

# Auditor's Annual Report on Tamworth Borough Council

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2020-21  
22 March 2022



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

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



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. 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.

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority'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 Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made



## Key Findings

### Financial sustainability

Tamworth has historically performed well, with a record of strong financial and budgetary management, despite the challenging environment in which it is operating. The Council underspent its budget in 2020-21 for both the General Fund and HRA and is forecasting that it will underspend its 2021-22 budgets. The Council had usable reserves of £63.2m at the 31<sup>st</sup> March 2021 (£50.7m 2019-20). The level of reserves places the Council in a strong financial position.

The MTFs was updated in January 2022. This indicates that the Council will continue to have a general fund surplus up to 2024-25 (£2.7m). The General Fund will move into deficit in 2025-26 (£428k) and this deficit will increase further in 2026-27 (£3.93m).

This places the Authority in a strong financial position in the short term. The Authority have identified a level of savings which need to be achieved in order to deliver a balanced budget and maintain their reserve levels.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority.

Further details can be seen on pages 7-9 of this report.



### Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Authority and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and 'Covid' adapted structures has not identified any significant weaknesses in arrangements or improvement recommendations in relation to governance.

Further details can be seen on pages 10-12 of this report.

# Executive summary



## Key Findings

### Improving economy, efficiency and effectiveness

The Council has a number of appropriate arrangements in place to ensure economy, efficiency and the effectiveness of services.

Key Performance Indicators (KPIs) are in place and are reported regularly to members. Service plans are also in place for services. Partnership working is also strong and the Council can evidence effective working with other authorities and government agencies. This has enabled the Council to secure significant additional funding. Procurement processes are in general appropriate.

We have not identified any significant weaknesses.

Our audit did identify a number of areas for improvement. The key ones are:

the KPIs available do not provide a comprehensive view of service performance and we recommend that these are developed further.

Some service plans we reviewed had not been maintained and kept up to date or the data had not been updated for a significant period. As with the KPIs, the majority of the service plans do not provide enough detail to assess how effective the service is operating.

The Council does not appear to consistently use external benchmarking as a tool against which to measure performance and identify improvement opportunities.

Our own benchmarking indicators show:

- the Council has a high percentage of reserves compared to net service revenue expenditure when compared with its statistical near neighbours.
- for 2020-21 Tamworth was a relatively high spending authority ranked 32nd out of 189 District Councils with a unit cost of £144.57/head. This is mirrored across a number of services. A notable outlier is the shared waste service with Lichfield which is low spend.

High spend is not necessarily an indicator of poor or inefficient services. Rather it can be a decision to invest in appropriate local services. We have discussed this with the Executive Director Finance, and he is satisfied that the areas of high spend are in line with the Council's priorities. The Council should reflect on this benchmarking and whether it is satisfied with service spend.

The Council is aware of these issues and has put in plans to strengthen these areas as part of its refresh of the Council's Performance Management Framework and the

Commercialisation Strategy.

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## Opinion on the 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.

# Executive summary (cont.)

## Summary

### Summary

Our audit has not identified any significant weaknesses in the Council's management arrangements for financial sustainability, Governance, and Economy, efficiency and effectiveness. Similarly, our financial statements audit has not identified any significant issues to report.

### Key recommendations

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

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

We have noted some areas for improvement which are detailed further in this report.

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





# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

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

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

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## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 - 21. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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## 2020-21 and ongoing financial pressures

### 2020-21 outturn

Tamworth has historically performed well, with a record of strong financial and budgetary management, despite the challenging environment in which it is operating. The Council originally set a budget for the General Fund of £9.153m for 2020-21. The Council underspent this budget by £2.194m, largely due to increased income from Covid-19 funding, rental income and investment income. There were also reductions to the NDR Levy and savings from services. The Council originally set a budget for the Housing Revenue Account of £1.337m for 2020-21, the Council underspent by £0.696m and this was largely due to the Council not being able to access properties due to Covid-19 to undertake planned repairs and maintenance. The Council had usable reserves of £63.2m at the 31<sup>st</sup> March 2021 (£50.7m 2019-20). This is made up of General Fund £6.8m, Housing Revenue Account £6.2m, Earmarked reserves £15.6m, Capital £21.9m. The level of reserves places the Council in a strong financial position.

### 2021-22 forecast outturn

The Council originally set a budget for 2021-22 of £0.259m for the General Fund and £0.344m for the Housing Revenue Account. The budget also identified the need for savings of £1.1m per annum over the next 5 years. The quarter three performance report for 2021-22 has identified that the Council are currently performing better than expected and are forecasting a favourable variance of £0.895m for the General Fund and £0.68m for the Housing Revenue Account. On the basis of these forecasts the Council will have General Fund reserves of £8.6m and HRA reserves of £5.5m.

### Medium term financial strategy

The MTFS was updated and presented to members in February 2022. This indicates that the Council will continue to have a general fund surplus up to 2024-25 (£2.8m). The General Fund will move into deficit in 2025-26 (£428k) and this deficit will increase further in 2026/27 (£3.93m). This does include additional policy change proposals of c.£2m over 5 years.

The headline figures for 2022-23 are:

- A General Fund net cost of services of £6.5m;
- A transfer of £0.257m from General Fund balances;
- A Housing Revenue Account Expenditure level of £16.6m;
- A transfer of £1.9m from HRA balances.

The financial settlement for 2022-23 has been announced in December 2021. This has provided the Authority with c.£2.2m of additional funding. This is included in the above forecast.

While there remain some risks to the Council's financial position this is overall a strong financial position.

# Financial sustainability

## Savings plans

The Council monitors the delivery of planned savings, and mitigating actions where required, on a quarterly basis. These are reported to the Corporate Management Team (CMT) on a monthly basis and to Cabinet on a quarterly basis.

The savings required by the Council are set out within the Medium Term Financial Strategy. These are updated within the quarterly updates which are reported to Cabinet. However, our review of available papers did not identify clear reporting on the delivery of savings against plan. Discussions with officers indicate that savings are built into budgets and monitored by service departments. Savings are only reported to members on an exception basis where they are not delivered. We consider that the Council could improve its reporting in this area by reporting a summary setting out the achievement of savings.

The table below sets out the savings identified in the Medium Term Financial Strategy and which savings have been identified. As can be seen in the table below, there is a reliance on the reset and recovery programme to deliver the majority of the savings required. We are aware that this is currently in phase 1 with the changes to services only recently being approved and reported in 2022-23 medium term financial strategy.

We originally identified that the savings expected from the reset and recovery programme were not broken down to explain how the reset and recovery programme would achieve the required savings. This has since been communicated as part of the Q2 21/22 performance report.

It is not unreasonable for the Council to focus its savings on the reset and recovery programme. However, given the emphasis on the programme it is important that regular updates on delivery of the savings plans are reported to members. Management plan to report savings on all major parts of the programme.

	2019-20 (£m)	2020-21 (£m)	2021-22 (£m)	2022-23 (£m)
Savings required	0.8	1.1	1.8	0.9
Savings identified outside of the reset and recovery programme	0.421 increasing to 0.721 by the 4 <sup>th</sup> year	0.435	0.87	0.224
Savings required from the reset and recovery programme	0	0.665	0.93	0.676

## Financial Planning

The Corporate Plan clearly sets out corporate strategic priorities, which are also referenced within the Council's financial planning. The plan provides a framework to invest in the Council's broader ambitions and long term priorities, as well as the recovery from COVID-19. We are satisfied there is a clear linkage between the Medium Term Financial Strategy and the priorities set out in the Corporate Plan.

The capital programme also supports the Council's corporate priorities. The capital programme is mainly focused on the development of the high street as part of the town centre project. The two largest projects for the Council moving forward are the town centre project (£11.8m) and the planned works to HRA dwellings (£21.75m). The Council has an ongoing capital programme of over £52m for 2021-22 and an asset base of £252m as at 31<sup>st</sup> March 2021. There was slippage in capital spending due to COVID in 2020-21, but the spending achieved does reflect the Council's priorities as set out in the Corporate Plan.

## Managing risks to financial resilience

The Council has identified risks to the capital and revenue forecasts as part of the medium term financial strategy. These risks are scored as high, medium or low and given a control measure in order to reduce the risk to the medium term financial strategy. The 2022-23 medium term financial strategy has identified a shortfall in the General Fund of £4.4m over 5 years.

The majority of this shortfall will be managed by planned savings and policy changes.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.



# Financial sustainability

## Capital

The Authority has a Capital Strategy in place which is clearly linked to the priorities in the Corporate Plan. The capital programme includes spending across the future high streets project, disabled facilities grants, castle grounds tennis courts, new build housing and housing maintenance and repairs. The MTFs takes into account the revenue costs of capital expenditure and we have not identified any inconsistencies between the capital strategy and other financial plans.

We note that the delivery of capital projects in 2020-21 has slipped against initial plans, largely due to the effects of the Covid-19 pandemic, with £15.548m being reprofiled into 2021-22. We note that 2020-21 was an exceptional year due to Covid-19 and note that there is similar slippage at other public bodies. We note that in 2021-22 the Council is forecasting that it will spend £10.0m of its £30.8m general fund budget and £9.2m of its £21.4m HRA budget. We note that the capital programmes in both years are likely to have been impacted by Covid. We have therefore not raised an improvement recommendation. However, this is an area that the Council will need to focus on in future years to ensure effective and timely delivery.

The Council is currently planning for their Future High Streets Project. The Council is currently in a project handover phase whereby the work undertaken to date is handed over to the McBains team. As such individual project timelines are being revised, project costs are being looked at along with other project parameters including reporting mechanisms, roles and responsibilities and project risk. The biggest risk to this project is that the college has not yet had the full extent of their funding confirmed. The Council are clear that they would not finance this element of the project.

## Investments

During 2020-21 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%. The majority of the investments are with other Councils or Money Market Funds.

The Council also holds some more complex investments such as the Ankerside shopping centre but this is long term and risk is unlikely to arise in short to medium term. In recent years the council have increased their investment into property funds. This has in turn increased the Council's exposure to market. We have reviewed the Council's processes for identifying this assessment and are satisfied that the Council took appropriate advice. Property fund performance is reported quarterly to Cabinet (& Corporate Scrutiny Committee) and is also included as part of the 3 statutory Treasury reports during the year (Plan, Mid year and Outturn). It should be noted that members need to keep on monitoring the success of the property fund investment.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Monitoring and assessing risk

The Corporate Risk Register is presented as part of the medium term financial strategy. The Cabinet also consider risk as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Corporate Management Team reviews corporate risks through quarterly monitoring reports.

Key operational risks are reported through to the Corporate Management Team. Risks are identified within individual Service Plans and are considered on a regular basis within departmental management teams. The risk register is maintained on the Pentana system. The risk register contains a sufficient amount of detail covering areas such as the risk matrix, risk score, severity, likelihood, risk description, consequences of the risk, vulnerabilities and causes and who is responsible for managing the risk.

The Council's understanding of and planning for risks appears appropriate.

There is an internal audit function operating at the Council and we are satisfied with the standard of work being carried out by Internal Audit. Fourteen audits were completed during the year, with a high level of recommendations accepted and implemented by management (96%). All recommendations which remain outstanding are reported to the Council Management Team for action and to the Audit and Governance Committee (AGC) for information.

The payment of COVID grants to businesses, together with the urgency with which these grants were required to be paid, presented a new risk during the year. Payments were approved under emergency powers to ensure businesses in need were given immediate assistance. There appears to have been an appreciation of the risk posed by this situation, with internal audit involved from the start. We are satisfied the Council put in place procedures to review these payments. Subsequent internal audit reviews have also investigated these payments. There were six instances of fraud in relation to the COVID grants issued by the Council. These totalled £60k and three of these have been recovered. There are three remaining cases (with a value of £30k), including 1 national fraud case, which are being followed up by the department for business energy and industrial strategy (BEIS).

# Governance

## Budgetary Setting Process

The budget-setting process is multi-layered and extremely thorough, with several stages. The draft budget is presented to Cabinet for review in December, with additional papers presented to Cabinet to approve the budget in February. There is also a quarterly review of budget to outturn position by Cabinet.

The budget and MTFs are considered concurrently. There is not a separate, stand alone MTFs, but the longer-term projections and any risks to the medium term are incorporated into the reports accompanying the budgetary information considered by Cabinet quarterly.

This high level of scrutiny together with the Council's track record of achieving its planned savings and balancing its budget confirm the strength and validity of the budget setting processes in place.



## Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. As well as quarterly budget reports to cabinet, budget holders have access to real time information through discussions with the finance team. There is stringent in year oversight of the budget at a high level, with the Scrutiny Committees and Corporate Management Team reviewing and assessing the actual outturn and future risks to the budget. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are clearly set out.

## Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates a Leader and Cabinet form of executive arrangements. In addition, there are four scrutiny committees which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. This constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement needs to be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established antifraud culture. We have identified some opportunities to strengthen these with a central register of members' interests and similarly a central register of gifts and hospitality declared.

# Governance

## Finance team capacity

The finance team is appropriately sized for the Council, consisting of three qualified accountants and six support staff who are AAT qualified as well as three unqualified support staff. The finance team work solely for the Council and have done so for a number of years. The finance team has remained consistent for a number of years and it is clear that the level of understanding within the finance team is high. The size and experience of the team means that the finance team is able to manage additional pressures, such as unplanned absence or major projects.

It is expected that there will be a lot of changes at the Council in the coming years due to the reset and recovery programme. It will be crucial that the finance team are involved in the aspects of this project to ensure sound budgetary control.

Budget monitoring and annual accounts have been completed to a good standard overall, with no evidence of serious or pervasive weaknesses in the Council's processes for preparing its financial statements. This is detailed further on page 24. Unmodified audit opinions have been issued for the 2020-21 and previous financial statements.

## Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

The Council has arrangements in place to monitor compliance with legislation and regulatory standards. The arrangements include the oversight of the Monitoring Officer, and the work of internal audit.

The Council has a Counter-Fraud and Corruption Policy, as well as a Whistleblowing Policy, Code of Conduct and Anti-Money Laundering Guidance. These document the policies and procedures of the Council, as well as the ethical behaviours expected of staff.

A Register of Interests is maintained, and there is a standing item on all meetings of the boards and panels to disclose any interests relating to matters on the agenda.

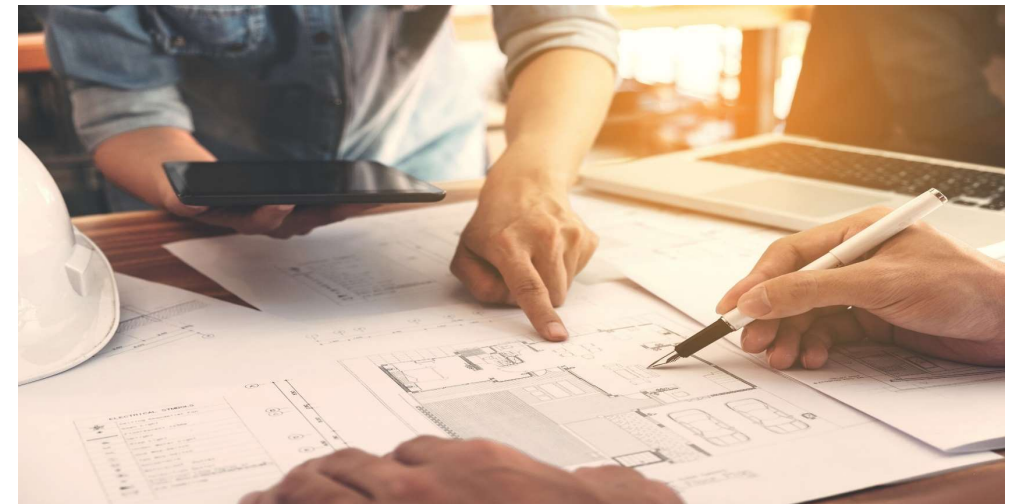
We have not been made aware of any significant non-compliance with the Authority's governance framework, other breaches of legislation or regulatory standards, or serious data breaches.

In 2020-21 there were six complaints received against members. The complaints were not for serious breaches and therefore the six complaints resulted in no further action and none were taken to the standards committee. This demonstrates that the Council has a good governance structure in place.

We have not been made aware of any significant non-compliance with the Authority's governance framework, other breaches of legislation or regulatory standards, or serious data breaches.

## Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages risks. We have made an improvement recommendation. This is set out in more detail on page 14



# Improvement recommendation



## Governance

<b>Recommendation</b>	There is no requirement to register gifts or hospitality which have been <u>declined</u> . This could be helpful to report to other members as a matter of course, so they can be alert in case they are also approached and offered something which ought to be declined.
<b>Why/impact</b>	If there is a pattern of inappropriate gifts or hospitality being offered to members, this should be known and highlighted.
<b>Auditor judgement</b>	There is a risk that inappropriate gifts or hospitality could be accepted. Transparency could be improved by this knowledge sharing between officers and members.
<b>Summary findings</b>	Whilst all gifts and hospitality which have been accepted are recorded and published, it is not possible to see what has been declined. If one member or officer considers it inappropriate to accept a particular gift or offer of hospitality, it would be useful to share this (and the rationale for the refusal) with others.
<b>Management comment</b>	This will be considered as part of the next review of the gifts and hospitality policy.



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



# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Key findings

### Performance monitoring

Key Performance Indicators (KPIs) are reported on the performance page of the Council's website and included within the quarterly performance reports. The Council changed to this method of reporting in 2019 in order to streamline the level of KPIs reported to Cabinet. Cabinet review the performance reports on a quarterly basis. KPIs are reported as part of the individual service plans.

We consider that the Council should provide a more comprehensive set of KPIs to members covering both corporate and service performance indicators. This will enable members to have a clearer oversight of the Council's performance. We have raised an improvement recommendation in this area. In particular, we consider that KPIs should be those which enable the user to form a view of whether the service is performing well. For example, the PR service review is judged based on followers and whilst this is useful, it would be helpful to have metrics that perhaps detail the view the public have of the Council.

### Service plans

Service plans are in place for most services but are not always maintained and kept up to date. We noted that this differs between service lines. For example, the finance and human resources service plans are both detailed and up to date. However, the following reports have not been updated during 2020-21 or contain old data: Assets service plan. Last updated 2019-20, Environmental health. Last updated 2018/19, Leisure services - old data, Technology Information Services - old data.

The Council should ensure that all service plans are kept up to date to ensure the services are operating as expected.

Also, as outlined above, not all service plans include performance indicators which allow the user to ascertain how well the service is performing. The performance indicators should show how the indicator has performed compared to previous periods and current year targets. We note that while indicators generally show a target, not all indicators are compared to previous periods. For example, the Homelessness & housing solutions service plan only shows the performance indicator for Q1 2021-22 and so cannot be compared to previous periods. Some service plans, such as Customer services, have performance indicators which relate to activity but these do not show how well the service is performing. It would also be helpful to have some indices which capture how the public feel about the service they receive from customer services. The performance indicators are also not benchmarked to other Council's.

We recognise the impact of Covid on council planning but consider that this is an area for improvement.

# Improving economy, efficiency and effectiveness

## Benchmarking

The Council does not appear to consistently use external benchmarking as a tool against which to measure performance and identify improvement opportunities. We note that this is likely to improve as the reset and recovery programme progresses and more service reviews are undertaken. We have raised an improvement recommendation in this area.

Grant Thornton prepared benchmarking reports for each Council audit client to help auditors identify risks of significant weaknesses in arrangements. Review of this report for Tamworth Borough Council does not indicate any risks of significant weaknesses in arrangements.

Our key indicators show:

- The Council has a high percentage of reserves compared to net service revenue expenditure when compared with its statistical near neighbours.
- For 2020-21 Tamworth was a relatively high spending authority ranked 32nd out of 189 District Councils with a unit cost of £144.57/head

There are some low spending areas such as waste collection but there are also a number of services where the council is high spend. These are:

- cultural and related services costs. This is due to the higher spend on; museums and galleries, open spaces, theatres and public entertainment, tourism and sports and recreation facilities.
- environmental and regulatory services. This is due to very high spend on community safety (including CCTV), defences against flooding and safety services. When looking at the budget for 2020-21 it is also expected that the licensing cost will be very high.

High spend is not necessarily an indicator of poor or inefficient services. Rather it can be a decision to invest in appropriate local services. We have discussed this with the Executive Director Finance, and he is satisfied that the areas of high spend are in line with the Council's priorities. The Council should reflect on this benchmarking and whether it is satisfied with service spend.

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## Working in partnership

The Council works in partnership with a large number of organisations, contributing effectively to the arrangements and agenda for each partnership or group. For example, the Council's waste service is delivered as part of a joint operation with Lichfield District Council and has been successful.

The Council has good relationships with the Voluntary and Community Sector, and joint projects were delivered during the Covid-19 pandemic.

The council have obtained various funding over the last few years through working with partners as shown below:

- Heritage Lottery funding Assembly rooms refurb (c.£2m)
- Arts Council funding Assembly Rooms refurb (c.£0.4m)
- Heritage Lottery funding Castle Mercian Trail (c.£0.7m)
- Football Foundation (Football Association) funding – 3G pitch (c.£0.5m)
- Homes England Funding – Tinkers Green and Kerria regen (£5.2m)
- Single Local Growth Fund (c.£2.1m).
- Future High Streets

The Council does not however have a partnership plan in place at present, though we are aware that one is being developed.

We are satisfied that the Council can demonstrate partnership working across a number of areas.

## Procurement

The Council do not have a formal procurement strategy. We have discussed with the Council how they ensure they are following the recommendations set out in the LGA national procurement strategy and we are satisfied the Council has good processes and controls in place to meet the recommendations within the LGA national procurement strategy. The Council monitors the performance of procurement through monthly reports to the Corporate Management Team.

Whilst the Council has good processes and controls in place over procurement there are some improvement points. The Council have not updated the Transparency code disclosures since December 2020. This should be updated in order to make it easier for local people to contribute to the local decision making process and help shape public services.

The Council do not monitor spend on a supplier by supplier basis. This would be helpful to identify any unusual suppliers but also to identify whether there were instances where contracts were not being used which may be at a higher cost to the Council.

Those charged with governance are only made aware of the performance of contracts on an exception basis. This means that they are only made aware of contract performance when a contract is not performing as it should. We consider that those charged with governance should be informed of all significant contracts which could impact the Council.

Through our review of the procurement processes in place we have concluded that overall the procurement processes in place are appropriate, though there are some improvement recommendations stated overleaf.

## Conclusion

Overall, we found no evidence of any significant weaknesses in the Council's arrangements for improving service delivery. We have made some improvement recommendations, which are set out from page 16.

# Improvement recommendation



## Improving economy, efficiency and effectiveness

**Recommendation** Service plans should be kept up to date and contain sufficient detail to enable management to assess the performance of the service lines. This should also be included in reports to members. In addition, key performance indicators (KPIs) should be provided to members so that they can form a view of whether the service is performing well.

**Why/impact** As not all of the service plans are kept up to date, management may not be aware of the service lines performance. This could lead to services not operating in an efficient and effective way. In addition to this, some of the plans do not contain enough detail to assess whether the service is performing efficiently and effectively. The KPIs included in various service plans do not currently demonstrate whether the service is performing as expected. If KPIs do not provide this information there is a risk that the Council cannot identify poor service performance.

**Auditor judgement** There is a risk that inappropriate decisions could be made based on service plans which are out of date and do not include sufficient detail. There is also a risk that inappropriate decisions could be made based on KPIs which do not effectively demonstrate how a service is performing.

**Summary findings** Not all service plans are up to date or comprehensive enough. In addition, some service plans contain KPIs which do not demonstrate whether the service is operating economically, efficiently or effectively.  
We do note however, that the Covid Pandemic has been a reason for the delay in updating the service plans.

**Management comment** This has already been recognised by CMT and is being developed as part of a refresh of the Councils Performance Management Framework - with planned regular reviews by CMT



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

# Improvement recommendation



## Improving economy, efficiency and effectiveness

**Recommendation** The Council does not have a consistent approach to the use of external benchmarking (to measure performance and identify improvement opportunities).

**Why/impact** Benchmarking can be a useful tool when comparing with similar Councils to identify whether the Council is performing as well as it could be.

**Auditor judgement** Benchmarking can be challenging due to the vast range of differences between Councils. However, where like for like comparisons can be made, benchmarking would be useful to ensure the Council is operating in an economic, efficient and effective way.

**Summary findings** Benchmarking is not used effectively by the Council and is only used on an ad-hoc basis. We do recognise that this is likely to improve as the service review phase of the reset and recovery programme progresses.

**Management comment** This has been recognised in the emerging Commercialisation Strategy arising from the Recovery and Reset Finance & Commerciality review and a review of benchmarking information is planned during 2022/23 - including plans to improve the understanding of costs in some areas where this has not been fully developed already



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

# Improvement recommendation



## Improving economy, efficiency and effectiveness

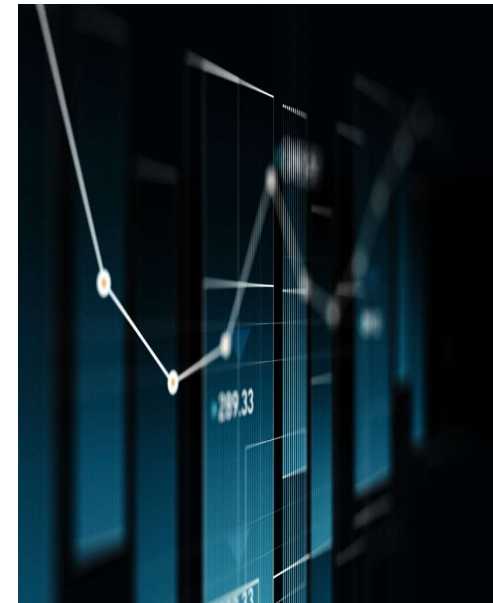
**Recommendation** The transparency code disclosure should be kept up to date and published in line with the code guidelines.

**Why/impact** The local government transparency code is issued to meet the government's desire to place more power into citizens' hands to increase democratic accountability. It will make it easier for local people to contribute to the local decision making process and help shape public services.

**Auditor judgement** The transparency code was last updated in December 2020. This is over a year out of date and should be updated. It is noted that the Council have suffered some staff shortages which is part of the cause for these disclosures not being up to date.

**Summary findings** The transparency code disclosures were last updated in December 2020.

**Management comment** These disclosure are now up to date and included on the Council's website.



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



# Improvement recommendation



## Improving economy, efficiency and effectiveness

**Recommendation** The Council should monitor spend with each supplier to identify any unexpected amounts. This will aid in identify whether contracts for the supply of goods are being used appropriately.

**Why/impact** The Council do not currently monitor spend on a supplier level which means there could be instances of spend with suppliers who are not expected. The Council could also be spending outside of agreed contracts with other suppliers which may not deliver the most economic, efficient or effective solution for the Council.

**Auditor judgement** Through discussions with the Procurement Manager it was identified that this does not currently happen. We are of the view that it would aide the Council to identify any spend which is unusual or not expected.

**Summary findings** The Council should perform a review of spend with suppliers at least annually to identify unusual amounts spent.

**Management comment** The Council is currently reviewing its approach to procurement and developed a quarterly update report to CMT (which has been in place since 2021/22) to include key procurement issues



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

# Improvement recommendation



## Improving economy, efficiency and effectiveness

**Recommendation** Those charged with governance are only made aware of the performance of contracts on an exception basis. This means that they are only made aware of contract performance when a contract is not performing as it should. We consider that those charged with governance should be informed of all significant contracts which could impact the Council.

**Why/impact** The council has a significant number of large capital projects. And other contracts. Regular reporting will ensure that members are aware of the progress on all significant contracts and will help avoid delays and overspends

**Auditor judgement** Overall, the Council has good contract management. This control would enable the Council to mitigate the risk of contracts not operating as expected.

**Summary findings** Those charged with governance should be regularly updated on the performance of contracts.

**Management comment** The Council will consider its contracts and consider what reporting is needed for members.



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

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

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## Financial sustainability

Finance officers established procedures to identify and record Covid-19 related expenditure, and this, along with the overall financial impact on the Council and MTFS, has been regularly reported to Members.

The financial statements explain the impact that Covid-19 has had on Council finances in various areas.

The financial statements also explain the additional funding the Council have received due to the pandemic. The Council also discloses the delays to the business rates retention and fairer funding reviews as a result of the pandemic.

The financial statements identify that “In light of the projected impact of COVID-19 on the Council’s Medium Term Financial Strategy, an immediate suspension of all non-essential spending was approved by Cabinet on 9<sup>th</sup> July 2020 and that Managers review their budgets and identify all non-essential spending for 2020-21 as part of the quarter 1 projections at 30<sup>th</sup> June 2020 - and approval sought for the budget to be revised to remove these.”

## Governance

As a result of the Covid-19 pandemic internal controls and processes did not need to adapt significantly, as systems were already in place for remote working. Over time we have seen that officers have been provided with improved technology, for example, Microsoft Teams.

The Council has also administered the distribution of around £18 million for the various grant support schemes in which the Council has operated as an agent.

Internal Audit has played a key role in the reviewing of grant applications, particularly from local businesses. Internal did identify a small amount of claims being paid incorrectly due to fraudulent claims though these are for a limited number for an insignificant value.

## Improving economy, efficiency and effectiveness

The Council has an opportunity to build on some of the positive changes that have resulted from the pandemic. For example, more flexible working, with appropriate use of technology, to support staff with their work / life balance and also to reduce the office space required. There is also scope to keep services on-line where these have worked well, with reduced face to face contact with service users.

These positive changes are being considered as part of the Council’s reset and recovery programme. The programme has already identified the opportunity for the Council to exit Marmion House. This is likely to lead to more working from home for the Council’s employees and this change is complemented by the Council’s working from home policies which have been introduced.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 22 October 2021

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 16 September 2021.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work has not yet started as the instructions have not been issued to the Council and the audit guidance has not been issued.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

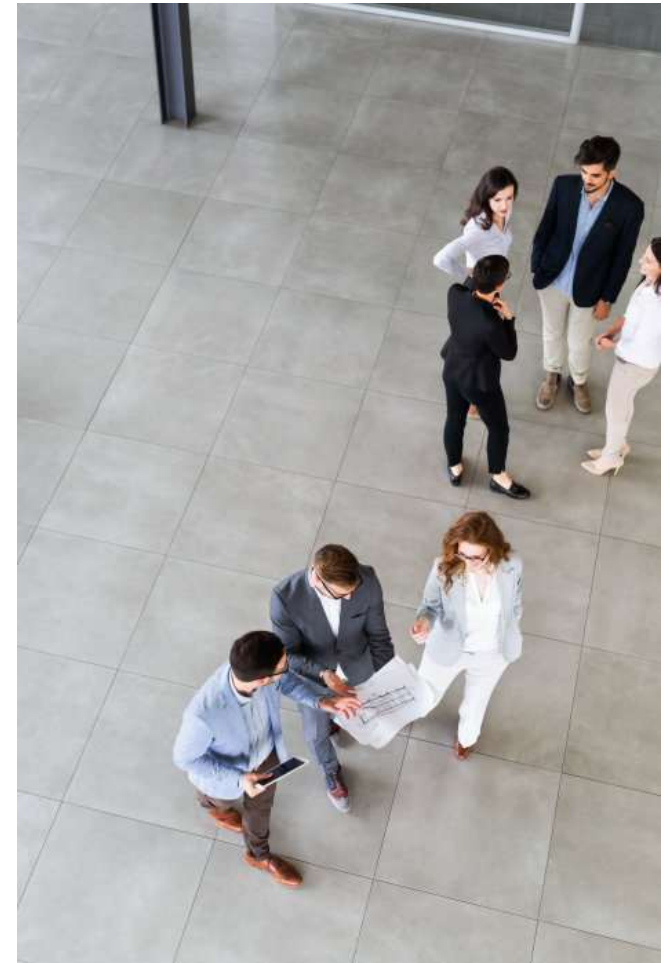
## Issues arising from the accounts:

The key issues were:

- There were significant changes to the pension liability values disclosed in the financial statements. This was due to the Council obtaining an up to date version of the actuary's report,
- The accounting treatment of the assets and liabilities incurred as a result of the waste service joint operation held with Lichfield District Council,
- Several changes to disclosure notes to improve clarity and better comply with the CIPFA Code of Practice.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices



# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

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- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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

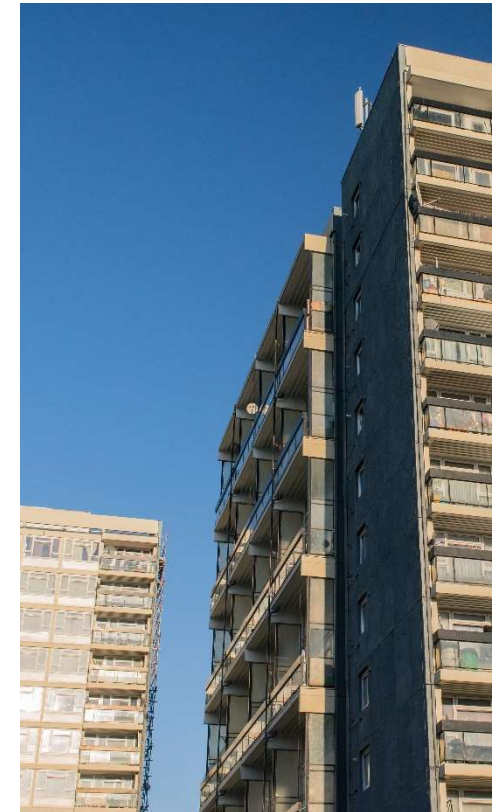
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



# Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Governance p. 13 3Es p. 16 - 21

# Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

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

We did not make any statutory recommendations.

## Public interest report

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

We did not issue a Public Interest Report.

## Application to the Court

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

We did not apply to the Court.

## Advisory notice

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

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

We did not issue an Advisory notice.

## Judicial review

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

We did not apply for a judicial review.



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