025/26 budget-setting process reflects collaboration between services and finance, with targeted allocations for emerging pressures such as homelessness, legal costs, and transformation programmes. The Council Management Board plays a key role in reviewing capital programme slippage and rephasing, ensuring cross-directorate coordination. Detailed analysis of inflationary pressures, income volatility, and service demand informs both in-year monitoring and future planning. Variances are tracked and explained, with insights feeding into the Medium-Term Financial Strategy (MTFS), which carries forward assumptions on pay awards, inflation, and contract costs into multi-year projections.</p> <p>The Council’s annual process includes Member budget challenge sessions (July – Aug. 2025), which provide early scrutiny of savings proposals and reinforce governance expectations. These sessions complement the established approach of linking the annual budget to the MTFS, ensuring strategic alignment and financial sustainability.</p> <p>Structured reporting and escalation to Cabinet indicate a well-managed framework, with budgets signed off by senior managers before presentation to Members. Overall, the budget-setting and monitoring process is adequate, strategically aligned, and focused on financial sustainability, with clear links between the MTFS and annual budget.</p>	<p>G</p>
<p>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>	<p>The Council has established processes and systems to maintain budgetary control, provide timely and accurate financial information, and comply with statutory reporting requirements. In-year and outturn reports present revenue and capital positions, explain significant variances, and outline mitigating actions. These reports confirm that the Council delivered its budget within approved limits, avoided reliance on reserves, and reallocated underspends to priority areas. Capital programme monitoring includes updates on slippage, rephasing, and borrowing, supported by information on investment positions and treasury indicators.</p> <p>Treasury management arrangements include an approved multi-year strategy, quarterly monitoring reports, and annual outturn reviews, which provide updates on investment performance, compliance with prudential indicators, and risk management. Governance is supported by Financial Procedure Rules that define roles, responsibilities, delegation limits, and escalation processes for exceptions, ensuring accountability for financial compliance and audit.</p>	<p>G</p>

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 demonstrates a commitment to transparency and good governance through well-documented Cabinet papers that clearly distinguish between decisions and informational items, with legal, financial, and risk considerations consistently addressed. The Overview and Scrutiny Committee plays an effective oversight role, maintaining a flexible work programme. Leadership sets a positive tone, as reflected in the 2025/26 Budget Strategy report, which highlights both achievements and areas for improvement.</p> <p>The Audit and Standards Committee (ASC) has defined roles and responsibilities, with an Independent Person who was reappointed for another 4 years in April 25. ASC members are engaged at its quarterly meetings. The ASC reports annually on its work at each meeting, but there is no reflection on any areas for improvement for the Committee. We raise an improvement recommendation for the Council to review the effectiveness of its Audit and Standards Committee during 2025/26 using CIPFA’s 2022 Audit Committee Position Statement.</p>	<p>A</p>
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>There are appropriate governance, compliance, and procurement practices. It has not reported any significant breaches of legislation or regulatory requirements in its Annual Governance Statement. Governance arrangements are regularly reviewed, including the Constitution and Code of Corporate Governance, with training provided to staff. Procurement is managed through a digital portal, overseen by a specialist Procurement Business Partner, although the Procurement Strategy is due for a refresh and will be reported to Cabinet in October 2025. The Council collaborates, through the South-East Shared Procurement Services, to improve procurement efficiency. We raised an improvement recommendation, on page 25, for the Council to ensure that the Audit and Standards Committee receives assurance over procurement waivers where standing orders are not followed. While waivers are already reported quarterly to Cabinet as part of Legal and Governance performance indicators, the Committee should receive a summary report or assurance statement to confirm that waiver use is monitored and remains compliant with governance requirements.</p>	<p>A</p>

Governance

Area for Improvement identified: Enhancing Strategic Risk Register Reporting and Oversight

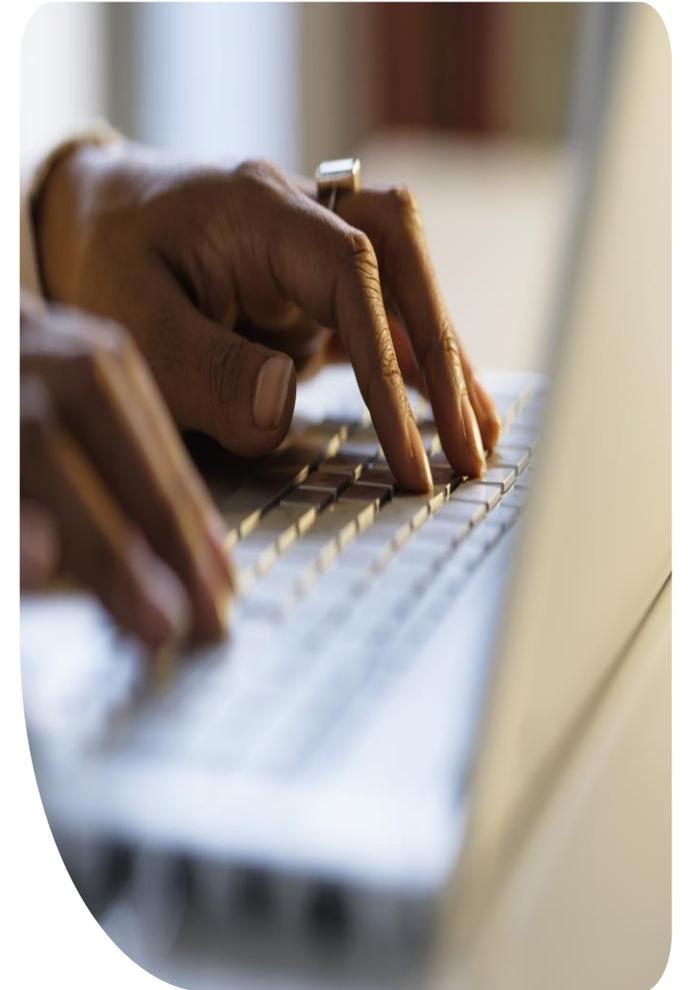
Key Finding: The Council does not receive sufficient risk register updates during the year. The format of the register also needs to be improved to show how its strategic risks are being effectively managed.

Evidence: The Cabinet/Council reviewed the Council's Strategic Risk Register in February 2025, alongside the budget, which is considered best practice. The Strategic Risk Register currently includes 13 strategic risks (not seven) and shows the gross risk score (impact × probability), internal controls in place, and the responsible officer for each risk. However, the Risk Register does not sufficiently demonstrate the next steps for their proactive management, such as the gaps in assurance, controls to be implemented, residual risk score, risk appetite i.e. tolerance of the risk and any subsequent actions to be taken to reach a target risk score that the Council can reasonably accept. Officers believe that the target risk score is 1 for each risk, however that is not realistic so there needs to be frequent review on the actions to be implemented to better manage risk with limited resources. This was also raised by the Council's Risk Management Partner in its risk review in March 2025. Risks should also be aligned to the Council's Corporate Objectives, and the Risk Register should be considered biannually by the Audit & Standards Committee to provide assurance on the effectiveness of risk management.

Impact: The annual update to members on the Council's Strategic Risk Register does not sufficiently demonstrate how the Council is effectively managing its seven strategic risks.

Improvement Recommendation 1

IR1: The Council should ensure the Audit & Standards Committee receives biannual assurance on the effectiveness of risk management arrangements. This could be through a summary report highlighting key strategic risks, residual risk scores, alignment to strategic objectives, and progress on mitigation actions, while Cabinet and CMB retain responsibility for managing risks.



Governance – Improvement recommendations

Area for Improvement identified: Assessment of the effectiveness of the Audit and Standards Committee

Key Finding: An assessment of the effectiveness of the Audit and Standards Committee, in line with the with CIPFA’s Audit Committee Statement, has not been carried out in the last two years.

Evidence: The Audit and Standards Committee received the outcome of its work in its Annual Report 2024/25 to its March 2025 Committee, however it does not reflect on areas for improvement. There are no plans for the Council to review the functioning of its Audit and Standards Committee to ensure its effectiveness with CIPFA’s (Chartered Institute of Public Finance and Accountancy) Audit Committees in Local Authorities 2022 Position Statement. The CIPFA statement sets out the standard purpose, model, core functions and membership of an audit committee. It states that the committee should evaluate its impact and identify areas for improvement.

Impact: The Council does not have sufficient assurance over the effectiveness of its Audit and Standards Committee.

Improvement Recommendation 2

IR2: The Council should review the effectiveness of its Audit and Standards Committee, to ensure alignment with CIPFA’s 2022 Audit Committee Position Statement and evaluate its impact and identify areas for improvement in its most challenging time in the lead up to Local Government Reorganisation (LGR).

Area for Improvement identified: Reporting on the use of procurement single tender waivers

Key Finding: Members do not receive a report on waivers where procurement regulations are not followed.

Evidence: The Council’s arrangements for approving Single Tender Waivers, where procurement regulations are not followed needs to be clarified. The number of waivers is already reported quarterly as part of Legal and Governance service plan performance indicators to Cabinet, but this information is not currently shared with the Audit and Standards Committee for assurance purposes. A procurement framework can be put in place for issues such emergency housing accommodation.

Impact: The Council does not have the assurance that it complies with procurement legislation.

Improvement Recommendation 3

IR3: The Council should provide the Audit and Standards Committee with a biannual summary of procurement waivers, including the number, value, and justification for each waiver, to strengthen assurance over compliance with procurement regulations.

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 has established arrangements for monitoring corporate performance, using quarterly reports aligned with its Vision 2030 framework. Performance is tracked across four strategic themes—Sustainable, Thriving, Community, and High-Performing Organisation—through deliverables and Key Performance Indicators (KPIs) with defined targets, trend indicators, and commentary.

The Council tracks 33 Vision Deliverables and 36 KPIs, grouped by portfolio to support focused discussion and action planning. Despite the volume, focus is maintained through dashboards, RAG ratings, and commentary. In 2024/25, 84% of Vision Deliverables and 81% of KPIs were on target. Underperformance was identified in areas such as affordable housing delivery (111 units vs. 203 target), temporary accommodation (135 households vs. 125 target), and green space complaints (40 vs. 30 target). These issues were addressed by strengthened housing pipelines, contract improvements for green spaces, and prioritisation of digital transformation. Evidence from Quarter one 2025/26 shows mixed results from remedial actions: affordable housing delivery improved significantly and missed bin collections continued a positive trend (82 vs. 80 target). However, green spaces complaints and temporary accommodation remains above target. While trend data is included, quarterly reports do not confirm data quality checks. Strengthening assurance aligned with commitments in the Council’s ICT Digital Strategy and Data Protection Policy could improve understanding and confidence in reported outcomes.

Performance reports are reviewed by the Performance & Finance Standing Panel before Cabinet consideration. Although financial and non-financial data are reported separately, the Council uses financial benchmarking—such as comparing investment returns with other Surrey authorities—and national performance benchmarks (e.g., LGA survey) to assess and identify improvement areas.

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- 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.

Improving economy, efficiency and effectiveness – commentary on arrangements



Grant Thornton insight

Ensuring Data Quality

The Council lacks a standalone Data Quality Policy, and quarterly reports do not confirm if KPI data has been quality checked. While the ICT Digital Strategy commits to improving data governance, assurance could be strengthened by adding a brief statement in performance reports confirming checks and data ownership.



Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>In 2024/25, the Council did not undergo a formal external inspection, but its Draft Local Plan 2037 was found unsound by the Planning Inspectorate due to housing shortfalls, weak Green Belt justification, outdated evidence, and procedural issues. The Council withdrew the plan and launched a new Local Plan process, publishing a revised Local Development Scheme in March 2025 with clear governance and timelines through to 2028. Cabinet oversight and engagement with DLUHC support accountability. These actions reflect the its commitment to learning and improvement. The new plan aims to address housing, economic, and environmental priorities, with early consultation and Gateway 1 submission scheduled for February to June 2026.</p> <p>The Council’s complaints performance is adequate. The Ombudsman investigated three complaints, upholding two (67%), slightly above the 66% average for similar authorities. No formal reports were issued, and the Council complied with all recommendations, agreeing to service improvements in areas such as noise complaints.</p>	<p>G</p>
<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 works with a range of partners to deliver services and address community priorities. These include local government bodies, emergency services, NHS organisations, housing providers, and voluntary sector groups. Partnership arrangements are supported by formal agreements and overseen by Legal Services to ensure they are appropriate and serve the Council’s interests.</p> <p>Engagement with residents, businesses, and partners is facilitated through the “My Elmbridge” programme and regular consultations with stakeholders. These help inform decisions and improve service delivery based on local needs. The Overview and Scrutiny Committee plays an important role in reviewing partnership plans and ensuring external contributions align with Council priorities. It engages directly with partners such as Surrey Police and PA Housing, and monitors public safety initiatives through its Community Safety Working Group.</p> <p>The Elmbridge Community and Safety Partnership (ECSP) is a statutory multi-agency group focused on reducing crime and anti-social behaviour. It includes Responsible Authorities and meets regularly to review progress. The ECSP’s work is guided by three strategic priorities: protecting vulnerable people, enhancing public safety, and tackling offending. Each priority is supported by specific actions and performance indicators. The partnership contributes to the Council’s Community Priority and aligns with broader strategies such as the Elmbridge Vision and the Police and Crime Plan.</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

The Council’s approach to contract management and procurement is supported by a detailed Contracts Register, which promotes transparency and accountability. The register includes supplier details, contract values, durations, and procurement methods. In 2024–2025, procurement methods ranged from Framework and Open to RFQ and Direct Award. Amey holds the largest contract, valued at £53 million, for waste collection services.

Performance monitoring is embedded in contract oversight. For example, the Amey Annual Contract Service Report tracks KPIs across four boroughs, highlighting missed collections, penalties, and service delivery issues. Local Performance Indicators and an Improvement Plan aim to improve KPI methodologies and automate tracking via Power BI.

An internal audit found procurement governance to be generally sound but noted gaps in legacy contract documentation, where older contracts lacked complete records, posing risks to compliance and continuity. The Council has already implemented corrective measures, including centralising documentation through a Procurement Hub, migrating to the Atamis portal, and reconciling historic records. As these actions are underway and will be monitored by Internal Audit to completion, no improvement recommendation has been raised.

EBC Homes Ltd was formally wound up in April 2025 due to continued financial unsustainability. Despite Council support, including a total loan of £250,000 and reduced rental income expectations, the company failed to meet its business plan targets. Assets and liabilities were transferred back to the Council, which now directly manages the housing stock. This transition is expected to enable greater flexibility in supporting temporary accommodation needs. The Council also registered as a social housing provider in June 2024 to continue delivering housing objectives through direct provision.

The Council participates in a joint waste contract with Mole Valley, Surrey Heath, and Woking, managed by Joint Waste Solutions. With Amey opting not to extend the contract beyond 2027, re-procurement is underway. Funding has been allocated for legal and mobilisation costs, and procurement documents are being prepared collaboratively. These efforts reflect ongoing improvements in contract planning and oversight.

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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 ensure the Audit & Standards Committee receives biannual assurance on the effectiveness of risk management arrangements. This could be through a summary report highlighting key strategic risks, residual risk scores, alignment to strategic objectives, and progress on mitigation actions, while Cabinet and CMB retain responsibility for managing risks	Governance (page 24)	<p>Actions: The independent review of the Councils Risk Management by Risk Management Experts, elsewhere on the agenda are in the process of being actioned. The action suggested here does not form part of their expert advice. Officers suggest that the action identified by that review are implemented</p> <p>Responsible Officer: Not Applicable</p> <p>Due Date: Not Applicable</p>
IR2	The Council should review the effectiveness of its Audit and Standards Committee, to ensure alignment with CIPFA's 2022 Audit Committee Position Statement and evaluate its impact and identify areas for improvement in its most challenging time in the lead up to Local Government Reorganisation (LGR).	Governance (page 25)	<p>Actions: Given the Council will no longer have an Audit and Standards Committee from 1 April 2027, this action seems to have little value to the operation of the Committee next year. If there are specific areas of concern, they can be highlighted by Councillor in the annual Training programme.</p> <p>Responsible Officer: Not Applicable</p> <p>Due Date: Not Applicable</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR3	The Council should provide the Audit and Standards Committee with a biannual summary of procurement waivers, including the number, value, and justification for each waiver, to strengthen assurance over compliance with procurement regulations.	Governance (page 25)	<p>Actions: The number of waivers are reported as part of the Cabinet Performance Monitoring, (which is then forwarded to Council for noting) no issues or concerns have been raised, given the relatively low number. We will investigate adding the information into the Reporting from Q1 in the 2027 monitoring, for the final year of operation of the Council, 2026/27.</p> <p>Responsible Officer: Head of Legal and Governance</p> <p>Due Date: Q1 monitoring, September 2027.</p>

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 develop a detailed savings plan that spans the entire Medium-Term Financial Strategy (MTFS) period, rather than focusing on annual savings alone. This will ensure a more sustainable financial position and better preparedness for future economic uncertainties. Additionally, enhancing risk-based procedures to continuously monitor and adapt to these challenges will further strengthen the Council's financial resilience	2023/24	The Council embedded savings within the MTFS and linked them to annual budget planning. £1.224m in savings was identified for 2025/26, exceeding the annual target. Governance arrangements include Cabinet oversight and quarterly monitoring of savings at portfolio level.	However, given the confirmed Local Government Reorganisation (LGR) and the Council's continued delivery of a balanced financial position, we consider this recommendation no longer applicable.	No
IR2	The Council should consider further enhancing the format of the corporate Risk Register to include cross reference/alignment to Corporate Objectives/ priorities and an assessment of both inherent and residual risk	2022/23	The Strategic Risk Register still lacks Clear alignment of risks to strategic objectives and Inclusion of residual risk scores. These gaps were also highlighted by the Council's Risk Management Partner in its March 2025 review. Therefore, we reiterate and expand the recommendation to include quarterly presentation of the SRR to the Audit and Standards Committee, and further enhancements to the SRR format to support effective strategic risk management.	Remains unaddressed and as its still relevant in 2024/25, we are replacing and extending the recommendation. See page 24 of the AAR	Yes .



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