

# Auditor's Annual Report on Runnymede Borough Council

2023/24 – Finalised Report

29 May 2025 (18 March 2026 final)



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

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



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

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# Executive summary



## Value for money arrangements and key recommendation

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2023/24 Auditor judgement on arrangements
Financial sustainability	Risk of significant weakness around financial sustainability identified at audit planning stage.	R Significant weakness in arrangements for financial sustainability identified. One key recommendation and two improvement recommendations made.
Governance	Risk of significant weakness around risk management identified at audit planning stage.	R Significant weakness in arrangements for preparing unaudited accounts identified. Also, arrangements for subsidiary companies could be strengthened. One key recommendation and one improvement recommendation made.
Improving economy, efficiency and effectiveness	No risk of significant weakness identified at audit planning stage.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.

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



## Audit progress

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place. Your previous external auditor is yet to issue an Auditor's Annual Report for 2019/20, 2020/21, 2021/22 and 2022/23. Therefore, we have had to produce our commentary without knowledge of the outcome of the Value for Money work for prior audit periods.

We also have brought to this meeting our letter to those charged with governance confirming the conclusion of the 2023/24 audit and the application of the local authority backstop. The authority published its unaudited accounts on 27 February 2025. As discussed with your Assistant Chief Executive (S151 ) and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2023/24 by the statutory backstop date. We therefore propose to issue a "disclaimer of opinion". In plain terms, a 'disclaimer of opinion' means we have been unable to form an opinion. We will only be able to issue the disclaimed opinion on the 2023/24 Statement of Accounts once the following steps are completed:

- your previous auditor has issued their opinions on the 2019/20 to 2022/23 Statement of Accounts; and
- the Standards and Audit Committee approves the 2023/24 group accounts.



## Best Value Notice

On 19th December 2023, the government issued a Best Value Notice to Runnymede Borough Council, outlining concerns that the Council had borrowing 71 times its' core spending power on 31 March 2023; and commercial income represented a substantial revenue source for the Council and was being used to support core as well as discretionary services.

The Council's borrowings and commercial income are considered within our report. The Council took a proactive approach to the Best Value Notice, including engaging an LGA Corporate Peer Challenge; agreeing an Action Plan in response to the Corporate Peer Challenge; and publishing both the Challenge report and its associated Action Plan. On 19th December the government informed the Council that Best Value Notice would not be reissued.



## Recommendations

In all, we raise two Key Recommendations and six Improvement Recommendations. For context, it should be remembered that there has been no previously completed value for money work under the new Code. We thank officers for their co-operation with our audit process.

# Executive summary (continued)



## Borrowings and commercial income

The Council estimates that on 31 March 2024, its investment property portfolio was valued at £354.6 million and the external debts underpinning that portfolio were valued at £627.6 million. The Department for Levelling Up, Housing and Communities (DLUHC) made a series of recommendations in December 2023 around managing the risk this represents. The Council adopted thirteen workstreams to report against by December 2024. There were eight core workstreams for the Best Value Notice Programme and five inter-dependent workstreams running alongside the best value notice response (service reviews, savings and efficiencies, productivity plans, audit backlog and review of the corporate business plan). On 19<sup>th</sup> December 2024, the Ministry for Housing, Communities and Local Government (MHCLG) informed the Council that it would not be renewing the Best Value Notice for 2025, in view of the proactive approach the Council had taken. MHCLG recognised the improvement journey the Council had already placed itself upon, although it also noted quarterly reporting will still be required.



## Financial sustainability (and financial governance)

Financial pressure on the Council is expected to increase significantly in the medium term. By 2028/29, the Council estimates that the General Fund balance could have fallen to a negative figure of minus £3.6 million without mitigation from savings plans. At the same time, the Housing Revenue Account Reserve may have fallen to £6 million. We raise a Key Recommendation on Page 6 around the need for scenario modelling and detailed monitoring of outturn on savings schemes. It will be important that the Council explores all options for strengthening financial resilience. We also raise two Improvement Recommendations around consultation and the capital programme. See Pages 16 and 17 for more detail.



## Governance

The Council has not complied with government backstop deadlines for publishing audited accounts. We identify a significant weakness around accounts preparation, and we raise one Key Recommendation on Page 8. Risk management arrangements were revised in 2023/24. There remains scope for strengthening arrangements for companies. We raise one Improvement Recommendation on Page 21.



## Improving economy, efficiency and effectiveness

Our work has not identified evidence of significant weaknesses within the arrangements for improving economy, efficiency and effectiveness. However, we have identified three areas where the Council could improve arrangements and as such, have raised three improvement recommendations surrounding corporate key performance indicators; a housing services contract; and procurement waivers. See Pages 25 to 27 for more detail.



At the time of writing this report (May 2025), the last audited year of account for Runnymede Borough Council was 2018/19. Similarly, there has been no value for money work completed since 2018/19.

We have reported the status of the 2023/24 financial statements audit on the previous page. We will be issuing a 'disclaimer of opinion' once the Standards and Audit Committee have approved the 2023/24 Statement of Accounts, and once your previous auditor has issued their opinions on the 2019/20 to 2023/23 Statements of Accounts.

We note that the Council reported progress against the key recommendation in Financial Sustainability and the six improvement recommendations to the Standards and Audit Committee meeting on 30 January 2025. As these actions have been implemented and reported on in the 2024/25 financial year, we will comment further on your progress in our Auditor's Annual Report 2024/25.

# Use of auditor's powers

We bring the following matters to your attention:

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## 2023/24 Findings

### Statutory recommendations

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

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

### Public Interest Report

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

We have not issued a public interest report.

### Application to the Court

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

We have not made an application to the Court.

### Advisory notice

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

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

We have not issued any advisory notices.

### Judicial review

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

We have not made an application for judicial review.

# Key recommendations

## Key Recommendation 1

For future years, detailed scenarios for investment property income returns should be included in the medium-term financial plan

On an ongoing basis, regular information around progress with savings schemes would be helpful. As the savings programme moves into the “Determine” stage, clear reporting on savings achieved should be included in budget monitoring reports to the Corporate Management Committee.

We understand that the Council is already considering making changes along these lines.

## Identified significant weakness in arrangements

The Medium-Term Financial Strategy for 2024/25 to 2028/29 did not include scenario modelling for changes in investment property income. Given the downwards trajectory of general fund working balances, stronger scenario modelling will be an important tool for managing risk.

Effective savings plans will be important for the Council as it seeks to reduce its dependency on commercial property income. Budget monitoring reports do not at present include a section for progress with savings plans.

## Summary findings

Weaknesses in arrangements for preparing the medium-term financial strategy and for managing savings schemes.

## Criteria impacted by the significant weakness



Financial sustainability

## Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We have therefore identified a significant weakness in arrangements.

The range of recommendations that external auditors can make is explained in Appendix B.

# Key recommendations

The range of recommendations that external auditors can make is explained in Appendix B.

## Management comments

The Medium-Term Financial Strategy (MTFS) presented to Corporate Management Committee in December 2023, included three different scenarios for the financial forecast over the period 2023/24 to 2028/29. These scenarios included varying assumptions about income levels, inflation and government funding streams, the potential for additional borrowing and the level of in-year and annual budgetary growth that might be approved in any of the years of the forecast. The narrative of the report further developed these scenarios by setting out the factors considered in each and the overarching financial risks facing the Council. It is this combination which then informs the strategic action plan set out at Appendix 5 of the Strategy document. The Council recognises that a large proportion of its income stems from its investment property portfolio and that this carries some inherent risk. As part of its risk mitigation measures, the Council supports this major income stream through the use of two reserves which support both the maintenance of its property assets, ensuring that commercial property is maintained in a lettable condition, and through an income equalisation fund which allows for rent incentives to be provided for new tenants or to cover void periods, for example. It also maintains a provision for doubtful debts including anticipated bad debts within its property portfolio. The income forecast contained in the Medium-Term Financial Forecast is built up from detailed data on current lease terms including rent reviews and expected break periods and projected commencement of any new leases. It also assumes a level of bad debts and void over and above that reflected in the provisions mentioned above. This means that the estimate is a prudent one reflecting its cautious risk appetite in this area.

However, this information, and scenario modelling to show the effect of changes to these assumptions, is not currently included in the MTFS in detail. The Council recognises the importance of this income stream and the need to improve scenario modelling for both the income stream itself and the sinking funds which support it. This modelling will build on the Council's current processes and will aid understanding of the level of risk it is holding and whether the mitigation measures in place are sufficient. The Council is currently working with DLUHC to develop an appropriate modelling methodology with support from engaging with the Local Government Association's Finance Improvement and Sustainability Adviser, to assist with the development of this scenario modelling.

In respect of reporting progress against savings plans, a report was considered and approved by Members during 2023/24 which ensured that progress would be reported to the Overview and Scrutiny Select Committee, thereby giving an additional level of check and challenge rather than reporting through the Corporate Management Committee (CMC) who receive all of the key financial reports. The current budget monitoring reports which are considered by CMC include a detailed analysis of the key variances reported against budgets during the year and so will naturally include savings as they are delivered. It should be noted that the 2024/25 budget provides a contribution to reserves so does not have any specific savings requirement; however, it will be important to progress savings in year so that the full year effect of these savings can be felt in the following year/s as required. The budget monitoring reports currently include a table to show how the variances against the current year's budget will affect the medium-term forecast and this can be developed to include projections of savings. Savings will only be included in monitoring and future budget setting once they are reasonably certain of delivery, thus taking a cautious and prudent approach to the reporting of savings rather than including stretch targets or schemes without clear business cases, which may not ultimately be achievable.

In conclusion, the Council recognises that additional modelling around investment income would be beneficial to the MTFS and is already committed to reviewing not only the modelling of the investment property income but, as importantly, the level of funds to hold in the two sinking funds that support this key income stream (for repairs and maintenance and for income equalisation). This aligns with the Council's commitment to respond to recommendations within the CIPFA capital assurance review of July 2023.

Savings plans are being reported to the Overview and Scrutiny Select Committee and budget monitoring reports already contain this information within the variance analysis. Management is, however, happy to further develop the monitoring reports moving forwards.

Given the Council's detailed response to the non-statutory Best Value Notice it received in December 2023, and the already existing Service Review Programme and Savings, Efficiencies and Income Generation Programme, alongside its commitment to respond to the recommendations in the CIPFA report, Management feel that the Council is continuing to demonstrate its commitment to continuous improvement and to secure economy, efficiency and effectiveness in its use of resources. Much of this key recommendation from the auditor is either already in place or actively being progressed.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

# Key recommendations

## Key Recommendation 2

The Council should put arrangements in place to ensure that 2024/25 unaudited accounts (and the unaudited accounts for future years thereafter) are published annually in line with government deadlines, starting with 30 June 2025.

## Identified significant weakness in arrangements

Weakness in meeting statutory deadlines for publication of unaudited accounts. This in turn impacts on ability to meet statutory deadlines for audited accounts.

## Summary findings

Non-compliance with new government deadlines for statutory accounts and audit processes.

## Criteria impacted by the significant weakness



Governance

## Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to publish unaudited accounts within statutory deadlines.

## Management comments

The 2023/24 deadline for accounts preparation was missed due to a combination of factors which caused additional workloads for the accountancy team at a time when they were carrying several staffing vacancies. The appointment of new staff in the autumn coincided with the discovery of issues with the Council's Asset Management system which took longer to resolve than anticipated. These were all factors that should not be replicated going forward and based on previous history, the Council should be able to meet its future accounts publication deadline with the plans and timetables already in place for 2024/25.

The range of recommendations that external auditors can make is explained in Appendix B.

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

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

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

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

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Corporate Management Committee and other committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Standards and Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including government
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 13 to 27.

# The current LG landscape



## National context

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

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

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

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

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report. In October 2024, the Autumn Budget included measures that are expected to provide a 3.2% real-terms increase in total local government core spending power next year (2025/26).



## Local context

Runnymede Borough Council's boundaries are in North-West Surrey. They encompass nearly 8,000 hectares of land and the homes of around 89,400 people. About 78% of the area is Green Belt.

Runnymede borders with five neighbouring local authorities and is close to London and Heathrow Airport. The M25 motorway runs through the borough from north to south and the M3 motorway runs through the borough from west to east.

Council data shows that most people living in Runnymede were born in the UK (83.1%) and the language spoken by most people living in Runnymede is English (91.1%). However, there is significant diversity among the residents not born in the UK – with countries of birth including India (1.2%), United States (1.1%), South Africa (1.0%), Ireland (1.0%), China (0.8%), Philippines (0.7%), and South America (0.4%).

The average age of people in Runnymede is 35-39 years. However, there are more people in Runnymede of 20-24 years than any other age group. In 2019 the working age population (16-64 years) was estimated at 58,700 persons (65.7% of the population). This was a higher percentage than the South-East scored (61.2%) and the whole of Great Britain scored (62.5%).

Runnymede ranks as the 61st least deprived out of 317 local authorities. Median house prices are around 60% higher than the median for the rest of England.

Runnymede is home to the Magna Carta Memorial. This marks the spot where King John met a group of barons on 15th June 1215 and signed the Magna Carta, a world-famous document widely accepted as the first constitutional basis of modern democracy.

# Borrowings and commercial income



## We considered how the Council:

- Approaches borrowings and commercial income;
- Is responding to findings from CIPFA and DLUHC.

## The Council's approach to borrowing and commercial income

On 19th December 2023, DLUHC issued a Best Value Notice to Runnymede Borough Council, outlining concerns that:

- The Council had borrowing 71 times its' core spending power on 31 March 2023; and
- Commercial income (mainly from an investment property portfolio built up using borrowing) represented a substantial revenue source for the Council and was being used to support core as well as discretionary services.

The risks associated with the Council using commercial income as a revenue source to fund services were first highlighted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in a capital assurance review in July 2023. They surround the risks that the Council may:

- Be unable to maintain income streams if property leases are not renewed when they end (more than half of all leases are due to end within 15 years);
- Incur repair costs that are hard to quantify over the medium term;
- Need to make increased minimum revenue provision as loans approach maturity (all but £40 million of the loans are fixed term loans repayable on maturity); and
- Define the precise governance of Council companies.

CIPFA estimated that some 42% of all Council income in 2021/22 came from the commercial property portfolio. The Council has estimated that debts of some £474.9 million were financing that portfolio.

	Data from the unaudited financial statements		
	31 March 2022 £ million	31 March 2023 £ million	31 March 2024 £ million
Total Borrowings	653.7	627.5	627.6
Fair value of the investment property portfolio (Of, which, estimated as funded by borrowings)	552.8 (474.9)	539.6 (474.9)	354.6 (475.1)

	2021-22 Unaudited £ million	2022-23 Unaudited £ million	2023-24 Unaudited £ million
Investment property income	24.9	26.2	25.6
Estimated gross income yield	4.8%	5.1%	7.89%
Minimum revenue provision	3.4	3.8	3.8
Financing costs	10.6	11.3	11.4

# Borrowings and commercial income (continued)

CIPFA did highlight that the Council's approach towards borrowing for investment is "mature." The Council was reporting at the time of the CIPFA review that it generated an annual surplus from investment properties (income exceeded minimum revenue provision and financing costs).

The Council had also built-up unallocated reserves as a sinking fund to off-set revenue and repairs risk; was developing a savings programme to reduce dependency on commercial income; and was exploring debt rescheduling.

However, CIPFA recommended that the Council take steps to quantify exactly how much it needs to add to the sinking fund to provide for revenue and repairs risks; and that it strengthen its approach towards risk management, scenario testing, and oversight.

At the start of 2023/24, the gross fair value of the investment property portfolio was £539.6 million. We note that some 38% of the investment property portfolio (by value) is located out of borough.

Officers have informed us that the last out of borough investment was made in March 2020 but the purchase on that date was made with a specific purpose (to fill lost income during demolition and reconstruction works on regeneration properties) rather than for profit and that the property was less than ten miles outside the borough boundary and within a thirty-minute drive.

Valuations for 31 March 2024 were not available at the time we completed our work. However, Council data shows that the total value of investment property fell in 2022/23 (from £552.8 million to £539.6 million) and in 2023/24 (from 539.6 million to £354.6 million), in part because of reduced demand for space from renters. We note that the high value of the property portfolio and its associated debt means that fluctuations in valuations and/ or in minimum revenue provision calculations could have a significant impact on the Council in future years.

DLUHC set out a series of requirements for the Council in December 2023. These surrounded:

- Reducing and managing the overall size of the Council's debt;
- Commissioning an external review of governance;
- Strengthening the approach towards scenario planning, risk appetite, decision-making, and monitoring performance; and
- Strengthened leadership, culture, capacity and capability.

The put a programme of work in place for responding to DLUHC. The programme covered thirteen workstreams and was overseen by a Programme Board, which a representative from DLUHC attended. The Programme Board worked to a Programme Charter.

An LGA Corporate Peer Challenge was undertaken in October 2024 under one of the workstreams. Its findings and an Action Plan were shared in public papers with the Standards and Audit Committee on 28th November 2024.

On 19 December 2024, the Ministry of Housing, Communities and Local Government (MHCLG) informed the Council that the Best Value Notice would not be reissued. MHCLG recognised the Council's work to deliver against the key recommendations from CIPFA's capital review, including formalising a moratorium on new commercial investment; developing its approaches to risk and investment reporting; and improving officer capacity and capability. MHCLG noted that they were pleased with the external scrutiny that the council had invited in, and with the Council's commitment in publishing the LGA Corporate Peer Challenge findings and a corresponding action plan at pace (in November 2024), ahead of the expiry of the Best Value Notice (in December 2024).

MHCLG stated that they expected the Council to continue leading its own improvement journey, whilst updating MHCLG on at least a quarterly basis for the time being. Overall, the decision not to renew the best value notice demonstrates that MHCLG was satisfied that the programme of work delivered during 2024 provided sufficient assurance to demonstrate that the Council is currently fulfilling its Best Value duty under the Local Government Act 1999.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.
- Sets and monitors budgets (financial governance).

## Short and medium-term financial planning

### 2023/24

There are no significant weaknesses in forecasts for 2023/24.

Runnymede Borough Council was forecasted a small overspend on the General Fund revenue account of £1.6 million but the closing balance on the General Fund reserves on 31 March 2024 was forecast to be £20.3 million, leaving no immediate concern for the short term.

The Council forecasted a small surplus on the Housing Revenue Account of £0.9 million, with a forecast closing balance on the Housing Revenue Account of £35.7 million. Again, there was no immediate concern for the short term.

### 2024/25 and later years

The Council's medium term financial strategy for 2024/25 to 2028/29 indicated that financial pressure on the Council's General Fund is going to increase in the next five years.

A combination of inflation, changes to expected business rates income, future reductions in interest rates leading to lower interest received on investments and increasing provision for repayment of debt, mean that General Fund working balances are expected to fall from £19.6 million on 31 March 2025 to £12.9 million by 31 March 2027. By 31 March 2029, the Council forecasted it will have a negative General Fund working balance of minus £3.6 million before the inclusion of proposed savings initiatives is factored in. At the same time, two new affordable housing projects that the Council plans to embark upon (if it can secure grants from Homes England) were forecasted to have reduced the Housing Revenue Account reserve to £6 million by 2028/29.

Forecast in Medium term financial strategy, January 2024	General Fund working balance (before savings schemes) £ million
General Fund working balance on 31 March 2025	19.6
General Fund working balance on 31 March 2027	12.9
Excess General Fund over minimum balance of £5 million - 2028	0.7
Shortfall General Fund (under) minimum balance of £5 million - 2029	(3.6)

The Council's Medium Term Financial Strategy received and approved by the Corporate Management Committee in January 2024 did include some modelling for different scenarios in its General Fund estimates, to reflect the impact of possible changes in assumptions for the General Fund. However, given the negative trajectory of reserves, and the wider risks the Council faces around its borrowing and investment strategies, we recommend that for future years, detailed scenario modelling for investment property income returns is included in the medium-term financial plan. **(Key Recommendation 1, Page 6).**

# Financial sustainability (continued)

## Savings schemes

In July 2023, the Council adopted a process for identifying and approving proposed savings and efficiencies. This included the re-start of a former Service Review Programme. A Service Transformation Reserve was created with an investment of £1 million for pump priming new savings schemes (£195,000 committed or earmarked against projects by March 2024).

Savings were proposed by officers working in service areas and approved by Committees with relevant operational portfolios (such as the Housing Committee). The approved savings were absorbed into the revenue budget and, from there, reflected in the medium-term financial plan for 2024/25 onwards.

From our review of budget monitoring reports shared with the Corporate Management Committee in the second half of 2023/24, we noted that there was no section in the budget monitoring reports for reporting progress with the savings plans. Instead, progress with savings was monitored by the Overview and Scrutiny Committee.

For 2023/24, the Overview and Scrutiny Committee met six times. It reviewed arrangements for savings and savings progress at the last meeting of the year (March 2024). The Committee noted that there is an Action Tracker for tracking milestones and noted the value of savings absorbed into the medium-term financial strategy. However, granular data covering savings achieved against those planned for was not included.

As savings will be important to Council plans for financial sustainability going forward, regular information about progress with savings schemes after they have been removed from budget forecasts will be required. (**Key Recommendation 1, Page 6**).

## Financial planning, strategic priorities and other operational plans

### Strategic priorities

Runnymede Borough Council's strategic priorities surround: Climate Change; Empowering Communities; Health and Wellbeing; Economic Development; and Organisational Development. To meet its objectives, the Council provides a range of discretionary services over and above its core statutory duties, including, for example, a range of community

services. Discretionary services are not clearly disclosed in the Council's budget documents under current arrangements. CIPFA estimates that some 42% of all Council services are dependent on the income generated from investment properties. Clearer disclosure around what in the budget is statutory and what in the budget is discretionary may help with prioritisation should income from the investment properties ever contract. We note that during our review, we saw little evidence of external consultation with residents on the budgets for 2023/24 and 2024/25 before they were approved. With the increased profile of savings and efficiency plans and the underlying risks associated with relying on income from commercial property, this is something that the Council may wish to consider in future years. (**Improvement Recommendation 1, Page 16**).

### Capital planning

In January 2023, the Council approved a ten-year capital programme for 2022/23 to 2026/27. The programme included budgeted capital spend for 2023/24 of £44.5 million (£26.1 million General Fund, £18.4 million Housing Revenue Account). After known slippage and adjustments, the capital programme for 2023/24 is now valued at £25.7 million (General Fund) and £13.96 million (Housing Revenue Account). The capital programme includes vehicles and IT replacements and building works. Amounts spent on the capital programme are lower than the original amount approved. Latest data shared with members indicates that capital spend was £17.3 million for the General Fund and £11.2 million for the Housing Revenue Account.

Council data shows that 2023/24 underspends were largely caused by final commercial lettings on properties taking time to agree – meaning delays to the dates that commercial tenants would move in – meaning delays to the timing of required capital works. However, another underlying issue may also affect the capital programme going forward. The Council recently committed that any capital receipt from the sale of an investment asset which was

# Financial sustainability (continued) and Financial governance

originally debt funded, will in future be used to pay down borrowing rather than as a capital receipt to fund other capital schemes.. This will reduce the Council's scope for using significant capital receipts to support the wider capital programme.

Officers inform us that the Council is planning to adopt a thirty-year capital programme so that long term plans around facilities and other projects can be fairly reflected in the capital programme. With variability noted in the results for just one year, the reliability of forecasting over thirty years will need to be considered. Over thirty years, the approach towards borrowing, asset sales and capital receipts to fund capital works that will in time become essential will also need to be considered. **(Improvement Recommendation 2, Page 17).**

## Managing risks to financial resilience

At the time of writing this report (May 2025), we were awaiting the outcome of the external financial statements and value for money audit for 2019/20. We note that any fluctuations in calculations around the minimum revenue provision or the value of investment properties and investments could significantly affect our assessment of the Council's arrangements for financial resilience.

This caveat notwithstanding, the Council does have a range of measures in place to manage the risks to its financial resilience. These include:

- Building up a repairs and renewal reserve and an income equalisation reserve as a sinking fund to manage risks associated with its holding of investment properties. CIPFA confirmed that the total value of the sinking fund on 31 March 2023 was £10.695 million. There is an intention to strengthen calculations for the size of the sinking fund using condition survey data in 2024/25;
- The Assets and Regeneration Team overseeing income and yield monitoring for investment properties - with this in turn driving disposals decisions (yield in 2022/23 was 7.1%); and
- The Council's commitment to reduce debt. A recent high-profile development in Magna Square was finished using capital receipts rather than new borrowing, for example.

In July 2023, CIPFA recommended that the Council change its approach to setting a minimum revenue provision in the run up to existing debts maturing. The Council has assessed that it is unable to move to a straight-line basis under current circumstances, given the pressure on the revenue account. However, the Council has undertaken affordability tests and is considering setting aside an additional voluntary repayment provision if outturn allows it. The Council has also committed to using the proceeds of sale from any debt funded asset to repay borrowing, potentially securing a discount on early repayment for some of its borrowing.

## Financial governance – budget setting and budget monitoring

For business as usual, the Council had appropriate budget setting and budget monitoring arrangements in place during 2023/24, although we have recommended more external consultation and increased disclosure of discretionary items for budget setting and clearer reporting on savings for budget monitoring.

With the need to make changes in response to the Best Value Notice, we note that the Council was assessing the size of the finance team. The Council's finance team had been operating with two to three vacant posts since 2022 and includes staff who are new to the sector. Current pressures on the finance team include the need to roll out new financial training for members and officers; the need to oversee the savings and efficiency programme; addressing and evidencing the address of DLUHC and CIPFA recommendations; the need to catch-up with financial statements of accounts audit; and increased regulatory requirements. Following a review of staffing in early 2024 and new post of Chief Accountant was approved and subsequently appointed to in October. Further successful recruitments both internal and external saw the finance team fully staffed at the end of 2024.

# Improvement recommendations

## Improvement Recommendation 1

The Council should consider increased external consultation around budget setting and clearer disclosure in the budget of which costs and services are statutory and which are discretionary.

## Improvement opportunity identified

Increased transparency and accountability for decisions over costs incurred and services provided at a time of growing financial pressure.

## Summary findings

In July 2023, CIPFA reported that 42% of all Runnymede Borough Council spending was dependent on commercial income from investment properties. This may not always be sustainable. External consultation and clear disclosure of what is statutory and what is discretionary may help to focus and build consensus around the need for savings and efficiency.

## Criteria impacted



Financial sustainability

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

The Council currently consults with business rate payers via a business breakfast meeting held in partnership with Business Runnymede, inviting a range of key stakeholders, partners and local business to hear and comment on the Council's annual budget plans. Given the recent change in political make-up of the Council following the last local elections in May 2024, the administration has also been invited to review the Corporate Business Plan and indicate any interim changes it wishes to make ahead of a full review when the next Business Plan is due. Management recognises that, particularly as savings plans are developed in greater detail, additional consultation with the public over the services it provides should be developed. The Council is currently working on the introduction of a citizen's panel to aid public engagement, and this may be one method by which it conducts budget consultation in the future.

Management agrees to add descriptions of services in the budget book and in budget preparation to show whether they are statutory or discretionary (or a mix of both). However, this does not presuppose that only discretionary services will deliver savings. Statutory services must also be reviewed for efficiencies and improved processes that may lead to cost savings or additional income and should not be ignored in this process.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 2

When adopting its thirty-year capital programme, the Council will need to consider the reliability of forecasting over the life of the programme. The approach towards borrowing, asset sales and capital receipts will also need to be considered.

## Improvement opportunity identified

Long term stability within the capital programme.

## Summary findings

The current ten-year capital programme has shown variances and underspends against budget. Forecasting is likely to be harder over a thirty-year period. The Council has committed to use the receipts from sale of debt funded investment assets to pay down borrowing rather than to fund new asset purchases. This may limit the Council's ability to raise capital receipts to fund other projects.

## Criteria impacted



Financial sustainability

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

It is accepted that a thirty-year projected forecast will not be an accurate financial forecast due to the many variables at play and it will be used primarily to inform decision making by ensuring future plans and projects are reviewed in light of all potential future spending commitments. Understanding the life cycle of assets, particularly short-life assets such as IT equipment, plant and vehicles, and their potential replacement costs, will help to shape the cash flow forecast of the organisation, improving understanding of the requirement for capital expenditure and for capital funding. The condition surveys currently being conducted for the Council's operational and investment properties will also help in planning costs for routine inspections and repair and maintenance schedules alongside any major capital works. Much of the funding for short-life assets and building repair and maintenance comes from revenue funding via the Equipment Repairs and Renewals Reserve or the Property Repairs and Renewals Reserve, so understanding the longer-term needs will help in ensuring these reserves receive adequate transfers each year to support future spending requirements. The thirty-year forecast will be a supporting document to the ten-year Capital Programme that is agreed annually which will help to support long-term financial planning.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## • We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

## Risk monitoring and internal control

### The Corporate Risk Register

For risk management, until 2023/24, service risk registers were escalated to the corporate risk register individually (potentially reducing consistency) and it was the corporate leadership team rather than members that reviewed the corporate risk register. This was why we identified a risk of significant weakness at audit planning stage. However, the Council took steps during 2023/24 to strengthen risk management arrangements. This included using a single team area and oversight from the Project Management Office to ensure consistency of risks escalated to the corporate risk register; and re-introducing six-monthly reviews of the corporate risk register by the Standards and Audit Committee. In response to recommendations from the July 2023 CIPFA capital assurance review, a new risk appetite statement and framework was also developed by the Council during 2023/24. Arrangements in place by the end of 2023/24 were effective.

We note that at the time of writing this report, the Council has 27 risks on its central corporate risk register. These include UK national government risks (such as severe space weather,; nuclear miscalculation in foreign countries; and technological failure in the financial markets). These risks are not within the Council's control and so arguably should be removed from the central corporate risk register. The remaining risks are more typical to what we would expect to see at a Council – for example, changes in funding for street cleaning and data collection; delays to the finance settlement; delays to the financial statements audit; and snow/ winter weather. In March 2024, Internal Audit recommended to the Council that they remove the UK national government risks from the risk register.

### The Standards and Audit Committee

The Standards and Audit Committee is the committee responsible for overseeing risk management. The Committee meets five times per annum and has ten members (including the Chair and Vice Chair). We note that none of the current members are independent, but it was agreed at the March 2024 Committee meeting that the Committee would now explore options around recruiting co-opted members. The Committee is proposing to complete a self-assessment shortly.

The Standards and Audit Committee itself identified that there is scope for increasing its profile – by making an annual report on its work to the Full Council and by taking on responsibility for final approval of the Annual Governance Statement and the Statement of Accounts (previously approved by the Corporate Management Committee). We endorse this suggestion

### Internal Audit

Runnymede Borough Council had effective internal audit arrangements in place during 2023/24. The internal audit service was outsourced to a professional services provider and was confirmed as compliant with Public Sector Internal Audit Standards. We note that a new internal audit provider has

# Governance (continued)

been engaged for 2024/25. We note that CIPFA's July 2023 capital assurance review did highlight that for 2022/23, Internal Audit spent 6 days resource on commercial property reviews and 6 days resource on commercial rent reviews. CIPFA indicated that if the risk framework is more clearly articulated, there may be scope for strengthening the link between the Internal Audit programme of work and the Council's risk profile. It was suggested that the 2022/23 total allocation of 12 days to auditing arrangements for commercial investment property could increase. We note that the new incoming Internal Auditors presented their Charter and Plan to the Standards and Audit Committee in March 2024. The plan shows that 195 days of work are planned and that risks informing the work include government requirements around debt; ability to meet income generation scheme targets; and economic volatility and uncertainty

## Making informed decisions

We did not identify any significant weaknesses in arrangements for decision-making in 2023/24, but we note an Improvement Recommendation around subsidiary companies.

The Council's Constitution sets out how decisions are made, and the procedures followed to ensure decisions are efficient, transparent and in accordance with the law. The Council operates a Committee system of governance. The Council issues and keeps up to date a record of which Committees, subcommittees, and Officers have responsibility for particular types of decisions or decisions relating to particular areas or functions.

Neither CIPFA nor DLUHC identified any specific weaknesses around the Council's decision-making process. However, we would note that CIPFA did recommend the Council take steps to locate property and investment issues more conspicuously within the committee system; and define the precise governance of the Council companies.

At the time we completed our testing (May 2024), the Council was planning a review of governance over companies; and of operational decisions being made in corporate interests. Directors of the boards of the subsidiary companies include both officers and members. This

can undermine the actual and perceived independence of decision-making in company and Council interests. CIPFA has highlighted the importance of striking the right balance between council influence and excessive control. Runnymede Borough Council should consider whether appointing Council members or officers to the board helps with managing conflicts of interest and with being able to make independent assessments of company board effectiveness. **(Improvement Recommendation 3, Page 21).**

## Standards and compliance

For standards and compliance, we considered progress with the audit timetable; and compliance with laws and regulations.

### Compliance with laws and regulations:

The Council's Procurement Strategy has been updated in readiness for the new Procurement Act when it comes into force and the Council is currently assessing the impacts of the new Energy Act. The Council has effective arrangements in place for annual review and update of the Constitution; codes of conduct, gifts and hospitality, and declarations of interest.

As already noted, at the time of writing this report, we were awaiting the outcome of value for money review by predecessor auditors for 2019/20, 2020/21, 2021/22 and 2022/23. Therefore, we have had to produce our commentary without knowledge of the outcome of the Value for Money work for prior audit periods, this includes around the historic purchase of an out of borough property after guidance changed; and the holding of properties through a subsidiary company.

# Governance (continued)

## Audit timetable:

At the time of carrying out this work, draft statements of account were available on the Council website for 2019/20, 2020/21, 2021/22 and 2022/23 but they remain unaudited. A backstop deadline of 13th December 2024 was set by the government for the publication of audited accounts for all years up to and including 2022/23. The Council missed this deadline. Instead, it published a statement on 16th December 2024 outlining who the predecessor auditors were; what the reasons for delay surrounded; and stating that the Council was working closely with the auditors to ensure that the audit of the accounts is finalised as soon as possible.

Under the government's new backstop requirements, audited accounts for 2023/24 were required to be published by 28th February 2025. The authority published its unaudited accounts on the Council website on 27 February 2025. The Council therefore missed this next backstop deadline as well. The government has indicated that it intends to publish a list of Councils that do not comply with backstop deadlines. We understand that the reason for the late publishing of the audited accounts for 2023/24 was system issues with the Council's assets system CIPFA Asset Manager, and also that the finance team were focused on closing out issues from previous years' accounts/audits.

Going forward, unaudited accounts for 2024/25 will need to be published by 30 June 2025, and audited accounts will need to be published by 27 February 2026. For the years thereafter, deadlines will continue to move forward. From 2028/29 onwards, unaudited accounts will need to be published by the first 31 May falling after the year end. From 2026/27 onwards, audited accounts will need to be published by the first 30 November falling after the year end.

The government has stated that any disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years up to and including the 2024/25 backstop date of 27 February 2026, with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter.

Our overall assessment is that during 2023/24, there was a significant weakness in Runnymede Borough Council's arrangements for preparing unaudited accounts. It will be important that the Council works with auditors to recover the accounts and audit timetable as the new government arrangements are introduced and to keep up momentum around the timetable in future years (Key Recommendation 2, Page 8).

**Note that we have since discussed progress and plans on the accounts publication for 2024/25, and we understand that the system issues with CIPFA Asset Manager have been resolved and the Council Finance Team has in place a closedown plan which targets an accounts publication by the deadline of the 30 June 2025.**



# Improvement recommendations

## Improvement Recommendation 3

The Council should consider whether appointing Council members or officers to the board helps with managing conflicts of interest and with being able to make independent assessments of company board effectiveness.

## Improvement opportunity identified

Opportunity to enhance governance arrangements for companies.

## Summary findings

Under current arrangements, company board members include Council officers and members. This can undermine the actual and perceived independence of decision-making for companies and the Council. CIPFA has highlighted the importance of striking the right balance between council influence and excessive control.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

The Corporate Management Committee undertakes the role of shareholder on behalf of the Council and makes decisions on governance issues such as appointments to the Companies' Boards and review of the Companies' business plans. Officers of the Council are appointed as Directors of the Companies with a Member of the Council appointed as a non-executive Director. The Council commissioned an external review of the governance of its companies and received the draft recommendations for review in June 2024. The review does not recommend changes to the staff and Member appointments to the Board. Rather, it recommends additional governance measures such as clear written roles and responsibilities, a conflict-of-interest policy, Director training and other improvements to the governance framework. The findings of the external review will be reported to the Corporate Management Committee for consideration.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Use of financial and performance information

The Council has oversight arrangements in place for monitoring performance. Financial performance is monitored primarily through the budget variance and outturn reporting process. Budget and financial outturn data is shared with the corporate management committee four times per annum.

Operational performance is monitored through a series of project dashboards; service area plans with dashboards; and corporate key performance indicators. Project performance dashboards are reported to the Corporate Management Committee on a quarterly basis. Service Area Plans are monitored by relevant service committees – for example, the Council has a housing committee, a planning committee, a community services committee, and an environment and sustainability committee.

The Corporate key performance indicator set is approved by the Corporate Management Committee every year in March. Corporate key performance indicator outturn reports are provided to all Members on a quarterly basis. Since September 2020, however, exceptions have been discussed at a Member Working Party rather than in the Corporate Management Committee itself. This is an arrangement that was adopted during the Covid-19 pandemic. For 2023/24, the Member Working Party received a cover report, a full report and a dashboard four times in the year.

Although all members are invited to the Member Working Party meetings; and although monitoring at member level clearly did take place through that forum, the process of not taking indicator reporting to the Corporate Management Committee's public meetings does reduce transparency around the operational performance oversight process.

Officers have informed us that shorter corporate key performance indicator reporting dashboards have been developed for 2024/25 – with detailed narrative only being provided for RED RAG rated indicators. The Council now has agreed that corporate key performance indicators scrutiny of exceptions will revert to Corporate Management Committee from the first quarter of 2024/25. We recommend that this is done at the earliest opportunity (**Improvement Recommendation 4, Page 25**).

## Evaluation of services

The Council is a member of the Surrey Policy Officer Group and the Surrey Chief Executives Group. Benchmarking reports are shared in the group. For example, there is a quarterly Surrey Chief Executive's report comparing key performance indicators and regular benchmarking for fees and charges. This is an example of good practice in considering outside comparators.

Looking to internal arrangements for evaluation, we note from review of the Quarter Three 2023/24 dashboard that was shared with the Member Working Party, that seven of the twenty-five Council corporate key performance indicators were RAG rated RED in December 2023 (28%). Within this, three (nearly half) of the RED RAG rated indicators were on a downwards trajectory. All three surrounded housing or homelessness. They were the: Proportion of non-emergency repairs completed within target timescale; number of households in Bed and Breakfast for more than two weeks per quarter; and number of outstanding high risk Fire Risk Assessment actions.

# Improving economy, efficiency and effectiveness (continued)

Housing Committee papers from March 2024 show that the following housing portfolio indicators were also RAG rated RED:

- Average number of days to re-let a void property (excluding major works voids);
- Satisfaction with the overall reactive repairs service received; and
- Proportion of homes that do not meet the Decent Homes Standard.

We are aware that the Council entered a new housing services contract in April 2023 and has since issued the specific contract partner with a Performance Notice because standards of service required under the contract were not being met. This included standards and timing of repairs; void re-letting rates; and skills and ability of tradespeople employed by the contractor.

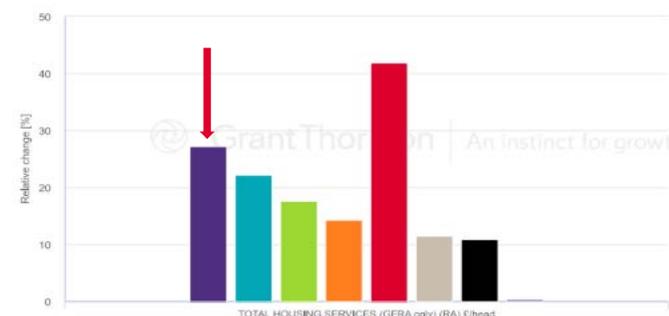
A Performance Notice was initially issued to the contractor in October 2023 but by March 2024, contractor performance had not yet improved across all the targets set under the contract. Two further Performance Notices have been issued since and the Council is currently reviewing the partner’s response to the third notice. As the housing service is contracted for a 5-year period it would be a complex and potentially costly matter to terminate the contract and identify a replacement partner, and therefore the Council is exploring all options available to it to improve service, including discussions with a legal adviser on contractual options, and potential mitigation of service risks through other provision and use of other contractors. We will revisit the issue of housing repairs performance and the contractor performance in our 2024/25 audit to investigate and conclude on whether the Council response to the matter is securing Value for Money.

From our own benchmarking, we note that the Council’s spend on housing services is very high relative to most of its statistical nearest neighbours (**Figure 1**). In part this may be connected to the terms of the new housing services contract. However, we do also note that there are other areas of high spend. This is perhaps to be expected given that the Council has itself only recently (January 2023) completed an Improvement Programme for the Social Housing Regulator. The Council’s spend on Housing strategy, advice and enabling ranks very high compared to peers and so too does the Council’s spend on Non-Homeless Reduction Act administration and support (**Figure 2**).

Areas of spend on housing should be reviewed. Clear terms for extending the contractor’s Improvement Notice should be agreed and contractor performance against those terms should be monitored. (**Improvement Recommendation 5, Page 26**).

**Figure 1: Benchmarked Total Housing Services Costs. Source: Grant Thornton CFOi**

Unit Cost Analysis - Total Housing Services (RA) £/head



**Figure 2: Benchmarked Individual Housing Services Costs. Source: Grant Thornton CFOi**

Total housing services (GFRA only) (RO) £/head	2103.00	87,739.00	23.97	Very high
Administration of financial repairs and improvements (RO) £/head	154.00	87,739.00	9.95	Very high
Housing strategy, advice and enabling (RO) £/head	873.00	87,739.00	9.95	Very high
Non-Homeless Reduction Act. Administration and Support (RO) £/head	464.00	87,739.00	5.39	Very high

# Improving economy, efficiency and effectiveness (continued)

## Partnership working

Runnymede Borough Council works effectively with a wide range of partners. Partnership arrangements include:

- A community services partnership with Surrey Heath Borough Council (includes meals on wheels and other services around Adult Social Care, such as day centres);
- The building control manager being shared with Surrey Heath Borough Council;
- Shared arrangements for CCTV monitoring with Spelthorne Council. This includes providing CCTV monitoring for a number of other local authorities and public bodies;
- Launching a new Runnymede Health and Wellbeing Partnership with Surrey Heartlands ICB and other commercial partners and residents); and
- Purchasing counter fraud services from Reigate and Banstead Council.

The Council has arrangements for sharing annual plans, service plans and key performance indicators with members. For the community services partnership, there is a channel for joint governance meetings (with members from both Councils) and priorities are agreed in both Councils' annual plans.

The Council is also currently working on the launch of a new Citizens Panel, which is hoped will increase engagement with residents and communities by enabling discussion with residents from across population demographics.

During 2023/24, the Council gave approval for two new Housing Revenue Account capital developments which, if funding is granted by Homes England, will be delivered in partnership with two separate commercial property development groups. Budgets were approved to procure two parcels of land. If the procurement is successful and the projects go ahead, the intention will be to use the sites in full for affordable housing.

Only minimal spend on the housing projects (to pay for feasibility checks) was incurred during 2023/24 but if the projects do go ahead, scenario testing carried out by the Council shows that the Housing Revenue Account reserves could fall to as low as £6 million by 2028/29 after accounting for the Council's share of costs. We have already considered the potential impact in the Financial Sustainability section of this report.

It will be important that strong project management protocols and arrangements are agreed with the commercial property development groups that the Council partners with, so that cash flow and investment from both sides can be effectively managed. If these capital projects do go ahead, we will review arrangements with the partners as part of our audit for 2024/25.

## Commissioning and procurement

The Council has an up-to-date Procurement Strategy in place which is aligned with the Council's corporate plan. The Strategy is supported by a series of policies which are disclosed on the Council website and surround Social Value, Sustainable Procurement and Modern Slavery. Contract standing orders are reviewed annually, and the Council has started to prepare for when the new Procurement Act comes into force.

Internal Audit recently completed a review of procurement arrangements and provided Reasonable Assurance. They commented that the number of waivers is relatively high but confirmed that there were no cases of irregular waiver identified from their work.

The Standards and Audit Committee recently requested a report on the number of waivers and was informed there had been 73 in the period between April 2022 and February 2024. For context, we note that in December 2023 the Council had 186 live contracts valued over £5,000. Procurement is overseen by the Council's Procurement Board. Under current arrangements, waivers are not routinely reported to the Standards and Audit Committee. Routine waiver reporting is common at many Councils and may enhance transparency. We recommend that it is introduced (**Improvement Recommendation 6, Page 27**).

The Council has effective arrangements for performance management on contracts once they are live. As the housing example shows, where there are concerns around performance on contracts, the Council has processes in place for issuing performance notices.

# Improvement recommendations

## Improvement Recommendation 4

Scrutiny of corporate key performance indicators should revert to the Corporate Management Committee at the earliest opportunity.

## Improvement opportunity identified

Enhanced transparency around the performance management process.

## Summary findings

Since September 2020, corporate key performance indicator exceptions have been discussed at a Member Working Party rather than in the Corporate Management Committee. This is due to change early in 2024/25.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Corporate key performance indicators have previously been set by the Corporate Management Committee at the start of a municipal year alongside reporting on the final position at the close of the year. The reporting dashboard is then shared with all Members in the intervening months on a quarterly basis (via MS Teams channel) and any questions on the data are considered at the Service Review, Communications and Transformation Member Working Party. Enhanced Member scrutiny was approved in March 2024 and will be implemented by reporting of quarterly corporate KPI performance to Corporate Management Committee rather than through the Working Party. This will improve transparency of this dataset in the public domain and will commence with Q1 reporting to the September meeting. The proposed report will present a narrative against any CKPI that is reporting Red or Amber performance for that Quarter, with the appropriate Corporate Head of Service attending the Committee to answer any Member questions. The full CKPI results pack will continue to be provided to Members via the Members Teams area providing details of the CKPIs that are on target or better (Green RAG status).

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 5

Clear terms for extending one specific housing services contractor's Improvement Notice should be agreed and contractor performance against those terms should be monitored.

**Improvement opportunity identified** Potential scope for increasing efficiency and standards in the housing service.

## Summary findings

One specific contractor was issued with an Improvement notice in October 2023 which the Council is considering extending. At the time of completing our work, the contractor had not yet met all their targets set by the Council.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

The reactive repairs and voids contract covers a significant level of statutory responsibility and within the contract are "Minimum Levels of Acceptable Performance" indicators (MLAP) targets which are not being consistently met, despite the Improvement Notice, which was issued and served in November 2023. The Council is seeking to actively manage performance robustly, within the parameters of the contract, and will take action in the event of failure to deliver service to the MLAP targets as set out in the contract.

The Council is managing this contract both through a framework of contract meetings (monthly) at an operational level and at a strategic level with regular contact with the Managing Director of the Company, and with oversight from the Council's Assistant Chief Executive (Place).

The contractor was appointed through a competitive tender process and has invested a significant level of resources to date, which includes an increased number of supervisory and management staff dedicated specifically to the Runnymede contract. Some of the issues they have experienced locally are constraints around skilled labour, recruitment and retention.

We remain committed to a partnership approach and using appropriate levers to ensure performance is improving and operating at the required contract levels.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 6

Waivers should be reported to the Standards and Audit Committee on a regular basis. The number of waivers, contract values and reasons for waiver should be shared with the Committee.

## Improvement opportunity identified

Enhanced transparency and oversight over procurement.

## Summary findings

Between April 2022 and February 2024, the Council waived tendering requirements on 73 contracts. Internal Audit reported that this is a relatively high number of waivers, although they also reported that there were no cases of irregular waivers identified in their work. Procurement is overseen by the Procurement Board and waivers are not routinely reported to the Standards and Audit Committee under current arrangements.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Members requested a report be brought to the Standards and Audit Committee in March 2024 regarding procurement and contract management arrangements, including the number of waivers approved. During consideration of the report, Members requested that the report be made on an annual basis. This was also referenced in the March 2024 report taken to the same Committee meeting, which recommended various changes to the draft work programme for the Committee for the new municipal year. This is further referenced in the Annual Governance Statement for 2023/24. This recommendation has therefore already been put in place

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Opinion on the financial statements



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

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

We will conduct our audit in accordance with:

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

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

## Timescale for the audit of the financial statements

Our planning visit was undertaken in January - February 2024, and our final visit was planned to take place between October to December 2024. However, the authority published its unaudited accounts on 27 February 2025, leaving insufficient time for audit work to be completed. It was not possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 28 February 2025. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer audit opinion. We attach the draft wording of our Audit Report for your information. See pages 3 and 4 for further detail on the steps to be undertaken before we are able to issue the 'disclaimer of opinion'.



# Appendices

# Appendix A: Responsibilities of the Council

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

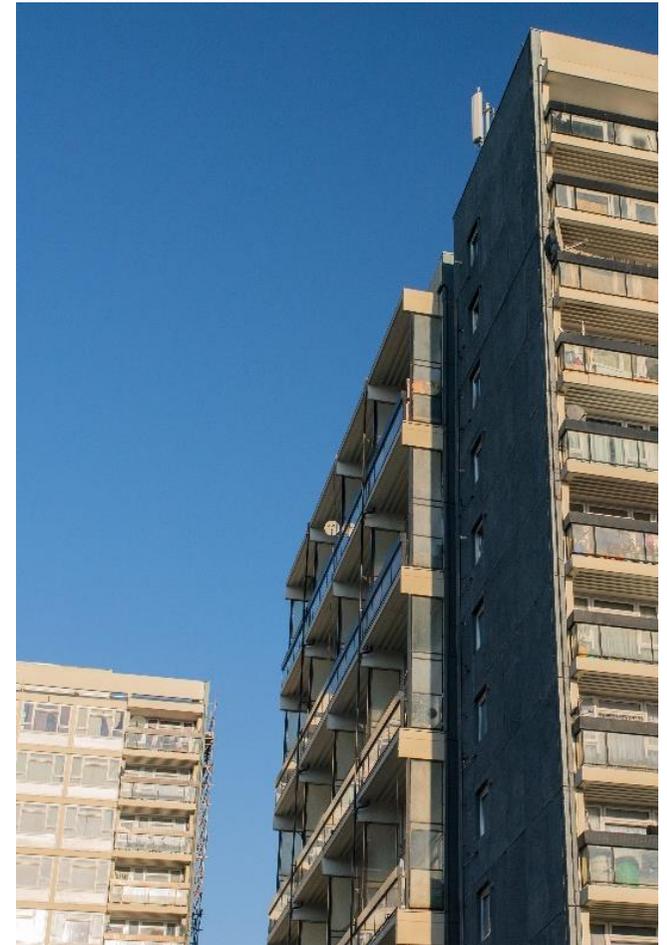
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



# Appendix B:

## An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	6, 8
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	16, 17, 21, 25, 26, 27



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