

# Auditor's Annual Report on Tamworth Borough Council

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2022/23

April 2024



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

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



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

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# Executive summary



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

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

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Criteria	2022/23 Risk assessment	2021/22 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, and no improvement recommendations have been made. See further commentary on pages 6-9 of this report.	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, but one improvement recommendation has been made. See further commentary on pages 10-13 of this report.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, but three improvement recommendations have been made. See further commentary on pages 14-19 of this report.	↔

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

# Executive summary (continued)



## Financial sustainability

Tamworth Borough Council has a strong track record of managing its finances prudently and in spite of what has been a turbulent period in Public Sector finances due to Covid-19, the war in Ukraine, and the cost of living crisis, the council has maintained a grip on its finances. We note that the challenges ahead are significant especially the further into the Medium Term Financial Strategy (MTFS) cycle that the Council gets, but early indications from 2023/24 forecasts are that the Council is managing that uncertainty well. 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 significant weaknesses and have not raised any key recommendations.



## Governance

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We note that the members of the Audit and Governance Committee have changed following recent elections, but we have made improvement recommendations relating to both ensuring good attendance and to the quality of challenge from the committee though we note that a training programme is in place to support the committee. We have not identified any significant weaknesses and have not raised any key recommendations. See pages 13 for more detail on the improvement recommendation.



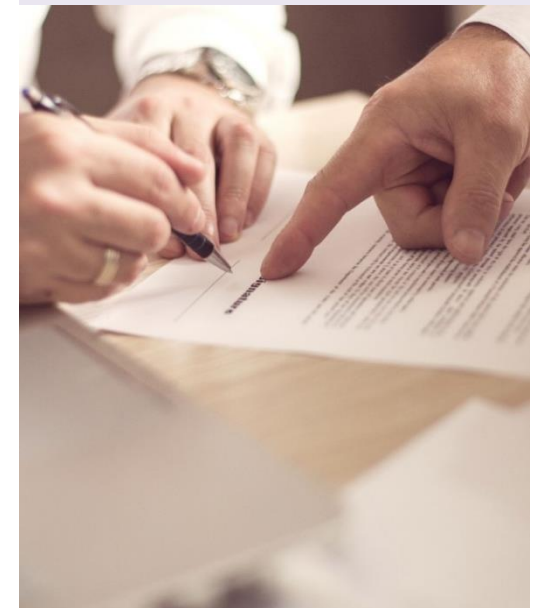
## Improving economy, efficiency and effectiveness

The Council has had resource challenges in its performance team and this has led to some delays in addressing two of the improvement recommendations from our 2021/22 work. Accordingly we have rolled these forward in the knowledge that the team is now better resourced and able to address the specific points around the quality of service plans and the performance indicators contained within them. The Procurement team has acted on our recommendation from 2021/22 with a live procurement pipeline now in place and integrated with the Contracts Register to create a seamless link between the two. We note that tenders are not regularly reported to the Audit and Governance Committee, and have therefore included an improvement recommendation. Our work has not identified evidence of significant weaknesses within the arrangements in place. See pages 17 to 19 for more detail on the improvement recommendations identified.



## Financial Statements opinion

We have completed our audit of your financial statements and intend to issue an unqualified audit opinion on 24 April 2024, following the Audit Committee meeting on 24 April 2024. Our findings are set out in further detail on page 22.



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

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 6 to 19.

# Financial sustainability



## We considered how the Council:

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

Unusually we have carried out our reviews of arrangements for the 2021/22 and the 2022/23 financial years relatively close to each other in terms of timescale. This is due, in the main, to delays in both accounts production and audits following the Covid-19 pandemic. We reported on the 2021/22 audit in June 2023 and were able to include in that report some of the most up to date detail relating to the 2023/24 financial year. Our work on the 2022/23 audit as detailed in this report has therefore focused mainly on any changes since June 2023. In 2022/23 the Council was still feeling the effects of the pandemic, although funding from Central Government to meet additional costs ceased. We note that there were additional pressures in budget costs, rising energy costs, inflation, interest rates, Brexit and due to supply chain issues it is clear that Councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability.

## Financial outturn 2022/23

Tamworth Borough Council has historically performed well, with a track record of strong financial and budgetary management despite the challenging environment in which it is operating. The Council originally set a deficit budget for the General Fund of £0.26m for 2022/23 in February 2022. The Council achieved a favourable variance of £0.63m and this was reported to Cabinet in June 2023. This is largely due to a Business rates income variance (£11.2m) which then offsets some impairments (£8.8m) and a £1m overspend due to shortfall in Assembly Rooms ticket sales and catering sales.

The Council originally set a deficit budget for the Housing Revenue Account of £1.95m in its update to Cabinet in June 2023. The Council subsequently reported an unfavourable

variance of £0.92m. The variance is largely due to the housing repairs contract.

## Financial forecast outturn 2023/24

The Council originally set a revenue budget for 2023/24 of a net cost of £8.8m which represented a deficit budget of £1.2m for the General Fund (GF).

The Housing Revenue Account deficit budget was set at £419k.

The Quarter 2 Performance Report which went to Corporate Scrutiny Committee (CSC) updated members on the forecast outturn for the year. This predicted the GF to be £1.4m under budget the main reasons being:

- treasury management interest above budget because of rising interest rates and increased balances available to invest;
- an improved predicted outturn of £200k income on short-stay car parking;
- £170k additional underspend on treasury management;
- Additional £130k in benefits estimates (positive) and
- £160k underspend included for various vacant posts across the council.

The result of this is the council is forecasting it will be underspent at 2023/24 year end by around £200k which is planned to be used to ease future years deficits by adding the underspend to reserves.

The HRA budget is showing a favourable variance of £40k.

# Financial sustainability

## Budget setting process

The annual budget setting process for 2023/24 involved consultation with directorate heads and budget holders who were asked to submit proposals in the summer 2022 (August). These proposals were reviewed by the Finance team before being assessed by the Corporate management team (CMT). Updated budget proposals for 2023/24 were then presented to both Corporate Scrutiny Committee (CSC) and Cabinet in October and November 2022. These were then developed into the annual budget and the MTFS in December 2022 and January 2023 and signed off at Cabinet and Council in February and March 2023. At the end of this process there was a deficit of £1.2m for the 2023/24 in the Budget and this was reported in the MTFS at the February 2023 Cabinet. The above budget setting process is in line with our expectations.

The original plan was that there would be a transfer from reserves to deal with projected £1.2m deficit but as noted in the 2023/24 financial forecast section above this reserves transfer was not required ultimately as the £1.2m forecast deficit had moved to a £0.2m surplus mainly due to increased income from treasury management and car parking plus savings from underspends.

## Budgetary control

There are good systems in place for oversight of the budget. The finance department engages at least monthly with budget holders via its Finance Business Partners who are aligned to specific services or Directorates and who provide both challenge and support to departments. At senior level both CSC and Cabinet are appraised of progress against budget via the quarterly performance report which includes detail of variances to budget and the revised forecasts for both year end outturn and the MTFS. 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.

## Medium term financial strategy

The MTFS for General Fund revenue expenditure (2023/24 - 2025/26) was updated and presented to members in January 2023 then approved in February 2023.

The headline figures for 2023/24 are:

- A General Fund net cost of services of £8.8m;
- A transfer of £1.2m from General Fund balances;
- A transfer of £1m from HRA balances;
- A General Fund capital programme of £10.8m over 5 years; and
- A Housing capital programme of £38m over 5 years.

Table 1 below shows the emerging challenge for the Council though it should be noted that the income/funding forecasts assume a worst case scenario in terms of the business rates reset by Central Government.

**Table 1 – Budget Deficit**

	2023/24	2024/25	2025/26
Total Expenditure	£8.8m	£10.2m	£12.6m
Total Income	£7.6m	£8.1m	£7.8m
<b>Budget Gap</b>	<b>(£1.2m)</b>	<b>(£2.1m)</b>	<b>(£4.8m)</b>
<b>Cumulative Gap</b>	<b>(£1.2m)</b>	<b>(£3.3m)</b>	<b>(£8.1m)</b>

Source: MTFS 2023-24

The current forecast for 2023/24 year-end outturn is an underspend of £1.4m meaning that the Council has closed the financial gap of £1.2m for the year and also reduced the 2024/25 deficit by £200k. Ongoing quarterly forecasts include sensitivity analysis showing best case, medium case and worst case forecasts.

The MTFS includes £3m over 3 years from 2024/25 for works to achieve Zero Carbon & reducing energy costs including Insulation & potential Installation of Solar PV to homes. Proposals included for 2023/24 include an additional post for a period of three years to kick start activity on the net zero workstream – as well as a permanent budget of 5K for Net Zero activity, specifically referenced in the Cabinet Report dated 30 June 2022.

## 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 on a monthly basis and to the Corporate Scrutiny Committee (CSC) and Cabinet on a quarterly basis. The financial performance report for quarter 2 in November 2023 reported that savings of £2.8m per annum are required over the 5-year period from 2023/24 to 2027/28.

The savings required by the Council are set out within the MTFS which was approved in February 2023. Initially a deficit of £1.2m for 2023/24 was planned to be met from reserves. However, the quarterly update in November 2023 reported that this was no longer required due to savings via underspends and increased income from treasury management.

# Financial sustainability

We reported in last year's audit that savings plans had not been reported separately and we recommended that savings monitoring should be made more clear to members. We note that the Quarter 1 and 2 performance reports in July 2023 and November 2023 now include a separate section as part of the budget monitoring analysis which highlights the savings plans and progress against them. The majority of savings are included within the budget monitoring sections of the quarterly performance reports which highlight the main reasons for variances.

## Financial planning

The Corporate Plan (2022-2025) 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. We are satisfied there is a clear linkage between the Medium Term Financial Strategy (MTFS) and the priorities set out in the Corporate Plan. These priorities are referenced in the MTFS.

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 Future High Streets Fund (FHSF) project.

The two largest projects for the Council moving forward are the FHSF (£21.6m) and the planned works to HRA dwellings (£53m). The Council has an ongoing capital programme of over £10.8m for 2023/24 and had an asset base of £242m as at 31 March 2022. Capital 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 MTFS. These risks are scored as high, medium or low and given a control measure in order to reduce the risk to MTFS. The 2023/24 MTFS has identified a shortfall in the General Fund of £8.8m over 5 years. The majority of this shortfall will be managed by planned savings and policy changes and we can already see this happening via the quarter 2 performance report which notes savings/additional income of £1.4m to offset the original forecast deficit for 2023/24 of £1.2m. This has a cumulative impact on following years of the MTFS cycle too, such that the 2024/25 deficit is now reduced to £470k.

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.

## Reserves

The Council had a relatively strong reserves position at 31 March 2023 with usable reserves of £63.8m

**Table 2 – Reserves**

Reserve	£m
General Fund	9.6
Earmarked	19.5
Capital	23.4
HRA	11.3
<b>Total</b>	<b>63.8</b>

Source: MTFS 2023-24

It has set a minimum level of reserves of £0.5m. Reserves are planned to be used over the period of the MTFS where required but the expectation is that the council will make the necessary savings without the need to deplete reserves. For example at the start of 2023/24 the plan was to use £1.2m of reserves to manage the forecast budget gap. However, by the end of Q2 the council was forecasting a £1.4m surplus meaning they are able to contribute £200k to reserves rather than use them to manage budget gaps.

## Capital

The Council 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 Fund (FHSF) 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.

The Council's five-year capital programme, reported to members in February 2023, details the capital programme from 2022/23 to 2027/28. This shows a significant level of capital budget in the General Fund of £10.8m for that 5-year period. This capital budget includes £5.8m for 2023/24 and this increased to £12.24m in 2023/24 plus £21.3m deferred from 2022/23 giving a total capital budget for 2023/24 of £33.5m.

Major capital projects are managed by the relevant budget holder/contract manager, with appointed clerk of works, architects as appropriate. There are quarterly reports on capital spending and the progress of the capital programme.



# Financial sustainability

These reports set out each of the capital projects and their spend against budget and reasons for variances / actions being taken. There are detailed reports to Cabinet and to Corporate Scrutiny Committee setting out the funding of the capital programme, be that allocated reserves or borrowing.

The FHSF has its own programme board to manage the different components of the programme and it has reported quarterly to the Infrastructure & Growth Committee as well as Cabinet and the Corporate Scrutiny committee. We include more detail on the FHSF project in our section on 'Improving economy, efficiency and effectiveness' on page 15 of this report.

In the Housing Revenue Account capital spend is planned to be £37.9m across the five years. For 2023/24 the Housing capital budget was £8.1m which was increased by £7.9m deferred from 2022/23 to give a total 2023/24 budget of £16m.

## Investments

During 2022/23 the Council maintained an average balance of £75.8m of internally managed funds. The internally managed funds earned an average rate of return of 2.16%.

The comparable performance indicator is the average 3 month SONIA rate which was 2.72%. This compared with a budget assumption of £37.3m.

The Council also holds some more complex investments such as the Ankerside shopping centre, the risk profile of this investment has increased over the past year due to the change in ownership of the lessee. The Council is currently negotiating with the lessee with resolution expected in early 2024. See further details on page 15.

In recent years, the council have increased their investment into property funds and have used the proceeds of the sale of a golf course to invest in a range of property assets. The total value of the investment is £11.962m. This has in turn increased the Council's exposure to the market

We have reviewed the Council's processes for determining which funds to invest in and are satisfied that the Council took appropriate advice. They are following appropriate DLUHC guidance, property, fund performance is reported quarterly to Cabinet (& Corporate Scrutiny Committee) and is also included as part of the three statutory Treasury reports during the year (Plan, Mid year and Outturn).

## 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 significant weaknesses and have not raised any key recommendations.



# 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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

## Leadership, decision making and committee effectiveness

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, and was last reviewed in December 2020. Relevant information is provided to decision makers before major decisions are made to ensure there is appropriate challenge. For example the MTFs document is very detailed and clearly sets out the decisions required and provides detailed explanations for the financial forecasts.

Scrutiny is focussed on the Council's performance against the Council's vision, which was updated in 2022, and there is a link between performance and finance.

The Annual Governance Statement should 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. The constitution is shared with all staff members on joining and is openly available on the Council's website.

## Monitoring & assessing risk

The Council has a Corporate Risk Register which rates risks within the them a risk score and RAG (Red, Amber, Green) rating. There is also a direction of travel table which shows the change in the risk since it was originally identified, what

it is now and what the target is. All risks are assigned an owner and mitigating actions are included to indicate ongoing work on each risk. Risks are reported quarterly to the Audit and Governance Committee (AGC). The 2022/23 Q4 risk register went to the AGC in June 2023. In addition to reporting the risks in the detailed risk register there were the longer term more strategic risks. Specific Public sector strategic risks were also reported separately as part of the reporting pack. There is also an operational risk champions group which meets quarterly to share experiences and risk approaches. The operational risk champions group did not meet during quarter 4 instead Heads of Service and their managers were invited to attend Risk Management training which was provided by Zurich.

The training was well attended with 17 officers in March 2023 and 21 officers in April 2023. Head of Service and Managers attending were tasked with reviewing the risks within their own department's risk registers and ensuring that descriptions of risks were specific, meaningful, and that any risk controls measures are clear and 'smart' based on what they learnt during the training session.

As a follow-up from the training sessions risk management workshops were organised in June 2023 for each directorate. The information obtained from these workshops regarding directorates' current and emerging risks has enabled Zurich to independently appraise the current Corporate Risk Register and make recommendations and suggest updates for the Corporate Risk Register for 2023/24.

# Governance

## Internal Audit

Internal Audit (IA) services for the 2022/23 year were provided in-house via a shared service arrangement with Lichfield District Council. A risk-based approach was taken to establish the IA plan for 2022/23. This took account of the strategic and operational risks relating to quality and safety issues; service delivery and targets; workforce; finance and business, as identified by both management and the AGC, as well as the need to review key financial systems.

The plan is updated throughout the year. The internal audit plan for 2022/23 was approved by the AGC at its meeting in March 2022. The plan was for a total of 18 audits. At the end of quarter 4 2022/2023 IA had completed 89% of the audit plan. The opinion of IA for the council for 2022/23 was:

*"On the basis of audit work completed, the Audit Manager's opinion on the council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All of these have been or are in the process of being addressed."*

It was noted in in our 2021/22 audit that that there were 81 actions outstanding at Q4 of 22/23 (there had been 140 in June 2021). Following a meeting with Head of IA and as reported in the IA quarterly progress report in November 2023, we can confirm that this number has reduced to 38 which represents a more than halving of the number at the end of the last financial year. Of the 38 outstanding recommendations, 11 were high priority. This is significant

progress. In reality, there are always likely to be some outstanding issues given reports are issued quarterly so there will always be recommendations being acted on. A total 38 actions outstanding is not an unreasonable number to be outstanding at any one time. The Head of IA has also confirmed it remains a key target of the service to minimise these outstanding actions and the direction of travel is positive in this respect.

An external assessment was undertaken in December 2022/January 2023 in line with the Public Sector internal Audit Standards. The conclusion of the report was:

*"The Internal Audit Shared Service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards."*

## Monitoring and ensuring appropriate standards

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 Annual Governance Statement is compliant with the CIPFA Code. It was reviewed and approved by the AGC in June 2023. 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 a Counter-Fraud and Counter 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. There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established anti-fraud culture. We identified in the previous year, that the Council could disclose gifts or hospitality which had been declined. This has been reviewed and included in the recent review of the constitution by the Monitoring Officer.

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

## Audit committee effectiveness

The purpose of the AGC is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the Council. The Committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. We recognise that since the May 2023 elections the make-up of the Committee has changed. We make these comments irrespective of specific make-up and rather of the AGC in theory. There are no statutory requirements that determine the composition of the AGC.

# Governance

The AGC at Tamworth Borough Council comprises seven members. CIPFA's recommendation in *Audit, Standards & Governance Committees: Practical Guidance for Local Authorities and Police (2022)* is authorities should strive to have no more than eight members, the Council is therefore following the recommendation.

CIPFA guidance emphasises the importance of the separation of executive roles and the membership of the Audit, Standards & Governance Committee. Where an authority has a cabinet system of governance, as at Tamworth Borough Council, including a member of the cabinet on the committee is discouraged. We have compared the membership of the Audit, Standards & Governance Committee with the members of the Cabinet to ensure a clear separation. We can confirm that no members of the Cabinet are also members of the AGC, in line with the guidance.

There are currently no independent members on Tamworth Borough Council's AGC. CIPFA guidance and the Redmond Review (2020) recommend the committee includes two co-opted independent members. We note that the Council is in the process of trying to recruit an independent member though are finding it difficult to attract candidates in the current market.

To discharge its responsibilities effectively, CIPFA guidance recommends the committee meet at least four times a year. The Council's AGC met seven times in 2022/23 and has already met six times in 2023/24. While the AGC has met regularly we noted that attendance in 2022/23 was rarely above 4 of the 7 members. This has improved in 2023/24 but

we raise an improvement recommendation (see [improvement recommendation 1](#)) about AGC attendance.

## Conclusion

Overall, we are satisfied the Council has appropriate governance arrangements in place. We have not identified any significant weaknesses and have not raised any key recommendations. We have raised 1 improvement recommendation as a result of our review.



# Improvement recommendations

## Improvement Recommendation 1

The Council should ensure it has good attendance (ie. At least 6 of the 7 members) at its audit and governance committee meetings.

## Summary findings

During 2022/23 there were often only 4 out of 7 Audit and governance committee members present at meetings. This has improved in 2023/24 but given the restricted number of meetings it is important that attendance is good.

## Criteria impacted



Governance

## Auditor judgement

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

## Management comments

The attendance at audit and governance committee meetings has significantly improved since 2022/23 and the Council continues to support Members to maintain good attendance levels.

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

# Improving economy, efficiency and effectiveness



## We considered how the Council:

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

## Working in partnership

The Council works in partnership with a relatively 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. The Council has good relationships with the Voluntary and Community Sector, and joint projects were delivered during the Covid-19 pandemic. There are good examples of Tamworth using partnership working such as the following shared services with Lichfield District Council:

- Waste service
- Health & Safety
- Internal Audit

In addition, the Council's External CCTV is managed by West Midlands Combined Authority.

A key partnership in year is the Future High Street Fund (FHSF) project, this includes a lot of close working with South Staffordshire College in order to deliver the project. The project involves the relocation of the college to a central site in Tamworth. It is currently on track to deliver by the end of 2024. The Council and College have a programme board which meets monthly to discuss progress as well as a project manager who is overseeing the project.

The Council has recently (June 2023) updated its guidance on partnership working via its 'Partnership Guidance Policy and Toolkit' which is designed to help the Council work with its partners to ensure that all partnerships have good systems of governance. The toolkit is designed to ensure that:

- The Council is clear about its purpose and can clearly define its expected outcomes for the people of Tamworth when entering into partnerships;
- The Council's own agreed priorities and objectives are being met;
- There is clarity about accountability and responsibility for outcomes;
- Partnership activity and outcomes are monitored, reviewed and evaluated;
- Risks for the Council and for the Partnership are assessed and agreed;
- Each Partnership has a clear focus during its lifetime and has in place an effective exit strategy;
- Partnerships are empowered and their legal status understood;
- Reviews are undertaken to evaluate success and promote progression and improved effectiveness.

Services which are involved with partners are required to maintain a Partnership Plan which is reported quarterly to the CSC. The plan explains the purpose of the partnership, how it is governed (ie. by the Community Safety Partnership Board), what their priorities are and how they plan to deliver them, what they have achieved to date and what their targets are moving forward.

# Improving economy, efficiency and effectiveness

## Procurement

Robust and compliant procurement is key in delivering public services as organisations need to meet statutory obligations and deliver value for money for taxpayers. In 2019, the Council moved away from having 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 adequate processes and controls in place to meet these. For example, the procurement team has now integrated its procurement pipeline with its contracts register to ensure the contracts register is complete. The updated version of the Contracts Register is included on the council's website. The Council monitors the performance of procurement through monthly reports to the Corporate Management Team.

The Council's procurement arrangements are established in its Procurement Regulations which form part of the Financial Guidance. Each procurement project is considered on an individual basis, and lower risk higher value projects can be treated under the 'quick quote' process as opposed to Tender exercise. Quick quote allows procurements between £5k and £100k to be let. The Procurement Team are notified of all procurements over £5,000 to consider the appropriate approach to follow. To be exempt from the requirements of the Procurement Regulations, a waiver form must be completed and approved by the Executive Director of Finance or the Assistant Director of Finance. We noted that while the tender waiver process is in place there is no regular reporting of tender waivers to the AGC. We include an improvement recommendation (see [improvement recommendation 2](#)) to address this.

We note that the Council has acted on our recommendation in the 2021/22 audit report and have now introduced a procurement pipeline which is linked to the contracts

register using a common system to manage both.

We note too that Internal Audit reviewed the procurement service in 2022/23 (report issued in November 2023) and their conclusion was that:

*"Taking account of the issues identified and the recommendations contained within the Action Plan at Section 3, in our opinion the Audit and Governance Committee can take Reasonable Assurance that the controls upon which the organisation relies to manage risks material to the achievement of the organisation's objectives are suitably designed and effective."*

### Ankerside shopping centre

The Council has an investment in a shopping centre in the town centre. We reported in 2021/22 that the risk profile of this investment has increased over the past year due to the change in ownership of the lessee and we note that the council is currently taking legal advice about the future of this investment. It is not appropriate at this stage to comment further on the issue but we note that the Council has the correct governance arrangements in place to deal with the issue and is taking advice from the appropriate experts.

### Future High Street Fund

The Future High Street Fund (FHSF) is the Council's flagship capital project and is a 3-year project which started in 2021. Funding of £21.5m was allocated to the Council and South Staffordshire college, a key partner of the Council. The project comprises the following main elements:

- College Quarter redevelopment (£10.5m)- relocation of South Staffordshire college to a more central location in Tamworth as well as the refurbishment of Victorian buildings to turn them into an Enterprise centre and the

demolishing of the old Co-op department store building

- Middle Entry (£1.5m) – purchase of a 1980s shopping centre to demolish and rebuild it as a modern flexible workspace.
- St Edithas square (£800k) – refurbishment of a market square
- Castle gateway (£2.5m) – refurbishment of Peel café, moving nationwide building society into the same block and demolishing the old nationwide building, refurbishing a number of old properties and widening a bridge.

As with many capital projects over the past 2 years there have been real challenges in terms of costs and government funding. Government funding needs to be 'committed to be spent' by the end of March 2024. This means that spend can take place in the 2024/25 financial year but it needs to have been agreed and committed ahead of the start of the financial year.

The projects above have all, except for the Middle Entry project, been managed to meet this timetable and will be completed before the end of 2024. The Middle Entry project suffered significant budgetary challenges due to escalating costs which ended up making the project in its original guise unworkable for the budget allocated. The decision not to proceed with the middle entry project was approved by Council on the 27 February 2024. There is still some work ongoing under the project, namely new build properties.

A programme board has been in place to manage the various elements and they have reported quarterly to the Infrastructure & Growth Committee as well as Cabinet and the Corporate Scrutiny committee. Risks are reported regularly to the programme board via the programme dashboard.

# Improving economy, efficiency and effectiveness

## UK Shared Prosperity Fund

The UK Shared Prosperity Fund (SPF) is part of the wider Levelling Up agenda and aims to deliver significant support for all areas of the UK. It seeks to invest in domestic priorities and targeting funding where it is most needed. Tamworth Borough Council has been defined as a lead authority and will be directly accountable for setting up the fund framework; commissioning and awarding projects; ensuring programme delivery; ensuring spend is on target and conducting monitoring and evaluation of the whole programme. The Council received a direct allocation of £2.33m (plus £20,000 capacity funding) to run the programme over three financial years over, starting from April 2022, up until the end of March 2025. Most of the funding is due to be spent in years 2 and 3 of the programme.

A Local Partnership Board has been established comprising a number of the key stakeholders with Tamworth being the lead authority and this will oversee the work and report back periodically to the Department for Levelling Up, Housing & Communities (DLUHC).

At this early stage we are content that the governance arrangements are appropriate.

## Performance monitoring

The Council's quarterly performance report includes a significant amount of detail in relation to the financial performance of the Council. It aligns with the Council's corporate plan and it is shared with CSC and Cabinet on a quarterly basis. Our assessment of this update is that it is appropriate.

Key Performance Indicators (KPIs) for Council Housing and

the benefits service are reported on the performance page of the Council's website and included within the quarterly performance reports to Cabinet. The Council changed to this method of reporting in 2019 in order to streamline the level of KPIs reported to Cabinet. KPIs are also reported as part of the individual service plans.

We made two improvement recommendations to the Council in our 2021/22 audit report:

1. Updating the website for performance information.
2. Improving the quality of service plans where we felt performance indicator information was deficient

The first has been done as we report above. Following conversations with the Performance team it appears that slow progress has been made with the second recommendation.

This is mainly due to a 'single point of failure' as one key member of staff, who had most of the knowledge about this area, unfortunately died during the year. This meant that knowledge of the performance area was limited and new staff had to learn from scratch. In addition, there are also new requirements from the Office for Local Government (OFLOG) which is requiring reporting on a number of new metrics. Consequently, the Performance team are in the process of working through these requirements in conjunction with Service managers meaning that progress on improving the quality of service plans is delayed.

We therefore repeat the 2021/22 audit recommendations in this area in this year's audit report and urge the Council to improve the quality of the service plans (including performance information) [See improvement recommendation 3].

## Benchmarking

It was identified in the 2021/22 audit report that the Council does not consistently use external benchmarking as a tool to measure performance and identify improvement opportunities, and an improvement recommendation was raised. The Council subsequently purchased some external benchmarking from LG Futures but due to capacity constraints in the Finance team they have not had the opportunity to carry out any analysis. We raise an improvement recommendation [see improvement recommendation 4] to encourage the council to make use of the benchmarking data as this could help the Council to understand performance as well as identify areas of spend to analyse which could lead to efficiencies.

It should be noted that as of November 2023, Tamworth's revenue outturn had not been published for 2022/23 by the Department of Levelling Up, Housing and Communities due to late or non-submission by the Council. Non- or late completion of statutory data returns will hinder the Council's ability to make best use of publicly available datasets for benchmarking.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses and have not raised any key recommendations. We have raised 3 improvement recommendations as a result of our review.



# Improvement recommendations

## Improvement Recommendation 2

The Council should report on the number and value of waivers to Audit, Standards & Governance quarterly.

### Summary findings

At present, the procurement team does not report on waivers to committee level. This can ensure that senior leadership are aware of the level of waiver use.

### Criteria impacted



Improving economy, efficiency and effectiveness

### Auditor judgement

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

### Management comments

Accepted.

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

# Improvement recommendations

## Improvement Recommendation 3

We repeat the recommendation of the past two audits in relation to service plans. The service plans provided by the Council in many cases did not include KPIs which could be monitored and showed as nil values. In addition, some service plans did not provide updates on progress of the actions required identified in the report.

## Summary findings

Service plans with missing or out of date information are not a useful tool for their intended purpose, and could lead to important information or risks being obscured. It does not appear that much progress has been made in the past 6 months since we last reported

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

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

## Management comments

Work on the inclusion of KPIs within Service Plans is well underway for 2024/25.

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

# Improvement recommendations

## Improvement Recommendation 4

The council should make use of the LG Futures benchmarking data they have purchased and use this to support their review of service costs in future budgeting exercises

## Summary findings

It was identified in the previous year that the Council does not consistently use external benchmarking as a tool to measure performance and identify improvement opportunities. We had previously raised an improvement recommendation in this area, and consequently the Council purchased some external benchmarking from LG Futures. The Council has received this data but has not yet had the capacity within the Finance team to be able to use it "in anger". Used properly, this data could be a useful tool to help the Council identify areas of spend for further analysis and consequently help in identifying cost efficiencies where these are required.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

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

## Management comments

The LG Futures benchmarking data has been purchased previously but was not received on a timely basis and were limited to areas which were difficult and time consuming to make meaningful comparisons. The Council has also used CIPFA benchmarking tools in the past, but a lack of consistency in the capture of information across different councils made meaningful comparisons difficult to make and the exercise was considered to be of little benefit. The Council continues to look at alternative benchmarking opportunities.

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

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council needs to identify what comes next now that the reset and recovery programme has ended. There are challenges in relation to the financial position in future years and a development of the Reset and Recovery programme will help to stabilise the financial position.	Improvement	June 2023	The Medium Term Financial Strategy projections are updated on a quarterly basis and reported to CMT and Corporate Scrutiny Committee, followed by approval at Cabinet, as part of the Quarterly Performance report. The development of savings plans to address the updated forecast financial position will be considered as part of the budget setting process for 2024/25.	Yes	No
2 The Council should make sure that savings plans are clearly broken down and communicated to members. This should include information explaining the saving plan, the amount it is expected to save, whether the planned savings are recurrent or not, progress to date and a completion timeline.	Improvement	June 2023	A summary of the progress in delivering the planned savings will be reported on a quarterly basis to CMT and Corporate Scrutiny Committee, followed by approval at Cabinet, as part of the Quarterly Performance report.	Yes	No
3 At March 2022, there were 93 recommendations from IA outstanding, of these, 24 were high priority. It is recommended that the Council work to action these recommendations and reduce the level outstanding.	Improvement	June 2023	Significant progress has been made in reducing the number of outstanding audit recommendations in recent years. As at 31st December 2022, there were 13 high priority recommendations outstanding. Progress in resolving outstanding audit recommendations is reviewed by the Audit Manager and respective Assistant Director on a quarterly basis to inform the Quarterly Internal Audit Progress report – as reported to CMT and Audit and Governance Committee on a quarterly basis.	Yes	No
4 The Council should ensure they have a procurement pipeline in place which will allow them to proactively monitor their contracts.	Improvement	June 2023	The procurement team has now developed a procurement pipeline which is integrated with the contracts register in the Council's Pentana system	Yes	No

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 The Council's performance page of the website should be kept up to date with details of the Council's quarterly performance	Improvement	June 2023	As soon as management were aware of the issue, the website was updated immediately with the latest quarterly performance information, which is also available with the relevant Committee agenda.	Yes	No
6 The service plans provided by the Council in many cases did not include KPIs which could be monitored and showed as nil values. In addition, some service plans did not provide updates on progress of the actions required identified in the report.	Improvement	June 2023	A comprehensive review of all service plans was carried out in 2022 in line with the new Corporate Plan and new service plans with associated key performance indicators being developed. These should be updated on a monthly basis and it is planned will be reported to members on a quarterly basis within the Quarterly Performance report (as reported to CMT, Corporate Scrutiny Committee and Cabinet quarterly). A number of service plans are clearly managed well and up to date but it has been recognised that a number of service plans require bringing up to date prior to the first quarterly report for 2023/24.	No	Recommendation has been carried forward to 2022-23 audit recommendations
7 The Council should ensure that it understands why its KPIs differ from those of contractors where relevant.	Improvement	June 2023	The Council understands why its KPIs differ from those of the contractors where relevant. There will be an element of discrepancy depending on when the data was extracted as the system updates data transfer on a regular basis but the main reason will be that the contractor includes an exceptions tab in their report whereby they take some jobs out of the statistics where they consider the completion times to have been outside of their control.	Yes	No

# Opinion on the financial statements



## Audit opinion on the financial statements

We intend to give an unqualified opinion on the Council's financial statements on 24 April 2024.

## Audit Findings Report

More detailed findings can be found in our AFR, which will be published and reported to the Council's Audit and Governance Committee on 24 April 2024.

## 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 did not identify any issues.

## 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.

## 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



# Use of auditor's powers

We bring the following matters to your attention:

2022/23

## 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 issue 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 under Section 28 of the Local Audit and Accountability Act 2014

## 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

# Appendices



# Appendix A: Responsibilities of the Council

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

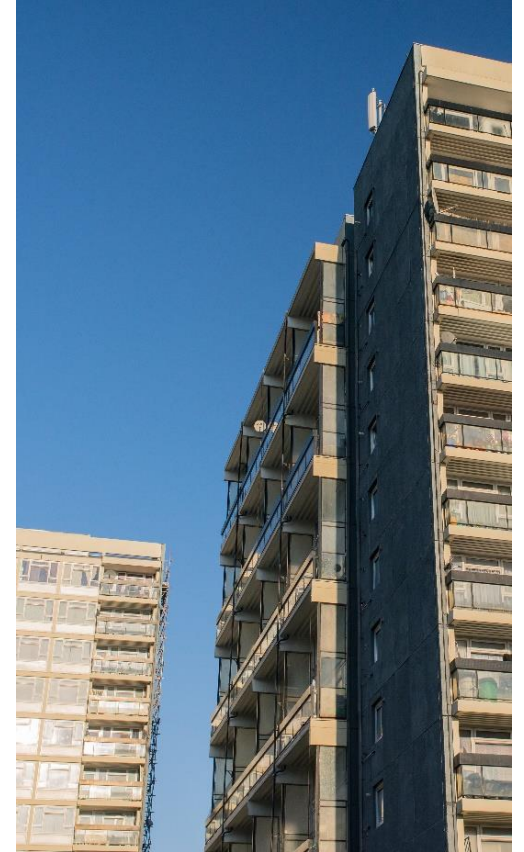
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



# Appendix B:

## An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	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	Pages 13, 17-19



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