

Guildford Borough Council

2022/23 and 2023/24
Auditor's Annual Report

February 2025



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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.



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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Guildford Borough Council (the Council) for the financial years 2022/23 and 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

Responsibilities of the appointed auditor

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 at 31 March 2024 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 2023/24
- 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.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

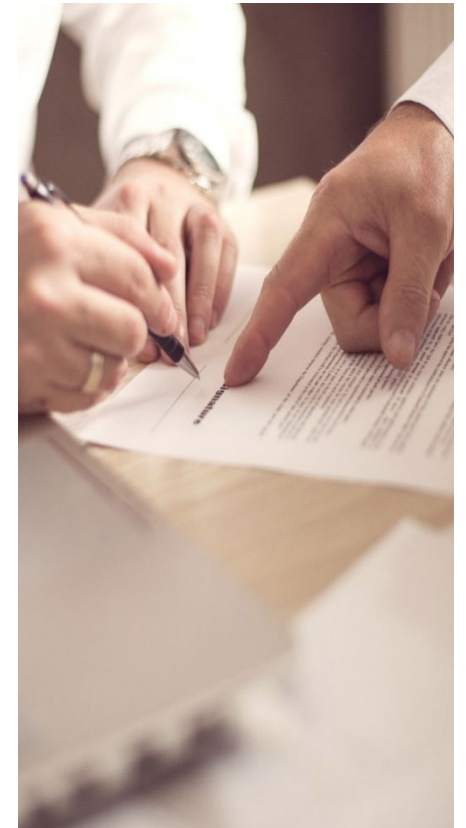
- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 10. None of these powers have been used during this audit period at the time of issuing this report but not there is an objection from a member of the public.



Executive summary



Executive summary

Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2022/23 and 2023/24 are the third and fourth years these arrangement have been in place. We produced a joint report for the financial years 2022/23 and 2023/24 as our financial statements audit for both those years has been carried out at the same time. 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.

Criteria	2021/22 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements	2023/24 Auditor judgement on arrangements
Financial sustainability	R Significant weakness in arrangements and two key recommendations (page 36) made on: <ul style="list-style-type: none"> identifying new savings plans, increase level of reserves and reduce the cost of the capital project; and ensuring sufficient finance staff resources and specialist skills so all key financial actions are completed by finance staff. Two improvement recommendations on page 38. 	R Significant weakness in arrangements and one key recommendation (page 7) made on: <ul style="list-style-type: none"> revision of the Medium-Term Financial Plan (MTFP) to 31 March 2029 identifying the Council's increasing structural budget gap for a further two years, which may move to £9.4 million and establishing a pipeline of recurrent savings and income generation schemes to mitigate the increasing financial challenge Four improvement recommendations made on page 7. 	R Significant weakness in arrangements and one key recommendation (page 7) made on: <ul style="list-style-type: none"> revision of the Medium-Term Financial Plan (MTFP) to 31 March 2029 identifying the Council's increasing structural budget gap for a further two years, which may move to £9.4 million and establishing a pipeline of recurrent savings and income generation schemes to mitigate the increasing financial challenge Four improvement recommendations made on page 7.
Governance	R Significant weakness in arrangements and two key recommendations (page 37) made on: <ul style="list-style-type: none"> Amendment of the 2021/22 and the 2022/23 draft financial statements following the audit of the 2021/22 accounts; Review of opening balances and full reconciliation to the General Ledger Two improvement recommendations made on page 38. 	R Significant weakness in arrangements and one key recommendations (page 8) made on: <ul style="list-style-type: none"> quarterly budget monitoring reports are presented to the Executive, and monthly finance reports to the Joint Leadership Team. Four improvement recommendations made on page 8. 	R Significant weakness in arrangements and two key recommendations (page 8) made on: <ul style="list-style-type: none"> sufficiency of resources and specialist skills to adequately prepare the Council's financial statements to a high standard with comprehensive working papers quarterly budget monitoring reports are presented to the Executive, and monthly finance reports to the Joint Leadership Team. Four improvement recommendations made on page 8.
Improving economy, efficiency and effectiveness	A <ul style="list-style-type: none"> No significant weakness identified. Three improvement recommendations made on page 39 	R Significant weakness in arrangements and two key recommendations (page 9) made on: <ul style="list-style-type: none"> Corporate Improvement Plan needs actions and target dates over the three years, with Independent Assurance Panel formally reports on progress every three months; Procurement report needed on the Council's readiness to meet the requirements of the Procurement Act 2023 which comes into force on 24 February 2025. Three improvement recommendations made on page 9. 	R Significant weakness in arrangements and two key recommendations (page 9) made on: <ul style="list-style-type: none"> Corporate Improvement Plan needs actions and target dates over the three years, with Independent Assurance Panel formally reports on progress every three months; Procurement report needed on the Council's readiness to meet the requirements of the Procurement Act 2023 which comes into force on 24 February 2025. Three improvement recommendations made on page 9

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

Executive summary

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. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirement will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. Our summary findings are set out over the next few pages for the 2022/23 and the 2023/24 financial years. Our recommendations and management responses are summarised in the section starting on page 27.

Introduction

We have written this Interim Auditor's Annual Report, with our VFM commentary, as joint report for both the 2022/23 and the 2023/24 financial years, for two reasons:

- we are currently auditing the 2023/24 financial statements having "backstopped" the 2022/23 financial statements audit. We anticipate issuing our audit opinion for the 2023/24 financial statements by the 13 February 2025; and
- there is an ongoing police investigation in terms of an alleged fraud, during the 2022/23 financial year, which delayed the timing of our work.

We note the potential re-organisation of local government in Surrey following the Government's publication of its White Paper in December 2024. At the time of issuing this report, no plans have been formalised and as such our report does not consider any potential impact on the Council at this time.

Overall

The 2022/23 financial year was unprecedented for the Council with the financial crisis of a net £8.7 million service overspend, and the fraudulent activity relating to housing maintenance which were not highlighted by financial and procurement controls. There was an increase in complaints concerning repairs and enhancements from housing tenants despite the increased work to improve the Council's housing stock. The Council used reserves of £6.49 million at the end of the 2022/23 financial year to cover the significant unplanned spending. In 2023/24, the improvement measures achieved through the Council's Financial Recovery Plan averted the need for the S151 Officer to issue a Section 114 notice which would have indicated that the Council could not meet its spending commitments from its income. The Council's housing service was graded, by the Regulator of Social Housing (RSH), as a C3 with "serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed." Other significant governance weaknesses also existed and the Council commissioned SOLACE (Society of Local Authority Chief Executives) to carry out the following two reviews:

- Independent Governance Review (March 2024) - review of the Council's governance, culture, behaviours and transparency;
- Housing Governance Review (April 2024) – review of the Housing Service's compliance with rules and the law; and the effectiveness of its systems, processes and behaviours.

The Council's Corporate Improvement Plan, of July 2024, is based on the recommendations of these SOLACE Corporate and Housing Governance Reviews. The Corporate Improvement Plan has 74 actions covering the 25 SOLACE Governance recommendations and the Housing Improvement Sub Plan has 36 actions covering the 77 SOLACE Housing recommendations. An Independent Assurance Panel was set up by the Council to monitor progress on the implementation of the Improvement Plan and report back to the Council every six months. The Council recognises that it is on an improvement journey which it estimates may take up to three years. In terms of the 2022/23 and the 2023/24 financial years we identified the five following significant weaknesses.

Financial sustainability

- Unidentified savings/funding gaps in financial planning that substantially threaten delivery of the medium-term financial plan which needs to be extended further than 2026/27;

Governance

- Serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion;
- Pervasive weaknesses in internal controls which had a significant financial and service-delivery impact on the housing service which enabled a material fraud to occur.

Improving the economy, efficiency and effectiveness

- Failure to secure improvement in the housing service where the Council had identified, and the Regulator of Social Housing (RSH) subsequently, identified weaknesses in terms of service performance;
- Significant financial loss and failure to deliver efficiency/performance improvements as expected when managing significant outsourced contracts/services.

Executive summary

We raised five key recommendations (KR1 to KR5) based on the five significant weaknesses (on the previous page) and 12 improvement recommendations (IR1 - IR12), across all the three Code criteria, which are summarised overleaf to page 9, and the findings are set out in detail within our main report.

Financial sustainability

The Council, with new senior leadership in 2024, has worked hard on its improvement trajectory and demonstrated progress in achieving medium term financial sustainability in the latter part of 2023/24 and the first nine months of 2024/25. This includes completion of budget challenge sessions to create accountability for budget holders, maintaining adequate reserve levels, and establishing new finance policies and procedures. The formation of the Corporate Strategy 2024 - 2028, which provides clear direction for the Council from July 2024, has been instrumental in this progress. The Council has also taken proactive steps in establishing a new service planning process aligned with financial planning to lay the groundwork for future improvements in financial sustainability.

Despite these improvements, financial challenges remain. The July 2023 Medium Term Financial Plan (MTFP) showed an in-year deficit of £1.7 million and a budget gap of £18.3 million over the MTFP period. By January 2024, this gap had been reduced by £15.9 million to £2.4 million, mitigated by measures from the Financial Recovery Plan. However, the MTFP does not extend beyond 2026-27, leaving longer term financial projections uncertain. The lack of a comprehensive extension of the MTFP beyond 2026/27 and the reliance on non-recurrent savings indicate gaps in long-term financial sustainability. Financial monitoring reports do not consistently differentiate between recurrent and non-recurrent savings, making it difficult to assess the structural resilience of the savings programme. In the medium term. Ensuring robust, recurrent savings plans, enhanced monitoring, and long-term financial planning will be crucial to mitigating these risks and achieving financial stability.

Based on our areas of focus and evidence considered, our work identified evidence of a significant weakness for the 2022/23 and 2023/24 financial years in the Council's arrangements to manage its risks to its financial sustainability, in terms of "Unidentified savings/funding gaps in financial planning that substantially threaten delivery of the medium-term financial plan which needs to be extended further than 2026/27." We raised the following key recommendation:

- **KR 1:** The Council should revise its three-year Medium-Term Financial Plan (MTFP) to 31 March 2029 identifying the Council's increasing structural budget gap for a further two years as there are significant changes ahead which are not reflected in the current MTFP with its gap of £2.4 million to 31 March 2027, for example the additional £3.5 million annual revenue cost of the Weyside Urban Village from 2027/28, which may move the gap to £9.4 million. The Council needs to establish a pipeline of recurrent savings and income generation schemes over the next few years, at a granular level, through its collaboration and business transformation to mitigate the increasing financial challenge, which needs to be more transparent in its revised 2025/26 to 2028/29 Medium-Term Financial Plan (MTFP).

We also identified four areas where the Council could further improve arrangements for financial sustainability, as follows:

- **IR 1:** Use of a sensitivity analysis in the MTFP to identify the best, likely and worst-case scenarios in terms of the timing and value of the Council's financial pressures for a clearer understanding of how funding gaps may move.
- **IR 2:** Use of benchmarking to identify high-cost services with action planning for alternative cost-efficient service delivery.
- **IR 3:** Consistency of financial planning assumptions with key council operational strategies.
- **IR 4:** Use of a Project Management Office to oversee capital projects.

Governance

The Council's Corporate Improvement Plan is heavily focused on improving governance, for which the Council has demonstrated progress in the first nine months of 2024/25. This includes the introduction of controls and a review of key decisions and spending thresholds, as well as the overhaul of Council Procedure Rules and Financial Procedure Rules. Efforts to improve the quality of officer meetings and establish a Joint Constitution Review Group indicate a commitment to transparent decision-making processes. The Council has also taken steps to ensure open access to information and keep members informed of contentious issues, supported by a clear confidentiality duty. Moreover, the Council has prioritised training programs for councillors and members, alongside a review of the terms of reference for the Council's Committees. The Council will establish a new audit committee from 1 April 2025.

Executive summary

The introduction of new performance and risk management systems and a new program and project management reflects the Council's approach to transparency and accountability. These changes, driven by the new senior leadership, contribute to strengthening governance.

Based on our areas of focus and evidence considered, our work identified two significant weaknesses in the Council's governance arrangements, in terms of

- Serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements;
- Pervasive weaknesses in internal controls which had a significant financial and service-delivery impact on the housing service which enabled a material fraud to occur.

We raised the following key recommendations

The arrangements for financial reporting to senior members and officers need to be strong to facilitate the Council's financial reporting. We have re-iterated the 2021/22 Key Recommendation on the sufficiency of resources and specialist skills to adequately prepare the Council's financial statements to a high standard with comprehensive working papers.

- *KR2: For the Council's annual financial reporting to be a success, a critical element must include sufficient finance team resources and specialist skills to adequately prepare the Council's financial statements to a high standard. The entries in the financial statements should be supported by good quality working papers which are available from the start of the audit.*
- Quarterly budget monitoring reports should be presented to the Executive, as the key decision-making body of the Council, rather than the Overview and Scrutiny Committee – Resources. To enhance budgetary control and the timeliness of mitigating actions, we suggest the Joint Leadership Team (JLT) should, in addition, receive a monthly report on the financial position of the Council, rather than the current verbal update. This could be integrated with more frequent performance and risk reporting, so the JLT has timely finance, performance and risk as a standing agenda item at its meetings. Based on our areas of focus and evidence considered, our work identified a significant weakness in the Council's governance arrangements, in terms of "Pervasive weaknesses in internal controls which had a significant financial and service-delivery impact on the housing service which enabled a material fraud to occur", and we raised the following key recommendation:
- *KR 3: The arrangements for financial reporting to senior members and officers need to be strong to facilitate the Council's improvement process. We recommend quarterly budget monitoring reports are presented to the Executive, as the key decision-making body of the Council, rather than the Overview and Scrutiny Committee – Resources. The Joint Leadership Team (JLT) should receive a monthly report on the financial position of the Council rather than the quarterly report it currently receives. This could be integrated with JLT monthly performance and risk reporting, so the JLT has timely information, as a standing agenda item to properly inform its current "temperature check", and therefore its subsequent decision making during its improvement journey.*

The Council's 2023/24 Annual Governance Statement evaluates the effectiveness of its governance arrangements against the local code of governance and principles. However, the 2023/24 limited Head of Internal Audit Opinion and the Council's plans to strengthen governance and accountability through the Corporate Improvement Plan (July 2024) have yet to be disclosed in sufficient detail in the current AGS. As the 2023/24 AGS is part of the Council's statutory financial reporting for the 2023/24 financial year we recommend it is revised so it is transparent in terms of the significant weaknesses in the Council's governance procedures which led to the housing fraud which had a critical financial impact and service quality impact on the Council's housing service. We raised five improvement recommendations to strengthen governance:

- *IR 5: disclosure of the significant weaknesses in the Council's governance procedures and the subsequent service and financial impact that this had in the 2022/23 and the 2023/24 financial years in the 23/24 Annual Governance Statement;*
- *IR 6: Frequency of reporting of risk and the mapping of risks to the achievement of the priorities in the Corporate Strategy 2024 – 2028 and the 22 planned outcomes.*
- *IR 7: Annual budget setting consultation with stakeholders.*
- *IR 8: Self assessment of the audit role of the Governance and Standards Committee and the appointment of independent members for the new Audit Committee.*
- *IR 9: Improved monitoring of contract waivers with regular reporting to the new Audit Committee.*

Executive summary

Improving economy, efficiency and effectiveness

The Council, with new senior leadership, has worked hard on demonstrating its commitment in improving economy efficiency and effectiveness, including the development of a revised procurement strategy that entails a comprehensive review and restructuring of the Council's procurement processes and practices. The Council has prioritised its improvement work on its housing service with its Housing Improvement Sub Plan with its 36 actions covering the 77 SOLACE Housing recommendations, specifically the establishment of its new Housing Improvement Board. The Council's new approach to programme and project management aligns with a transparent accountability framework, emphasising its commitment to enhancing economy efficiency and effectiveness.

Based on our areas of focus and evidence considered, we found evidence of two significant weaknesses in the Council's arrangements for ensuring improvements in economy, efficiency and effectiveness, in terms of

- Failure to secure improvement in the housing service where the Council had identified, and the Regulator of Social Housing (RSH) subsequently, identified weaknesses in terms of housing service performance;
- Significant financial loss and failure to deliver efficiency/performance improvements as expected when managing significant outsourced contracts/services in housing.

We raised the two key recommendations, KR4 and KR5:

An Independent Assurance Panel (IAP) was set up by the Council to monitor progress on the implementation of the Improvement Plan and Housing Sub Improvement Plan and report back to the Council every six months. The IAP Report to Council on 10 December 2024 identified that much improvement has been made during the 2024/25 financial year in implementing the Council's Corporate Improvement Plan. However, the Council recognises that it is on an improvement journey which it estimates may take up to three years.

- **KR 4: We recommend that the outstanding actions on the Council's Corporate Improvement Plan and Housing Sub Improvement Plan need to be reflected at a granular level with actions and target dates over the three years officers and members predict the length of the Council's improvement journey to be. This will allow proper debate over the forecast pace of change and prioritisation of resources. We also recommend the Council's Independent Assurance Panel formally reports on progress against the revised Corporate Improvement Plan to Council every three months, rather than every six months, as this is in line with good practice intervention reporting.**

For 2022/23 and 2023/24, the significant procurements failings included a lack of adherence to contract procedure rules, misuse of powers, and inadequate oversight and communication within the procurement and contracting processes. As part of the Council's Improvement Plan, the Council appointed a new joint Head of Procurement in July 2024 as part of its review of its procurement arrangements. However, it is not clear whether the above procurement improvements will be sufficient and embedded in time for the Council to be satisfied that it meets the requirements of the Procurement Act 2023 which comes into force on 24 February 2025.

- **KR 5: We recommend the Council's Head of Procurement report on the Council's readiness to meet the requirements of the Procurement Act 2023 which comes into force on 24 February 2025, as a matter of priority. Given the Council's constant "red risk" assessment of procurement on its Corporate Risk Register and the current police investigation into a past procurement irregularity, then a granular procurement report on what has been achieved, as part of the Corporate Improvement Plan since July 2024, and any risks and challenges that the Council still faces may give officers and members the assurance on the Council's ability to meet the requirements of the new procurement legislation on 24 February 2025.**

We made three improvement recommendations to strengthen arrangements to improve economy, efficiency and effectiveness:

- *IR 10: Monthly reporting of performance to the Joint Leadership Team.*
- *IR 11: Production of a Data Quality Strategy to improve the quality of data used for decision making.*
- *IR 12: Use of a Partnership Register to assess the effectiveness of the numerous partnerships in place, and the reporting on the full Cost Benefit Analysis on Collaboration between Guildford and Waverley Councils.*

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



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 for both 31 March 2023 and 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 conducted our audit in accordance with:

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

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

Audit opinion on the financial statements

2022/23

Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. Our work on the Council's 2022/23 financial statements has been "backstopped" and we issued a disclaimed opinion on the 2022/23 financial statements on 6 December 2024.

2023/24

Our work on the Council's 2023/24 financial statements is in progress. We anticipate issuing our audit opinion by the 28 February 2025. Findings from our financial statements audit are reported in the 2023/24 Audit Findings Report, are presented to the January Governance and Standards Committee, alongside this report.



Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

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

Public Interest Report

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

We are currently in the process of considering elector queries although at the time of issuing this report have not used our powers to make a report in the public interest.

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 are currently in the process of considering elector queries although at the time of issuing this report we have not used our powers to apply to the Court for a declaration an item of account is contrary to law.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

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. 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 being with 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.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Given the general election took place on 4 July 2024, any changes to government policy relating to the sector are at present uncertain. The Chancellor's Budget on 30 October 2024 confirmed the government's plans for greater devolution in England, and confirmed a real terms increase in core spending power to local government for 2025/26 of 3.2%. Including an increase in grant of £1.3 billion. The Chancellor also announced £1 billion additional funding for SEND, an additional £2.3 billion for schools, and that councils will be able to use the full amount of capital receipts from right to buy sales. The detail of what the Chancellor's announcement means for individual councils will become clearer when their provisional finance settlement for 2025/26 is confirmed by government in December 2024.

Local context

Guildford Borough Council is a district council in north Surrey with borough status. The Council is based around the town of Guildford, in which half its population live, with numerous villages in the surrounding rural areas. The population of the borough was 145,673 in 2022. Large parts of the borough are within the Surrey Hills Area of Outstanding Natural Beauty. The district borders Waverley to the south, Mole Valley to the east and West Sussex and Hampshire to the west and south.

The Council consists of 48 councillors (representing 21 wards) with 25 Liberal Democrats, 10 Conservative, 7 Residents Group, 3 Greenbelt Group and 3 Labour Councillors. The Council has been under Liberal Democrat majority control since 2023. The Council's vision is to make Guildford a thriving and inclusive place to live, work, and do business. Its Corporate Strategy 2024 – 2028 was adopted by the Council in July 2024, in collaboration with Waverley Borough Council. This strategy is the first step in the Council's improvement bringing the Council's plans for 2024 to 2028 to life, in collaboration with Waverley BC who has the same priorities. The strategy precedes the development of an annual delivery plan in Spring 2025, monitoring processes and risk management.

The Council has encountered substantial challenges in the past two years, including the risk of a s114 notice being raised in July 2023 and the discovery of a potential fraud within the housing maintenance service. To address these issues, the council has implemented a Financial Recovery Plan, introducing significant enhancements in staffing, procedures, monitoring, and controls. Additionally, governance improvements have been implemented in response to reviews conducted by SOLACE.

Financial sustainability



We considered how the Council:

Commentary on arrangements

Assessment

Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.

At the end of the 2022/23 financial year, the Council faced a significant financial challenge as it had a deficit of £6.49 million (against a net £10.899 million general fund budget), which had to be financed from the Medium-Term Financial Plan Reserve. Net service expenditure was budgeted at £9.127 million but actual net service spend was £22.171 million resulting in a service overspend of £13.044 million. Although the Housing Revenue Account (HRA) recorded a surplus of £7.76 million, this was £3.12 million below expectations due to the unforeseen additional housing maintenance costs. The Council's financial situation began to improve during 2023-24 with the new Section 151 Officer in August 2023. The Council initiated a Financial Recovery Plan to address the projected budget gaps over the Medium-Term Financial Plan (MTFP) period to 2026/27. Progress on the plan was reported to the Council in October and December 2023, marking critical milestones in the Council's recovery efforts. For 2023/24, despite continued financial pressures, including overspends in Environmental and Housing Services and a £0.616 million HRA overspend due to rising material, labour, and staffing costs, the Council achieved a General Fund surplus of £4.506 million. This improvement was driven by some service underspends (£241k), a £2 million saving in capital charges, increased external interest, and additional income from grants and other sources. These gains reflected the impact of the Financial Recovery Plan, which introduced measures such as reducing capital expenditure by £96.6 million, renegotiating contracts worth £1.5 million, implementing zero-based budgeting for 2024-25, and targeting £50 million from asset disposals.

Despite these improvements, challenges remain. The July 2023 Medium Term Financial Plan (MTFP) to 2026/27 showed an 2024/25 in-year deficit of £1.7 million and a budget gap of £18.3 million over the MTFP period. By January 2024, this gap had been reduced by £15.9 million to £2.4 million, mitigated by measures from the Financial Recovery Plan. However, the MTFP does not extend beyond 2026-27, leaving long-term financial projections uncertain. In light of the volatile economic environment, assumptions regarding inflation and government funding over the medium term remain speculative. The Council's transformation and savings plan includes asset disposals and a reduced capital programme and other one-off measures. There are also risks around inflation and demand pressures and delays in the transformation programs. Sustainable medium term financial resilience is critical. The current MTFP of two years needs to be extended as a matter of priority so that the Council is aware of its significant financial pressures for the next 3 to 5 years. Extending the MTFP beyond 2026-27 would support longer term strategic financial planning for the Council so it is better informed of its future financial challenges. The budget and Medium-Term Financial Plan (MTFP) projections are being prepared in uncertain economic conditions, with assumptions made for inflation and the absence of a government funding settlement for 2025/26 and beyond. Therefore, the figures are subject to change. It is recommended that the Council's financial model, which supports the MTFP, should include sensitivity analysis to demonstrate how the funding gap may change based on different variables for income and expenditure.

- *Improvement Recommendation 1: The Council should use a sensitivity analysis in its Medium-Term Financial Plan (MTFP), with percentage changes, to identify the best, likely and worst-case scenarios in terms of the timing and value of the Council's financial pressures for a clearer understanding of how funding gaps may move.*

A

Plans to bridge its funding gaps and identifies achievable savings.

Savings are identified at the start of the budget setting process and then built into the base budget. As part of the process, services are expected to consider service implications of their proposals, so that cost reductions do not impact on the quality of services. The final budget is then approved by the Council and the realisation of savings is part of the normal budget monitoring process. Despite a savings strategy identifying £7.6 million in potential savings over the Medium-Term Financial Plan (MTFP) period to 31 March 2027, 76% of these savings are non-recurrent, exposing the Council to

- 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.

Financial sustainability



We considered
how the Council:

Commentary on arrangements

Assessment

Plans to bridge its
funding gaps and
identifies
achievable
savings.

future budgetary pressures. Measures included reductions in public transport subsidies and community services, alongside capital programme cuts. The Council identified a cumulative funding gap of £2.4 million, in its two-year MTFP, which may need to be covered from reserves unless efficiencies and additional income are identified. In 2023/24, the Council improved its financial performance, generating a £4.506 million General Fund surplus due to service underspends, capital charge reductions, and additional income from grants. The Guildford and Waverley Transformation and Collaboration Programme, achieved £859k in annual savings through joint management and shared services. Additionally, the Council developed a £4.981 million savings programme for 2024/25, monitored through monthly financial reports and RAG-rated progress updates. However, a significant proportion of these savings were one-off measures, such as asset disposals and capitalisation of costs. Despite the good recent progress made, the reliance on one-off measures suggest the council's financial sustainability depends on accelerating recurring savings and income generation. The July 2023 MTFP update highlighted an £18.3 million budget gap over the period to 2026/27, later reduced to £2.6 million by January 2024. This progress relied on measures such as capital programme reductions, fees and charges adjustments, and utility contract renegotiations.

However, the lack of a comprehensive extension of the MTFP beyond 2026/27 and the reliance on non-recurrent savings indicate gaps in long-term financial sustainability. Financial monitoring reports do not consistently differentiate between recurrent and non-recurrent savings, making it difficult to assess the structural resilience of the savings programme. Ensuring robust, recurrent savings plans, enhanced monitoring, and long-term financial planning will be crucial to mitigating these risks and achieving financial stability. The Council's medium and long-term strategies to address any funding shortfalls include:

- Cost savings from better procurement.
- Cost savings from collaboration with Waverley Borough Council.
- More commercial approach and explore new and increased income opportunities.
- Business transformation and customer service improvement.
- Property income including regeneration.

There was a significant weakness in financial sustainability as unidentified savings/funding gaps in financial planning substantially threaten delivery of the medium-term financial plan which needs to be extended further than 2026/27. We recommend that as part of the increased focus on programme planning that the Council's savings and income generation plan is increased in value and to 31 March 2029 so that it better demonstrates how the Council may close its increasing funding gap of £2.4 million until 2026/27, and then the further funding gap (once identified) to 2028/29 which could be as much as £9.4 million with an estimated with two years additional annual costs of £3.5 million.

- **Key Recommendation 1:** The Council should revise its three-year Medium-Term Financial Plan (MTFP) to 31 March 2029 identifying the Council's increasing structural budget gap for a further two years as there are significant changes ahead which are not reflected in the current MTFP with its gap of £2.4 million to 31 March 2027, for example the additional £3.5 million annual revenue cost of the Weyside Urban Village from 2027/28, which may move the gap to £9.4 million. The Council needs to establish a pipeline of recurrent savings and income generation schemes over the next few years, at a granular level, through its collaboration and business transformation to mitigate the increasing financial challenge, which needs to be more transparent in its revised 2025/26 to 2028/29 Medium-Term Financial Plan (MTFP).

R

Financial sustainability



We considered how the Council:

Commentary on arrangements

Assessment

Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

The Council's Corporate Strategy 2024 - 2028 is key to the Council planning its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. The Strategy, approved by Council in October 2024, is designed to inform the Council's annual delivery plan and guide the budget setting and decision-making processes. The Strategy sets out the vision for the Council, its five strategic priorities and the 22 associated outcomes to be delivered.

Now the Strategy is in place, the Council plans a robust approach to programme management, risk management and performance improvement linking the Corporate Strategy, service planning and performance reporting and then developing an effective annual delivery plan for the corporate strategy through engagement and transparency. As the delivery plan is developing the Council should ensure they have the financial capability to deliver on the priorities. Aligning the emerging Corporate Plan with the MTFS will confirm that they are mutually consistent.

The Council recognizes that it needs to use benchmarking on a formal basis to identify high costs services compared to its neighbors. Understanding the reasons for high-cost services may identify areas for improvement and future savings.

- *Improvement Recommendation 2: Use of benchmarking to identify high-cost services with action planning for alternative cost-efficient service delivery. Finance should work with service leads and use benchmarking to identify high-cost services compared to statistical neighbors. Reasons for the high costs should be investigated and action planning for alternative delivery scenarios with lower costs explored and reported.*

A

Ensures its financial plan is consistent with other plans such as workforce, capital, and other operational planning which may include working with other local public bodies

Planned expenditure for 2023/24 was linked to corporate priorities in the previous corporate strategy 2020 - 2025. Following the October 2024 approval of the updated Corporate Strategy 2024 - 2028, officers are in the process of ensuring that service financial planning is better reflects its service plans and its operational plans such as its workforce, asset management, digital, treasury management and carbon neutral plans. No plans are dependent on the deletion of services, and the longer term aims for Council services can be seen in the Corporate Strategy and its 22 associated outcomes. The impact of the slower pace of collaboration has delayed the revision of several strategies during 2023/24 including the development of a workforce strategy. The Council's 2024 - 2028 Strategy recognises this as a priority and states that the Council will publish a new People Strategy which sets out how the Council can invest in staff to ensure they have the skills and expertise needed to deliver on the Council's priorities. It also needs to ensure that its financial plan is consistent with other plans such as workforce, capital, and other operational planning.

- *Improvement Recommendation 3: The Council needs to ensure that its financial planning assumptions in the Medium-Term Financial Plan are consistent with other key council strategies such as people, treasury management, asset management, procurement and digital so that all the Council's financial pressures have been clearly identified and reflect service issues, opportunities and risks.*

A

Financial sustainability



We considered how the Council:

Commentary on arrangements

Assessment

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

The Council's reserves are reasonable with £2.648 million of General Fund reserves, £34.955 million of Earmarked Reserves and £91.665 million of HRA reserves at 31 March 2024. However, reliance on reserves is not a sustainable solution. Following the financial challenge set by the significant 2022/23 overspend, the Council developed a financial recovery plan to avoid issuing a Section 114 notice. A task force was established to implement this plan, and financial monitoring and controls were increased, managed by a Financial Control Panel. The Council repurposed earmarked reserves and developed an asset disposal strategy to optimize revenue. An executive working group was formed to oversee the financial recovery process and improve communication. A revised Medium-Term Financial Plan was planned for October 2023, with quarterly updates to the Corporate Governance and Standards Committee. These measures aimed to address increased service demand, high inflation, rising interest rates, and reduced government funding. The Council has taken several proactive measures to manage financial risks, including regular financial monitoring, developing a financial recovery plan, repurposing reserves, and forming task forces and working groups. Despite these efforts, there are ongoing risks to financial sustainability:

- *Dependency on reserves:* Managing cost pressures through reserves may not be sustainable long-term without securing other revenue streams.
- *High inflation and interest rates:* Persistent macroeconomic challenges continue to strain finances.
- *Service demand and reduced funding:* Increased service demand and reduced government funding create ongoing financial strain.
- *Asset disposal strategy risks:* Relying on asset disposals for revenue optimization carries risks if market conditions are unfavorable.

While the Council has made good progress in risk management, including forming a Financial Control Panel and maintaining regular updates to members, the reliance on short-term measures like reserve use and asset disposals indicates that long-term financial resilience arrangements need further development.

The Council continues to face challenges in delivering its capital programme effectively. Delays in major projects hinder its ability to achieve strategic priorities and address key infrastructure needs. Additionally, slippages increase financial risks due to inflationary pressures and shifting market conditions. The Council has introduced quarterly reviews, contingency funds, and collaborative initiatives to mitigate these challenges. However, the persistent under-delivery of capital projects raises the need for enhanced governance and oversight.

- *Improvement Recommendation 4: The Council should implement a central Project Management Office to oversee all capital projects, ensuring better coordination, accountability, and risk management.*

A

Governance



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

Assessment

Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

During 2022/23, persistent red risks, such as financial sustainability and cybersecurity, were not adequately addressed. Internal audit processes adhered to professional standards but lacked a formal charter and experienced resource shortages, which led to deferred key reviews and raised concerns about the effectiveness of preventative controls. The outdated Whistleblowing Policy and limited oversight of whistleblowing incidents highlighted systemic gaps in detecting and addressing potential fraud risks. Weaknesses in procurement and programme management controls also demonstrated the need for stronger preventative measures, revealing systemic failings in internal controls and governance. In 2023/24, control deficiencies persisted in Council's governance and control frameworks. A significant procurement fraud, identified in July 2023, revealed severe weaknesses in procurement controls, leading to an ongoing investigation by the police. The internal audit function provided limited assurance due to cultural and structural issues, including resource constraints that led to incomplete audits, indicating a reactive approach to high-risk areas. Reactive governance improvements were made through updates to the Anti-Fraud and Corruption Policy and Whistleblowing Policy, as well as training initiatives and revised governance procedures to address fraud vulnerabilities. However, significant reforms are required to prevent recurrence and strengthen the Council's resilience against fraud and other governance risks.

The Council's 2023/24 Annual Governance Statement evaluates the effectiveness of its governance arrangements against the local code of governance and principles. However, the 2023/24 limited Head of Internal Audit Opinion and the Council's plans to strengthen governance and accountability through the Corporate Improvement Plan (July 2024) have yet to be disclosed in sufficient detail the current AGS. The Corporate Improvement Plan recognises that the AGS could be improved, and plans are in place to do this with an AGS working group for the 2024/25 Financial Year. However, as the 2023/24 AGS is part of the Council's statutory financial reporting for the 2023/24 financial year we recommend it is revised so it is transparent in terms of the significant weaknesses in the Council's governance procedures which led to the housing fraud which had a critical financial impact and service quality impact in the Council's housing service.

- *Improvement recommendation 5: We recommend the Council's 2023/24 Annual Governance Statement is revised so it is sufficiently transparent in terms of the significant weaknesses in the Council's governance procedures and the subsequent service and financial impact that this had in the 2022/23 and the 2023/24 financial years. In addition to the Council acknowledging its responsibility for disclosing the ineffectiveness of its governance arrangements, the AGS should:*
 - *better focus on outcomes, including progress from the Council's Corporate Improvement Plan (based on the recommendations of the SOLACE Corporate and Housing Governance Reviews) and the oversight of the Independent Assurance Panel;*
 - *explain action taken in the 2023/24 year to address the significant governance issues which should have been identified in the 2022/23 Annual Governance Statement.*

The Council's arrangements for performance management and risk management could be streamlined so there is one integrated reporting framework for the achievement of the 22 planned outcomes from the five priorities in the Corporate Strategy, KPIs for service delivery and the risk around delivery of those KPIs in the Risk Register. We suggest the frequency of reporting of the Council's risks is aligned to the Council's quarterly reporting on performance management so members will be informed where good performance may equate to lower risk and room for more opportunity and innovation.

A

- 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.

Governance



We considered how the Council:

Commentary on arrangements

Assessment

Monitors and assesses risk and gains assurance over the effective operation of internal controls

The Scrutiny and Overview Committee work plan could be better aligned to the high-risk issues identified by the Council’s Risk Register and Performance Management systems.

- *Improvement recommendation 6: We recommend the (a) frequency of reporting of the Council's risks is aligned to the proposed quarterly reporting on performance management; (b) mapping of risks to the achievement of the 22 planned outcomes in the corporate priorities 2024 – 2028 and associated Key Performance Indicators (KPIs); and (c) alignment of the Scrutiny and Overview work plan to the extreme and high-risk issues identified by the so they can perform a “deep dive” on higher risk issues where appropriate.*

Approaches and carries out its annual budget setting process

For 2022/23 and the 2023/24 financial years, there were significant variances between budgets set and the final outturn. In 2022/23, the budget was set at £10.90 million and the outturn was £17.39 million, showing a £6.49 million overspend largely due to rising staffing costs and inflationary pressures. It should be noted that the overall spend of service expenditure was budgeted at £9.127 million but actual spend was £22.171 million giving a service overspend of £13.044 million. This indicates a lack of control at an individual manager level. In addition, the overspend was not investigated until the Deputy Director of Finance raised a whistleblowing email to the Monitoring Officer in July 23, by which time the 2023/24 budget had been set. In 23/24, the budget was set at £16.83 million, a 54% increase from the budget set for 22/23. The outturn reported a £4.51 million underspend, achieved through service underspends, underspend in capital charges and additional external interest and income from other grants/income.

The significant variances between the budget and actual expenditure indicate that the initial budget figures were not aligned with the financial realities of the organisation, leading to inconsistent and inaccurate budgeting. Moreover, the swing from a substantial underspend in one year to a significant overspend in the following year is indicative of a lack of stable financial planning and control. This inconsistency in budget performance demonstrates a failure to effectively anticipate and manage financial resources, which is a critical component of good governance.

There is an improvement in the overall budget setting process for 2024/25, although the budget set for 24/25 is £24.94m, 48% more than 23/24. There is a considerably smaller projected overspend within services on the GF revenue account of £0.116m. Council has also conducted budget challenge sessions within each service.

Even with these improvements, it is common for councils, in late Autumn each year, to ask external stakeholders for their views on future year council budget proposals but we cannot see any evidence on the Council’s website of asking for external views on the Council’s 2025/26 budget proposals.

- *Improvement Recommendation 7: The Council should undertake an annual budget setting consultation with external stakeholders to understand their priorities in relation to spending areas. Engagement with external stakeholders provides diverse perspectives and insights into community needs and fosters transparency and accountability in the budget setting process.*

A

Governance



We considered how the Council:

Commentary on arrangements

Assessment

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

For 2022/23 and 2023/24 the Council did not have effective arrangements in place to monitor the budget throughout the financial year. For 2022/23, the Council struggled to ensure effective processes and systems for budgetary control and the communication of relevant, accurate, and timely management information. There have been instances of inadequate financial oversight, leading to inconsistencies and inaccuracies in budgeting and financial reporting. Furthermore, the Council faced challenges in meeting its statutory financial reporting requirements, resulting in delays and non-compliance with regulatory obligations. Corrective action in relation to significant partnerships has been lacking, with limited intervention to address deficiencies and rectify issues. These shortcomings indicate a lack of robust processes and systems to ensure effective budgetary control, communication of management information, and compliance with financial reporting requirements.

We have reiterated our significant weakness from 2021/22 in relation to the preparation of the financial statements and supporting underlying information. The Council has appointed substantively to senior posts in the finance team and began implementing a financial improvement programme however the finance team has had to rely on contractors to prepare the accounts and provide information to support the 2023/24 audit. This, alongside difficulties in resolving issues rolled forward from the prior year accounts, has again made the audit process challenging.

- *Key Recommendation 2: For the Council's annual financial reporting to be a success, a critical element must include sufficient finance team resources and specialist skills to adequately prepare the Council's financial statements to a high standard. The entries in the financial statements should be supported by good quality working papers which are available from the start of the audit.*

There was also a significant pervasive weaknesses in internal controls which had a significant financial and service-delivery impact which enabled a material fraud to occur. For 2022/23 and 2023/24, the Council's financial position during the year was monitored on a quarterly basis by members of the Overview and Scrutiny Resources Committee. The members of the O&S committee are generally members of the opposition and do not sit on the Executive which makes the key decisions. The Executive, with decision-making authority, needs direct access to comprehensive financial reports to enhance transparency and accountability, and align the oversight process more closely with financial responsibility. Redirecting the reports ensures timely and comprehensive financial insights for more informed and efficient financial governance. To enhance budgetary control and the timeliness of mitigating actions, we also suggest the Joint Leadership Team (JLT) should receive a monthly report on the financial position of the Council, rather than the current verbal update. This could be integrated with more frequent performance and risk reporting, so the JLT has timely finance, performance and risk as a standing agenda item at its meetings.

- *Key Recommendation 3: The arrangements for financial reporting to senior members and officers need to be strengthened. We suggest quarterly budget monitoring reports should be presented to the Executive, as the key decision-making body of the Council, rather than the Overview and Scrutiny Committee – Resources. The Joint Leadership Team (JLT) should receive a monthly report on the financial position of the Council rather than the quarterly report it currently receives. This could be integrated with JLT monthly performance and risk reporting, so the JLT has timely information, as a standing agenda item, to better inform decision making during its improvement journey.*

R

Governance



We considered how the Council:

Commentary on arrangements

Assessment

Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The Executive handles strategic decisions after considering detailed reports and makes recommendations to full Council. The Overview and Scrutiny Committee reviews local policies, risk and performance, leading to reports and recommendations for Council. The Council's Monitoring Officer ensures public access to decisions and relevant reports. The Council's governance arrangements, including the roles of the Council, the Executive, the Overview and Scrutiny Committee, and other committees, are detailed in the Constitution. However there have been a number of weaknesses throughout 2022/23 and 2023/24. There appear to be weaknesses in the governance and decision-making processes within the Executive during 2022/23 with reactive rather than strategic decisions, and risks around governance raised concerns about the adequacy of support for key decisions during 2022/23 and 23/24. The Corporate Governance and Standards Committee includes the Audit function, but this is not obvious (not being in the title of the committee) and it appears to the Review Team that its remit is so broad as to marginalise the audit role to the detriment of the Council's governance. This will be remedied with the establishment of an Audit and Risk Committee from 1 April 2025. The Council's Governance and Standards Committee have the remit to fulfil the requirements of an Audit Committee, however the SOLACE Governance review stated that the terms of reference for this committee was too broad. The Council is establishing a separate audit committee from 1 April 2025.

- *Improvement Recommendation 8: The Governance and Standards Committee, whose remit includes that of an audit committee, should carry out an annual self-assessment of its effectiveness in Spring 2025, using the CIPFA Audit Committee effectiveness checklist, and report on the outcome to shape the development of the new audit committee. The Council should also appoint two independent persons to the new Audit Committee to enhance the Council's assurance framework with professional advice for the Committee.*

A

Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour and where it procures and commissions services.

The Council's arrangements to monitor compliance with legislation, regulatory standards, decision making processes, and delegated authorities are set out in the Constitution. The Monitoring Officer has overall responsibility for compliance with both legislation and standards. All reports to members are assessed for legal and financial implications by appropriate officers. The Council instructs appropriate external experts where necessary. The Council has a local Code of Conduct setting out expectations from Members and officers regarding conduct and behaviour. Members and officers must adhere to the Code. However, the Council faced significant challenges in ensuring compliance with legislative and regulatory standards during 2022/23. Weaknesses included interim statutory officer appointments, inconsistent application of policies for declaring gifts and conflicts of interest, and outdated procurement regulations. Oversight of contracts and waivers was inadequate, and there was limited monitoring of legislative changes. Cultural issues and insufficient training further undermined governance. Early actions to address these gaps were initiated but remained underdeveloped. Governance arrangements improved in 2023/24 with regular statutory officer meetings and updated procurement frameworks. Transparency in declaring interests and waiver scrutiny improved, and procurement activities aligned better with strategic goals. However, contract monitoring and committee oversight required further strengthening, and some governance gaps persisted, indicating the need for continued improvement. The Council is currently reviewing all of its procurement arrangements, including the production of a draft Procurement Strategy 2025-27, in line with good practice, and to meet the requirements of the Procurement Act 2023 which comes into effect in February 2025. Procurement officers and service managers are undergoing training to ensure they are prepared to implement the requirements of the Act as the Council recognizes that procurement practices are not at a reasonable standard following the April 2024 Internal Audit report.

- *Improvement Recommendation 9: The monitoring of contract waivers should be improved through quarterly reporting to the Council's Audit Committee on a quarterly basis from 1 April 2025 and in the meantime an annual report presented to the Governance and Standards Committee for the 2023/24 and the 2024/25 financial years to show the trend in use of waivers.*

A

Improving economy, efficiency and effectiveness



We considered
how the Council:

Commentary on arrangements

Assessment

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

The Council's produces performance report on Key Performance Indicators (KPI's) for the Overview and Scrutiny Committee and service directorates. However, for 2022/23 and 2023/24, there was no performance management framework in place across the Council for measuring performance in achieving priorities or in the delivery of services and managing budgets across the authority's services. The Council' Corporate Improvement Plan objectives, for 2024/25, include:

- "Produce and embed a strategic framework (including strategies, policies, risk and performance management approaches) and set of values that articulate the Council's vision and priorities, and provide a golden thread through service delivery and performance management".
- "Ensure effective service delivery through monitoring, reporting, management and auditing of performance and risks, so that relevant service risks and outcomes are identified and measured, KPIs are strategically aligned, risks are analysed and mitigated and areas of underperformance are addressed. Ensure that performance and risk frameworks are meaningful and visible to Members."

The Council would benefit from high level monthly dashboard performance reporting to the Joint Leadership Team, so officers are aware of areas of good performance and those areas that require improvement, especially in terms of implementing the Housing Improvement Sub Plan.

- *Improvement Recommendation 10: We suggest that the Council present dashboard performance monitoring reports, with exception reporting, for the senior leadership team each month and for members on a quarterly basis. This could include how the Council has set stretch targets for Key Performance Indicators for services performing well to reflect the governance ethos of "continuous improvement" and actions to improve service performance where services are under pressure.*

The SOLACE report highlights the absence of a structured approach to data quality within the Council. There is no evidence of an updated or active data quality framework or policy. The report notes that: "The absence of a consistent performance framework across the authority leads to the view that the management of data is, at the very least, underdeveloped." The basis for good performance information is assurance that the information is based on good quality data. Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design, data management. The Council has yet to produce a data quality strategy stating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework.

- *Improvement Recommendation 11: We recommend that the Council produce a Data Quality Strategy stating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework with a view to including an assessment of specific data sets within non-financial performance reports.*

A

Improving economy, efficiency and effectiveness



We considered
how the Council:

Commentary on arrangements

Assessment

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

For 2022/23 and 2023/24, there was a significant weakness in the housing service and the Council referred itself to the Regulator of Social Housing (RSH) in December 2023. The Council did not have data on the standard of its homes preventing it from evidencing they are safe, despite the significant investment of some £22.5 million in housing stock refurbishment and maintenance during 2022/23. The resulting Consumer Standard assessment from the RSH was a low C3 (on a scale of C1 to C4) which means “*There are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed.*” Since then, urgent action has been taken to improve the housing service across all areas of compliance and building safety. Other significant governance weaknesses also existed and the Council commissioned SOLACE (Society of Local Authority Chief Executives) to carry out the following two reviews:

- Independent Governance Review (March 2024) - review of the Council’s governance, culture, behaviours and transparency;
- Housing Governance Review (April 2024) - review of the Housing Service’s compliance with rules and the law; and the effectiveness of its systems, processes and behaviours.

The current Corporate Improvement Plan (July 2024) is a good response to the recommendations of the Corporate and Housing Governance Reviews. The Corporate Improvement Plan has 74 actions covering the 25 SOLACE recommendations and the Housing Improvement Sub Plan has 36 actions covering the 77 SOLACE recommendations. An Independent Assurance Panel (IAP) was set up by the Council to monitor progress on the implementation of the Improvement Plan and Housing Sub Improvement Plan and report back to the Council every six months. The IAP Report to Council on 10 December 2024 identified that much improvement has been made during the 2024/25 financial year in implementing the Council’s Corporate Improvement Plan. However, the Council recognises that it is on an improvement journey which it estimates may take up to three years. The actions on the Council’s Corporate Improvement Plan therefore need to be updated with target dates over the forecast time frame which will allow proper debate over the forecast pace of change. *Although the IAP informs members of progress on the Corporate Improvement Plan via email each month, we suggest that more frequent reporting to Council would be beneficial in terms of transparency and accountability in the public domain. We suggest that the IAP formally reports on progress against the revised Corporate Improvement Plan to Council every three months, rather than every six months, as this is in line with good practice intervention reporting.*

- **Key Recommendation 4:** We recommend that the outstanding actions on the Council’s Corporate Improvement Plan and Housing Sub Improvement Plan need to be reflected at a granular level with actions and target dates over the three years officers and members predict the length of the Council’s improvement journey to be. This will allow proper debate over the forecast pace of change and prioritisation of resources. We also recommend the Council’s Independent Assurance Panel formally reports on progress against the revised Corporate Improvement Plan to Council every three months, rather than every six months, as this is in line with good practice intervention reporting.

R

Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

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

The collaboration between the Council and Waverley Borough Council (WBC) aims to optimize efficiency opportunities through joint working. However, the pace of collaboration has slowed down considerably as the Joint Leadership Team placed focus on this Council recovering from the significant governance and financial issues, including a material fraud, during 2022/23 and 2023/24. Officers and Members have prioritized the significant improvement actions as outlined in its Corporate Improvement Plan, of July 2024, which includes “establishing the effectiveness of the GBC and WBC collaborative working arrangements, including benefits. (£700k of financial savings delivered so far, with an additional £400k between both authorities budgeted for 24/25.) However, the full Cost Benefit Analysis report of Collaboration has yet to be reported, despite a Summer 2024 date for completion of the work.

Both councils recognize that they need to revise the current Inter Authority Agreements and this is included in the Council’s Corporate Improvement Plan. Both councils have established the five common objectives and 22 planned outcomes in their new Corporate Strategies 2024 – 2028, approved in July 2024, and now there are a number of new shared posts which are being agreed on a one-by-one basis during 2024/25. Progress has also been made in terms of:

- developing combined strategies and policies with WBC, where appropriate, which aim to benefit residents;
- maximise the potential through joint procurement and service delivery where there is an economic case to do so;
- delivering the Safer Guildford Partnership and action plan which aims to reduce crime, disorder, anti-social behaviour.
- working with local voluntary, charity and faith organisations to provide support and services to vulnerable residents.

The Safer Guildford Partnership consists of thirteen partners including the police, other councils, fire, health and voluntary bodies. All other partnerships with businesses, the public and voluntary sectors are essential to the delivery of the Corporate Plan 2024 - 2028. Details of how the value of partnerships is measured could be included in a central Partnerships Register which other councils use to demonstrate the value of partnerships in service delivery and performance.

- *Improvement Recommendation 12: The Council could produce a Partnership Register to show what types of partnership the Council has and how they contribute to the delivery of the outcomes in the Corporate Strategy 2024 - 2028. Details of how the value of partnerships is measured should be included in the Register. The full Cost Benefit Analysis report on Collaboration between Guildford and Waverley Councils needs to be reported as that is a key feature underpinning the Council’s improvement journey.*

A

Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

For 2022/23 and 2023/24, the significant failures in commissioning and procurement of services, highlighted in the provided information, included:

- *Lack of contracts:* Instances where work was ordered and invoiced without a formal contract in place, leading to payment for services without proper documentation.
- *Misuse of urgency powers:* Inappropriate use of 'Urgency Powers' to enter major contracts, bypassing standard procurement procedures.
- *Failure to raise concerns:* Procurement officers not escalating concerns about substantial spends or problematic contracts, leading to potential issues being overlooked.
- *Lack of clarity and documentation:* Contracts entered into without clarity on previous service provision, no formal contracts executed, and failure to provide proper quotations and specifications, resulting in a lack of information and potential legal risks.
- *Lack of adherence to constitutional requirements:* Directors and the Corporate Procurement Team did not take action to prevent non-adherence to constitutional requirements, procurement legislation, and good practice, prior to September 2023.

Overall, the issues point to pervasive weaknesses in procurement due to a lack of adherence to contract procedure rules, misuse of powers, and inadequate oversight and communication within the procurement and contracting processes.

Commissions or procures services, assessing whether it is realising the expected benefits

As part of the Council's Improvement Plan, the Council appointed a new joint Head of Procurement in July 2024 as part of its review of its procurement arrangements, to ensure that the Council's policies, procedures, and practices are up to date and include a better analysis of spend, budget, and risk. The Council is in a transitional phase and while the Contract Standing Orders are being refreshed as part of the constitutional review, it should ensure that the procurement strategy includes all aspects of procurement, including rules, policies, procedures, and analysis of spend, budget, and risk. Contract Management is devolved to the service where the contract is held, with service managers currently monitoring contract performance during 2024/25. Work on the Council's Contracts Register by the new Joint Head of Procurement has shown that it is out of date and not all contracts are documented correctly. Work is underway to capture all the Council's contracts on its contracts register for the end of the financial year. The Council has introduced a comprehensive procurement toolkit on their intranet, featuring resources covering various aspects of procurement and contract management, such as conflict of interest, contract management, procurement awareness and legislation workshops, tender evaluation and award, waiver from Contract Procedure Rules. However, it is not clear whether the above procurement improvements will be sufficient and embedded in time for the Council to be satisfied that it meets the requirements of the Procurement Act 2023 which comes into force on 24 February 2025.

- *Key Recommendation 5: We recommend the Council's Head of Procurement report on the Council's readiness to meet the requirements of the Procurement Act 2023 which comes into force on 24 February 2025, as a matter of priority. Given the Council's constant "red risk" assessment of procurement on its Corporate Risk Register and the current police investigation into a past procurement irregularity, then a granular procurement report on what has been achieved, as part of the Corporate Improvement Plan since July 2024, and any risks and challenges that the Council still faces may give officers and members the assurance on the Council's ability to meet the requirements of the new procurement legislation on 24 February 2025.*

R

**Value for Money
Recommendations raised
for 2022/23 and 2023/24**



Recommendations raised for 2022/23 and 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
Key recommendations		
KR1	KEY	<p>Actions: MTFP approved in Feb 2025 for 2025/26 to be from 2025/26 to 2028/29 [achieved]. Current year plus 3 years. We are working with Business Improvement to identify, cost, timeline and detail any collaboration and transformation projects.</p> <p>Responsible Officer: Jo Knight</p> <p>Due Date: 31st May 2025</p>
KR2	KEY	<p>Actions: Permanent recruitment to current vacancies has commenced. Additional funding approved in Feb 25 to ensure that there are adequate, suitably qualified officers to undertake key activities. Proposed structure to be approved by CLT and in Executive Briefing</p> <p>Responsible Officer: Jo Knight</p> <p>Due Date: 31st May 2025</p>
KR3	KEY	<p>Actions: Currently monitoring is taken to CLT and Executive Briefing monthly and to O&S every other month.</p> <p>The monitoring will be added to the agenda for JLT and circulated monthly alongside performance and risk monitoring. In addition to the above it can be taken to Executive quarterly.</p> <p>Responsible Officer: Mark Riley</p> <p>Due Date: 1st April 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised for 2022/23 and 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
Key recommendations		
KR4	KEY	<p>Actions: The improvement plan actions are reviewed and updated on a monthly basis and new actions are added as appropriate. Actions are reviewed by CLT monthly and reported to the corporate improvement board monthly.</p> <p>Responsible Officer: Laura Froshaug</p> <p>Due Date: Achieved.</p>
KR5	KEY	<p>Actions: The Head of Procurement has undertaken a revision of policies and procedures in readiness for the Procurement Act 2023. Since 2024 numerous training workshops on both the Procurement Act and procurement awareness including the Council's contract procedure rules, for officers and members has been delivered. Alongside this training, a procurement toolkit was put in place in November 2024 (on the council's intranet) to provide staff with guides and resources in respect of procurement and contract management. A new contracts database has been implemented which will hold more contract data than currently recorded to ensure we have reporting means on contracts such as KPIs. Formal contract management courses commence in February 2025 and the new Corporate Procurement Strategy reflecting the requirements of the Act is due to go to Executive on 27th March. All members of the Procurement team have secured the Procurement Act practitioner certification.</p> <p>Responsible Officer: Dawn Adams</p> <p>Due Date: 1st April 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised for 2022/23 and 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
Financial sustainability		
<p data-bbox="212 568 633 592">Use of a sensitivity analysis in the MTFP</p> <p data-bbox="212 619 952 770">IR1 The Council should use a sensitivity analysis in its Medium-Term Financial Plan (MTFP), with percentage changes, to identify the best, likely and worst-case scenarios in terms of the timing and value of the Council's financial pressures for a clearer understanding of how funding gaps may move.</p>	Improvement	<p data-bbox="1314 547 2045 600">Actions: GBC undertook external advice in the planning of its newly approved MTFP regarding sensitivity analysis and scenario planning.</p> <p data-bbox="1314 619 2112 703">During the current cycle of MTFP preparation which has started for 2026/27 to 2029/30 it will continue to seek external advice and use internal expertise to understand implications.</p> <p data-bbox="1314 722 1641 746">Responsible Officer: Jo Knight</p> <p data-bbox="1314 766 1525 790">Due Date: Feb 2026</p>
<p data-bbox="212 847 965 900">Use of benchmarking to identify high cost services with action planning for alternative cost efficient service delivery.</p> <p data-bbox="212 927 952 1082">IR2 Finance should work with service leads and use benchmarking to identify high cost services compared to statistical neighbours. Reasons for the high costs should be investigated and action planning for alternative delivery scenarios with lower costs explored and reported.</p>	Improvement	<p data-bbox="1314 879 2096 963">Actions: ZBB will be undertaken in 2026/27 for Budget and MTFP planning. We are currently working with the data team to identify how we can use data and information to support the budget plan.</p> <p data-bbox="1314 983 1641 1007">Responsible Officer : Jo Knight</p> <p data-bbox="1314 1026 1525 1050">Due Date: Feb 2026</p>
<p data-bbox="212 1129 920 1182">Consistency of financial assumptions with key council operational strategies.</p> <p data-bbox="212 1209 952 1398">IR3 The Council needs to ensure that its financial planning assumptions in the Medium-Term Financial Plan are consistent with other key council strategies such as people, treasury management, asset management, procurement and digital so that all the Council's financial pressures have been clearly identified and reflect service issues, opportunities and risks.</p>	Improvement	<p data-bbox="1314 1166 2112 1219">Actions: During ZBB, key council strategies will be highlighted and reflected within the MTFP and budget proposals.</p> <p data-bbox="1314 1238 1641 1262">Responsible Officer: Jo Knight</p> <p data-bbox="1314 1281 1525 1305">Due Date: Feb 2026</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised for 2022/23 and 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
Financial sustainability		
<p data-bbox="219 619 891 646">Use of a Project Management Office to oversee capital projects</p> <p data-bbox="212 683 1077 774">The Council should Implement a central Project Management Office to oversee all capital projects, ensuring better coordination, accountability, and risk management.</p>	Improvement	<p data-bbox="1556 515 2107 687">Actions: The council has an Enterprise Portfolio Board (EPB) which monitors and supports key projects within the Council. During 2024/25 it commenced a Strategic Capital Board, reporting to the Strategic Director of Finance and Resources to oversee capital, planning and monitoring.</p> <p data-bbox="1556 703 2107 790">Officers need to ensure there is appropriate overlap of both of these boards to ensure capital projects are managed appropriately.</p> <p data-bbox="1556 805 1877 833">Responsible Officer: Jo Knight</p> <p data-bbox="1556 849 1787 876">Due Date: Complete</p>
Governance		
<p data-bbox="212 965 900 992">Revision of the Council's 2023/24 Annual Governance Statement</p> <p data-bbox="212 1000 1090 1173">We recommend the Council's 2023/24 Annual Governance Statement is revised so it is sufficiently transparent in terms of the significant weaknesses in the Council's governance procedures and the subsequent service and financial impact that this had in the 2022/23 and the 2023/24 financial years. In addition to the Council acknowledging its responsibility for disclosing the ineffectiveness of its governance arrangements, the AGS should:</p> <p data-bbox="141 1177 181 1204">IR5</p> <ul data-bbox="212 1177 1084 1374" style="list-style-type: none"> • better focus on outcomes, including progress from the Council's Corporate Improvement Plan (based on the recommendations of the SOLACE Corporate and Housing Governance Reviews) and the oversight of the Independent Assurance Panel; • explain action taken in the 2023/24 year to address the significant governance issues which should have been identified in the 2022/23 Annual Governance Statement. 	Improvement	<p data-bbox="1556 1034 2096 1120">Actions: The Council's AGS has undergone a significant review during 2024/25 and continues to reflect key actions from internal audit.</p> <p data-bbox="1556 1136 2089 1251">An AGS working group has been set up so that the wider council has responsibility for detailing its actions and plans. In the review during the current year it will focus on the improvements noted.</p> <p data-bbox="1556 1267 1951 1294">Responsible Officer: Solomon Akuffo</p> <p data-bbox="1556 1310 1839 1337">Due Date: 30th June 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised for 2022/23 and 2023/24

[p; Recommendation	Type of recommendation *	Actions agreed by Management
Governance		
<p data-bbox="212 564 1032 619">Frequency of reporting of risk and the mapping of risks to the achievement of corporate objectives</p> <p data-bbox="212 632 1120 804">We recommend the:(a) frequency of reporting of the Council's risks is aligned to the proposed quarterly reporting on performance management to the Executive; (b) mapping of risks to the achievement of the corporate objectives and associated Key Performance Indicators (KPIs); and (c) alignment of the Scrutiny and Overview work plan to the extreme and high-risk issues identified by the so they can perform a "deep dive" on higher risk issues where appropriate.</p>	Improvement	<p data-bbox="1375 475 2107 676">Actions: The Executive recently adopted a new risk management strategy and methodology. The strategy and methodology aligns with HM Government's Orange Book and was reviewed by Zurich Resilience Solutions who supported its development, including the adoption of risk appetite statements. The new strategy (which takes effect from 1 April 2025) includes quarterly reporting of risks to public meetings of the Executive.</p> <p data-bbox="1375 692 2107 804">In accordance with the Centre for Governance and Scrutiny's latest guidance (May 2024), where appropriate, consideration will also be given to O&S undertaking 'deep dive' reviews into risks as part of their work programme.</p> <p data-bbox="1375 820 1980 849">Responsible Officer: Luke Harvey & Democratic Services</p> <p data-bbox="1375 865 1603 895">Due Date: Complete.</p>
<p data-bbox="212 970 584 999">Annual budget setting consultation</p> <p data-bbox="212 1011 1084 1150">The Council should undertake an annual budget setting consultation with external stakeholders to understand their priorities in relation to spending areas. Engagement with external stakeholders provides diverse perspectives and insights into community needs and fosters transparency and accountability in the budget setting process.</p>	Improvement	<p data-bbox="1375 932 2107 1102">Actions: The budget and MTFP for 2025/26 has undergone significant consultation with all members including Executive and O&S who discussed community insights. The budget did not contain savings which directly implicated external stakeholders. We will investigate how consultation on budget proposals can be undertaken in consultation with the executive.</p> <p data-bbox="1375 1118 1704 1147">Responsible Officer: Jo Knight</p> <p data-bbox="1375 1163 1603 1193">Due Date: Complete.</p>
<p data-bbox="212 1230 1111 1284">Self assessment of the Governance and Standards audit remit and appointment of independent member for the new Audit Committee</p> <p data-bbox="212 1297 1111 1469">The Governance and Standards Committee, whose remit includes that of an audit committee, should carry out an annual self-assessment of its effectiveness in Spring 2025, using the CIPFA Audit Committee effectiveness checklist, and report on the outcome to shape the development of the new audit committee. The Council should also appoint two independent persons to the new Audit Committee to enhance the Council's assurance framework with professional advice for the Committee.</p>	Improvement	<p data-bbox="1375 1225 2096 1337">Actions: A review of the committees have seen the formation of an Audit Committee with independent persons. A self assessment of the Audit Committee would be undertaken 12 months following the creation of this committee.</p> <p data-bbox="1375 1353 1771 1382">Responsible Officer: John Armstrong</p> <p data-bbox="1375 1398 1637 1428">Due Date: January 2026</p>

Recommendations raised for 2022/23 and 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
<p data-bbox="212 520 792 544">Monitoring of contract waivers by the Audit Committee</p> <p data-bbox="141 560 1120 671">IR9 The monitoring of contract waivers should be improved through quarterly reporting to the Council's Audit Committee on a quarterly basis from 1 April 2025 and in the meantime an annual report presented to the Governance and Standards Committee for the 2023/24 and the 2024/25 financial years to show the trend in use of waivers.</p>	Improvement	<p data-bbox="1420 456 2101 536">Actions: An annual report will be presented to the Governance and Standards Committee for the 2023/24 and the 2024/25 financial years to show the trend in use of waivers.</p> <p data-bbox="1420 560 2101 639">Quarterly monitoring and reporting of monitoring of contract waivers should be improved through quarterly reporting to the Council's Audit Committee on a quarterly basis from 1 April 2025</p> <p data-bbox="1420 663 1783 684">Responsible Officer: Dawn Adams</p> <p data-bbox="1420 708 1637 729">Due Date: July 2025</p>
Improving economy, efficiency and effectiveness		
<p data-bbox="212 983 887 1007">Monthly reporting of performance to the Joint Leadership Team</p> <p data-bbox="141 1031 1120 1214">IR10 We suggest the Council present dashboard performance monitoring reports, with exception reporting, for the Joint Leadership Team (JLT) each month and for members on a quarterly basis. This could include how the Council has set stretch targets for Key Performance Indicators for services performing well to reflect the governance ethos of “continuous improvement” and also actions to improve service performance where services are under pressure.</p>	Improvement	<p data-bbox="1420 823 2101 1110">Actions: The Council regularly reports on performance to the Corporate Leadership Board (CLB) and to two Overview and Scrutiny Committees on a quarterly basis. The Council’s approach to performance management is undergoing continual improvement. This includes adding new KPIs to the corporate suite, as well as the provision of dashboards on key areas of performance to management to aid service delivery and improvement. The corporate performance team also support service areas with demonstrating and evaluating impact such as identifying areas of priority habitat management.</p> <p data-bbox="1420 1134 2101 1214">Once different reporting mechanisms are trialled and evaluated (including BI tools), a formal performance management framework will be documented and adopted.</p> <p data-bbox="1420 1238 1771 1259">Responsible Officer: Luke Harvey</p> <p data-bbox="1420 1283 2101 1331">Due Date: September 2025 (for the adoption of a performance management framework)</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised for 2022/23 and 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
<p>Improving economy, efficiency and effectiveness</p>		
<p>Production of a Data Quality Strategy</p> <p>The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.</p>	Improvement	<p>Actions: The Council has a stated corporate strategy objective of developing a data strategy and action plan. However this work is in its very early stages and so a commitment to a timescale is difficult. The strategy will include principles and practices for maintaining data quality.</p> <p>Responsible Officer: Luke Harvey</p> <p>Due Date: March 2026</p>
<p>Use of a Partnership Register and the CBA of the collaboration between GBC and WBC:</p> <p>The Council should produce a Partnership Register to show what types of partnership the Council has and how they contribute to the delivery of the outcomes in the Council's Strategy 2024 - 2028. Details of how the value of partnerships is measured should be included in the Register. The full Cost Benefit Analysis report on Collaboration between Guildford and Waverley Councils needs to be reported as that is a key feature underpinning the Council's improvement journey.</p>	Improvement	<p>Actions: The AD for transformation starts during February 2025 and will undertake actions as requested.</p> <p>Responsible Officer: AD Transformation</p> <p>Due Date: July 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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.

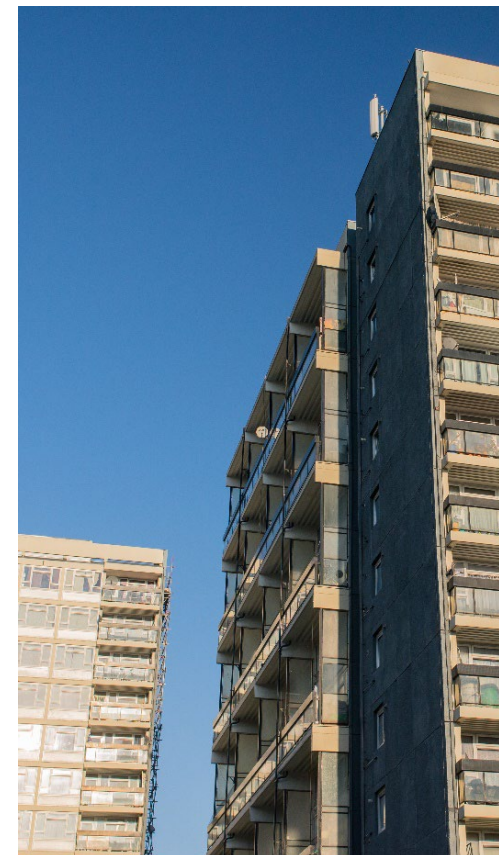
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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: Value for Money Auditor responsibilities



Value for Money arrangements work

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 audited body'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 Section 20(1)(c) of the Local Audit and Accountability Act 2014, we are required to satisfy ourselves that 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 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

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

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

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 – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.**
- **Key recommendations – actions which should be taken by the Council where significant weaknesses are identified within arrangements.**
- **Improvement recommendations – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.**

Appendix C: Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?
Financial sustainability				
<p>The Council has already taken steps to implement a financial recovery plan. As part of this plan, the Council must ensure it sets clear milestones for how it will:</p> <ul style="list-style-type: none"> Identify new recurrent saving plans and ensure there is regular reporting on delivery progress. These saving plans need to be owned across the Council by officers and lead members to ensure clear ownership and accountability for delivery. Review existing service provisions and consider whether its viable to continue delivering any discretionary services currently provided. Increase its level of reserves assuming these will be mostly exhausted balancing the 2023/24 budget. Identify how it can divest assets and reduce the cost of capital currently projected. <p>The Council's Chief Finance Officer (Section 151 Officer) has a statutory duty to consider issuing a Section 114(3) Notice, where in his view, the current or future expenditure of the authority incurred (including expenditure it proposes to incur) in a budget year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure. The initial assessment is that whilst a balanced budget can be delivered for 2023/24 the newly identified funding gap will require new saving plans. The Council has therefore not issued a Section 114(3) Notice, but this will need to be kept under review.</p>	KEY	September 2024	<p>The new savings plan in monitored monthly and reported as part of monthly monitoring. The 2025/26 budget does not include saving plans but does include invest to save. These will be monitored and owned as advised.</p> <p>A Zero Based Budgeting (ZBB) exercise is planned for 2025/26 in preparation for the 2026/27 budget and MTFP. This will identify all discretionary services, how they benchmark and alignment to the corporate strategy.</p> <p>The levels of reserves have been increased and this action is completed although it will be monitored through the year.</p> <p>An asset disposal programme commenced in September 2023 and has continued since. To date it has disposed of approx. £10 million worth of unrequired assets</p>	<p>Yes</p> <p>Planned</p> <p>Yes</p> <p>In progress</p>

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?
Financial sustainability				
<p>For the Council's financial recovery plan to be a success, a key element of the plan must include actions relating to resourcing of the finance team that will ensure:</p> <p>KR2</p> <ul style="list-style-type: none"> • There is sufficient resources and specialist skills to support the day to day running of the finance team. • Non finance staff are not be completing key financial actions like performing reconciliations. 	KEY	September 2024	<p>Whilst recruitment to permanent roles has only just commenced all roles are currently covered by experienced interims. Additional budget in the 2025/26 budget will allow additional post to be created.</p> <p>A review of case had been undertaken at the end of 2024 and actions resulting from the review will be undertaken.</p>	Yes
Governance				
<p>The Council needs to complete the following actions:</p> <p>KR3</p> <ul style="list-style-type: none"> • The finance team re-issue the 2021/22 and 2022/23 draft financial statements to take into accounts amendments arising from the audit of the 2020/21 financial statements. • The entries in the updated financial statements are supported by good quality working papers which are available from the start of the audit. 	KEY	September 2024	This needs to be addressed	No
<p>As part of updating the 2021/22 and 2022/23 draft financial statements the Council needs to undertake a review to ensure revised balances are fully supported and reconcile to the General Ledger. Opening balances have materially changed since the draft accounts were prepared and many of the control weaknesses identified in the 2020/21 Audit Findings Report are applicable to 2021/22 and 2022/23.</p> <p>KR4</p>	KEY	September 2024	This needs to be addressed	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?
Financial Sustainability				
IR1 The Council needs to develop an action plan relating to the winding up of North Downs Housing. The Council should ensure it receives all monies due should North Downs Housing be dissolved.	Improvement	January 2024	The company is now trading successfully. An external review has been commissioned by GBC to look at future options. Stock value now exceeds loans outstanding	Yes
IR2 A workforce plan or people strategy , aligned to the corporate plan and MTFP should be prepared, formally approved and circulated to appropriate officers	Improvement	January 2024	New Assistant Director of HR approved in Feb 2025. The new post holder will produce the people strategy taking into account the recent staff survey results	No
Governance				
IR3 Counter Fraud Progress reports outlining counter fraud activity and outcomes should be reported to Corporate Governance and Standards Committee annually or ideally twice a year	Improvement	January 2024	Action is in progress	In progress
IR4 The Member and Staff Codes of conduct, Anti-Fraud and Corruption Strategy and Whistleblowing Policy should be updated during the current year and reviewed annually thereafter	Improvement	January 2024	All reviewed and agreed	Yes
IR5 The Council should focus on ensuring that recommendations of the Solace reports are implemented to help ensure revised budget management processes are embedded.	Improvement	January 2024	Majority are implemented and remaining actions are reviewed on a monthly basis	Yes

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?
Improving economy, efficiency and effectiveness				
IR6 Consideration should be given to reporting key performance indicators to Executive on a quarterly basis and this reporting is integrated with financial reporting,	Improvement	September 2024	Financial monitoring has been separated from performance reporting so that it receives the appropriate level of scrutiny and visibility. This is presented to Executive Brief monthly	Yes
IR7 The Council should update its Information Management Policy and include a Data Strategy for approval within the Governance Structure.	Improvement	September 2024	LGA peer review booked for March 2025 to review information governance and ICT strategy for both councils	In-progress
IR8 We recommend a Procurement Strategy is developed and in addition to the explaining the Council's approach to procurement it includes the following: <ul style="list-style-type: none"> The strategy should cover partnering, e-procurement, procurement with small to medium size enterprises and the voluntary sector, value for money, social value, sustainability, local procurement and contract management. It should refer to the National Procurement Strategy for Local Government in England which last updated in 2022. SMART (specific, measurable, achievable, realistic, and timely) objectives are clearly set out in the Strategy to allow the Council to assess whether the Strategy is delivering as intended. A framework for how the delivery of the Strategy will be achieved. An annual or biennial review against SMART objectives reported to the Resources and Strategy Committee would allow the Council to assess how successful the Strategy is in delivering its objectives. 	Improvement	September 2024	New procurement strategy has been developed and is currently going through the committee cycle	In-progress

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



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