Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

8 September 2021

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Council Chamber, Marmion House, Lichfield Street, Tamworth, B79 7BZ on Thursday, 16th September, 2021 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

CHIEF EXECUTIVE

A G E N D A

NON CONFIDENTIAL

1 **Minutes of the Previous Meeting** (Pages 5 - 8)

2 **Apologies for Absence**

3 **Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

4 Review of The Annual Report on the Treasury Management Service and Actual Prudential Indicators 2020/21 (Pages 9 - 36)

(Report of the Executive, Director Finance)

5 Local Government and Social Care Ombudsman Annual Review 2020/21 (Pages 37 - 54)

(Report of the Assistant Director, People)

6 Modern Slavery Statement 2020/21 (Pages 55 - 64)

(Report of the Assistant Director, Partnerships)

7 Audit and Governance Committee Timetable (Pages 65 - 70)

(Discussion Item)

8 Management Representation Letter 2020/21 (Pages 71 - 74)

(Executive Director, Finance)

9 Fee Increase Letter (Pages 75 - 80)

(Report of the External Auditors)

10 Audit Findings Report 2020/21 (Pages 81 - 112)

(The Audit Findings Report 2020/21 from Grant Thornton, the External Auditors)

11 Exclusion of the Press and Public

To consider excluding the Press and Public from the meeting by passing the following resolution:-

"That in accordance with the provisions of the Local Authorities (Executive Arrangements) (Meeting and Access to Information) (England) Regulations 2012, and Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public"

At the time this agenda is published no representations have been received that this part of the meeting should be open to the public.

12 Audit Findings Report 2020/21 (Pages 113 - 118)

(The Audit Findings Report 2020/21 from Grant Thornton, the External Auditors)

Access arrangements

If you have any particular access requirements when attending the meeting, please contact Democratic Services on 01827 709267 or e-mail democratic-services@tamworth.gov.uk. We can then endeavour to ensure that any particular requirements you may have are catered for.

Filming of Meetings

The public part of this meeting may be filmed and broadcast. Please refer to the Council's Protocol on Filming, Videoing, Photography and Audio Recording at Council meetings which can be found here for further information.

If a member of the public is particularly concerned about being filmed, please contact a member of Democratic Services before selecting a seat

FAQs

For further information about the Council's Committee arrangements please see the FAQ page here

To Councillors: M Summers, R Ford, J Chesworth, A Cooper, M J Greatorex, Dr S Peaple and P Thurgood

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MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON 28th JULY 2021

PRESENT: Councillor M Summers (Chair), Councillors J Chesworth, M J Greatorex, Dr S Peaple and P Thurgood

Officers Stefan Garner (Executive Director Finance), Andrew Wood (Audit Manager) and Tracey Pointon (Legal Admin & Democratic Services Manager)

Visitors Will Guest from external auditors Grant Thornton

12 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors A Cooper and R Ford

13 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 9th June 2021 were approved and signed as a correct record.

(Moved by Councillor J Chesworth and seconded by Councillor S Peaple)

14 DECLARATIONS OF INTEREST

There were no declarations of Interest.

15 AUDIT FINDINGS REPORT

Will Guest, from Grant Thornton the Council's external auditors, updated the Committee that due to unforeseen circumstances the audit has been delayed. It was agreed to defer the item until the next meeting in September.

16 MANAGEMENT REPRESENTATION LETTER

This item has been deferred to be discussed at the next Audit & Governance meeting

17 ANNUAL STATEMENT OF ACCOUNTS & REPORT 2020/21

Report of the Executive Director Finance to approve the Statement of Accounts (the Statement) for the financial year ended 31st March 2021 following completion of the external audit.

RESOLVED: That the Committee

1. approved the Annual Statement of Accounts 2020/21 and;

2. Agreed to delegate authority to the Chair of the Audit and Governance Committee to approve any changes and re-sign the accounts, if necessary, once we have received the Audit Findings Report from Grant Thornton and assurance from Staffordshire County Council's external auditors in relation to the Staffordshire Pension Fund and have any highlighted changes shown to the Committee before the Chair signs the accounts.

(Moved by Councillor M Summers and seconded by Councillor Dr S Peaple)

The Committee also thanked the External Auditors and the Accounts team for the hard work in preparing the final accounts

18 RISK MANAGEMENT QUARTERLY UPDATE

Report of the Assistant Director Finance to report on the Risk Management process and progress for Quarter 1 of the 2021/22 financial year. To present the revised report format, and a revised Risk policy document for approval. The report also includes comments and recommendations from a recent audit review of the risk process.

RESOLVED: That the committee

1. endorsed the revised Corporate Risk Register

2. approved the revised Risk Policy document and;

3. noted the Audit recommendations

(Moved by Councillor M Greatorex and Seconded by Councillor P Thurgood)

19 INTERNAL AUDIT PROGRESS UPDATE REPORT 2021/22 (QUARTER 1)

Report of the Audit Manager to provide Audit & Governance Committee with internal audit's progress report for the period to 30 June 2021 (Quarter1).

RESOLVED: That Committee

1. endorsed the report

(Moved by Councillor M Summers and seconded by Councillor J Chesworth)

20 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed the timetable.

RESOLVED: That Committee
Agreed to change the September meeting from 22nd September to 16th September

(Moved by Councillor M Summers and seconded by Councillor P Thurgood)

21 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That Members of the press and public be excluded from the meeting during consideration of the following item on the grounds that the business involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

(Moved by Councillor M Summers and seconded by Councillor J Chesworth)

22 REMOVAL OF RISK BASED VERIFICATION IN THE ADMINISTRATION OF HOUSING BENEFIT AND COUNCIL TAX SUPPORT

Report of the Assistant Director of Finance to inform of the removal of Risk Based Verification from the administration of Housing Benefit and Council Tax Support.

RESOLVED: That the Committee

endorsed the removal of Risk Based Verification from 14 July 2021

(Moved by Councillor M Summers and seconded by Councillor P Thurgood)

Chair

AUDIT & GOVERNANCE COMMITTEE

16th September 2021

Report of the Executive Director Finance

REVIEW OF THE ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2020/21

Purpose

To review the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2020/21 prior to Council on 21st September 2021.

Recommendation

That Members consider the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2020/21, as detailed at Annex 1, and highlight any proposed changes for recommendation to Cabinet.

Executive Summary

At its meeting on 23rd February 2010, the Council approved the Treasury Management Strategy and Prudential Indicators including, as required by the Code, that the Audit & Governance Committee be given the opportunity to scrutinise the strategy and policies, as well as receiving regular monitoring reports.

With regard to the appointment of a Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies, the code suggests:

- This involves reviewing the Treasury Management policy and procedures and making recommendations to the responsible body;
- Public Service Organisations have a responsibility to ensure that those charged with governance have access to the skills and knowledge they require to carry out this role effectively;
- Those charged with Governance also have a personal responsibility to ensure they have the appropriate skills and training in their role;
- The procedures for monitoring Treasury Management activities through audit, scrutiny and inspection should be sound and rigorously applied, with an openness of access to information and well-defined arrangements for the review and implementation of recommendations for change; and
- This includes the provision of monitoring information and regular review by Councillors in both executive and Scrutiny functions.

In compliance with the above, a copy of the Annual Report on the Treasury Management Service and Actual Prudential Indicators for 2020/21 is attached at **Annex 1.**

Equalities implications

There are no equalities implications arising from the report.

Legal implications

Approval of Prudential Indicators and an Annual Investment Strategy is a legal requirement of the Local Government Act 2003. Members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

Resource and Value for Money implications

All financial resource implications are detailed in the body of this report which links to the Council's Medium Term Financial Strategy.

Risk implications

Risk is inherent in Treasury Management and as such a risk based approach has been adopted throughout the report with regard to Treasury Management processes.

Report Author

Please contact Jo Goodfellow, Head of Finance on ext 241 or Stefan Garner, Executive Director Finance on ext 242.

Background Papers:-	Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2020/21 Including Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2020/21, Council 25th February 2020
	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2020/21 Council 15th December 2020
	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement 2010/11, Council 23rd February 2010.

CABINET ANNEX 1

THURSDAY 19TH AUGUST 2021

COUNCIL

TUESDAY 21st SEPTEMBER 2021

REPORT OF THE PORTFOLIO HOLDER FOR FINANCE AND CUSTOMER SERVICES

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2020/21

EXEMPT INFORMATION

None

PURPOSE

The Annual Treasury report is a requirement of the Council's reporting procedures. It covers the Treasury activity for 2020/21, and the actual Prudential Indicators for 2020/21.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes in accordance with Regulations issued under the Local Government Act 2003. It also provides an opportunity to review the approved Treasury Management Strategy for the current year and enables Members to consider and approve any issues identified that require amendment.

RECOMMENDATIONS

That Cabinet ask Council to;

1. **Approve the actual 2020/21 Prudential and Treasury Indicators within the report and shown at Appendix 1;**

2. **Accept the Annual Treasury Management Report for 2020/21; and**

3. **Approve the continuing investment of c. £8m in property funds before March 2022 as previously planned.**

EXECUTIVE SUMMARY

This report covers Treasury operations for the year ended 31st March 2021 and summarises:

- the Council's Treasury position as at 31st March 2021; and
- Performance Measurement

The key points raised for 2020/21 are

1. The Council's Capital Expenditure and Financing 2020/21

2. The Council's Overall Borrowing Need
3. Treasury Position as at 31st March 2021
4. The Strategy for 2020/21
5. Borrowing Outturn for 2020/21
6. Investment Outturn for 2020/21
7. Performance Measurement
8. The Economy and Interest Rates
9. Property Funds
10. Other Issues

The Treasury Function has achieved the following favourable results:

- The Council has complied with the professional codes, statutes and guidance;
- There are no issues to report regarding non-compliance with the approved prudential indicators;
- The Council maintained an average investment balance externally invested of £60.571m and achieved an average return of 0.62% (budgeted at £34.306m and an average return of 1.0%).
- This result compares favourably with the Council's own Benchmarks of the average 7 day and the 3 month LIBID rates for 2020/21 of -0.0706% and 0.0150%;
- The closing weighted average internal rate on borrowing is 4.05% (4.05% for 2019/20);
- The Treasury Management Function has achieved an outturn investment income of £377k compared to an original budget of £332k. Investment balances were higher than budgeted throughout the year, however average interest rates started to fall.
- We also received £128k in dividends from our property fund investments (£147k in 2019/20), compared to a budget of £300k. However the net value of the investments has fallen by £206k as at 31st March 2021. At the meeting on 16th December 2020, Members considered the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2020/21, including a review of the planned investments in property funds, following consideration by Audit & Governance Committee on 29th October 2020 (as the Committee nominated by Council for the scrutiny of Treasury Management functions). It was resolved that the planned investments in property funds be deferred, with a review during Spring 2021 when the situation should be clearer, to inform future investment plans.

  Section 9 of this report provides details of the outcome of this further review and, while no one can know the after effects of the pandemic in terms of reduced economic activity, we are seeing signs of recovery and resilience in certain parts of the economy, and consequently the Funds real estate portfolio. Most funds are able to report relatively high collection rates (over 80%) for the current quarter payment dates which is positive – however, while it could, it is not expected that the effects of the furlough scheme measures ending over the coming months will seriously impact the wider economy and real estate markets.

On balance, it is therefore recommended that the remaining property fund investments of c.£8m continue as planned before March 2022

During 2020/21 the Council complied with its legislative and regulatory requirements.

The Executive Director Finance confirms that there was no overall increase in borrowing within the year and the Authorised Limit was not breached.

At 31st March 2021, the Council's external debt was £63.060m (£63.060m at 31st March 2020) and its external investments totalled £57.972m (£55.26m at 31st March 2020).

RESOURCE IMPLICATIONS

There are no financial implications or staffing implications arising directly from the report.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Link Asset Services, the Council's current Treasury advisers, has proactively managed its debt and investments during the year.

EQUALITIES IMPLICATIONS

None

SUSTAINABILITY IMPLICATIONS

None

REPORT AUTHOR

If Members would like further information or clarification prior to the meeting please contact Stefan Garner, telephone 01827 709242 or email stefan-garner@tamworth.gov.uk

LIST OF BACKGROUND PAPERS

- Local Government Act 2003;
- Statutory Instruments: 2003 No 3146 & 2007 No 573;
- CIPFA Code of Practice on Treasury Management in Public Services;
- Treasury Management Strategy 2020/21 (Council 25th February 2020);
- Treasury Management Mid-Year Review 2020/21 (Council 15th December 2020);
- Treasury Outturn Report 2019/20 (Council 15th September 2020).

APPENDICES

Appendix 1 – Prudential and Treasury Indicators

Appendix 2 – Borrowing and Investment Rates

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21 the minimum reporting requirements were complied with:

- an annual treasury strategy in advance of the year (Council 25th February 2020)
- a mid-year (minimum) treasury update report (Council 15th December 2020)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, Cabinet has received quarterly Treasury management updates as part of the Financial Healthcheck Reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members. This Council confirms that it has complied with the requirement under the Code to provide scrutiny of all of the above Treasury Management Reports to the Audit and Governance Committee. Member training on Treasury Management issues was provided in November 2019 with further training on the Corporate Capital Strategy in February 2020, and will be provided as and when required in order to support members' scrutiny role.

During 2020/21, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows.

Prudential & Treasury Indicators	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
Capital Expenditure			
Non HRA	4.734	12.121	**1.133**
HRA	20.462	12.699	**8.396**
Total	25.196	24.820	**9.529**
Capital Financing Requirement			
Non HRA	3.523	2.806	**3.612**
HRA	68.532	75.255	**69.893**
Total	72.055	78.061	**73.506**
Gross Borrowing			
External Debt	63.060	63.060	**63.060**
Investments			
Longer than 1 year	3.720	-	**3.643**
Less than 1 year	55.261	27.197	**57.972**
Total	58.981	27.197	**61.615**
Net Borrowing	4.079	35.863	**1.445**

It should be noted that **£27.5m** of Capital scheme spend has been re-profiled into 2021/22 (also including re-profiling from previous years) which has increased investment balances.

Other prudential and treasury indicators are to be found further in this report. The Executive Director Finance confirms that there was no overall increase in borrowing in year and the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2020/21 continued the challenging investment environment of previous years, namely low investment returns.

1. The Council's Capital Expenditure and Financing 2020/21

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply internal funds, the capital expenditure would give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
Capital Expenditure	4.734	12.121	**1.133**
Financed in year	1.982	11.195	**0.933**
Unfinanced capital expenditure	2.752	0.926	**0.199**
HRA	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
Capital Expenditure	20.462	12.699	**8.396**
Financed in year	19.970	10.509	**7.035**
Unfinanced capital expenditure	0.492	2.190	**1.361**

2. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2020/21 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2020/21 MRP Policy (as required by MHCLG Guidance) was approved as part of the Treasury Management Strategy Report for 2020/21 on 25th February 2020.

The Council's CFR for General Fund and the HRA for the year are shown below, and represent a key prudential indicator.

CFR: General Fund	31st March 2020 Actual £m	31st March 2021 Budget £m	31st March 2021 Actual £m
Opening balance	0.828	1.986	**3.523**
Add unfinanced capital expenditure (as above)	2.752	0.926	**0.199**
Less MRP/VRP	(0.056)	(0.106)	**(0.110)**
Less PFI & finance lease repayments	-	-	**-**
Closing balance	3.524	2.806	**3.612**

CFR: HRA	31st March 2020 Actual £m	31st March 2021 Budget £m	31st March 2021 Actual £m
Opening balance	68.041	73.065	**68.532**
Add unfinanced capital expenditure (as above)	0.492	2.190	**1.361**
Less MRP/VRP	-	-	**-**
Less PFI & finance lease repayments	-	-	**-**
Closing balance	68.533	75.255	**69.893**

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2020/21. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Gross borrowing and the CFR	31st March 2020	31st March 2021	31st March 2021
	Actual £m	Budget £m	Actual £m
Gross borrowing position	63.060	63.060	63.060
CFR	68.532	78.061	73.506

The lower than estimated CFR reflects re-profiling of spend within the capital programme to 2021/22 and lower than forecast borrowing.

The Authorised Limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

The Operational Boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual Financing Costs as a Proportion of Net Revenue Stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Borrowing Limits	GF £m	HRA £m	Total £m
Authorised limit	5.806	79.407	85.213
Maximum gross borrowing position	-	63.060	63.060
Operational boundary	-	63.060	63.060
Average gross borrowing position	-	63.060	63.060
Budgeted financing costs as a proportion of net revenue stream %	(2.17)	28.24	26.07
Actual financing costs as a proportion of net revenue stream %	(5.44)	28.20	22.75

3. Treasury Position as at 31st March 2021

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's

Treasury Management Practices. At the beginning and the end of 2020/21 the Council's treasury (excluding borrowing by finance leases) position was as follows:

General Fund	31st March 2020 Principal £m	Rate/ Return %	Average Life yrs	31st March 2021 Principal £m	Rate/ Return %	Average Life yrs
Total debt	**-**	**-**	**-**	**-**	**-**	**-**
CFR	***3.523***	**-**	**-**	***3.612***	**-**	**-**
Over / (under) borrowing	***(3.523)***	**-**	**-**	***(3.612)***	**-**	**-**
Investments:						
- in house	37.525	1.01	-	40.779	0.62	-
Total investments	***37.525***	***1.01***	**-**	***40.779***	***0.62***	**-**

HRA	31st March 2020 Principal £m	Rate/ Return %	Average Life yrs	31st March 2021 Principal £m	Rate/ Return %	Average Life yrs
Fixed rate funding:						
-PWLB	63.060	4.05	34.73	63.060	4.05	33.73
Total debt	***63.060***	***4.05***	***34.73***	***63.060***	***4.05***	***33.73***
CFR	***68.532***	**-**	**-**	***69.893***	**-**	**-**
Over / (under) borrowing	***(5.472)***	**-**	**-**	***(6.833)***	**-**	**-**
Investments:						
- in house	17.736	1.01	-	17.193	0.62	-
Total investments	***17.736***	***0.68***	**-**	***17.193***	***0.62***	**-**

Maturity Structures

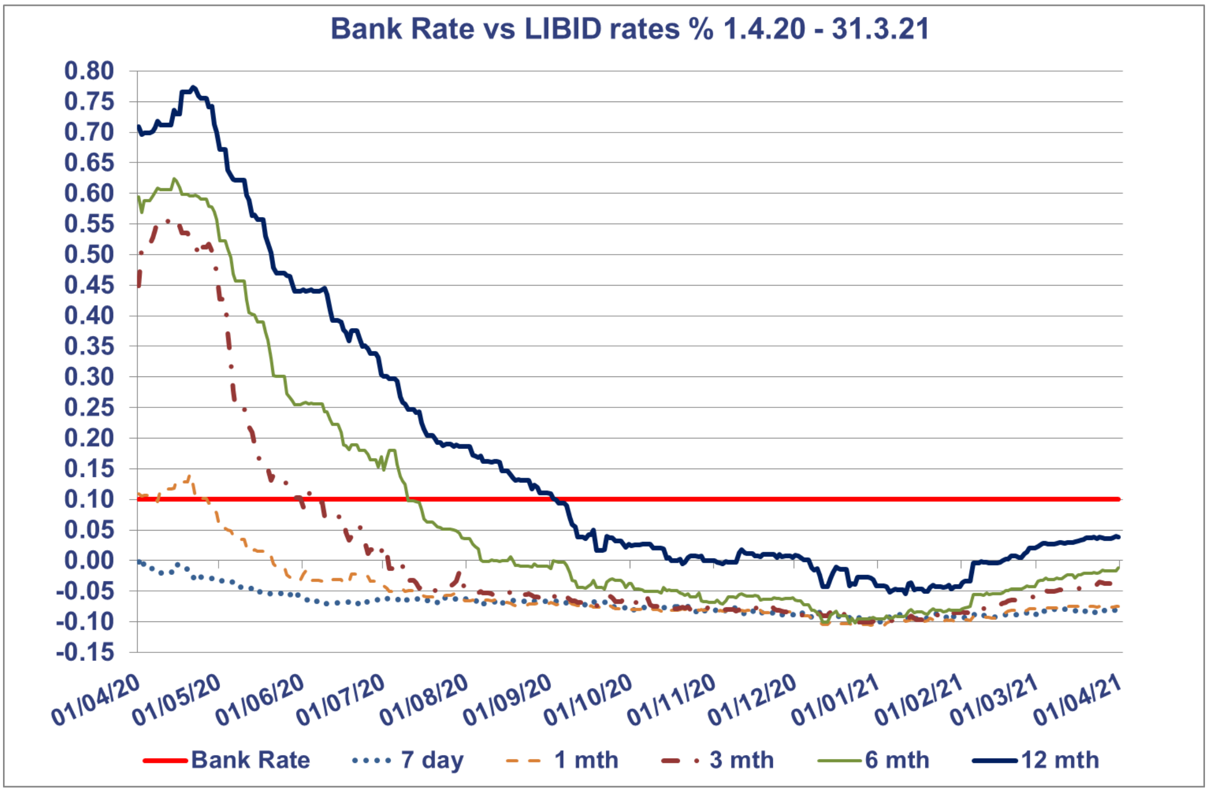
The maturity structure of the debt portfolio was as follows:

Duration	31st March 2020 Actual £m	2020/21 original limits %	31st March 2021 Actual £m
Under 12 months	-	20	**-**
12 months and within 24 months	-	20	**-**
24 months and within 5 years	-	25	**-**
5 years and within 10 years	-	75	**-**
10 years and within 15 years	5	100	**5**
15 years and within 50 years	58	100	**58**

All investments held by the Council were invested for up to one year, with the exception of £3.8m invested in property funds, which are held for the longer-term, 5 – 10 years.

4. The Strategy for 2020/21

4.1 Investment strategy and control of interest rate risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
Low Date	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
Average	0.10	-0.07	-0.05	0.01	0.07	0.17
Spread	0.00	0.10	0.25	0.66	0.73	0.83

Investment returns, which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

4.2 Borrowing strategy and control of interest rate risk

During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances and incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Executive Director Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

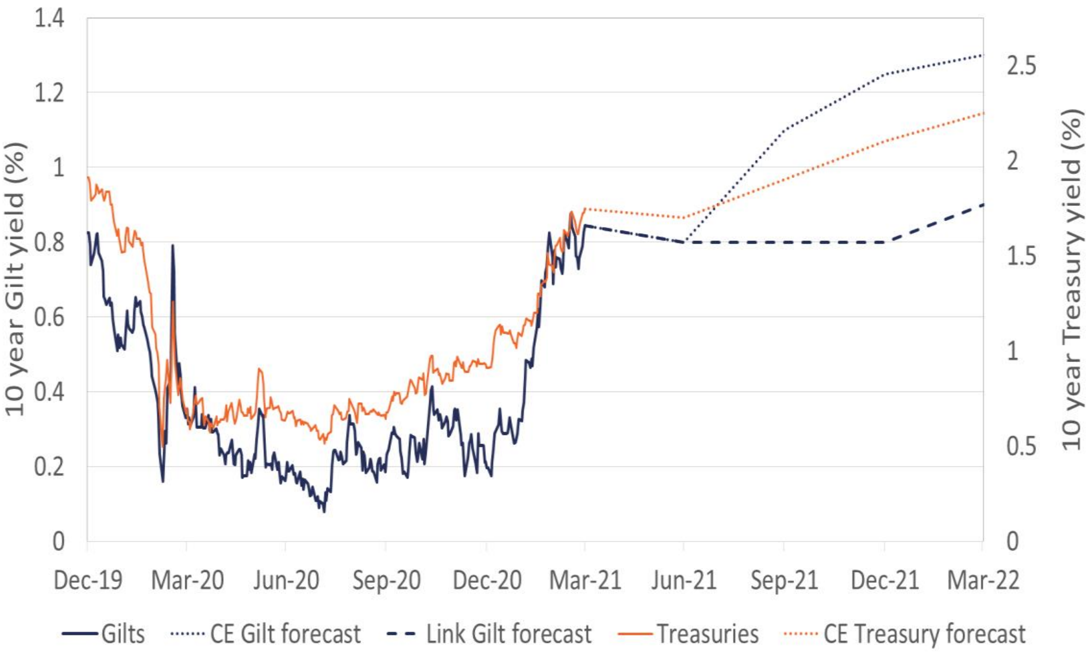
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

PWLB Borrowing Rates

PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession.

Graph of UK gilt yields v. US treasury yields



Gilt yields fell sharply from the start of 2020 and then spiked up during a financial markets melt down in March caused by the pandemic hitting western countries; this was rapidly countered by central banks flooding the markets with liquidity. While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they have diverged during the first three quarters of 2020/21 but then converged in the final quarter. Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the new year of 2021, gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than in the forecast tables in this report.

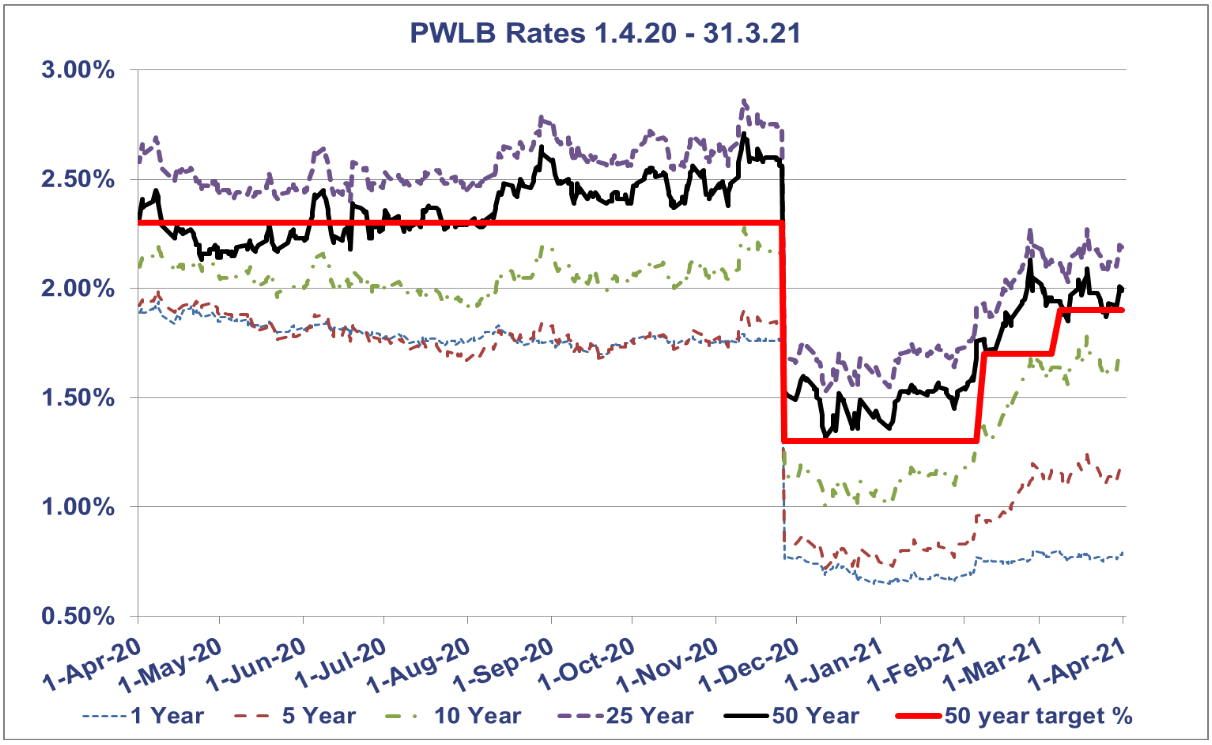
At the close of the day on 31st March 2021, all gilt yields from 1 to 5 years were between 0.19 – 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.

HM Treasury imposed **two changes of margins over gilt yields for PWLB rates in 2019/20** without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and **on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates;** the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

The graph and tables for PWLB rates below and in Appendix 2 show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



5. Borrowing Outturn for 2020/21

Treasury Borrowing
Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

Borrowing in Advance of Need
The Council has not borrowed more than, or in advance of, its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

6. Investment Outturn for 2020/21

Investment Policy – the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 25th February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised the following:

Balance Sheet Resources General Fund	31st March 2020 £m	31st March 2021 £m
Balances	6.882	**8.002**
Earmarked Reserves	9.387	**18.108**
Provisions	2.032	**2.637**
Usable Capital Receipts	17.279	**17.307**
Capital Grants Unapplied	0.256	**0.295**
Total GF	35.836	**46.349**

Balance Sheet Resources HRA	31st March 2020 £m	31st March 20121 £m
Balances	6.252	**5.611**
Earmarked Reserves	7.789	**11.251**
Provisions	-	**-**
Usable Capital Receipts	2.896	**2.680**
Total HRA	16.937	**19.542**
Total Authority Resources	52.773	**65.891**

Investments held by the Council – the Council maintained an average balance of £60.571m of internally managed funds. The internally managed funds earned an average rate of return of 0.62%. The comparable performance indicator is the average 7-day LIBID rate which was -0.0706%. This compared with a budget assumption of £34.306m investment balances earning an average rate of 1.0%.

7. Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide (as incorporated in the table in section 3). The Council's performance indicators were set out in the Annual Treasury Management Strategy Statement.

This service has set the following local performance indicator:

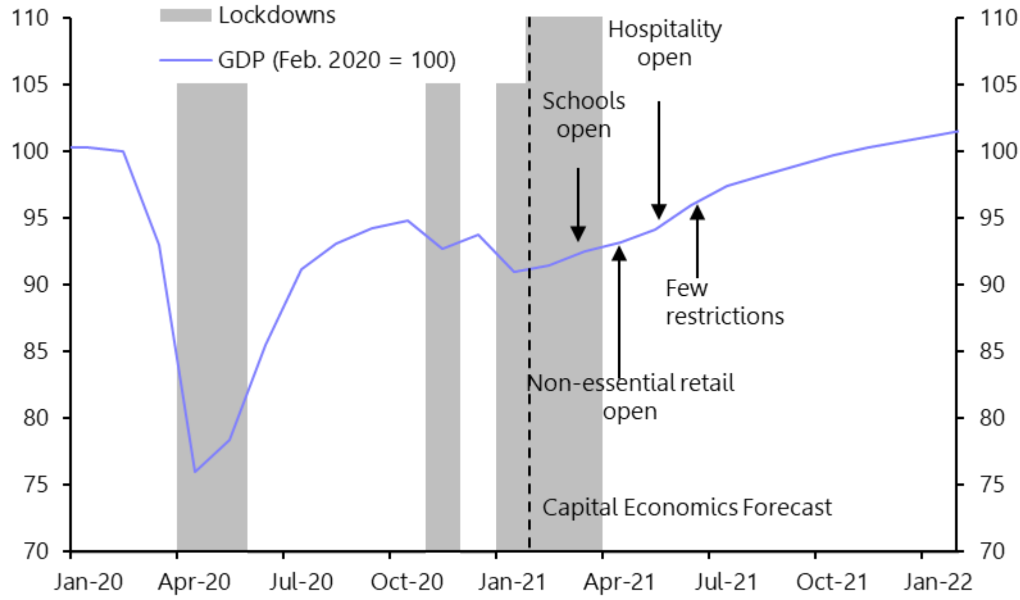
- *Average external interest receivable in excess of 3 month LIBID rate;*

  Whilst the assumed benchmark for local authorities is the 7 day LIBID rate, a higher target is set for internal performance.

  The actual return of 0.62% compared to the average 3 month LIBID of 0.0150% (0.605% above target).

8. The Economy and Interest Rates

UK. Coronavirus. The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown, so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020 was a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.



Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

The **Monetary Policy Committee** cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing QE (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

Average inflation targeting. This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and ***achieving the 2% target sustainably***". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.

Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures, and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

BREXIT. The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

USA. The US economy did not suffer as much damage as the UK economy due to the pandemic. The Democrats won the presidential election in November 2020 and have control of both Congress and the Senate, although power is more limited in the latter. This enabled the Democrats to pass a $1.9trn (8.8% of GDP) stimulus package in March on top of the $900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also planning to pass a $2trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.

After Chair Jerome Powell spoke on the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed a new inflation target - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. There is now some expectation that where the Fed has led in changing its policy towards implementing its inflation and full employment mandate, other major central banks will follow, as indeed the Bank of England has done so already. The Fed expects strong economic growth during 2021 to have only a transitory impact on inflation, which explains why the majority of Fed officials project US interest rates to remain near-zero through to the end of 2023. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping treasury yields at historically low levels. However, financial markets in 2021 have been concerned that the sheer amount of fiscal stimulus, on top of highly accommodative monetary policy, could be over-kill leading to a rapid elimination of spare capacity in the economy and generating higher inflation much quicker than the Fed expects. They have also been concerned as to how and when the Fed will eventually wind down its programme of monthly QE purchases of treasuries. These concerns have pushed treasury yields sharply up in the US in 2021 and is likely to have also exerted some upward pressure on gilt yields in the UK.

EU. Both the roll out and take up of vaccines has been disappointingly slow in the EU in 2021, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.

Inflation was well under 2% during 2020/21. **The ECB** did not cut its main rate of -0.5% further into negative territory during 2020/21. It embarked on a major expansion of its QE operations (PEPP) in March 2020 and added further to that in its December 2020 meeting when it also greatly expanded its programme of providing cheap loans to banks. The total PEPP scheme of €1,850bn is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, **unlikely to be a euro crisis** while the ECB is able to maintain this level of support.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth.

Japan. Three rounds of government fiscal support in 2020 together with Japan's relative success in containing the virus without draconian measures so far, and the roll out of vaccines gathering momentum in 2021, should help to ensure a strong recovery in 2021 and to get back to pre-virus levels by Q3.

World growth. World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy on the Uighurs in Xinjiang; this led to a much bigger retaliation by China and is likely to mean that the China / EU investment deal then being negotiated, will be torn up. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

9. Investment in Property Funds

Investment in property funds was included within the Commercial Investment Strategy, with the aim of generating improved returns of c.4-5% p.a. (plus asset growth) being long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs). Utilising the capital receipt proceeds of the sale of the Golf Course, a budget of £12m was allocated to long-term investment in a number of property funds. To date, the Council has invested £1.85m with Schroders UK Real Estate Fund and £2m with Threadneedle Property Unit Trust, total investment £3.85m.

At the meeting on 16th December 2020, Members considered the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2020/21, including a review of the planned investments in property funds, following consideration by Audit & Governance Committee on 29th October 2020 (as the Committee nominated by Council for the scrutiny of Treasury Management functions). It was resolved that the planned investments in property funds be deferred, with a review during Spring 2021 when the situation should be clearer, to inform future investment plans.

During March 2020, the majority of property valuation firms in the UK concluded unanimously that they were faced with an unprecedented set of circumstances on which to base a valuation judgement and thus were required to include a 'Material Valuation Uncertainty' clause to their valuations. The result was that the majority of UK property funds suspended dealing.

As time has progressed and more transactional evidence post the lockdown became available the Material Valuation Uncertainty clause was lifted. This in turn means the Managers approved the lifting of the suspension of the Funds with dealing in the Funds resuming during October 2020.

The latest Investment Property Forum (IPF) Consensus Forecasts were revised down over the forecast horizon, with notable downgrades to the outlook for 2021. The Investment Property Forum Consensus Forecasts Spring 2021 Survey of Independent Forecasts for UK Commercial Property Investment in May 2021 has subsequently demonstrated, over the second quarter, the 2021 All Property average growth rate rose almost 1%, to -1.7% (still below May 2020's projection of -1.3%).

For 2022, the expectation for the All Property average is stronger than three months ago – now 0.9% from 0.4% previously. Other than Offices, all sector ranges increased over the quarter, with Retail Warehouses recording the greatest improvement of over 1% to average -0.9%.

Sector rental growth forecasts for the remaining three years of the survey have broadly strengthened, with All Property averages of 1.7% in 2023 and 2024 and 1.6% in 2025. The All Property forecast now lies at 4.4% (from 2.1% in February).

Mirroring capital value expectations, total return forecasts are likely to peak in 2022. The average All Property total return forecast now stands at 6.9% (6.6% previously), with sector forecasts ranging between 2.3% (Shopping Centres) to 9.2% (Industrials).

In each of the three remaining survey years, most sector averages weaken, resulting in the All Property averages falling from 6.4% in 2023 to 5.6% by 2025, when the best-performing sector may prove to be Retail Warehouses, currently predicted to deliver a total return of 6.9%.

The following table illustrates the evolution of the average All Property forecasts for the current year and 2022, as well as over five years, from February 2020:

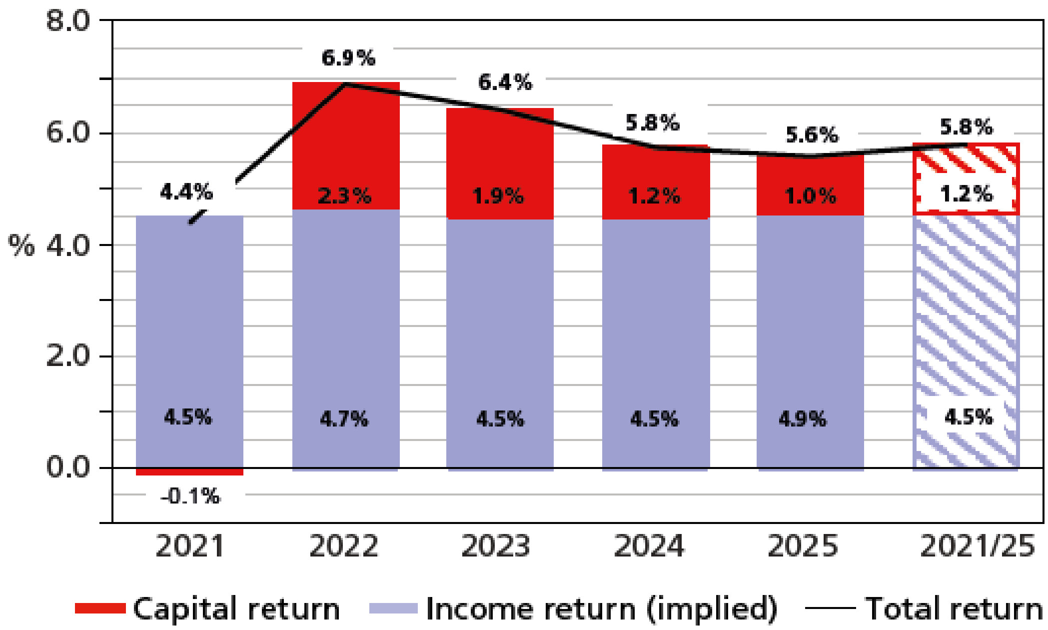
All Property Average by Forecast Month

Month of forecast (no. contributors)	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2021	2022	2023	2021/25	2021	2022	2023	2021/25	2021	2022	2023	2021/25
March (5)	-2.2	0.5	1.5	0.5	-1.3	0.6	0.8	0.3	3.2	5.2	5.3	4.8
April (4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
May (12)	-1.7	0.9	1.8	0.8	0.0	2.1	2.2	1.3	4.4	6.8	6.6	5.9
All Forecasters (21)	**-1.7**	**0.9**	**1.7**	**0.8**	**-0.1**	**2.3**	**1.9**	**1.2**	**4.4**	**6.9**	**6.4**	**5.8**

Source: IPF Survey of Independent Forecasts for UK Commercial Property Investment Spring 2021

The 2021 total return averages rose by 2.25% over the quarter (from February's average of 2.1%) and next year's average also showed an increase, of 0.29% (previously averaging 6.6%). However, the following three years' projections have weakened, down 0.25%, 0.59% and 0.72% lower for 2023, 2024 and 2025 respectively (from 6.7%, 6.3% and 6.3% last quarter). Despite weaker forecasts for these later years, improved projections for 2021 and 2022 support a modest improvement in the five-year average (from 5.6% pa previously).

All Property total return forecasts



Source: IPF Survey of Independent Forecasts for UK Commercial Property Investment Spring 2021

While no one can know the after effects of the pandemic in terms of reduced economic activity, we are seeing signs of recovery and resilience in certain parts of the economy, and consequently the Funds real estate portfolio. For most funds, the strategic position, resilient tenant base and the Fund Management Teams' efforts, has maximised rent collection during this challenging period being able to report relatively high collection rates (over 80%) for quarter is positive.

To date, the Council has invested £1.85m with Schroders UK Real Estate Fund and £2m with Threadneedle Property Unit Trust, total investment £3.85m – however, capital values had fallen by £291k to 30th September 2020, mainly since 31st March 2020 (£163k), but have since recovered, through capital growth since then, to £126k at 30th June 2021. It should also be noted that investments in property are subject to fluctuations in value over the economic cycle and should also yield capital growth in the longer term as the economy grows. As can be seen from the following table, fund valuations have improved significantly since the falls during 2020.

Fund Valuations	Investment	Valuation 31/03/2019	Valuation 31/03/2020	Valuation 31/03/2021	Valuation 30/06/2021
Schroders UK Real Estate Fund	1,848,933	1,897,716	1,884,412	1,848,933	1,873,930
Valuation Increase / (reduction)		48,783	35,479	0	24,996
Threadneedle Property Unit Trust	2,000,249	1,921,884	1,836,032	1,794,439	1,849,290
Valuation Increase / (reduction)		(78,365)	(164,216)	(205,810)	(150,958)
Total	3,849,182	3,819,601	3,720,444	3,643,372	3,723,220
Valuation Increase / (reduction)		(29,581)	(128,738)	(205,810)	(125,962)

Fund reductions also need to be balanced against the dividends received (which support the revenue budget). The Council received £128k in dividends from its property fund investments in 2020/21 (£147k in 2019/20), £383k in total compared to the valuation reduction of £206k over the same period.

Fund Valuations	Dividend Returns 31/03/2019	Dividend Returns 31/03/2020	Dividend Returns 31/03/2021	Dividend Returns 30/06/2021	Estimated Return p.a.	
Schroders UK Real Estate Fund	48,118	56,638	52,898	19,167	2.8%	for 2021/22 - First Qtr only to 30/06/21
Cumulative return	48,118	104,756	157,654	176,821		
Threadneedle Property Unit Trust	60,056	90,274	75,452	19,947	4.2%	
Cumulative return	60,056	150,329	225,781	245,728		
Total	108,174	146,911	128,350	39,115		
Cumulative return	108,174	255,085	383,435	422,550		
Annual Revenue % Return	2.8%	3.8%	3.3%	1.0%	3.6%	
Annual Overall % Return	2.0%	1.2%	1.3%	3.1%		
Cumulative Gain / (loss)	78,593	126,348	177,625	296,588		

Internal Treasury Return Achieved %	0.9%	1.0%	0.8%	0.6%	0.5%	

The funds achieved a return of 3.3% in 2020/21, 3.8% during 2019/20 and 2.8% in 2018/19 compared to internal investments with banks and other Councils of less than 1%.

The MTFS includes budgeted income of £300k for 2021/22 (£480k pa from 2022/23) arising from investment of the full £12m budgeted, however, due to uncertainty around arrangements for Brexit and the associated impact on the economy, and then the further uncertainty and questions over the potential outlook for future property fund returns as a result of the coronavirus, any further investment in property funds had been delayed until there is more clarity.

Conclusions

While risk is inherent in investment decisions, property fund investments provide investors with a strong level of return over the medium to longer term investment time horizon – which is why the Council was clear at the outset that the investments would be longer term (at least 10 years) in order to benefit from capital growth and generating significantly improved annual investment returns supporting the revenue budget. The overall return is made up of income, achieved via rental streams and capital via the changing value of underlying properties within a fund. While the second element is the most volatile from a year-to-year perspective, the income produced by the funds is relatively stable.

While no one can know the after effects of the pandemic in terms of reduced economic activity, we are seeing signs of recovery and resilience in certain parts of the economy, and consequently the Funds real estate portfolio. Most funds are able to report relatively high collection rates (over 80%) for the current quarter payment dates which is positive – however, while it could, it is not expected that the effects of the furlough scheme measures ending over the coming months will seriously impact the wider economy and real estate markets.

There will be secondary market investment opportunities available with a potential discount of up to 5% on purchase costs, which needs to be considered with the potential for capital gains in the coming months.

On balance, it is therefore suggested that the remaining property fund investments of c.£8m continue as planned before March 2022.

10. Other Issues

International Financial Reporting Standard (IFRS) 9 – Financial Instruments.

The 2018/19 Accounting Code of Practice introduced changes in way investments are valued and disclosed in the Council's Statement of Accounts. Key considerations are:-

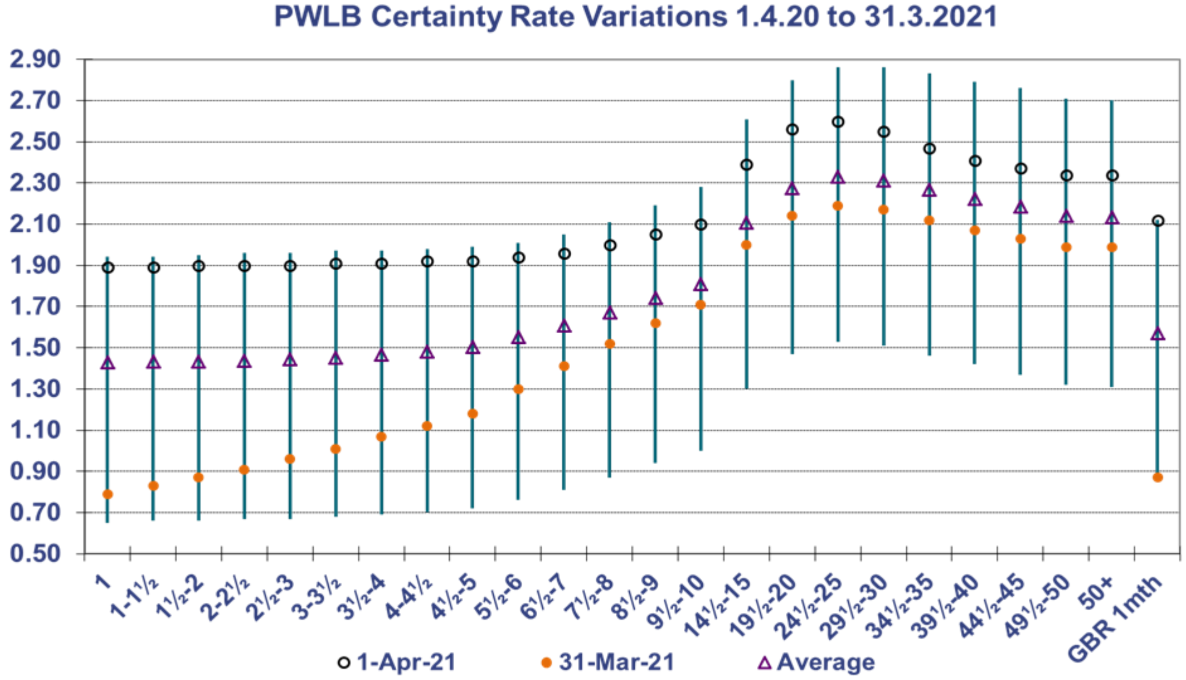
- Expected credit loss model. Whilst not material for vanilla treasury investments such as bank deposits, this does impact our investment in property funds
- The valuation of investments previously valued under the available for sale category e.g. equity related to the "commercialism" agenda, property funds, equity funds and similar, will be changed to **Fair Value through the Profit and Loss (FVPL).**

Following the consultation undertaken by the Ministry of Housing, Communities and Local Government [MHCLG] on IFRS9, the Government has introduced a mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This was effective from 1st April 2018, and applies for five years from this date. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

PRUDENTIAL AND TREASURY INDICATORS APPENDIX 1

1. PRUDENTIAL INDICATORS	2019/20	2020/21	2020/21
Extract from budget and rent setting report	**Actual**	**Original**	**Actual**
Capital Expenditure	**£m**	**£m**	**£m**
Non - HRA	4.734	12.121	1.133
HRA	20.462	12.699	8.396
TOTAL	25.196	24.820	9.529
Ratio of financing costs to net revenue stream	**%**	**%**	**%**
Non - HRA	(9.39)	(2.17)	(5.44)
HRA	27.44	28.24	28.20
Gross borrowing requirement General Fund	**£m**	**£m**	**£m**
brought forward 1 April	0.828	1.986	3.523
carried forward 31 March	3.580	2.912	3.723
in year borrowing requirement	2.752	0.926	0.199
Gross borrowing requirement HRA	**£m**	**£m**	**£m**
brought forward 1 April	68.041	73.065	68.532
carried forward 31 March	68.533	75.255	69.893
in year borrowing requirement	0.492	2.190	1.361
	£m	**£m**	**£m**
Gross debt	63.060	63.060	63.060
Capital Financing Requirement	**£m**	**£m**	**£m**
Non – HRA	3.524	2.806	3.612
HRA	68.533	75.255	69.893
TOTAL	72.057	78.061	73.506
Annual change in Capital Financing Requirement	**£m**	**£m**	**£m**
Non – HRA	2.696	0.820	0.089
HRA	0.492	2.190	1.361
TOTAL	3.188	3.010	1.450

2. TREASURY MANAGEMENT INDICATORS	2019/20	2020/21	2020/21
	Actual	**Original**	**Actual**
	£m	**£m**	**£m**
Authorised Limit for external debt - General Fund			
borrowing	5.235	5.806	5.806
other long term liabilities	-	-	-
TOTAL	5.235	5.806	5.806
Authorised Limit for external debt - HRA			
borrowing	79.407	79.407	79.407
other long term liabilities	-	-	-
TOTAL	79.407	79.407	79.407
Operational Boundary for external debt - General Fund	**£m**	**£m**	**£m**
borrowing	-	-	-
other long term liabilities	-	-	-
TOTAL	-	-	-
Operational Boundary for external debt - HRA	**£m**	**£m**	**£m**
borrowing	63.060	63.060	63.060
other long term liabilities	-	-	-
TOTAL	63.060	63.060	63.060
Actual external debt	**£m**	**£m**	**£m**
	63.060	63.060	63.060



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Date	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
Date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.43%	1.50%	1.81%	2.33%	2.14%
Spread	1.29%	1.27%	1.28%	1.33%	1.39%

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THURSDAY, 16 SEPTEMBER 2021

REPORT OF THE ASSISTANT DIRECTOR PEOPLE

LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW 2020/21

EXEMPT INFORMATION
None

1. PURPOSE

To advise the committee of the contents of the Local Government and Social Care Ombudsman's Annual Report Letter for the year ended 31st March 2021 in relation to complaints against Tamworth Borough Council.

2. RECOMMENDATIONS

It is recommended that:

1. The Committee endorse the content of the Ombudsman's Annual Review Letter
2. The committee note the summary of complaints, enquiries and decisions made during 2020/ 21

3. EXECUTIVE SUMMARY

As councillors will be aware, the Local Government and Social Care Ombudsman (LGSCO) produces an annual letter setting out statistics about complaints relating to our authority that have been referred to the LGSCO. This year's letter was published in July and covers the period April 2020 to March 2021 a copy of which can be found at appendix 1. At the end of March 2020 the Ombudsman paused their casework for a 3 month period to allow authorities to concentrate efforts on vital front line services due to the coronavirus pandemic.

All decisions made by the ombudsman regarding complaints against Tamworth Borough Council can be found on the LGSCO website https://www.lgo.org.uk/decisions. In summer 2019 the LGSCO launched an interactive map of councils performance nationally which can be found on this link https://www.lgo.org.uk/your-councils-performance.

4. COMPLAINTS AND ENQUIRIES RECEIVED BY THE OMBUDSMAN IN 2020/ 21

4.1 In the year 2020/ 21 the Ombudsman received 9 enquiries and complaints about our authority and made 9 reported decisions two of which were from the previous reporting year, leaving a further two complaints with unreported decisions, appendix 2 gives further detail on this.

The 9 complaints received by the Ombudsman were with regard to the following service areas:

- 3 complaints for benefits/ tax
- 2 complaints for corporate/ other services
- 1 complaint for Housing
- 1 complaint for Highways
- 1 complaint for Environment Services
- 1 complaint with no reported area

4.2 During this year the Ombudsman has introduced a new process whereby an assessor looks into complaints and makes an initial judgement on the case. This assessor normally will contact the council to ascertain if the complainant has completed our complaints process and will also decide whether or not there is enough information to consider the case or indeed if it falls within the jurisdiction of the Ombudsman.

Out of our 9 cases this year:

- Four complaints/ enquiries were referred back to the Council for local resolution (for example if the complainant had not exhausted the Councils policy or the complaint had already been resolved locally).
- Two complaints/ enquiries were closed after initial enquiries were made this might be because the law says the ombudsman is not allowed to investigate it or because it would not be an effective use of public funds if they did.
- One complaint was “incomplete/ invalid” meaning that there was insufficient information for the process to proceed

This left just 2 complaints which were passed on for detailed investigation, of these

- One decision was not upheld after full investigation, the ombudsman found no fault in the Councils actions
- The final decision was upheld by the ombudsman finding injustice was suffered by the complainant. The recommended remedy was a formal apology, financial redress for avoidable distress, time and trouble and for the council to undertake a policy/ procedure review. This decision was made on 29th May 2020 and the Council had until 30th June to action the remedy. The full anonymised report from the Ombudsman can be found at appendix 3.

4.3 The ombudsman also reports on compliance with recommendations. For the two compliance outcomes in the reporting year the council satisfied the ombudsman that it had successfully implemented recommendations made, however both actions were completed outside of the time given by to ombudsman to do so. Appendix 4 gives further detail on these cases with mitigations for the delay in providing a remedy to the complainant.

4.4 The final element reported by the ombudsman is the percentage of upheld cases where the council provides a satisfactory remedy before the complaint reached the ombudsman for this element neither case had reached a final resolution before the ombudsman

4.5 Due to the reduction in investigations as a result of the pandemic there have been no comparisons made to previous data as this would not demonstrate a true reflection of performance.

5. RESIDUAL MATTERS FROM 2020

5.1 On 18th March 2020 the Ombudsman upheld a complaint which was reported to committee last year. This decision required a remedy to be provided by the Council however the deadline for this was within the current reporting period. Appendix 4 gives further detail regarding this remedy.

6. FUTURE DEVELOPMENTS

6.1 The council is committed to continuous improvement and to learn from complaints to promote improved service delivery and customer satisfaction. To support this the following actions are planned within the 2021/22 year:

- The Information Governance team led by the Monitoring Officer will take ownership of the complaints process which will further ensure that timescales are adhered to by enhance centralised management and monitoring
- the complaints process will be wholly digitally supported and managed via our customer portal
- The Tell Us policy review will be completed and appropriate consultation undertaken with stakeholders
- The Ombudsman is seeking to develop support materials for complaint handlers and the council will ensure that appropriate training is carried out for this.
- The Link Officer will continue to attend focus groups and workshops with the LGSCO as they seek to develop a unified code of practice with the Housing Ombudsman.

7. RESOURCE IMPLICATIONS

There are no resource implications arising from this report

8. LEGAL/RISK IMPLICATIONS BACKGROUND

Failure to manage complaints effectively not only reduces the opportunities to learn from the information they provide but could also have a negative impact on the council's reputation and increase costs via compensation payments. The councils Tell Us policy is currently under review and will help reduce this risk.

9. EQUALITIES IMPLICATION

There are no equalities implications arising from this report

10. SUSTAINABILITY IMPLICATIONS

There are no sustainability implications arising from this report

11. BACKGROUND INFORMATION

The Committee's role and function includes a requirement to monitor the effectiveness of Local Government and Social Care Ombudsman (LGSCO) investigations. As the operation of the LGSCO forms part of this regulatory framework the Committee is provided with the LGSCO annual review for consideration. The LGSCO distribute annual review letters to all councils regarding their performance in dealing with complaints made about them to the Ombudsman. The aim is to provide councils with information to help them improve complaint handling, and improve services more generally, for the benefit of the public. The letters also include a summary of statistics relating to the complaints received by the LGSCO and dealt with against each council.

The LGSCO has the power to investigate complaints by members of the public who consider that they have been caused injustice by maladministration or service failure in connection with action taken by the Council and certain other bodies in the exercise of its administrative functions. Whilst the Ombudsman can investigate complaints about how the Council has done something, it cannot question what a Council has done simply because someone does not agree with it.

A complainant must give the Council an opportunity to deal with a complaint against it first although in practice this is not always the route taken. The ombudsman expects the Council's own complaints procedure to be exhausted in the first instance, in this case the two stages of the Tell Us scheme. If a complainant is not satisfied with the action the Council takes he or she can send a written complaint to the Local Government and

Social Care Ombudsman and they are informed on how to do so at the conclusion of the Tell Us Stage Two.

The objective of the Ombudsman is to secure, where appropriate, satisfactory redress for complainants and better administration for the authorities. Since 1989, the Ombudsman has had power to issue advice on good administrative practice in local government based on experience derived from their investigations.

The LGSCO provide each local authority with an annual review of the authority's performance in dealing with complaints against it which were referred to the relevant Ombudsman, so that the authority can learn from its own performance compared to other authorities.

The LGSCO require every Authority to have a Link Officer to whom all complaints are referred, at TBC this is Zoe Wolicki (Assistant Director People) with Nicola Hesketh (Data Protection Officer and Monitoring Officer) providing support where appropriate.

REPORT AUTHOR
Zoe Wolicki – Assistant Director People

APPENDICES
Appendix 1 – Annual Review Letter 2021

Appendix 2 – Complaints Received and Decided 2020-21

Appendix 3 – Ombudsman report for upheld case

Appendix 4 – Recommended Remedies and Compliance

Local Government &
Social Care
OMBUDSMAN

21 July 2021

By email

Mr Barratt
Chief Executive
Tamworth Borough Council

Dear Mr Barratt

Annual Review letter 2021

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

Complaint statistics

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

Complaints upheld - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

Compliance with recommendations - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, Your council's performance, along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

Supporting complaint and service improvement

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit www.lgo.org.uk/training.

Yours sincerely,

Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Tamworth Borough Council
For the period ending: 31/03/21

Complaints upheld

50%

50% of complaints we investigated were upheld.

This compares to an average of **53%** in similar authorities.

1
upheld decision

Statistics are based on a total of 2 detailed investigations for the period between 1 April 2020 to 31 March 2021

Compliance with Ombudsman recommendations

100%

In **100%** of cases we were satisfied the authority had successfully implemented our recommendations.

This compares to an average of **100%** in similar authorities.

Statistics are based on a total of 2 compliance outcomes for the period between 1 April 2020 to 31 March 2021

- Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedy provided by the authority

0%

In **0%** of upheld cases we found the authority had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **16%** in similar authorities.

0
satisfactory remedy decisions

Statistics are based on a total of 2 detailed investigations for the period between 1 April 2020 to 31 March 2021

NOTE: To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.

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Reference	Authority
20000470	Tamworth Borough Council
20001572	Tamworth Borough Council
20002562	Tamworth Borough Council
20007619	Tamworth Borough Council
20007745	Tamworth Borough Council
20010117	Tamworth Borough Council
20010980	Tamworth Borough Council
20013432	Tamworth Borough Council
20014339	Tamworth Borough Council

Category	Received
Benefits & Tax	01 Jul 2020
Corporate & Other Services	14 Jul 2020
Corporate & Other Services	30 Jul 2020
Environmental Services & Public Protection & Regulation	17 Feb 2021
Null	10 Nov 2020
Highways & Transport	06 Jan 2021
Housing	21 Jan 2021
Benefits & Tax	09 Mar 2021
Benefits & Tax	29 Mar 2021

29 May 2020

Complaint reference:
19 003 094

Complaint against:
Tamworth Borough Council

The Ombudsman's final decision

Summary: The Ombudsman found fault by the Council on Mr S's complaint that it delayed processing his Right to Buy application as it took 15 months from application to completion. The Council delayed progressing the application, had to rectify an earlier error with the boundary, and delayed dealing with his complaint. The agreed action remedies the injustice caused.

The complaint

1. Mr S complains the Council delayed processing his Right to Buy application for the property he rents as it took about 15 months from application to completion; as a result, he continued to pay rent when he could have been paying a mortgage for the property and was put to time and inconvenience pursuing the Council about it.

The Ombudsman's role and powers

2. If we are satisfied with a council's actions or proposed actions, we can complete our investigation and issue a decision statement. ***(Local Government Act 1974, section 30(1B) and 34H(i), as amended)***

3. We investigate complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. ***(Local Government Act 1974, sections 26(1) and 26A(1), as amended)***

4. The Ombudsman normally expects a Right to Buy complainant to use the Notice of Delay process set out in the Housing Act 1985. If that process was followed, the Ombudsman has the option of considering the complaint.

Right to buy guidance

5. Under the government's Right to Buy scheme, a secure social housing tenant can buy their home, if they meet qualifying criteria, at a lower price than the full market value. This is because of a discount based on the length of time spent as a tenant. The law about Right to Buy is found in the Housing Act 1985.

6. The Right to Buy process involves:

- A council receives an application from a tenant to buy their property (RTB1);

- The council then has 4 weeks to issue a notice confirming the applicant is eligible to buy it (RTB2);
- The council has 8 weeks to send the applicant a formal section 125 Notice (RTB4). This sets out the price to pay and the terms and conditions of sale;
- If a council does not meet the timescales, an applicant can serve an initial Notice of Delay form (RTB6);
- A council can counter this by serving its counter notice (RTB7); and
- If the council fails to respond within a month, the applicant can send an 'Operative Notice of Delay' (RTB8). Once sent, a council, as landlord, may need to refund rent paid during the period of delay.

How I considered this complaint

7. I considered all the information provided by Mr S and the Council's response to my enquiries, a copy of which I sent him. I sent a copy of my initial draft decision to Mr S and the Council. I considered the comments received from Mr S, his solicitor, and the Council. I sent a copy of my revised draft decision to Mr S and the Council. I considered the responses received.

What I found

8. Mr S applied to buy his Council property in January 2018. He is unhappy with the length of time this took and argues the Council should return the rent he paid during the period of delay.
9. In February, the Council sent Mr S the RTB2 form. The Council sent the file off to the valuers.
10. In March, he received the offer letter from the Council which he instructed his solicitor to accept. The Council received the valuation report. It also received a signed plan of the property back from its housing team.
11. In April, Mr S chased the Council and was told it had passed his details to another local authority (the conveyancer) for it to carry out the legal work on the sale. Mr S thought sending this without consent amounted to a data breach. As a result, the Council withdrew the papers from the conveyancer. It asked Mr S to sign a release form allowing case documents to go to the conveyancer.
12. Later the same month, Mr S raised the issue of the property's boundary with his solicitor. This was because the plan the Council sent did not match the layout of their garden. The problem was the position of a fence. The plan showed the fence had enclosed land belonging to him. Mr S wanted the Council to re-position it as he wished to avoid a neighbour dispute.
13. In May, Mr S's solicitor wrote to the Council saying an area of the garden was not shown on the plan as belonging to him. A housing officer was asked to go and check the boundary. The Council received the release form from Mr S.
14. An email from the conveyancer to the Council in June noted part of the garden was unregistered. HM Land Registry keeps details of all registered land. Unregistered land means there is no central record of who owns it. Proof of ownership depends on a seller showing a 'chain of ownership' through deeds and other documents. The conveyancer asked for a copy of the conveyance covering this land. An officer visited to check the boundary fence and confirmed the original

boundary had changed. The officer discovered this was because of an error in 2012 following repairs which saw the fence put back in the wrong place.

15. In July, the fence was moved back to its original position as shown on the plan. The conveyancer chased the Council for the information requested previously. The Council replied saying they were short staffed, but a member of staff was visiting its offices the following day and could bring the document packages if they were happy to look for the document needed.

16. In August, Mr S's solicitor asked the Council for an update. Mr S sent the Council a Notice of Delay (RTB6). Around this time, there was a personnel change at the conveyancers. The Council claimed the delay with progressing the right to buy application was due to 2 factors. One was Mr S challenging the Council sending the case papers to the conveyancer. The other was the boundary. The Council contacted Mr S explaining this and the problem with the land being unregistered.

17. In September, the Council served a counter notice (RTB7). This claimed it had done what was required to progress the sale. Mr S's solicitor responded to a letter from the conveyancer received earlier that month which I have not seen. The solicitor pointed out there was no evidence showing exactly what land the Council owned as the copy conveyancing document had various notes on it confirming sections of land had been removed from it. His solicitor wanted the Council to provide a certificate confirming it owned this piece of land.

18. In October, Mr S's solicitor wrote to the conveyancer pointing out there were missing marks on the plan, an error on the boundary to the front of the property which should be square with nothing sticking out from it, and a failure to refer to a shared pedestrian access to the rear garden. It enclosed an amended plan for it to consider. The Council provided an internal email which asked who would sign the certificate wanted by Mr S's solicitor. Mr S's mortgage offer expired. At the end of the month, the conveyancer asked the Council if there had been any progress.

19. In November, Mr S's solicitor said they were waiting for the Council to clarify the boundary. The conveyancer chased the Council about what was happening. Mr S complained to the Council about the delay. In it, he noted the plans sent did not have the required marking on them. Nor had it shown the end of the garden area was covered by the plans his solicitor received. He wanted this clarifying to ensure the Council could prove it had the right to sell it to him.

20. In December, his solicitors wrote to the conveyancer about progress. It referred to letters unanswered sent in September and October. The conveyancer wrote to the Council asking who was going to sign the certificate and asked it to, *'confirm the position as regards this file please?'.* The Council wrote to Mr S and his solicitors about the delay and asked for one person only to contact it as numerous emails were causing delays.

21. In January 2019, Mr S sent a complaint about the Council's actions. The conveyancer contacted the Council about the letter it received from Mr S's solicitor about outstanding issues.

22. The Council responded saying any delay could not be dealt with under the complaints process. This was because of the separate process dealing with Right to Buy delay. It said the case was complicated by parties raising different, or slightly different, queries at different times. Mr S raised queries with different members of staff in various departments. It gave the example of the solicitor wanting a certificate at the start of October 2018 and Mr S asking about adverse

possession a few weeks later. The plan his solicitor sent was wrong as it missed some markings and added others.

23. In February, Mr S's solicitor responded by saying the plan was, in fact, drafted by the Council's conveyancer. It asked it to make the amendments needed. The Council asked its conveyancer to amend the plan.

24. In the middle of March, the conveyancer asked the Council for the rent account figure for completion on 1 April. The Council completed the sale on 1 April.

Analysis

25. Mr S issued the Council with a Notice of Delay, to which the Council responded. While the law provided him with a statutory procedure to follow in the event of delay by the Council, it did not provide him with a legal remedy. What this means is the Ombudsman has discretion to investigate complaints about delay despite the statutory procedure. In this case, I exercised discretion to investigate because of the complaint about the issue with the fence and inaccurate plans.

26. I make the following findings on this complaint:

a) In April 2018, Mr S raised 2 concerns with the Council. The first concern was the involvement of its conveyancers, another local authority and the second, about the boundary shown on the plan not matching that in his garden.

b) The Council instructing a legal department in another local authority was not a problem. Mr S eventually signed a release form agreeing to them receiving his papers a month later anyway. This could have been avoided had the Council explained earlier on in the process what was going to happen, who it intended to instruct to do the legal work, and why.

c) The second concern was more problematic. There clearly was a difference between where the fence was in Mr S's garden and where the Council's plan showed the boundary. Understandably, Mr S wanted this resolving as he did not wish to buy land which the neighbour might claim as his own. This could potentially lead to long and costly negotiations or legal action. It was reasonable for him to ask the Council, as owner of the land it was selling, to resolve it before the sale completed.

d) The housing officer who visited in May discovered the reason for the difference. When works were completed in 2012, the fence had been put back in the wrong place. This meant it did not enclose all the land the Council was now selling. I consider the Council was at fault for failing to reinstate the boundary in the correct place. This failure contributed towards the delay processing his application as it had to act to resolve the boundary issue.

e) In June, the Council's conveyancer identified another problem. Part of the land the Council wanted to sell was unregistered. This meant further work because the Council would have to establish a chain of ownership proving it owned it. This meant the sale of the property, which I assume was registered land, also had to include proof of ownership of the land that was not registered. Having unregistered land was not fault.

f) The conveyancer asked the Council for documentation for this unregistered piece of land. The following month the conveyancer chased the Council about providing it. The Council replied saying they were short staffed and would send an officer to its offices with it. The delay in responding to the documentation request was fault.

g) In August, Mr S's solicitor asked the Council for an update. Mr S sent the Council RTB6 because of the delay. The Council responded with the RTB7 the following month but, there is no evidence showing what else it did during this period to progress the application. In response to my initial draft decision, the Council said it had prepared and sent Mr S's solicitor the sale documents. It did not provide evidence in support.

h) Mr S's solicitor queried the accuracy of the plan and wanted the Council to provide a certificate about the ownership of the piece of unregistered land.

i) The conveyancer chased the Council at the end of October having heard nothing back about the certificate Mr S's solicitor wanted. The conveyancer again chased the Council about it in the middle of November.

j) In early December, the conveyancer had still to receive a response to the query about the certificate. Mr S's solicitor chased the conveyancer having heard nothing to correspondence sent in September and October. The Council delayed responding to Mr S's solicitor's request about documentation. This is fault. While the Council replied to my initial draft decision by saying the certificate was not required, which his solicitor eventually accepted, it failed to provide evidence in support. Even if the Council is correct and it was not needed, it was slow to respond to the queries about it or indeed say there was no need for it. Instead, the records show the legal department asking who could sign it, for example.

k) The completion of the sale took place about 4 months later and I have seen little evidence showing what was happening during this period. This is fault.

l) It took the Council 15 months from receiving Mr S's initial request to buy his property to complete the sale. During this time, Mr S had to re-apply for a mortgage as the original offer expired. The Council accepted it took this long but, says this was because of, '*multiple complications*' which included the boundary, unregistered land, data protection, and communication issues with Mr S. It also claimed Mr S's solicitor was slow to respond, taking more than 3 months to do so on one occasion. This was denied by Mr S's solicitor.

m) The Council also accepts the complaint process was lengthy. Mr S complained on 10 January 2019 and the Council sent its stage 1 response on 12 February. Its policy states it will send a response within 28 days of receiving the complaint. Its response was 5 days late. He expressed dissatisfaction with this decision on 17 February and received a stage 2 response on 17 July. Its complaints procedure states it will provide a response at stage 2 within 63 days of receipt. Its response was about 3 months late as it was due on 21 April.

n) The Council explained it had problems with an organisational review, some officers who were involved having left, and key posts becoming vacant. These were posts in the legal team and the head of customer services. It is the head's role to co-ordinate all responses. It started a review of its complaints process and handling.

27. I accept the process became complicated. As noted, the issue with the boundary was the Council's fault. The issue of the unregistered land would have needed resolving anyway and does not amount to fault. The failure to properly explain the involvement of the local authority earlier on in the process also could have also avoided some delay.

28. I accept Mr S contacted the Council directly on occasion but, some of this was due to his desire to move matters on when told by his solicitor they were still waiting on the Council for a response or documents.

29. I am satisfied the fault caused Mr S avoidable injustice. This is because it caused growing frustration with the Council, a degree of inconvenience, which included having to re-apply for a mortgage offer upon the expiry of the first, and some stress. He paid rent for longer than was necessary. In addition, he was put to the time and trouble pursuing his complaint about the Council through its complaint procedure.

30. When considering the injustice, I also took account of Mr S's own behaviour. It was a reasonable request for the Council to ask for him to direct queries through his solicitor. Mr S raised issues, such as adverse possession, directly with the Council instead of leaving matters in the hands of his solicitor.

31. Mr S claimed he incurred additional legal costs because of the delay as he had to employ the services of his solicitor longer than necessary. While he showed evidence the legal costs he eventually paid were £150 higher than quoted, I cannot say with any certainty this increase was solely due to the Council's fault. For example, there was the issue of unregistered land that needed resolving and time spent pursuing a certificate that was not ultimately necessary.

Agreed action

32. I read our guidance on remedies.

33. I took account of Mr S's actions, as noted above, along with the Council's offer of £500 as a gesture of goodwill.

34. The Council will, within 4 weeks of the final decision on this complaint, carry out the following:

a) Send Mr S a written apology for the delays both with the Right to Buy process and with its responses to his complaint;

b) Review its processes to identify why delays occurred on this case and how they can be prevented on future cases;

c) Pay Mr S the £500 offered which will remedy the frustration, inconvenience, and stress the fault caused him; and

d) Pay Mr S the sum of £100 for the time and trouble he spent pursuing his complaint.

Final decision

35. The Ombudsman found fault on Mr S's complaint against the Council. The agreed action remedies the injustice this caused.

Investigator's decision on behalf of the Ombudsman

Appendix 4

Remedies Recommended by the Ombudsman

1. Relating to the case decided on 18th March 2020 (reported in 2020) case restarted on 29th June 2020

The Ombudsman's final decision
Summary: the complainant says the Council failed to properly calculate a refund of council tax, explain its calculation or comply with the complaints' procedure. The Council recognised its fault but says it paid the refund promptly. The Ombudsman finds the Council at fault.

Remedy required

- Apology
  Financial redress: Avoidable distress/time and trouble

Remedy target date: 15th April 2020
Revised target date: 27th July 2020

Remedy achieved date: 7th July 2020

The decision for this case was received on 18th March 2020, at a time when the Authority was planning for the impending lockdown due to the covid 19 pandemic. When lockdown commenced the ombudsman decided to pause all casework. This case was paused and restarted on 29th June 2020, all agreed actions were completed by 7th July when the Ombudsman confirmed that the case was closed. The Link Officer has contacted the Ombudsman to ask for this outcome to be rectified as all activity was achieved within the date requested, however, a response has not been received.

2. Relating to the case decided on 28th May 2020

The Ombudsman's final decision
Summary: The Ombudsman found fault by the Council on Mr S's complaint that it delayed processing his Right to Buy application as it took 15 months from application to completion. The Council delayed progressing the application, had to rectify an earlier error with the boundary, and delayed dealing with his complaint. The agreed action remedies the injustice caused.

Remedy required

- Apology
- Procedure or policy change/review
- Financial redress: Avoidable distress/time and trouble

Remedy target date: 30th June 2020

Remedy achieved date: 7th July 2020

The decision for this case was made on 28th May 2020, the formal apology was subsequently issued on 23rd June. The complainant provided his bank account details 29th June 2020 and the payment immediately processed being paid into his bank account on 6th July 2020. The TBC Link Officer confirmed all actions within the remedy complete to the ombudsman on 7th July.

Whilst this remedy was one week late the Officers involved were heavily involved in the Councils response to the pandemic and this remedy was processed as soon as was operationally possible.

The final recommendation was to review policy/ procedure, it has been acknowledged that whilst the Right to Buy procedure was followed it was the delay in legal advice/ sign off that caused the issue. A review of our Legal Service was undertaken and we now work in partnership with South Staffordshire Council for the provision of legal service and no such delays have been experienced since this time.

AUDIT AND GOVERNANCE COMMITTEE

THURSDAY, 16 SEPTEMBER 2021

REPORT OF ASSISTANT DIRECTOR PARTNERSHIPS

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT 2020/21

EXEMPT INFORMATION

None

PURPOSE

To endorse the Council's Modern Slavery and Human Trafficking Statement 2020/21

RECOMMENDATIONS

It is recommended that:

1. The Committee endorse the Modern Slavery and Human Trafficking Statement 2020/21 for approval by Cabinet

EXECUTIVE SUMMARY

Section 54 of the Modern Slavery Act 2015 imposes a legal duty on organisations, which supply goods and/or services from or to the UK and have a global turnover above £36 million, to publish a slavery and human trafficking statement covering each financial year.

The statement is due for publication by 30 September each year immediately following the end of the preceding financial year.

Tamworth Borough Council adopts a zero-tolerance position on known violations of anti-human trafficking and anti-modern slavery laws and is included in Safeguarding policies and duties. We are committed to improving our practices and ensuring there is no modern slavery or human trafficking in any part of our business and in so far as is possible requiring our suppliers to hold similar ethos.

The Modern Slavery and Human Trafficking Statement (attached as Appendix 1) sets out the continuing Council's actions to understand potential modern slavery risks related to its business and ongoing actions to ensure that there is no slavery or human tracking in its own business, and its supply chains and relates to actions and activities during the financial year 1 April 2020 to 31 March 2021 and (once approved) will be published on the Tamworth Borough Council website.

The actions are ongoing and included as part of the wider community safety plans and safeguarding policies.

RESOURCE IMPLICATIONS

Support of the Modern Slavery Act 2015 obligations is met from existing budget and staff resources through the Partnerships team

LEGAL/RISK IMPLICATIONS BACKGROUND

The publication of an annual Modern Slavery and Human Trafficking Statement is a requirement of the Modern Slavery Act 2015

SUSTAINABILITY IMPLICATIONS

The legislation requires the Council to meet all obligations outlined

BACKGROUND INFORMATION

Modern slavery is an international crime, affecting an estimated 29.8 million slaves around the world. It is a growing global issue that transcends age, gender and ethnicities. It includes victims who have been brought from overseas and vulnerable people in the UK, who are forced to illegally work against their will across many different sectors such as agriculture, hospitality, construction, retail and manufacturing.

The Modern Slavery Act 2015 consolidates various offences relating to human trafficking and slavery. In broad terms:

- 'slavery' is where ownership is exercised over a person
- 'servitude' involves coercion to oblige a person to provide services
- 'forced and compulsory labour' is where a person works or provides services on a non-voluntary basis under the threat of a penalty
- 'human trafficking' involves arranging or facilitating the travel of a person with a view to exploiting them

Section 52 of the Act imposes a duty on public authorities, including district councils, to notify the Secretary of State of suspected victims of slavery or human trafficking.

Section 54 of the Act imposes a legal duty on organisations, which supply goods and/or services from or to the UK and have a global turnover above £36 million, to publish a slavery and human trafficking statement each financial year.

The Council engages in commercial activity (statutory and discretionary) and provides a range of services to residents, businesses and visitors. This includes waste collection and recycling, collection of council tax and business rates, housing, homeless support, parks and open spaces, planning and building control, street cleaning, promoting economic growth and regeneration, environmental health, leisure services, community safety and election administration. Services are delivered through a mixture of direct provision, commissioned services, contracted services, joint/shared services and partnerships. Its annual turnover is greater than £36 million.

REPORT AUTHOR

Jo Sands, Assistant Director Partnerships

LIST OF BACKGROUND PAPERS

Modern Slavery Act 2015

APPENDICES

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Tamworth Borough Council Modern Slavery and Human Trafficking Statement

Introduction

Modern slavery is an international crime, affecting an estimated 29.8 million slaves around the world. It is a growing global issue that transcends age, gender and ethnicities. It includes victims who have been brought from overseas and vulnerable people in the UK, who are forced to illegally work against their will across many different sectors such as agriculture, hospitality, construction, retail and manufacturing.

Tamworth Borough Council adopts a zero-tolerance position on known violations of anti-human trafficking and anti-modern slavery laws. We are committed to improving our practices and ensuring there is no modern slavery or human trafficking in any part of our business and in so far as is possible requiring our suppliers to hold similar ethos.

This Modern Slavery and Human Trafficking Statement sets out the Council's actions to understand potential modern slavery risks related to its business and put in place steps that are aimed at ensuring that there is no slavery or human tracking in its own business, and its supply chains.

This Modern Anti-Slavery and Human Trafficking Statement relates to actions and activities during the financial year 1 April 2020 to 31 March 2021.

The statement is reflective of an exceptional year due to the Covid pandemic and sets out plans for improvement in the next year as necessary.

The Modern Slavery Act 2015

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Standards

Tamworth Borough Council will meet the following standards and also expects those with whom it does business with, to meet these standards:

- To support every individual's human right to live free from abuse, servitude and inhumane treatment
- To promote ethical business and operational practices in corporate activity and the services delivered
- To take appropriate steps to ensure that slavery and human trafficking is not taking part in any of its business or supply chains
- To take reports of witnessed, suspected or disclosed concerns of slavery and human trafficking seriously
- To take appropriate steps with relevant partner agencies to address actual instances of slavery and human trafficking

Policies and Procedures

Tamworth Borough Council has a range of policies and plans in place which reflect its commitment to acting ethically and with integrity to prevent slavery and human trafficking in its operations:

- Vision and Corporate Plan - The Council's vision is 'To put Tamworth, its people and the local economy at the heart of everything we do'" and our Corporate Plan includes a key priority to help tackle the causes of inequality and increase opportunities for all residents and businesses

- Safeguarding Children and Adults at Risk Policy – outlines a robust approach taken by the Council to safeguard the welfare of children and 'adults at risk'. (Reviewed and updated April 2021)

  All staff and councillors are required to read and work within this policy. The Council works within multi-agency partnerships to protect and safeguard people and has an identified lead officer for modern slavery

  The policy covers how the Council should comply with the duty to notify the Secretary of State of suspected victims of slavery and human trafficking.

- Whistleblowing Policy – encourages all its employees to report concerns about any aspect of service provision, conduct of officers and others acting on behalf of the Council, or the supply chain. The policy is designed to make it easy to make disclosures without fear of discrimination and victimisation. (Reviewed October 2019)

- Employee and Members Code of Conduct – is the ethical framework that employees and Members work to, which makes clear the actions and behaviour expected of them when representing the Council. The Council strives to maintain the highest standards of employee conduct and ethical behaviour and breaches are investigated.

- Recruitment Policy – sets out robust processes in line with UK employment laws, including 'right to work' document checks and contracts of employment.. To comply with the Asylum, Immigration and Nationality Act 2006, all prospective employees are asked to supply evidence of their eligibility to work in the UK. References are also requested and followed up.

- Job Evaluation Scheme - ensures that all employees are paid fairly and equitably. When the Council uses employment agencies to source labour it verifies the practice of any new agency it is using before accepting workers from that agency.

- Equality and Diversity Scheme 'Making Equality Real In Tamworth' - sets out the how the Council will promote diversity and equality in the delivery of services provided both directly and in conjunction with our partners.

Supply Chains

In the procurement process, Tamworth Borough Council continues to expect all suppliers of goods and services to comply with all applicable laws, statutes, regulations [and codes] from time to time in force [including [but not limited to] the Modern Slavery Act 2015, their own anti-slavery policy (where applicable) and this Modern Anti-Slavery and Human Trafficking Statement.

The Council recognises that the organisation is exposed to greater risk when dealing with contractors and service suppliers. The Council has a wide range of suppliers delivering services across all directorates. The Council aims to reduce the risk of modern slavery in its supply chain by undertaking the following actions:

- Where appropriate key contractors are required to have safeguarding policies, procedures and training in place, in addition to providing confirmation of compliance with the Modern Slavery Act;
- Identify services that are more vulnerable to modern slavery and seeking assurance that their supply chain is free of modern slavery and human trafficking;
- All tenderers/suppliers are required to self-certify that they comply with the provisions of the Modern Slavery Act and our Invitation To Quote (ITQ) and Invitation To Tender (ITT) documents ask if the contractor is a relevant commercial organisation as defined by section 54 ("Transparency in supply chains etc.") of the Modern Slavery Act 2015 ("the Act").
- If a bidder fails to self-certify they are a compliant, their response is checked

- Successful contractors are asked for evidence that they are compliant with the annual reporting requirements contained within Section 54 of the Act. If they are compliant then the contractor is required to provide the relevant URL address and if they aren't, then the company is recorded as failing is removed from the procurement process.

- Where sub-contractors are involved, a reliance is placed on the main contractor. Our standard terms and conditions with regard to sub-contracting, state that:-

  'the Contractor shall be responsible for the acts and omissions of any assignee or sub Contractor and its employees and agents as though they were the acts and omissions of the Contractor or the Contractor's employees or agents'

Training and awareness

Tamworth Borough Council has a programme of safeguarding training for all employees and elected members which continues to be utilised and is part of mandatory induction training – this is reported to Health and Wellbeing Scrutiny twice per year. Modern Slavery awareness is included in this training.

Level 1 safeguarding training - 2020-21 has seen the development and rollout of two safeguarding eLearning modules to staff and members. Level 1 safeguarding training must be refreshed every 3 years and is delivered as a rolling programme.

Level 2 safeguarding children training is delivered by the Staffordshire Safeguarding Children Board (SSCB) training team. Staffing roles that require this enhanced level of training have been identified and officers requested to complete this training. The training is delivered via Microsoft Teams and 8 officers attended the training in the last quarter of 2020-21.

Level 3 safeguarding children training provides subject specific training courses going forward the Partnership Vulnerability Officer will be working with managers to identify relevant safeguarding courses that will support staff in their job role.

Level 4 specialist training i.e. Designated Safeguarding Lead training. The Assistant Director Partnerships attended the training in the last quarter of 2020-21.

Information on Modern Slavery is incorporated into the Council's Safeguarding Policy and is available to all staff – an update to the policy was shared via Astute in April 2021

A bespoke eLearning Modern Slavery and human trafficking package remains available for all staff and members during induction enabling them to identify and know how to report suspected or disclosed incidents.

The Member Safeguarding Champion has been given relevant training in all areas of safeguarding and this role will continue.

At present any concerns can continue to be reported to the Designated Safeguarding Officer.

Relevant public information in now available on the Council’s website.

How to Report Modern Slavery

If you suspect someone may be at risk of Modern Slavery telephone 101 to report it to Staffordshire Police, or if someone is in immediate danger always call 999.

Crimes can be anonymously reported via Crimestoppers on 0800 555 111 or via modernslavery.co.uk's hotline on 0800 0121 700

Partnership working

Tamworth Borough Council has a strong track record of working in partnership with other agencies to respond to safeguarding, slavery and trafficking issues. This includes supporting Staffordshire County Council, Staffordshire Commissioners Office for Police, Fire and Crime and Staffordshire Police through the Tamworth Community Safety Partnership.

The Council continues to work with colleagues to develop a common understanding and partnership approach to the threats, vulnerabilities and risks relating to slavery and human trafficking.

We also work with a range of agencies to safeguard children and adults at risk. This includes supporting the work of the local safeguarding boards and district Councils safeguarding network. The Council wants its employees to understand more about this growing issue and how to report any suspicions they may have, whether in a work or personal context.

Relevant staff continue to attend Staffordshire Police Modern Slavery and Human Trafficking Tactical group to share relevant information.

Risks have been identified with partners in premises subject to licensing regulations and all partners have taken a collaborative role to report concerns, investigate and take appropriate enforcement actions.

No referrals to the Tamworth Vulnerability Partnership were made during 2020/21 with regard to Modern Slavery concerns

Going Forward

The Council will strengthen its approach to tackling modern slavery by:

- Seeking reassurance via current training packages that staff remain up to date and have undergone relevant training

- Identify and train safeguarding champions in each Council service (in progress)
- Working with Service Managers to undertake relevant risk assessments as necessary with suppliers to ensure their understanding and compliance with the Modern Slavery Act where necessary

This Modern and Anti-Slavery and Human Trafficking Statement has been approved by Council's Corporate Management Team and endorsed by the Audit & Governance Committee and Cabinet. It will be reviewed and updated as necessary on an annual basis for monitoring and assurance purposes.

Andrew Barratt
Chief Executive
September 2021

PLANNED REPORTS TO AUDIT AND GOVERNANCE COMMITTEE 2021-2022

	Report	Committee Date	Report Of	Comments
1	Role of the Audit Committee	**June**	Grant Thornton	Presentation/training
2	RIPA Annual Report & Review of the RIPA Policy	**June**	Assistant Director - Partnerships	
3	Internal Audit Annual and Quarterly Update	**June**	Principal Auditor	
4	Public Sector Internal Audit Standards/Quality Assurance and Improvement Programme	**June**	Principal Auditor	
5	Annual Governance Statement and Code of Corporate Governance	**June**		
1	Audit Findings Report	**July**	Grant Thornton	
2	Management Representation Letter	**July**	Grant Thornton	
3	Annual Statement of Accounts	**July**	Executive Director	

			Finance	
4	Risk Management Quarterly Update	**July**	Assistant Director – Finance	
5	Internal Audit Quarterly Update	**July**	Audit Manager	
6	Update on Risk Based Verification Policy	**July**	Assistant Director, Finance	
	Private meeting of Internal and External Auditors and Committee members	**July**		
1	Audit Findings	**September**	Grant Thornton	
2	Management Representation Letter	**September**	Grant Thornton	
3	Fee Increase Letter	**September**	Grant Thornton	*Moved from March meeting*
4	Annual Treasury Outturn	**September**	Executive Director Finance	
5	Local Government Ombudsman's Annual Review and Report 2020/21	**September**	Assistant Director – People	
6	Modern Slavery and Human Trafficking Statement	**September**	Assistant Director – Partnerships	

1	Annual Audit Letter	**October**	Grant Thornton	
2	Internal Audit Quarterly Update	**October**	Audit Manager	
3	Risk Management Quarterly Update	**October**	Assistant Director – Finance	
4	Review of the Constitution & Scheme of Delegation	**October**	Monitoring Officer	
5	Councillor Code of Conduct – following finalisation of LGA new Model Code	**October**	Monitoring Officer	
6	Counter Fraud Update	**October**	Audit Manager	*Annual report in October*
	Private meeting of Internal and External Auditors and Committee members	**October**		
1	Audit & Governance Committee update	**February**	Grant Thornton	
2	Fee Increase Letter	**February**	Grant Thornton	
3	Internal Audit Quarterly Update	**February**	Audit Manager	
4	Risk Management Quarterly Update	**February**	Assistant Director – Finance	

5	Audit Committee Effectiveness	**February**	Audit Manager	
1	Audit and Governance Committee update	**March**	Grant Thornton	
2	Audit Plan	**March**	Grant Thornton	
3	Informing the Audit Risk Assessment	**March**	Grant Thornton	
4	Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report	**March**	Executive Director Finance	
5	Final Accounts – Accounting Policies and Action Plan	**March**	Assistant Director of Finance	
6	Internal Audit Charter and Audit Plan	**March**	Audit Manager	
7	Review of the Constitution and Scheme of Delegation for Officers	**March**	Monitoring Officer	
8	Review of Financial Guidance	**March**	Assistant Director Finance	
9	Annual Report of the Chair of A&G	**March**	Audit Manager /	

			Chair	
	Private meeting of Internal and External Auditors and Committee members	**March**		

The Portfolio Holder for Finance and Customer Services

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Stefan Garner
Executive Director Finance

Tamworth Borough Council

My Refer :
Your Ref : WG

Grant Thornton UK LLP
The Colmore Building
Colmore Plaza
Birmingham
B4 6AT

Date: 16th September 2021

Dear Sirs

Tamworth Borough Council

Financial Statements for the year ended 31st March 2021

This representation letter is provided in connection with the audit of the financial statements of Tamworth Borough Council for the year ended 31st March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include:
- Valuation of land and buildings
- Valuation of investment properties
- Valuation of HRA properties
- Depreciation
- Valuation of pension liability
- Significant accruals
- Fair Value of Loans
- Credit loss allowances
- NNDR appeals provision
- Other significant provisions
- Significant expenditure accruals

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as we feel they provide the user of the accounts with a greater level of information. The financial statements are free of material misstatements, including omissions.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. The prior period adjustments disclosed in the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 16th September 2021.

Yours faithfully

Stefan Garner
Executive Director Finance & Section 151 Officer

Councillor Martin Summers
Chair of the Audit & Governance Committee

Signed on behalf of the Council

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Temple Quay
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BS2 0EL

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Stefan Garner
Executive Director Finance
Tamworth Borough Council
Marmion House
Lichfield Street
Tamworth
B79 7BZ

22 March 2021

Dear Stefan

Audit Scope and additional work 2020/21

Introduction

As you are aware, local audit has gone through major changes in the last couple of years. More and more councils are getting involved in complex and innovatory financial arrangements, increased regulatory pressures, the expectations of stakeholders and enhancements to Codes and Standards have fundamentally changed the landscape in which we work. COVID - 19 and lockdown have added further unanticipated pressures on both auditors and audited bodies. In this letter, I set out my expectations of the increased audit work which will be required in 2020/21. I also set out the expected fee impact, the need for which has recently been acknowledged by both the Redmond Review and MHCLG's subsequent response. I hope this is helpful in setting out the context in which we will work with you, as well as a sign of Grant Thornton's continued commitment to the highest audit quality.

Looking back to 2019/20

In February 2020, I wrote to you regarding the increased regulatory focus facing all audit suppliers and the impact this would have on the scope of our work for 2019/20 and beyond. I referred to this as 'raising the bar', reflecting the expectation from the FRC that all audit work should now be of level 2a (limited improvement only) or better. I set out my expectation that there would be an additional fee requirement for the 2019/20 audit, compared to the scale fee published by PSAA. This was reflected in our Audit Plan dated February 2020. The subsequent COVID 19 pandemic had a further significant impact on the cost of us as auditors discharging our responsibilities. As a result of the additional work a further uplift to the fee was proposed resulting in a final fee for 2019/20 of £52,750.

As a result of the impact of the pandemic and regulatory changes, the total number of audit days increased by 45 (50%) from 2018/19. Due to the quality and proactivity of the Council accounts team, the accounts were signed off earlier than our other Staffordshire councils and needed less resource than could have been the case. Hence the proposed change in fee from the audit plan is at the minimum end of the scale compared to other councils. Across all firms, only 45% of local government audits were signed off by the target date of 30 November, which indicates the scale of the challenge involved.

In the sections below, I set out the main factors which will impact on the audit fee for 2020/21. These include the introduction of the new NAO Code of Audit Practice, with consequent implications for Value for Money work; the revision to major auditing standards, including those covering estimates and fraud, and the update of Practice Note 10 (the adaptation of auditing standards to public sector audits).

Following the national lockdown in January 2021, COVID - 19 will also continue to impact in a large way on the audit, and I have also commented on this below. We also note that the Government response to the Redmond Review, published on 17 December 2020 promised that MHCLG will provide relevant local authorities with £15 million in additional funding in 2021/22 to be used to support the additional costs of reporting and audit anticipated related to the 2020/21 financial year.

New audit requirements for 2020/21 – the new NAO Code

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money. These changes are set out in more detailed in the NAO's Auditor Guidance Note 03 which was published in October 2020.

We will issue our Audit Plan for 2020/21 March 2021. I have set out below the main changes in respect of Value for Money, and the implications for the timing and resourcing of our work, as well as for the audit fee.

There are three main changes arising from the NAO's new approach.

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as recommendations on any significant weaknesses in arrangements identified during the audit.

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- We are aiming to publish our work on the Auditor's Annual Report at the same time as the Auditor's Report on the Financial Statements. To ensure we are able to complete the necessary work by the due date, we have already undertaken our initial planning and issued the audit plan. We will aim to complete the fieldwork by 22nd September 2021.

- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified

Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.

- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

- PSAA recognise that the additional work required as a result of the new Code will continue in future years and are consulting on how best to reflect this in any revision to scale fees with effect from 2021/22. For 2020/21 the fee variation will be approved by PSAA via the fee variations process in the usual manner.

- There will be increased documentation and reporting requirements on the audit team. The value for money work will now cover a much wider scope, as set out above. Each year we will need to assess the arrangements in place across these areas and explore the arrangements in more detail than previously. We envisage that across the country, auditors will be identifying more significant risk areas and will be reporting more extensively than in previous years. The financial and governance aspects of the COVID - 19 pandemic are likely to feature heavily in our work.

Enhanced auditing standards for 2020/21: ISA 540 - Estimates

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. The single most significant of these for this year's audit is ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures which includes a number of enhancements in respect of the audit risk assessment process for accounting estimates.

In summary, the revised Standard reflects increasing focus from regulators and other stakeholders on all key estimates, especially those which are complex, require significant judgements. ISA 540 has been enhanced to place increasing demands on auditors to understand and assess an entity's internal controls over accounting estimates.

In practice, you will see an increased focus during our audit on key internal controls including:

- How management identifies the need for and applies specialised skills
- The information system as relates to estimates
- How management reviews the outcomes of previous accounting estimates
- The role of those charged with governance: to what extent does the Audit Committee understand and oversee the estimation process?

We will also look for you to articulate clearly:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

The following are examples of where this could apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year-end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

As the audit progresses, we will discuss the practical ways in which you can support us in meeting our obligations through the audit.

Enhanced auditing standards for 2020/21: ISA 240 - Risks in respect of fraud

The auditor's responsibilities in relation to fraud in an audit of the financial statements are set out in ISA 240. This was most recently updated in January 2020, with effect for audit year 2020/21. Note that the FRC is currently consulting on further enhancements to the Standard, reflecting concerns expressed amongst others by Sir Donald Brydon that that auditors are not doing enough work to detect material fraud.

In response to the new Standard, and to the increased expectations of regulators, we are heightening our focus on fraud risks. The following are examples of where this could apply:

- Increased scope and coverage of journals testing
- Increased cut off testing
- Increased testing of income and expenditure
- Automated/data interrogation techniques
- Keeping materiality under review throughout the audit.
- More robust reporting (including the use of Statutory Recommendations where appropriate).

As with estimates, our work in this area may look and feel different to you, and you will notice an increased audit presence. We will discuss emerging findings with you, and ensure you have an early opportunity to comment on findings.

Revised ISA (UK) 700 Forming an opinion and reporting on financial statements (Updated January 2020):

This revised Standard is effective for engagements relating to financial periods commencing on or after 15 December 2019. The key change is that all auditor's reports will be required to include an explanation as to what extent the audit was considered capable of detecting irregularities including fraud. This explanation may include:

- how the engagement team obtained an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework
- which laws and regulations the engagement team identified as being of significance in the context of the entity
- the engagement team's assessment of the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur
- the engagement partner's assessment of whether the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations
- the engagement team's understanding of the entity's current activities, the scope of its authorization and the effectiveness of its control environment where the entity is a regulated entity
- in the case of a group audit, how the engagement team addressed these matters at both at the group and component levels and relevant communications with component auditors.

Practice Note 10 (PN 10): The application of auditing standards for public sector audits

Reflecting the differences between public sector and commercial audits, Practice Note 10 provides guidance for auditors on the application to relevant standards in the public sector. An updated version of PN 10 was published in November 2020. This updated version reinforces the enhancements described above in respect of estimates and risk of fraud.

In addition, there is one other major change in PN 10 and this is in respect of the auditor's responsibilities in respect of going concern. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The revisions to PN 10 are helpful in that they allow auditors to apply a 'continued provision of service approach' to auditing going concern where appropriate. Applying such an approach enables auditors to change focus somewhat. Whilst we will still undertake relevant work in respect of management's disclosure around going concern, the concept of the 'material uncertainty' disclosure is far less likely to apply. The NAO's guidance to auditors makes clear that auditor's focus should instead be based on the financial resilience of the authority. As such, there is no reduction in respect of work on going concern and financial resilience, but rather a shift in emphasis.

Other revised Auditing Standards

In November 2019, the FRC issued an update to ISA 220, covering Quality Control of Financial Statements. This revised standard highlights the increased importance for the engagement lead auditor in planning, supervising and reviewing the work of the local audit team.

Impact of COVID - 19

As last year, we expect that our detailed work programme will need to take account of a number of risks arising from COVID - 19 related issues, including lockdown. These include potential uncertainties around the valuation of property and pension liabilities, as well as the accounting for government income received in respect of COVID - 19 pressures. Whilst lockdown continues, there are also complications arising from the remote preparation of accounts and working papers, as well as challenges for us in providing support for our junior team members working remotely. Please note, the proposed fees for 2020/21 set out in the letter do not include any additional fees to reflect potential additional work necessary in 2020/21 due to Covid-19. We continue to monitor developments in this area and will update you accordingly as clarity emerges on its impact in the current year.

Overall impact

MHCLG have acknowledge, via their response to Redmond, that audit fees need to increase due to the additional work being undertaken by auditors and the pressure on the audit market. Funding of £15m is being provided to local government to cover these additional costs in 2020/21.

Our estimate is that, for your audit, this will result in an increased fee of £61,375 for 2020/21. This in line with increases we are proposing at all our local audits. I set out below the core strategic constituents of this fee.

	Total (£)
Scale fee published by PSAA	**38,375**
Plus:	
Ongoing increases to scale first identified in 2019/20	
Raising the bar/ regulatory factors	2,500
PPE	1,750
Pensions	1,750
New standards for 2019/20	1,500
New issues for 2020/21	
Increase in respect of additional work on Value for Money under new NAO Code	9,000
Impact of new auditing standards (ISA540 and ISA240)	6,500
Sub total	**15,500**
Increase to scale	**23,000**
Fee proposed for 2020/21	**61,375**

All variations to the scale fee will need to be approved by PSAA.

Next steps

I hope this is helpful in explaining how the audit world is changing, as well as the practical implications in terms of the Audit Plan, and the benefits to audited bodies from an even more rigorous and robust audit. I look forward to discussing this in more detail at our next meeting. If you have any questions in the meantime, please don't hesitate to contact me.

Yours sincerely

M C Stocks

Mark Stocks

Engagement Lead and Key Audit Partner, Public Sector Assurance

For and on behalf of Grant Thornton UK LLP

The Audit Findings for Tamworth Borough Council

Year ended 31 March 2021

6 September 2021

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Tamworth Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work has been conducted remotely between June – August . Our findings are summarised on pages 5 to 16. One material adjustment has been identified that have resulted in a £1.87m adjustment to the Council's Comprehensive Income and Expenditure Statement. This relates to a reduction in the pensions liability following a reassessment by the Council's actuary. There is no change to the Council's useable reserves as a result of this adjustment.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is on going and is subject to the completion of the matters outstanding which are detailed on page 5. In particular, we are discussing with management whether there is a material uncertainty with regard to the valuation of land, property and housing assets, and the accounting for the waste management arrangements. We are also awaiting information from the pensions auditor and are in the process of clearing points raised by the review process.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified. The valuer has included a material uncertainty in the valuation of land and building, housing and investment asset. We are currently discussing whether this is appropriate. Should we conclude that this is appropriate we propose that our audit report will include an Emphasis of Matter paragraph, highlighting the material uncertainties in asset valuations stated in your accounts due to the Covid. Please note that this is not a modification of the opinion.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 30th November 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in Nov 2021.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you in March 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified opinion including an Emphasis of Matter paragraph highlighting the valuation material uncertainty disclosures as detailed in Appendix E. These outstanding items include:

- Completion of our work on pensions, NDR appeals, waste management arrangements, land and buildings, and collection fund;
- Clearance of review points;
- Receipt of management's signed representation letter; and
- Review of the final, approved set of financial statements.

2. Financial Statements

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality due to the actual gross expenditure changing significantly from the value used at the planning stage resulting in a review of the appropriateness of the materiality figure.

The gross expenditure in the year reduced in comparison to the prior year. At the planning stage we used the prior year gross expenditure to calculate materiality, however, as the gross expenditure was marginally reduced for the year ended 31st March 2021 we deemed it would be prudent to reduce our materiality to £1.15m.

	Council Amount (£)
Materiality for the financial statements	1,150,000
Performance materiality	862,500
Trivial matters	57,500
Materiality for disclosures relating to remuneration of senior officers, due to their sensitive nature	100,000

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management over-ride of controls is present in all entities. The Authority faces external pressures to meet agreed targets, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined criteria for selecting high risk unusual journals; • tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroborated these as necessary; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our detailed testing of the journals and accounting policies is complete. We have not identified any issues from our work. Our review of estimates (pensions, land and buildings, provision) is ongoing. However, no issues have been identified to date.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Authority, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Tamworth Borough Council. Our audit work has not identified any issues in respect of revenue recognition that would result in us changing this judgement.
Valuation of land and buildings The Authority revalues its land and buildings on a rolling five-yearly basis, and investment properties every year. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • communicated with the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our audit work in this area is ongoing. We are awaiting evidence to back up the assumptions made for a sample of valuations. The valuer has included a material uncertainty in the valuation of land and building, housing and investment asset. We are currently discussing whether this is appropriate. Should we conclude that this is appropriate we propose that our audit report will include an Emphasis of Matter paragraph, highlighting the material uncertainties in asset valuations stated in your accounts due to the Covid. Please note that this is not a modification of the opinion.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.
The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£50.197m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.
- obtained assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

The Council instructed its actuary to reconsider the net pensions liability based on actual asset valuation as at 31 March 2021. The actual values were materially different to those in the original report. The Council have amended their financial statements. The amendments made are shown on page 21.

Our audit work in this area is ongoing, but has not identified any other issues in respect of valuation of the Council's net pension liability at the time of writing our report. We are also awaiting a response from the pension fund auditor to our queries. We will not be able to conclude our audit until this is received.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation • Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020/2021 statements to comply with the requirement of IAS 8 para 31. As a minimum, we expected audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases	We have: • reviewed the Council's disclosures within the financial statements in relation to IFRS 16 to ensure this is in line with the Code.	It was identified that the disclosure did not cover all requirements of the Code. We therefore requested for management to add further detail to their disclosure to show the impact IFRS 16 is expected to have on their financial statements when the standard is implemented.
Recognition and Presentation of Grant Income • The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	We have: • evaluated management's processes and controls for the processing of these grants. • evaluated management's assessment of whether they are acting as an agent or principal. • tested a sample of grants to ensure they can be agreed to supporting documentation and that the grant is correctly treated as agent or principal • tested a sample of grants to ensure that the grants have been recorded correctly in the financial statements and where conditions exist, these have been correctly reflected in the financial statements • tested a sample of grants expenditure to ensure this was paid out correctly to those who were eligible for the grant.	Our work is substantially complete in this area although we have some review points to clear. To date, we have not identified any issues in respect of grant income at the time of writing our report.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Accounting for Waste Management Arrangements We have reported separately on this matter.	See separate paper	See separate paper

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £24.03m	The Council has engaged the Valuers to complete the valuation of its properties. The Council owns a variety of different land and buildings which have been valued under different methodologies depending on their use. The Valuers have assessed the use of the property and therefore decided whether to value the assets on a Depreciated Replacement Cost (DRC) basis or an Existing Use Value (EUV) basis. Management have taken the view that a material estimation uncertainty does exist for land and buildings due to the Covid-19 pandemic. Covid-19 has reduced the amount of data available to Valuers with relation to sales of equivalent assets. We have raised queries on this matter and are awaiting management's response. Subject to agreement that a material uncertainty exists we propose that our audit report will include an Emphasis of Matter paragraph, highlighting the material uncertainties in asset valuations stated in your accounts due to the Covid. Management have applied a number of assumptions in arriving at the valuation of assets such as yield rates or market rates for land. The Valuer has considered the year end value of non-valued properties. Management have reviewed the assets to identify whether a material change is likely based on the types of assets not revalued. The total year end valuation of land and buildings was £24.03m, a net decrease of £0.93m from 2019/20 (£24.96m).	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate but this work is still ongoing. • We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. This work has not raised any issues with the 2020/21 valuations. • Your accounts highlight the material uncertainties in asset valuations stated in your accounts due to the Covid-19 pandemic. We are currently reviewing the information provided by the valuer. • We have reviewed the assumptions used by management. The evidence provided to support land valuations requires improvement. However, we have been able to corroborate the valuations with information we have obtained from external sources. • We have reviewed management's assessment as to whether the assets not revalued as at 31 March 2021 are materially correct. We are satisfied with management's conclusion. • Disclosure of the estimate in the financial statements is considered adequate.	TBC (as we are reviewing the responses provided for material uncertainty)

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Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £50.197m (TBC)	**The Council's total** net pension liability at 31 March 2021 is £50.197m (PY £41.266m) comprising the Staffordshire Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2020. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £33m net actuarial gain during 2020/21. The Council instructed its actuary to reconsider the net pensions liability based on actual asset valuation as at 31 March 2021. The actual values were materially different to those in the original report. The Council have amended their financial statements. The amendments made are shown on page 21. Our audit work in this area is ongoing, but has not identified any other issues in respect of valuation of the Council's net pension liability at the time of writing our report.	• We have no concerns over the assessment of management's expert • We have no concerns over the assessment of actuary's approach taken • We have used PwC as auditors expert to assess actuary and assumptions made by actuary – see the below table for the comparison made. • No issues were noted in the completeness and accuracy of the underlying information used to determine the estimate • We have confirmed that the Council's share of LPS pension assets is inline with expectations • We have confirmed that the increase in the estimate is reasonable • The disclosure of the estimate in the financial statements is considered adequate.	TBC (as we are awaiting the responses of the Pension Fund Auditor)

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2%	1.95% - 2.05%	●
Duration of liabilities	18 years	15-30 years	●
Pension increase rate	2.85%	2.8% - 2.85%	●
Salary growth	3.25%	Between CPI & CPI + 1% (i.e. 2.9% - 3.9%)	●
Life expectancy – Males currently aged 45 / 65	Pensioners: 21.4 years Non-Pensioners: 22.5 years	Pensioners: 20.4 – 22.7 Non-Pensioners: 21.8 – 24.3	●
Life expectancy – Females currently aged 45 / 65	Pensioners: 22.5 years Non-pensioners: 24 years	Pensioners: 23.2 – 24.9 Non-pensioners: 25.2 – 26.7	●

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £2.629m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management use historic data relating to appeal success rates and the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) to calculate the level of provision required.	• We have not yet noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector. However, our work in this area is ongoing and we have requested further evidence of management challenge of the provision • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the calculation method this year.	TBC (as we have requested evidence of management challenge of the provision)
Land and Buildings – Council Housing - £198.1m	The Council has engaged the Valuers to complete the valuation of its properties. The Council owns a number of dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The total year end valuation of council dwellings was £198.1m, a net increase of £11m from 2019/20 (£187.1m). Our audit work in this area is substantially complete. We are awaiting evidence to support the material uncertainty in valuation identified by the valuer. If the material uncertainty is maintained we propose that our audit report will include an Emphasis of Matter paragraph, highlighting the material uncertainties in asset valuations stated in your accounts due to the Covid	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate but this work is still ongoing. • We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. This work has not raised any issues with the 2020/21 valuations. • Your accounts highlight the material uncertainties in asset valuations stated in your accounts due to the Covid-19 pandemic. We are awaiting responses from the Valuer to determine the reasoning for this. • Disclosure of the estimate in the financial statements is considered adequate.	TBC (as we are awaiting clarification on the material uncertainty)

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, this is included in Appendix F.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's counterparties. This permission was granted and the requests were sent. Where responses were not received, we undertook alternative procedures to confirm balances with no issues noted.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found that the disclosure of Covid income and expenditure on the face of the CIES and within the EFA were not compliant with the Code. Management have declined to adjust for this matter.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

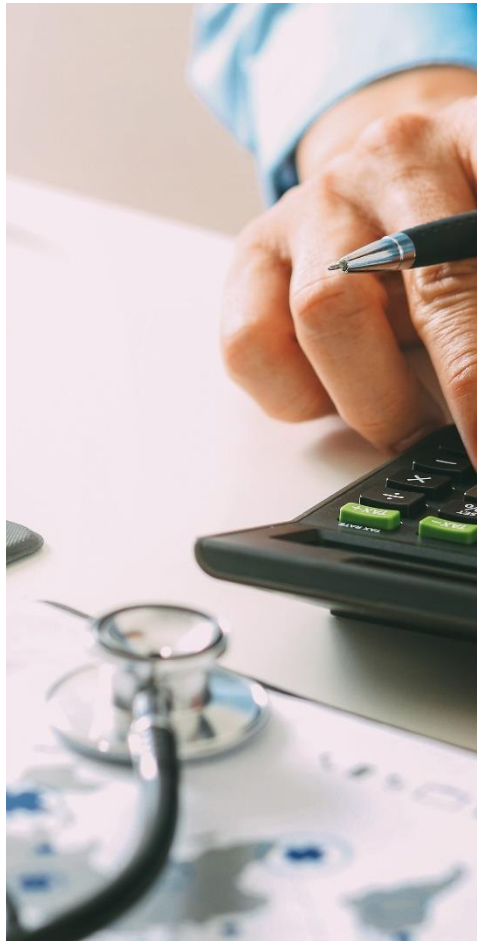
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters at the time of writing this report
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.
Certification of the closure of the audit	We intend to certify the closure of the 2020/21 audit of Tamworth Borough Council in the audit opinion as detailed in Appendix E



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

Progress on value for money audit

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 30th November 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weaknesses from our work to date.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Pooling of Housing Capital Receipts	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
No non-audit related services identified			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

Appendices

A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on net cost of services £'000
Adjustment to pension liability upon receipt of the actuaries report based on actual values.	(1,870)	1,870	11
Overall impact	**(1.870)**	**1,870**	**11**

Misclassification and disclosure issues

The table below provides details of misclassification and disclosure issues identified during the audit which have been made in the final set of financial statements.

Disclosure issues	Auditor recommendations	Adjusted?
It is not code compliant to disclose Covid as a separate item on the CIES and the EFA.	Management have not reported Covid income and expenditure separately to members throughout the year. The Code requires the Council to present the CIES and EFA in a consistent manner with their reporting to members. Covid should therefore not be shown separately on the CIES and the EFA. **Management response** It is management's view that disclosing the Covid spend on the face of the CIES is a material item of income and expenditure which would give greater context to the user of the accounts.	X
We have identified various trivial presentation matters.	These items include changes to; references, prior year values to remain consistent with the audited financial statements of the prior year and disclosures to allow the user to understand some of the complex accounting treatments (such as NNDR deficit funding).	✓

B. Fees

In 2018, PSAA awarded a contract of audit for Tamworth Borough Council to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 12, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

MHCLG have increased the funding of local government audit by £15 million to reflect the pressures **on local audit and the additional work that is needed to deliver the additional audit duties set out in the National Audit Office's Code of Practice. This equates to a 60 per cent increase in funding for local audit.** Our estimate is that for your audit, this will result in an increased fee. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.. As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting.

We are currently liaising with MHCLG as to the distribution of the additional local audit funding. Once this is confirmed we will be in a better position to confirm your audit fee. Please note that all fees are subject to approval by PSAA.

Audit fees	Proposed fee	Final fee
Council Audit	61,375	TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Housing Benefit Certification	16,000	TBC
Audit Related Services – Certification of Pooling of Housing Capital Receipts	2,500	TBC
Total	18,500	TBC

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

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Independent auditor's report to the members of Tamworth Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Tamworth Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

C. Audit opinion

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In our evaluation of the Executive Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Executive Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Executive Director of Finance's and Those Charged with Governance for the financial statements' section of this report.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and investment properties and the Authority's share of the pension fund's property investments as at 31 March 2021. As, disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Executive Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard

C. Audit opinion

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities [set out on page 28], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance. The Executive Director of Finance is responsible for the preparation of the Statement of Accounts, which includes 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

C. Audit opinion

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Finance Act 2012 and the Local Government and Housing Act 1989 .
- We enquired of senior officers and the Audit and Governance committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Governance committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to:

C. Audit opinion

- journal entries that altered the Council's financial performance for the year
- potential management bias in determining accounting estimates, especially in relation to:
  - the calculation of the valuation of the Council's land and buildings, investment property and defined benefit pensions liability valuations; and
  - accruals of income and expenditure at the end of the financial year.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director of Finance has in place to prevent and detect fraud;
  - journal entry testing, with a particular focus on significant journals at the end of the financial year which impacted on the Council's financial performance.
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.

C. Audit opinion

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Tamworth Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Mark Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

D. Audit letter in respect of delayed VFM work

Dear Martin Summers, Chair of Audit and Governance Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 30 November 2021 .

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Mark Stocks

Partner

grantthornton.co.uk

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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