



Please reply to:

Contact: Christeen Abee
Service: Committee Services
Direct Line: 01784 446224
E-mail: c.abee@spelthorne.gov.uk
Date: 13 October 2025

Notice of meeting

Carry Over Audit Committee

Date: Tuesday, 21 October 2025

Time: 7.00 pm

Place: Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

To the members of the Audit Committee

Councillors:

J. Button (Chair)	L. E. Nichols	R. Chandler
K. Howkins (Vice-Chair)	H.R.D. Williams	
G. Neall	P.N. Woodward	

Independent Members: P. Briggs, S. Seehra

Substitute Members: Councillors M. Arnold, J.R. Boughtflower and T. Burrell

Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

www.spelthorne.gov.uk customer.services@spelthorne.gov.uk Telephone 01784 451499

Agenda

Page nos.

1. Apologies and Substitutes

To receive any apologies for absence and notification of substitutions.

2. Disclosures of Interest

To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members.

3. Value for Money - Grant Thornton

3 - 54

The Committee is asked to consider the Interim Auditor's Annual Report for year ending 31 March 2025.

4. Audit Committee Governance Arrangements

**Verbal
Report**

To receive a verbal update on governance arrangements for the Audit Committee.

5. Corporate Risk Management (Corporate Risk Register)

To Follow

The Committee is asked to consider the significant strategic risks and issues highlighted in the report.

6. Argus Software Discussion

**Verbal
Report**

To receive an update on the presentation on Argus Software given to members of the Committee.

This item was deferred from the last meeting of the Audit Committee held on 10 July 2025.

Spelthorne Borough Council

Page 3

Interim Auditor's Annual Report
Year ending 31 March 2025

9th October 2025

Agenda Item 3



Contents

01	Introduction and context	03
02	Executive summary	07
03	Summary of Value for Money Recommendations raised in 2024/25	11
04	Value for Money commentary on arrangements	19
	Financial sustainability	21
	Governance	29
	Improving economy, efficiency and effectiveness	34
05	Follow up of previous Key recommendations	38
	Appendices	45
A	Responsibilities of the Council	46
B	Value for Money Auditor responsibilities	47
C	Follow-up of previous improvement recommendations	48

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 8 Finsbury Circus, London, EC2M 7EA. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions.

01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Spelthorne 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.

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	 Funding Reform
	 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	 Reorganisation and Devolution
Local				

Spelthorne Borough Council (the Council) is mainly located within the M25 boundary to the South of Heathrow and bordered to the West and South by the River Thames. The land in Spelthorne is 65% designated Green Belt with a further 17% of the Borough being water. The other areas are densely populated with a total population of 103,550, represented by 39 elected members. The current political makeup of the Council comprises 15 Conservative, 10 Liberal Democrat, 7 Labour, 5 Independent (of whom, one is the Leader) and 2 Green members. The Council has debts of £1.1 billion. In previous years, and in 2024/25, the Council has been subject to several independent reviews, including a Ministry for Housing, Communities and Local Government (MHCLG) statutory best value review, which concluded on 17th March 2025, with a recommendation that Commissioners be appointed. Commissioners were appointed on 8th May 2025.

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

Commissioners - context

Following a best value inspection report published on 17th March 2025, Commissioners were appointed on 8th May 2025.



Best value inspection report

The report recommended:

- Commissioner led intervention
- Comprehensive commercial strategy, including for investment and regeneration
- Strengthened asset function
- Review of minimum revenue provision (MRP)
- Updated medium-term financial plan
- Comprehensive debt reduction strategy
- Additional expertise to oversee transformation
- Improvement and recovery plan
- Revised corporate plan
- New structure and processes and independent member for Audit Committee
- Re-set to officer/ member relationships
- New plan for housing delivery



Commissioners and Directions

The Ministry of Housing, Communities and Local Government (MHCLG) appointed three Commissioners.

The letter of appointment included directions requiring the Council to take certain actions. These included a requirement to:

- Prepare and agree an Improvement and Recovery Plan within six months and update Commissioners on progress against that Plan after three months
- Publicly report progress after three months and after six months and at six-monthly intervals thereafter
- Recruit a suitable permanent appointment to lead the improvement work and progress against directions.

The letter of appointment stated that directions would remain in force until 31 May 2020 unless amended or revoked by the Secretary of State at an earlier date.



Continual Recovery and Improvement Plan

A draft Improvement and Recovery Plan has been developed with Commissioners. The Plan is expected to be finalised in Autumn 2025. It is based around 10 themes, includes just over 50 areas of key activities, and is supported by key performance indicators and risk mitigation plans.

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.

Page 10

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements identified in relation to financial sustainability. One key recommendation raised in five parts.	Three risks of significant weakness identified in relation to medium term financial planning; the balance on reserves; and the viability of a subsidiary undertaking.	R Significant weakness in arrangements identified. We raise three new key recommendations in relation to medium-term financial planning; asset management; and debt financing. In addition, our prior year key recommendation on medium-term planning, the sinking fund and the subsidiary undertaking is retained.
Governance	R Significant weakness identified in relation to governance. Three key recommendations raised.	Three risks of significant weakness identified in relation to decision-making; risk management culture; and governance and oversight for the subsidiary undertaking.	R Significant weaknesses in arrangements identified. One new key recommendation raised in relation to the internal audit programme for 2025/26 and 2026/27. Prior year key recommendations in relation to risk management, the subsidiary undertaking, and waivers retained.
Improving economy, efficiency and effectiveness	R Significant weakness identified in relation to improving economy, efficiency and effectiveness. Three key recommendations raised.	Three risks of significant weakness identified in relation to key performance indicators; external reviews; and procurement and contract management.	R Significant weakness in arrangements identified. We raise a new key recommendation in relation to the new Continual Improvement and Recovery Plan, which needs to be finalised and embedded. Prior year key recommendations around key performance indicators, and procurement and contract management also still apply.

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 has debts of £1.1 billion. This services an investment property portfolio valued at £625 million. The Council makes contributions into a sinking fund to safeguard against the risk of fluctuation in the income needed to service debt. However, best value inspectors reported that the fund is not on track to meet its £60 million target by 31 March 2037. They also reported that stronger risk management is needed for the investment property portfolio.

New risks and costs need to be factored into medium term financial planning, and there is currently no formal transformation plan in place to address budget gaps. Expected lease breaks on commercial tenancies provide an example of the new risks and costs the Council faces. We raise three new key recommendations. In addition, our prior year key recommendation still applies.



Governance

Financial planning reports shared with members have been described to us by some members as contradictory, overly long, and sometimes inaccurate. The Annual Internal Audit Conclusion was shared with the Audit Committee in September 2024 and described the framework of governance, risk management and control as 'limited'

Commissioners have questioned whether a decision made to give financial support to the wholly owned subsidiary undertaking Knowle Green Estates Limited (KGE Ltd) was in the Council's best interests. In addition, the Council has assessed that there are lessons to be learnt in relation to the management of procurement. We raise three new key recommendations. In addition, the three key recommendations we raised last year also still apply.



Improving economy, efficiency and effectiveness

A draft Improvement and Recovery Plan has been developed with Commissioners. The Plan is expected to be finalised in October 2025. It is based around five themes, includes just over 50 areas of key activities, and is supported by key performance indicators and risk mitigation plans.

KGE Ltd is an affordable housing provider and is one of the Council's most significant partners. Rising demand for temporary accommodation suggests that the demand for affordable housing indicates that there is more to be done under the existing arrangement, which is a national issue

We raise one new key recommendation around finalising and monitoring the Improvement and Recovery Plan. In addition, the three key recommendations we raised last year also still apply.

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
Use of auditor’s powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. 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. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. 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.



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

Key recommendations raised in 2024/25

Page 14

Recommendation		Relates to	Management Actions
KR1	The Medium-Term Financial Plan should be updated to reflect new costs and risks identified by the best value inspection; appointment of Commissioners; and adoption of an Improvement and Recovery Plan. To update the Medium-Term Financial Plan, the Council should include all relevant additional costs associated with changes to minimum revenue provision (MRP); with asset valuations, refurbishments and upgrades; with breaks in commercial income as tenancies come up for renewal; and with the recruitment of skilled resources to lead recovery and improvement. As additional costs are identified, the impact for the Treasury Management Strategy should also be considered.	Financial sustainability	(1) A revised Medium Term Financial Plan (MTFP) is being brought to CPRC on 17th November to consider and agree to recommend to Council on 17th November. Alongside this at the same CPRC and Council meetings there will be a Revised Treasury Management Strategy, a proposed Revised Minimum Revenue Policy, a Debt Restructuring strategy and a Revised Reserves Strategy. The Medium-Term Financial Plan will include all relevant additional costs associated with changes to MRP. These strategy and policy documents are designed to fully address the external audit concerns raised in both the Annual Audit Report 2023 and this draft report for 2024-25 and the Best Value Inspection recommendations and Best Value Directions, with respect to revising MRP, and to revise the Treasury Management Strategy, de-risking the Council’s and the successor unitary’s financial future. These actions will mean that the Key Recommendation 1 will have been implemented in the current financial year. All these elements are part of the Finance theme workstreams within the draft Improvement and Recovery Plan (IRP) due to be considered and approved by Council on 23rd October. The IRP Board has already been stood up and has had its inaugural meeting. The procurement process for securing interim programme support and the recruitment process for the Programme Director post are running concurrently with initial contract support award to be issued by 22 October 2025.” Responsible Officer: The Chief Finance Officer, in his capacity as the Senior Responsible Officer for the Finance theme of the IRP Due Date: 17th November 2025

Key recommendations raised in 2024/25

Page 15
continued

Recommendation	Relates to	Management Actions
KR1 The Medium-Term Financial Plan should be updated to reflect new costs and risks identified by the best value inspection; appointment of Commissioners; and adoption of an Improvement and Recovery Plan. To update the Medium-Term Financial Plan, the Council should include all relevant additional costs associated with changes to minimum revenue provision (MRP); with asset valuations, refurbishments and upgrades; with breaks in commercial income as tenancies come up for renewal; and with the recruitment of skilled resources to lead recovery and improvement. As additional costs are identified, the impact for the Treasury Management Strategy should also be considered.	Financial sustainability	(2) : The Chief Executive working with the Commissioners is a) undertaking a procurement exercise to appoint an agency to provide an initial interim Programme Management Officer to support the IRP to ensure that it is driven forward at a pace which ensures that the timelines set out in the 5 themes of the IRP are achieved; and b) working with the Commissioners and Councillors to in parallel undertake a recruitment process for a Programme Management Officer to support the IRP at least through to the winding up of Spelthorne as a sovereign council on 31st March 2027. Underpinning the IRP there will be a governance framework with the IRP having 5 themes each of which will have a lead sub-group led by a senior responsible officer accountable for delivery, working with Commissioners and lead councillors. Regular updates will be produced by the sub-groups to be scrutinised and overseen by an Improvement and Recovery Board chaired by the Lead Commissioner. Quarterly progress reports on progress of the IRP will be provided to Corporate Policy and Resources Committee and Audit Committee. Additionally, the Commissioners will report regularly to MHCLG on progress of the IRP Responsible Officer: The Chief Executive Due Date: To be confirmed

Key recommendations raised in 2024/25

Page 16

Recommendation	Relates to	Management Actions
KR2 Best value inspectors recommended that the Council strengthen its asset function. We agree with this recommendation. Commercial skills and experience of the teams managing investment property and other properties need to be considered. Training, commercial experience and upskilling should be provided where necessary.	Governance	Where/when additional skillset or specialist knowledge is required beyond the remit of our internal team of qualified and experienced surveyors and property managers, we will continue as we currently do supplement and resource external knowledge and capacity via bespoke consultant advice, general advice from retained market agents operating in fields of commercial agency, commercial acquisition and disposals plus formal valuation advice. Where specific staff vacancies arise, we employ interim staff via specialist property recruitment agencies. The Council’s Asset Service has a broad range of established professional relations with several of the larger firms of Chartered Surveyors with national remits including Cushman & Wakefield, Knight Frank, Jones Lang Lasalle as well as more regionally based agents i.e. Vail Williams, Savills and Munroe Kay, all who have with sector specific experience over a range of commercial and investment property disciplines. Each surveying practice referred to is regularly used on bespoke and/or longer-term instructions to ensure the Council’s portfolio has the fullest possible expertise informing and guiding Councillors with all decision making either directly or via directly employed professionally qualified staff who utilise advice and recommendations to inform committee recommendations and day to day asset management of council land and property.

Key recommendations raised in 2024/25

Page 17

Recommendation		Relates to	Management Actions
KR2 continued	Best value inspectors recommended that the Council strengthen its asset function. We agree with this recommendation. Commercial skills and experience of the teams managing investment property and other properties need to be considered. Training, commercial experience and upskilling should be provided where necessary.	Governance	Adopting this in house and external consultant approach ensures a finer focus on the specific performance and decision making of the portfolio to meet Council needs for service delivery, whilst ensuring all information and knowledge required for dealing with property transactions in the commercial marketplace are fully informed. Training and upskilling via courses, CPD and seminars form part of all the teams’ remit and individual performance monitoring objectives. Responsible Officer: Group Head Assets, as Senior Responsible Officer for Commercial Theme of IRP Due Date: This is on-going and could not be anything other than that to ensure we have the breadth and depth of knowledge required to manage all Asset related workstreams

Key recommendations raised in 2024/25

Page 18

Recommendation	Relates to	Management Actions
KR3 Best value inspectors recommended a comprehensive debt reduction strategy. We agree with this recommendation. The Council should work with commissioners to agree a comprehensive debt reduction strategy that includes consideration of asset lives and length of time over which it is realistic to carry debt. At the same time, the sinking fund model should be revisited regularly as more up to date and accurate information becomes available.	Improvement economy, efficiency and effectiveness	Linked to 1 above, CPRC on 17th November to consider and agree to recommend to Council on 17th November a debt reduction and restructuring strategy. This will set out proposals for a significant debt reduction process involving an initial debt redemption and then a medium-term programme (initial element over 3 to 5 years and second element over 10 years) to align repayment of re-financed debt with capital receipts generated under the Commercial theme of the IRP. This will address both the external audit recommendations and the Best Value recommendations and relevant Best Value Direction. Responsible Officer: The Chief Finance Officer, in his capacity as the Senior Responsible Officer for the Finance theme of the IRP Due Date: 17th November 2025

Key recommendations raised in 2024/25

Page 19

Recommendation		Relates to	Management Actions
KR4	Progress with delivery of the Internal Audit programme for 2025/26, and implementation of management actions identified by Internal Audit, should be monitored carefully. During 2025/26, the Council should refine data analytics to inform internal audit planning for 2026/27.	Governance	Action 1): The Chief Finance Officer and Monitoring Officer have regularly Audit Plan review meetings with SIAP to ensure that the Internal Audit Plan is on track and where necessary adjustments are made to the Plan to exchange order of audits for example to work around workload/capacity pressures. The MAT and the MO will reinforce regularly to senior managers the key importance of ensure responses to audits are provided on a timely basis, and where necessary will take actions to escalate the timeliness of responses. The Audit Committee at each meeting will be provided with a progress update by SIAP. On an informal basis the Audit Committee Chair will be kept updated. Action 2): Officers, the Audit Committee and SIAP will work together to produce a draft Audit Plan for 2026-27 to be agreed by the Audit Committee by March 2026. This will be informed by refined data analytics to be agreed with the Audit Committee. Responsible Officer: Chief Finance Officer and Monitoring Officer Due Date: Action 1) Ongoing throughout 2025-26. Action 2) March 2026.

Key recommendations raised in 2024/25

Page 20

Recommendation	Relates to	Management Actions
KR5 Members and officers need to work collaboratively to deliver the Improvement and Recovery Plan once it is finalised - so that in time, the improvement journey can be led and overseen by the Council itself.	Improving economy, efficiency and effectiveness	This links to Key Recommendation 1, Action 2. Senior Responsible Officers will work with lead councillors on each of the 5 themes of the IRP to ensure councillor engagement and oversight of progress. Regular briefings on progress will be provided to Councillors. Quarterly progress reports to be provided to CPRC and Audit Committee. The Lead of the Council will be a member of the Improvement and Recovery Board. Responsible Officer: To be confirmed. Due Date: Ongoing up to 31/3/27 with regular quarterly reviews

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

Page 23

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	For 2024/25, the Council used sinking fund contributions of £2.85 million and transfers from reserves of £3.48 million to balance the budget for frontline services. For 2025/26, the Council has forecast a further draw on the sinking fund of £5.037 million, and a further reduction in earmarked reserves by £9.1 million. The reduction in earmarked reserves is expected to include £8.7 million for writing off accumulated costs on housing sites the Council is no longer developing. The other draw down from the sinking fund and earmarked reserves will be used to continue funding frontline services. The Council estimates that contributions back to the sinking fund will not begin until after 2028/29. The Council anticipates further unfunded budget gaps in the medium term (£3.877 million in 2026/27; £6.819 million in 2027/28; and £8.582 million in 2028/29). By the end of 2028/29, the Council forecasts that earmarked reserves will have fallen from £77 million to £58 million; and that the sinking fund will have fallen from £35 million to £31 million. The Council is carrying £1.1 billion in debt. Whilst this does finance commercial property that generates an annual gross income stream of some £50 million, we note that the costs of financing the debt, charging minimum revenue provision (MRP) and discharging landlord duties almost fully off-sets that income (£46 million in 2024/25). Furthermore, for 2025/26 the Council has forecast that there will be a fall in cash receipts while tenancy renewals are negotiated. Whilst this may not affect average weighted income from tenancies over a medium-term period, any short-term impact on cash flow will need to be managed. We note that the useful economic lives of the assets financed by debt are currently under review, and that charges to the revenue account could increase as a result. We are aware that there are plans to significantly reduce the value of (continued on next page...)	R

- 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

Page 24

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 (continued)	(...continued from previous page) the capital programme in future years to help reduce debt levels. For effective transformation, it will be important though that any new invest to save initiatives still continue. The Council is aware that its subsidiary undertaking Knowle Green Estates Limited (KGE Ltd) may require ongoing financial support. In 2024/25, the Council provided KGE Ltd with a £2.5 million debenture and £0.9 million loan repayment deferral grants. The subsidiary manages affordable and temporary housing for the Council but has incurred losses for at least the past two years. A task and finish group has been set up to consider the company's future. The Council will need to be mindful of the fact that a different approach may be taken towards housing provision after local government reorganisation occurs. A Continual Improvement and Recovery Plan is now in draft and includes workstreams for financial sustainability, asset and debt rationalisation. The journey towards improvement may uncover new risks (for example changes to MRP; losses on abandoned housing sites; revaluation of assets; and further short-term reductions in commercial income over periods of tenancy renewals) and may require new costs (for example if specific skilled resources are engaged to support improvement). We raise a key recommendation (KR1, Page 26) around the need for new costs to be reflected in the medium-term financial plan and the Treasury Strategy.	R

- 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

Page 25

We considered how the Council:		Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings		During 2024/25, the Council did not have a formal Transformation Plan in place, although some aspects of transformation were covered by the Digital Strategy. The Council had developed savings plans, but they largely relied on deletion of vacant posts. Savings figures in budgets were often contradictory. The Best Value Inspection report published in March 2025 stated that "broken" relationships between senior management and the political leadership had hampered progress towards the transformation that the Council urgently needs. In response, the Council created a joined-up Reorganisation and Transformation Board and there is now a workstream proposed to develop a new fully costed corporate transformation plan which will include robust business planning and monitoring arrangements. However, start and end dates for the workstream have not yet been agreed. An overall Recovery and Improvement Plan is expected to be approved by Full Council in Autumn 2025, and detailed work is unlikely to start before then. For the time being, our prior year key recommendation that the Council reinstate a transformation programme has therefore not yet been addressed.	R
	plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's budget does support its strategic objectives for community, addressing housing needs, resilience, environment and services. However, assumptions on the timing of income from commercial property (and the impact of tenancy incentives) are not always made clear in budget documents. The implications of the Council's October 2023 decision to stop developing its own affordable housing are also not fully clear in the documentation shared with members. Stopping housing developments may have contributed to the financial difficulties of KGE Ltd, and the write-off of development costs will undermine the robustness of the Council's reserves. Impacts of decisions are hard for members to evaluate from the information available. Our prior year key recommendation that "all financial reports that are relevant to decisions regarding short-term and medium-term planning (need to be) accurate and consistent" still applies.	R
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

Page 26

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	Best value inspectors reported in March 2025 that there was an overdependency on consultants in previous years for making decisions about regeneration asset acquisitions (£10 million spent on site consultancy in recent years, without a procurement process in place to support it. £3.2 million was spent on consulting for one property alone, but the property now has a net book value of zero as a decision was later taken not to go ahead with developing it). Lack of in-house expertise may have driven the consulting spend.	R
	The inspectors also reported that for commercial property, the Council does not have the appropriate capacity to manage its large portfolio, where refurbishment, maintenance, decarbonisation upgrades, and tenancy voids all look likely to fall due at around the same time, within the next couple of years. Although the Council estimates that spend on consultants has been lower in 2024/25 (£651,000 for revenue projects and £321,000 for capital projects) than in previous years, commercial property market skills of the existing workforce may still be an issue.	
	On 31 March 2024, the Council held investment properties valued at £625 million. Best value inspectors have reported that whilst the Council did engage skilled property managers, their skills tended to be focused on property maintenance rather than on managing the risk associated with the whole property portfolio. For commercial investment properties, the assets are all clustered in one geography, in one sector, and of a similar age. This has made the Council very vulnerable as the properties age (all at once) and as demand for office rentals falls (all at once). For the properties acquired to support the Council’s regeneration plans, their purpose has been unclear since the Council decided to stop developing its own housing since October 2023, but the Council has spent more than £16 million still holding them while trying to decide what to do with them. This does not represent best value.	
	We raise a new key recommendation (KR2, page 27) that the Council strengthen its asset function.	
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

Page 27

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 debts of £1.1 billion. In March 2025, best value inspectors reported that this is "more borrowing than major cities, such as Liverpool, and Sheffield, and nearly double that of Bristol". As with the property portfolio, the size of the debt is disproportionate to the size of the Council's other activities. The Council uses income from its commercial properties to service its debt. Costs of serving the debt are currently estimated to be around £25 million financing costs per annum and £12 million MRP per annum over 50 years. Commissioners have questioned the prudence of the 50-year assumption, and additional annual costs could be incurred if a shorter timeframe is adopted.

The Council makes contributions into a sinking fund to safeguard against the risk of fluctuation in the income needed to service debt. In 2024, the sinking fund model was refreshed, one purpose being so that the Council could carry out stress testing. However, best value inspectors identified weaknesses in the review. In addition to questioning the 50 year life assumption, best value inspectors noted that the fund is not on course to meet its £60 million target by 31 March 2037; the model automatically assumes the renewal of leases in the future and therefore under states future void costs; the model assumes that interest can be earned on negative and reducing balances and therefore overstates future income; and the assumptions for the model after 2036 are unrealistic.

Best value inspectors recommended that the Council develop a comprehensive debt reduction strategy. Our understanding is that this work is ongoing. We raise a new key recommendation (KR3, page 28) that the Council review its approach to debt and that it review the sinking fund again with more accurate information at the same time.

R

- 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

Significant weakness identified in relation to financial sustainability

Key Finding: The best value inspection identified potential new costs, arising for example from changes to MRP; losses on abandoned housing sites; revaluation of assets; further short-term reductions in commercial income over periods of tenancy renewals; and the need for specific skilled resources to support improvement. None of these are reflected in the existing medium-term financial plan.

Evidence: Best value inspection report; interview with officers and commissioners; budget documentation.

Impact: Future budget gaps may be higher than currently expected.

Key recommendation 1

KR1: The Medium-Term Financial Plan should be updated to reflect new costs and risks identified by the best value inspection; appointment of Commissioners; and adoption of an Improvement and Recovery Plan.

To update the Medium-Term Financial Plan, the Council should include all relevant additional costs associated with changes to minimum revenue provision (MRP); with asset valuations, refurbishments and upgrades; with breaks in commercial income as tenancies come up for renewal; and with the recruitment of skilled resources to lead recovery and improvement.

As additional costs are identified, the impact for the Treasury Management Strategy should also be considered.

Financial sustainability

Page 29

Significant weakness identified in relation to financial sustainability

Key Finding: On 31 March 2024, the Council held investment properties valued at £625 million. Best value Inspectors have commented that whilst the Council did engage skilled property managers, their skills tended to be focused on property maintenance rather than on managing the risk associated with so large a property portfolio. For commercial investment properties, the assets are all clustered in one geography, in one sector, and of a similar age. For the regeneration properties, their purpose has been unclear since the Council decided to stop developing its own housing in October 2023. We note that a consultant with commercial asset management experience has joined for six months in 2025/26 to work on site specific asset management plans; income and lease risk analysis; sinking fund review and recommendations; disposals strategy; and asset management functions review. The intention is that this will help the Council to grow knowledge and skills within its own team.

Evidence: Investment property records; consultancy spend records; interviews with officers; best value inspection report.

Impact: Reduced ability to manage risks within the property portfolio.

Key recommendation 2

KR2: Best value inspectors recommended that the Council strengthen its asset function. We agree with this recommendation. Commercial skills and experience of the teams managing investment property and other properties need to be considered. Training, commercial experience and upskilling should be provided where necessary.

Financial sustainability

Significant weakness identified in relation to financial sustainability

Key Finding: Spelthorne Council has debts of £1.1 billion. The Council makes contributions into a sinking fund to safeguard against the risk of fluctuation in the income needed to service debt. In 2024, the sinking fund model was refreshed, one purpose being so that the Council could carry out stress testing. However, best value inspectors identified weaknesses in the review.

Evidence: Best value inspectors report; sinking fund records; interviews with officers.

Impact: Debt may be harder to service than the Council currently anticipates.

Key recommendation 3

KR3: Best value inspectors recommended a comprehensive debt reduction strategy. We agree with this recommendation. The Council should work with commissioners to agree a comprehensive debt reduction strategy that includes consideration of asset lives and length of time over which it is realistic to carry debt. At the same time, the sinking fund model should be revisited regularly as more up to date and accurate information becomes available.

Governance – commentary on arrangements

Page 31

We considered how the Council:		Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud		A refreshed version of the Council’s corporate risk register was shared with the Audit Committee in May 2025, but the full extent of risk exposure still not clearly shown. A new Red risk has been added to the refreshed corporate risk register in relation to responding to best value and external audit recommendations and findings. However, risks on the register relating to property, debt and investments have not yet been RAG rated as Red by the Council, as would have been expected given the Council’s circumstances. As the Council agrees and works through the new Continual Improvement and Recovery Plan, RAG ratings should be kept under review. We note that risk management training has been commissioned from an external provider (to be delivered in 2025/26), which is a reflection of the fact the Council knows it has knowledge gaps to address. Our prior year key recommendation in relation to the strategic risk register is retained. Historically, the Internal Audit function has been weak. There were resource constraints and the programme of work did not identify the Council’s key risks. Since 1 April 2024, a new partnership has been in place with Southern Internal Audit Partnership. Due to handover, the work for 2024/25 started late and the Annual Internal Audit Conclusion in September 2025 was that the framework of governance, risk management and control is ‘limited’. The report showed five medium priority and three high priority management actions as overdue. Finally, the Council has identified that when the programme catches up, better use of data analytics will be needed to inform which areas Internal Audit needs to focus on going forward. We raise a new key recommendation (KR4, Page 33) in relation to progressing internal audit work in 2025/26 and 2026/27.	R
	approaches and carries out its annual budget setting process	The Centros finance system was upgraded during 2024/25. The Council is intending to implement business intelligence, dashboards and communication but this was delayed due ending a shared finance team arrangement with another Council in February 2025; and due to diverting resources to focus on the best value inspection. Our prior year improvement recommendation concerning the need to maximise the reporting benefits of the new system still needs to be implemented.	A
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

Page 32

We considered how the Council:	Commentary on arrangements	Rating
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	There are inconsistencies in the financial planning reports shared with members, and some members inform us that they often find reports difficult to understand. Reports shared with members have been described by some members as contradictory, overly long, and sometimes inaccurate. Our understanding is that new templates were implemented in July 2025, supported by training for all managers involved in drafting reports. These will now need time to embed. We note that the draft accounts for 2024/25 have not yet been published. Our understanding is that commissioners have requested additional checks before publication. This is a sensible and diligent approach. We will consider the accounts when they become available and we may add additional commentary in respect of the accounts in our final Auditor’s Annual Report for 2024/25.	R

- 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

Page 33

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	On 8th May 2025, Commissioners were appointed by the government to oversee commercial decision-making and the governance and scrutiny over decision making. Enhancements to the clarity of financial reports shared with members and member training will be important steps towards moving that responsibility back to the Council. One of the workstreams in the Continual Improvement and Recovery Plan includes establishing a new steering group (or repositioning the existing steering group) to advise on improved information and communications. Member training is also planned for 2025/26. However, the best value inspection report also highlighted issues with transparency, scrutiny and challenge, which also need to be addressed. The Council operates a committee system for decision-making. The government did announce that legislation is going to be introduced to require all councils to move to a Cabinet and Leader governance model, with the timescale for this to be confirmed. Our Auditor’s Annual Report for 2023/24 had already recommended that the Council review the committee system. We understand that Internal Audit work on decision making is currently underway but not yet concluded. We have been informed that this will include a review of committees. We note that when the Council decided to give KGE Ltd financial support in July 2024, the Council’s s151 officer was Chair of the Board for KGE Ltd. Commissioners have questioned whether this decision to provide KGE Ltd was in the Council’s best interests. Although the s151 officer no longer acts as Chair, there is at present no Shareholder Panel in place for the subsidiary undertaking. Our prior year key recommendation in relation to governance and oversight arrangements for the company is retained. The Council needs to assess arrangements to avoid future actual or perceived conflicts of interest for the subsidiary and to ensure that the Council conforms to best practice.	R

- 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

Page 34

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	In 2024/25, there were allegations made by officers in relation to bullying by the Leader, and real or perceived conflicts of interest on a procurement exercise. The former was investigated, and Standards Sub-Committee hearing took place. An internal investigation in respect of the latter concluded that there was no case to answer, but that there were learning points for conflicts of interest management for procurement. We note that an independent review of the hearing process is now underway. It is expected to focus on the arrangements for the hearing process rather than its findings and conclusions. We will consider outcomes from the independent review as part of our audit for 2025/26. Internal Audit have reported non-compliance with contract standing orders (in Draft Final findings shared with the Audit Committee on 25th September 2025). It will be important that updated procedures and training are agreed to prevent this happening again. We raised a key recommendation last year noting weaknesses in arrangements for procurement and contract management. For example, in respect of 2023/24, we reported that poor performance dating back to 2021 on a support services contract at a hostel took until January 2024 to be reported to Committee. The contract was terminated at the end of 2024/25 and the accommodation support services have been insourced. A new Procurement Board has been set up and held its first meeting on 28th March 2025. It will take time for the Board to fully embed any changes it decides to drive through. As the Procurement Board needs time to establish itself and as the Council has already acknowledged the need to learn lessons around conflicts of interest for procurement, our key recommendation for 2023/24 is deemed as having still applied for 2024/25.	R

- 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

Significant weakness identified in relation to governance

Key finding: Best value inspectors reported that the Council's internal audit function has historically been inadequate. They noted historic failures to identify major risks and their associated required actions; lack of experience in commercial investment and technical finance; and lack of resources, especially considering other responsibilities the function had for risk management. The Council entered a new internal audit partnership from 1 April 2024, to bring in new resources and expertise. However, progress with the programme has been delayed (in part because of resources diverted to deal with the best value inspection), and where 2024/25 reports have concluded with limited assurance, there are management actions overdue. Internal Audit do not expect to issue their annual report for 2024/25 until September 2025, although they have indicated that management can expect a limited assurance opinion overall for 2024/25. The Council has itself highlighted that work is needed to develop data analytics that can inform the Internal Audit programme of work going forward. The Internal Audit plan for 2025/26 has already been prepared, but options for using analytics could be considered for 2025/26.

Evidence: Best value inspection report; interviews with officers and members; internal audit plan for 2024/25 and 2025/26; internal audit progress reports.

Impact: Reduced control and insight from the internal audit programme of work.

Key recommendation 4

KR4: Progress with delivery of the Internal Audit programme for 2025/26, and implementation of management actions identified by Internal Audit, should be monitored carefully. During 2025/26, the Council should refine data analytics to inform internal audit planning for 2026/27.

Improving economy, efficiency and effectiveness – commentary on arrangements

Page 36

We considered how the Council:

Commentary on arrangements

Rating

evaluates the services it provides to assess performance and identify areas for improvement

Following a KPMG Public Interest Report in 2022 on the Council's programme of investments, the Council created a Commercial Assets Sub-Committee which has been meeting every month since July 2024. The committee reviews investment property updates, and the investment property risk register and business plans.

Concerns around culture, relationships, decision-making, savings and transformation have been expressed since February 2023 by the LGA Corporate Peer Challenge, CIPFA, and the external auditors (Grant Thornton). The Council developed a Consolidated Action Plan with more than 250 lines of improvements; and is now working with Commissioners to agree a Continual Improvement and Recovery Plan, which will be more streamlined and easier to monitor. As previously noted, the draft Continual Improvement and Recovery Plan is based around 10 themes; includes just over 50 areas of key activities; and is supported by key performance indicators and risk mitigation plans. It will be important now that effective monitoring is introduced.

Start and end dates for actions on the Plan have not yet been agreed. The Plan is expected to be finalised in September 2025. In March 2025, best value inspectors commented that “member/ officer relationships are poor”. Members and officers will need to work collaboratively to deliver the Improvement and Recovery Plan once it is finalised and demonstrate that the Council is leading and overseeing its improvement journey.

With over 50 key activities for improvement having been identified in the draft Continual Improvement and Recovery Plan, we consider that there were significant weaknesses in the arrangements for 2024/25. We raise a new key recommendation (KR5, page 37) highlighting that members and officers need to work together to achieve the required improvements.

R

- 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

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Our Auditor's Annual Report for 2023/24 included a key recommendation on improvements needed to arrangements for corporate performance monitoring. The recommendation noted that quarterly monitoring to the Corporate Policy and Resources Committee (CPRC) or Full Council needed to be introduced. A refined set of 32 new key performance indicators was developed as a result - with new arrangements for a mixture of quarterly and annual reporting to relevant committees. The Council is also now subscribing to new benchmarking data. These are encouraging steps. Our prior year key recommendation for 2024/25 is retained while the new arrangements are being embedded, but the indications of improvement for future years seem positive. We will revisit progress as part of our value for money work for 2025/26.	R
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	Best value Inspectors noted good examples of the Council working well with residents, police and NHS partners for the achievement of shared place objectives. We note that Surrey councils have so far not agreed their preferred model for local government reorganisation, although we understand that opportunities for co-operation in the run up to reorganisation are still being explored by s151 officers. In March 2025, best value inspectors reported that some other Councils have found Spelthorne "painful and difficult" to work with on shared infrastructure projects in the past. Work within the Council so far (for example setting up a Reorganisation Board) suggests a positive approach to the changes resulting from reorganisation. One of the Council's highest profile partners is its subsidiary company, KGE Ltd, which was set up to provide (continued on next page...)	R

- 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

Page 38

We considered how the Council:	Commentary on arrangements	Rating
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 (continued)	(...continued from previous page) affordable housing. A decision by the Council to withdraw from housing development in October 2023 has had some impacts on the KGE Ltd business model in 2023/24 and 2024/25 by making it harder to source the affordable housing. At the same time, the Council has experienced rising demand for temporary accommodation, suggesting that the demand for affordable housing is not being adequately met. A task and finish group was created in January 2025 for the Council to review how its housing relationship with KGE Ltd should best function going forward. Key recommendations from 2023/24 around the subsidiary undertaking still apply for 2024/25.	R
commissions or procures services, assessing whether it is realising the expected benefits	 Our prior year Auditor’s Annual Report for 2023/24, noted weaknesses in procurement and contract management. For example, in respect of a hostel. We note that the hostel accommodation support services contract we reported on has since been insourced. However, as the Procurement Board was set up at the end of the year and needs time to establish itself, and as the Council has already acknowledged the need to learn lessons around conflicts of interest for procurement, our key recommendation for 2023/24 are still applied for 2024/25.	R

- 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

Significant weakness identified in relation to governance

Key finding: A formal copy of an Improvement and Recovery Plan is expected to be shared with Full Council in September 2025. Under the Commissioners, the Plan will be overseen by a new Improvement and Recovery Board. Members and officers need to work collaboratively to deliver the Improvement and Recovery Plan once it is finalised – so that in time, the improvement journey can be led and overseen by the Council itself.

Evidence: Draft Continual Improvement and Recovery Plan; interviews with Commissioners and officers.

Impact: New plan for improvement needs to be finalised and embedded so that it can formally start to be progressed. Members and officers need to work together to make this a success.

Key recommendation 5

KR5: Members and officers need to work collaboratively to deliver the Improvement and Recovery Plan once it is finalised, and demonstrate that the Council is leading and overseeing its improvement journey.

05 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

Page 41

Prior Recommendation		Raised	Progress	Current status
KR1	The Council should ensure that : 1. all financial reports that are relevant to decisions regarding short-term and medium-term planning are accurate and consistent. It should also ensure that the root causes of budget growth are identified and explained to members to ensure accuracy of financial plans. 2. urgently review the options for the suspended housing projects and assess the impacts for KGE. 3. a sustainable business plan for KGE is approved. (Continued on next page)	2023/24	Members still report difficulties in understanding reports. A task and finish group has been set up to consider future options for KGE Ltd. Between now and local government reorganisation, business plans still need to be kept up to date and business cases should be used if any additional financial support is needed. Decisions made around the approach to KGE Ltd should be mindful of the fact that a different approach may be taken towards housing provision after local government reorganisation has taken place in Surrey.	Retained

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status
KR1 Cont'd	(continued from previous page) 4. a sustainable plan for the sinking funds reserve is approved which is a complete model, drawing in expertise as required to give confidence in the underlying assumptions in the model. 5. robust plans are approved to address the medium-term budget gaps and to reinstate its transformation programme as a matter of urgency.	2023/24	The Council recently refreshed the Sinking Fund model. However, best value Inspectors have noted issues with the data, and we recommend that it be visited again as new and clearer data becomes available. A new workstream for Transformation is also included in the Improvement and Recovery Plan. However, start and end dates have not yet been agreed for the key activities.	Retained

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status
Page 43	KR2 The Council should ensure that the Financial Reporting Working Group is appropriately resourced to enable it to quickly provide guidance and training to officers in report writing. If necessary, appropriate training should be given to report writers. The Council should consider whether a follow-up internal audit of the implementation of the Committee system should be undertaken and in particular to consider the effectiveness of scrutiny and the timeliness of decision making.	2023/24	Templates have been introduced (July 2025) but time will be needed to embed. An internal audit review of governance arrangements for decision making (including across committees) was included in the Internal Audit plan for 2025/26. This was underway, but had not yet concluded, at the time we completed fieldwork	Retained
	KR3 The Council should review its Strategic Risk Register to consider risks arising from previous external scrutiny reports as well as procurement and ensure that risks and mitigations reflect the latest position with regard to actions taken. In addition, the Council should ensure that those dates are only exceeded by exception and adequate explanations for delays are recorded. The Commercial Assets Sub Committee forward plan should also be updated to include reviews of the investment portfolio risk register.	2022/23	In May 2025, a refreshed corporate risk register was shared with the Audit Committee. One new risk subject area had been created: Responding to External Audit Recommendations. This was later amended to include responding to the best value inspection. However, risks around commercial property, debt and investments have not been RAG rated Red.	Retained As the Council agrees and works through the new Continual Improvement and Recovery Plan, RAG ratings should be kept under review.

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status
Page 44	KR4	The Council needs to urgently assess the governance and oversight of KGE Ltd in order to avoid conflicts of interest and to conform to best practice.	2023/24	Retained For 2024/25, we also now note that decisions made in relation to the approach to KGE Ltd should be mindful of the fact that a different approach may be taken towards housing after local government reorganisation has taken place.
				By the end of July 2025, there remained just one officer and one member on the Board of KGE Ltd. The Council has set up a task and finish group to review arrangements for governance and conflicts of interest at KGE going forward. The group is relatively new (terms of reference were agreed in January 2025) and the task and finish group has not yet reported back to the CPRC. This work is therefore in progress.

Follow up of 2023/24 Key recommendations

Page 45

Prior Recommendation		Raised	Progress	Current status
KR5	The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Corporate Policy and Resources Committee or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council’s strategic priorities. A robust performance management framework should clearly set out the approach required	2023/24	The intention is that quarterly reporting to CPRC will now be introduced. However, a quarterly report had not yet been produced at the time we completed our work.	Retained
KR6	The Council needs to implement a system of review and monitoring of all action plans arising from external reviews. Appropriate updates should be provided to the Audit Committee on a quarterly basis.	2023/24	The Council has now developed with the Commissioners a draft Continual Improvement and Recovery Plan which has 10 workstreams of improvement, each supported by specific key activities. An Improvement and Recovery Board has been set up to oversee the workstreams, however, start and end dates for actions are still being agreed. A formal copy of the Improvement and Recovery Plan is expected to be shared with Full Council in September 2025.	Superseded (by KR5, page 40). Members and officers need to work collaboratively to deliver the new Improvement and Recovery Plan once it is finalised

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status
KR7	The Council should ensure that the necessary changes to procurement and contract management arrangements are put in place to ensure that efficiencies and economies are maximised. The Council should also ensure that suitable performance metrics including regulation/rule breaches and contract waivers are introduced with reporting through to the Audit Committee on a quarterly basis.	2023/24	There were allegations in 2024/25 around perceived or real conflicts of interest in the procurement process. An investigation found that there was no case to answer but there was learning to implement. A new Procurement Board has been set up and held its first meeting on 28th March 2025. However, it will need time to establish itself.	Retained

06 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 Status
IR1	The Council should ensure that it effectively utilises benchmarking to identify how its costs of services compares to similar Councils.	2023/24	Work to address this point is now covered in the Continual Improvement and Recovery plan. There are now key activities being set up under the Commissioners to introduce a co-ordinated approach to learning from other local authorities, including practice visits and learning conversations.	CLOSED
IR2	The Council should ensure the financial implications of the strategies are clearly set out when the strategies are being approved.	2023/24	Our recommendation was issued in February 2025. Since that date, one new Strategy has been presented to Full Council for approval: The new Counter Fraud, Bribery and Corruption Strategy, discussed at Full Council on 17 July 2025. The papers included a section on financial implications of the new strategy, stating that "resources are required to implement and carry out any necessary preventative/detection/investigatory work which places constraints on the existing budgets". Evidence therefore indicates that our improvement recommendation has been actioned.	CLOSED

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation		Raised	Progress	Current Status
IR3	The Council should undertake a self-assessment of its Audit Committee arrangements in accordance with CIPFA guidance.	2023/24	On 10th July 2025, the Audit Committee was asked to approve commencing a Self-Assessment review of the Committee and associated arrangements against CIPFA Guidance and checklist and broader best practice for Audit Committees.	CLOSED
IR4	The Council should further review the implementation of the Centros financial system to ensure that all anticipated benefits are being maximised and if not identify the root cause for this to enable improvements to be made for future budget setting and use of the system by members and officers.	2023/24	The Centros system has been successfully implemented in terms of the upgrade from Integra. The next step is to implement business intelligence, dashboards and communication - this has been delayed by at least 12 months due to change of arrangements with another Council and the need to switch resources to respond to the best value inspection.	Retained, but in progress

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation		Raised	Progress	Current Status
IR5	The Council should closely monitor progress with the Internal Audit Plan for 2024/25 and ensure that the service continues to adhere to PSIAS standards.	2023/24	An external provider of internal audit services was engaged for 2024/25. The programme of work started late and is not yet complete; and there are management actions overdue in areas where limited assurance was provided by Internal Audit. We raise a new key recommendation for 2024/25.	Superseded (by KR4, page 30).
IR6	The Council should ensure that the financial and non-financial performance of its partnering arrangements with key partners are regularly monitored to ensure the arrangements continue to achieve value for money. The Council should also ensure that the impacts on partnering arrangements are considered when making financial decisions.	2023/24	The Council is now preparing for reorganisation in Surrey. This includes setting up a Reorganisation Board in the year, which has now also merged with the Council's Transformation Board. Separately, a task and finish group has been set up by the Council to consider arrangements for the Council's partnership with KGE Ltd. New arrangements with all partners are likely to evolve as the structure of reorganisation for Surrey becomes clear.	CLOSED



© 2025 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank