



7 December 2023

AUDIT AND ETHICS COMMITTEE – 18 DECEMBER 2023

A meeting of Audit and Ethics Committee will be held at 6.00pm on Monday 18 December 2023 in Committee Room 1 at the Town Hall, Rugby.

Mannie Ketley
Chief Executive

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 28 September 2023.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors;
and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

Note: Councillors are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Councillor must withdraw from the room unless one of the exceptions applies.

Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Councillor does not need to declare this interest unless the Councillor chooses to speak on a matter relating to their membership. If the Councillor does not wish to speak on the matter, the Councillor may still vote on the matter without making a declaration.

4. Treasury Management Mid-Year Report 2023/24.
5. 2021/22 and 2022/23 External Audit Value for Money Assessment.
6. 2022/23 Audit Findings Report - Management Responses.
7. Internal Audit Progress report 2023/24.
8. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

PART 2 – EXEMPT INFORMATION

1. Limited Assurance Internal Audit Report.
2. Whistle Blowing Incidents – Standing Item – to receive any updates.
3. Fraud and Corruption Issues – Standing Item – to receive any updates.

Any additional papers for this meeting can be accessed via the website.

The Reports of Officers are attached.

Membership of the Committee: Mr P Dudfield (Chair), Mr J Eves (Vice-Chair), Councillors Mrs A' Barrow, Mrs Hassell, Roodhouse and Slinger

Named Substitutes: Councillors Gillias, Lawrence, Srivastava and one vacancy

If you have any general queries with regard to this agenda please contact Claire Waleczek, Democratic and Support Services Manager by emailing claire.waleczek@rugby.gov.uk. Any specific queries concerning reports should be directed to the listed contact officer.

AGENDA MANAGEMENT SHEET

Report Title:	Treasury Management Mid-Year Report 2023/24
Name of Committee:	Audit & Ethics Committee
Date of Meeting:	18 December 2023
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	N/A
Prior Consultation:	Cabinet
Contact Officer:	Paul Conway, Finance Manager, paul.conway@rugby.gov.uk, 01788 533405
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	The report sets out the treasury management activities from 1 April – 30 September 2023.
Financial Implications:	None as a direct result of the report, however, the report ensures that the Council is aware of the current Treasury Management position.

Risk Management Implications:	There are no risk management implications arising from this report.
Environmental Implications:	There are no direct environmental implications arising from this report and so no Climate Change and Environmental Impact Assessment is required.
Legal Implications:	There are no legal implications arising from this report.
Equality and Diversity:	There are no direct equality and diversity implications arising from this report and so no Equality Impact Assessment is required.
Options:	None as direct result of this report.
Recommendation:	<ol style="list-style-type: none"> 1) The report be noted; and 2) the monitoring and the review of Treasury Management indicators be agreed.
Reasons for Recommendation:	To comply with the CIPFA Treasury Management Code of Practice and Prudential Code.

Audit & Ethics Committee - 18 December 2023

Treasury Management Mid-Year Report 2023/24

**Public Report of the Chief Officer – Finance and Performance
Chief Officer - Finance and Performance**

Recommendation

- 1) The report be noted; and
- 2) the monitoring and review of the Treasury Management indicators be agreed.

Background

The Council is required to operate a balanced budget which broadly means that, year on year, cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in low-risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return as per the Council's Treasury Management Strategy which adopted on 1 April 2023.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.

On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives. On 4 December 2023, Cabinet was presented with the Treasury Management Mid Year Report 2023/24 which provided information on the activity for 1 April - 30 September 2021.

[2023.12.04 Cabinet Agenda](#)

Representatives from the Financial Services Team will attend the committee and provide a verbal update.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 18 December 2023
Subject Matter: Treasury Management Report 2023/24 – Progress Report
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX A

Investments	Principal £000s	Average % Rate
Matured April to Sept 2023	57,000	3.1661%
Maturing 2023/24	34,000	5.0650%
Maturing 2024/25	35,500	4.3908%
Grand Total	126,440	4.4020%
Total Investments Sept 2023	87,047	

**Excludes FV movement of DIF and Property Funds*

APPENDIX B

Loans	Principal £000s	Average % Rate
Matured April to Sept 2023	-	-
Maturing 2023/24	-	-
Maturing 2024/25 and later	83,300	1.9464%
Grand Total	83,300	1.9464%
Total Loans Sept 2023	83,300	

APPENDIX C

Approved countries for investments as of 30 September 2023

Based on lowest available rating

AAA	AA+	AA	AA-
Australia	Canada	Abu Dhabi (UAE)	Belgium
Denmark	Finland		France
Germany	USA		Qatar
Netherlands			UK
Norway			
Singapore			
Sweden			
Switzerland			

NB. Those countries highlighted in ***bold italics*** are those which we currently hold investments.

AGENDA MANAGEMENT SHEET

Report Title:	2021/22 and 2022/23 External Audit Value for Money Assessment
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	18 December 2023
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	all
Prior Consultation:	Leadership team, Chair and Vice Chair of Audit and Ethics Committee
Contact Officer:	Jon Illingworth jon.illingworth@rugby.gov.uk 01788 533410
Public or Private:	Public
Report Subject to Call-In:	N/A
Report En-Bloc:	N/A
Forward Plan:	N/A
Corporate Priorities:	This report relates to the following priority(ies): <input checked="" type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input checked="" type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input checked="" type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	This report provides the results of the value for money assessment provide by Grant Thornton as part of the external audit of the accounts. The assessment is shown in appendix A and summary of the management responses to the recommendations is shown in appendix B.

Financial Implications:	None as a direct result of this report.
Risk Management/Health and Safety Implications:	None as a direct result of this report.
Environmental Implications:	None as a direct result of this report and therefore no Climate Change and Environment Impact Assessment is required.
Legal Implications:	None as a direct result of this report.
Equality and Diversity:	None as a direct result of this report and therefore no Equality Impact Assessment is required.
Options:	The value for money assessment is part of the external audit, the management responses are the actions officers propose to take in order to address the points. There are no options to the assessment, however the committee could request alternative courses of action.
Recommendation:	The management responses to the Value for Money Assessment 2021/22 and 2022/23 be endorsed.
Reasons for Recommendation:	Officers have considered the findings of the value for money assessment and the management responses provide a summary of how the officer will address the points before the 2023/24 external audit process.

Audit and Ethics Committee - 18 December 2023

2021/22 and 2022/23 External Audit Value for Money Assessment

Public Report of the Chief Officer - Finance and Performance

Recommendation

The management responses to the Value for Money Assessment 2021/22 and 2022/23 be endorsed.

1. Background

- 1.1. Under the National Audit Office (NAO) Code of Audit Practice, the external auditors are required to consider whether the Borough Council has put into place proper arrangements to secure *economy*, *efficiency* and *effectiveness* in its use of resources.
- 1.2. The NAO issued guidance stating that a commentary covering more than one financial year can be used where it is more efficient and effective to do so and for the 2021/22 and 2022/23 years this has been the approach taken.
- 1.3. Although the accounts were presented to the committee on the 28 September, the value for money assessment was not ready for circulation. The assessment has now concluded and the report from Grant Thornton is attached at appendix A
- 1.4. There are 6 recommendations from the review and the management responses to these are shown in appendix B.
- 1.5. A representative from Grant Thornton will be in attendance at the committee to present the findings. However please note that this is the final year of the Grant Thornton contract and future assessments will be completed through Azets the new audit partner.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 18 December 2023

Subject Matter: 2021/22 and 2022/23 External Audit Value for Money Assessment.

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Auditor's Annual Report on Rugby Borough Council

2021/22 and 2022/23

December 2023



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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 Borough 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 Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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

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Executive summary

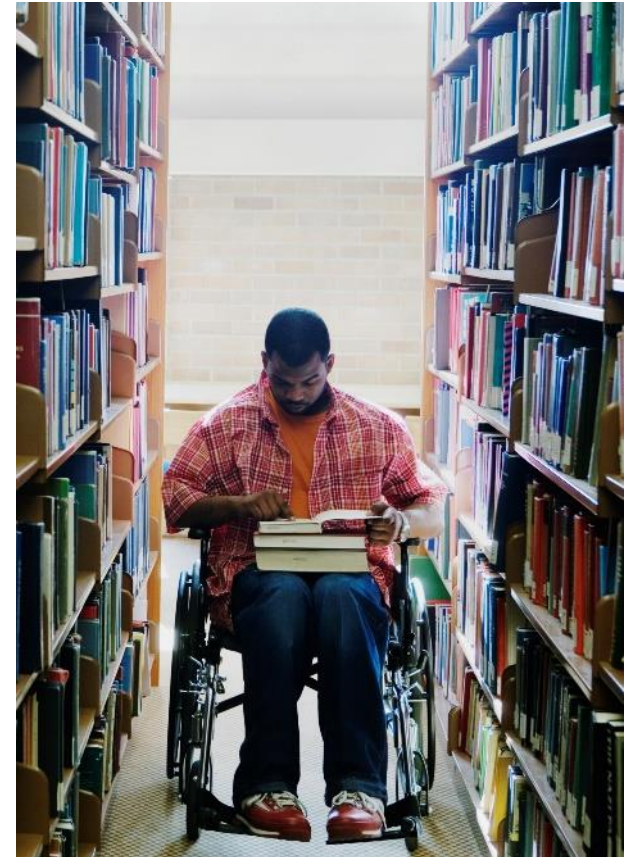


Introduction – Assessing Value for Money

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Borough 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 Borough Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Borough Council's arrangements for 2021/22 and 2022/23 in order to bring the external audit programme up to date following Covid-19 related delays. As part of our work, we considered whether there were any risks of significant weakness in the Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised on the following pages of this executive summary.

The Borough of Rugby is a local government district with borough status in eastern Warwickshire, England. The borough comprises the town of Rugby where the Council has its headquarters, and the rural areas surrounding the town. The borough has a population of 114,400 (2021). Of which, 78,125 live in Rugby itself and the remainder living in the surrounding areas. One-third of Council seats are elected every year, with one year without an election.

The last three financial years have been particularly challenging for local government, following on from an extended period of financial pressure extending back to 2010. The COVID-19 pandemic and its aftermath, followed by more recent unprecedented inflationary pressures in the economy has resulted in many Council's experiencing acute financial challenges. The flow of COVID-19 funding was essential to enable Councils to continue to deliver services during the pandemic, but it also temporarily masked underlying financial pressures and delayed efforts to address these in many cases. Local government is now having to deal with a high level of economic uncertainty as inflation continues to affect the cost of services while the government has yet to resolve structural funding issues affecting the public sector. It is in this context that we have assessed the financial sustainability and overall arrangements to deliver value for money at Rugby Borough Council.



Executive summary



Financial sustainability

In our 2020/21 VfM review (issued May 2022) we identified a significant weakness in the Council's arrangements to manage the underlying deficit in its finances that has been identified over the medium term. We are pleased to report that good progress has been made in developing resilience, including the maintenance of good levels of reserves. However, the Council has not yet found a solution to its medium-term funding deficit within its service budget and the financial position continues to be un-sustainable in the medium to long term. Therefore, it is appropriate that for the purposes of this report, that the previously identified significant VfM risk and its accompanying Key Recommendation (KR1) remains in place 2021/22 and 2022/23.

The Council has begun to implement changes to address the Key Recommendation but further work is required to close the projected funding deficit. We note that the Council had moderate to large overspends on the revenue budget in both 2021/22 and 2022/23, that were partly covered by corporate resources including, centrally held funds set aside to manage inflation risks and COVID-19 pressures, in addition to the use of other reserves. The latest Medium Term Financial Strategy (MTFS) prepared at the start of the 2024/25 budget, continues to project a significant shortfall of funding for its services over the medium term of £5.4m, which has been exacerbated by adverse economic conditions and inflation that followed the Council's emergence from the COVID-19 pandemic.

Reserve balances have tended to be above the average for a Council of this size and this has enabled the Council to delay making potentially difficult funding decisions over the past two years. We note that the Council continues to contribute significant amounts of income from business rate growth to reserves to enable it to manage financial risk in future years and this could be used to balance the budget over the medium-term period if savings were not forthcoming. However, it is important to note that the use of reserves to manage operational deficits is a one-off measure and the level of financial risk now being covered by reserves is such that it could lead to their rapid depletion, significantly reducing the Council's ability to manage financial risk and uncertainty in future years.

We note that the Council has now embedded its transformation programme over the last two years, but at the time of writing this report, the level of savings and efficiencies generated from it have not yet been of sufficient magnitude to address the budget gap over the medium term up to 2025/26. Further the programme had not yet established clear workstreams and specific areas of focus that will enable it to contribute the savings required. While we are satisfied that the Council's financial future remains in its own hands for the moment, largely thanks to its reserves position, the Council needs to maintain a high level of focus and effort on cost control and service transformation in order to return to a sustainable financial position within a reasonable timeframe. We have made one additional improvement recommendation to improve the presentation and clarity of message in its quarterly financial reporting.



Audit of Financial Statements

2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 15 December 2022, following the Audit and Ethics Committee meeting on 1 December 2022. Our findings are set out in further detail on page 38.

2022/23

We have completed our audit of your financial statements and issued an unqualified audit opinion on 14 November 2023, following the Audit and Ethics Committee meeting on 28 September 2023. Our findings are set out in further detail on page 38.

Executive summary



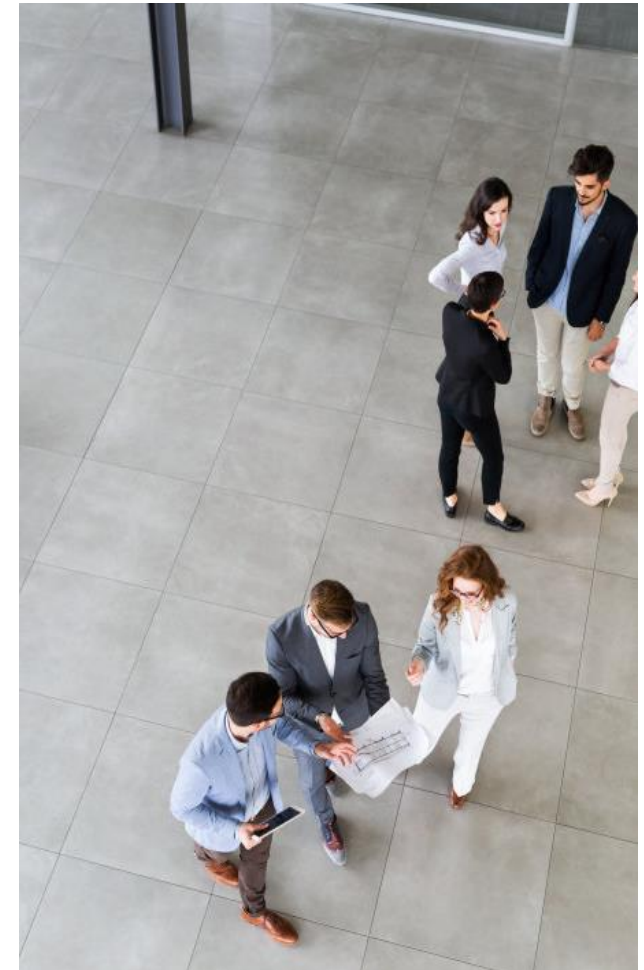
Governance

Overall, we were satisfied the Council has appropriate arrangements in place to manage risks and provide ample scrutiny, oversight and governance of key decisions. Adequate arrangements are in place in regard to Internal Audit, decision making and core governance structures. We note that whilst there is a programme board for the transformation programme, there were limited details about how the risk associated with the transformation programme would be managed, including alternative arrangements if the programme falls behind schedule. The Council should ensure councillors have full visibility of the programme, to ensure key decisions are made on a timely and appropriate basis. Further the Council must ensure that current financial challenges and the mitigating actions being taken are properly reflected in the corporate risk register. We have made an improvement recommendation in relation to these risks.



Improving economy, efficiency and effectiveness







Overall, we were satisfied the Council has appropriate arrangements in place to ensure it manages risks around the delivery of economy, efficiency and effectiveness in its use of resources. The Council has adequate arrangements in areas such as risk management, procurement, performance management and partnership working. We have identified improvements in relation to the 2022/23 performance management reports and ensuring future reports have sufficient information to enable progress to be properly scrutinised. The Council should ensure that the performance of investments are closely monitored and members have fully visibility on their performance. Also, the Council should ensure it has a workforce strategy that has a built-in performance appraisal process and maps directly to corporate objectives. The transformation programme should have clear links to the MTFP and wider Council strategy, including the impact on corporate priorities.






Executive summary

Summary Conclusions

Our conclusions are summarised in the table below.

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	Risk identified because of the Borough Council's significant forecast financial deficit over the medium term.	 A significant weakness in arrangements identified in 2020/21 remains in place while the Council develop a solution to close the projected medium term funding shortfall. There is 1 key recommendation (KR1) carried forward and 1 improvement recommendation made.	 A significant weakness in arrangements identified in 2020/21 remains in place while the Council develop a solution to close the projected medium term funding shortfall. There is 1 key recommendation (KR1) carried forward and 1 improvement recommendation made.
Governance	No risks of significant weakness identified.	 No significant weaknesses in arrangements identified, but 1 improvement recommendations made	 No significant weaknesses in arrangements identified, but 1 improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	 No significant weaknesses in arrangements identified, but 4 improvement recommendations made	 No significant weaknesses in arrangements identified, but 4 improvement recommendations made

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

Key recommendations (KR1)

In relation to the significant weakness on Financial Sustainability



Recommendation The Council should continue to review budgets and planned savings schemes as necessary to deliver a balanced financial position over the medium term.

It should be noted that this is a continuation of the recommendation we made in the 2020/21 Annual Audit report .

Audit year 2021/22 and 2022/23

Why/impact

In our 2020/21 VfM review we identified a significant weakness in the Council's arrangements to manage the underlying deficit in its finances that has been identified over the medium term. In our view, while good progress has been made, the Council's financial position continues to be challenging in the medium-term. We note that the Council has implemented a budget working group and a strengthened budget consultation process to support progress.

The latest Medium Term Financial Strategy (MTFS) prepared alongside the 2024/25 budget process, continues to project a significant shortfall of funding for its services over the medium term of £5.4m, which has been exacerbated by adverse economic conditions and inflation that followed the Council's emergence from the COVID-19 pandemic.

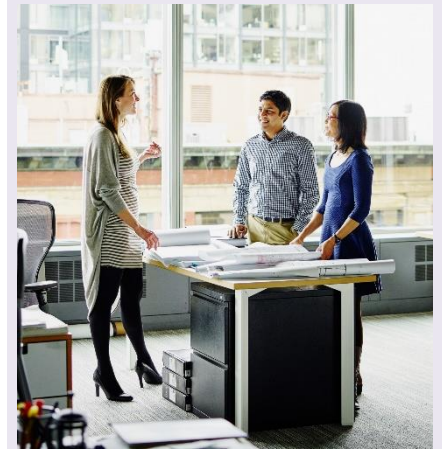
We note that the Council has now embedded its transformation programme over the last two years, but at the time of writing this report, the level of savings and efficiencies generated from it have not yet been of sufficient magnitude to address the budget gap over the medium term up to 2025/26. We note that the Council had moderate to large overspends on the service revenue budgets in both 2021/22 and 2022/23, that were partly covered by other one-off corporately held measures.

Therefore, this area remained a significant VfM risk throughout 2021/22 and 2022/23. The Council have begun to implement changes to address the Key Recommendation we made in 2020/21 (KR1) but further work is required to close the projected funding deficit.

Management Comments

To be provided separately

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



Securing economy, efficiency and effectiveness in the Borough 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.

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Borough Council's arrangements in each of these three areas, is set out on pages 9 to 30. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Borough 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.

Medium term financial strategy and plan

The Medium-Term Financial Strategy (MTFS) is a high-level document which provides a framework to manage the medium-term financial impact of strategic and operational decision making. At the January 2021 Cabinet meeting recognised the MTFS needed an urgent refresh and updated it in order to address the core challenges to the Council's ongoing financial sustainability.

The strategic direction for the authority was set by the new Corporate Strategy 2021-2024, which was adopted by Council on 23 February 2021. The Strategy set out what the Council will be doing to support the borough, and was produced during the Covid-19 pandemic. It incorporated the basis for the Council's proposed recovery with outcomes described that correlate to four pillars of recovery: Economy; Climate; Health and Communities; and Organisation. From 2022/23 the mapping of spend to the Corporate Strategy was incorporated into the Corporate strategy delivery plan.

Supporting the MTFS is the Medium-Term Financial Plan (MTFP) which is prepared annually on a rolling four-year basis. The objective is to ensure the Council delivers on its statutory obligations and sets a balanced budget for each financial year. Also, it ensures the Council remains aware and agile to Financial pressures and challenges going forward.

Key considerations within the annual budget and rolling MTFP are the annual Local Government finance settlements, occasional and comprehensive Local Government spending reviews and local demand for services.

There is no indication that the authority has used one off short-term initiatives such as unplanned use of reserves or adjusting capital resources to reduce revenue pressures inappropriately.

However, there has been planned use of reserves (primarily generated from business rate growth surpluses) and certain elements of funding, as confirmed in the Local Government settlement, were one off in nature. The Council has been challenged by reductions in other sources of funding such as new homes bonus and potentially significant reductions in business rates due to the proposed reset. Historically, the Council has used corporately held reserves and balances to help support the annual outturn position.

The 2022/23 to 2026/27 MTFP details the scope of the challenges the Council is facing. Table 1 below details the 2023/24 MTFP savings required to balance the Budget over the medium term.

	2024/25	2025/26	2026/27	2027/28
Savings	£3.5m	£5.4m	£5.1m	£5.4m

The Council has established a transformation programme which is discussed further in this report, however, to date the service transformations and savings necessary to balance the medium-term position have not been fully identified.

We have deemed this as contributing to an ongoing significant weakness in relation to addressing the Council's ongoing financial sustainability, which we first identified in 2020/21.

Financial sustainability

2021/22 Planning and Performance

The Council detailed in its 2021/22 MTFP the Council Tax determination report. The budget setting process was iterative and included consultation prior to the final report being published in February 2021. The Budget setting process started in October 2020 and was updated in January 2021.

The Chief Finance Officer (CFO) introduced the concept of a rolling year MTFP report which had savings identified for the whole of the 4-year period and not just a single year. This remains the ambition, although it has not yet been implemented due to ongoing challenges of having only a single year settlement. To support this, the CFO introduced a dedicated Budget Working Group for 2021/22 which was a combination of officers and appropriate Councillors from all political parties. The remit of the group was to provide strategic direction and challenge and deliver a balanced budget.

The MTFP included a dedicated section on the Local Government Finance Settlement and noted the MTFP was based on the latest information available post Government consultation during 2020/21. It should be noted that the Government funding settlement was for a single year only which made it difficult for the Council to plan in the medium term. Rugby, as with all local authorities, has continued to plan with little certainty over funding in the medium term.

The key impact on the 2021/22 MTFP was in relation to the New Homes Bonus – funding was assumed to continue based on current allocations, however this was not the case as the scheme was revised within annual funding settlement. The MTFP detailed that the shortfall would be mitigated through use of reserves (discussed further in this report).

The final settlement for 2021/22 confirmed that shire districts had the flexibility to increase Council Tax rates by a maximum 1.99% or £5, whichever was greater. The MTFP assumes for planning purposes a maximum increase of £5 had been projected for all years of the MTFS and MTFP.

As part of the local government finance settlement 2021/22, the government announced a continued package of COVID-19 support for councils and additional support for businesses and communities. During 2021/22 the Council received £10.1m support grants which was passed directly on to residents and businesses. In addition, the Council received £1.6m to mitigate against pressures in 2021/22 within General Fund Services.

The Business Rates Equalisation Reserve (BRER) was established to mitigate future fluctuations in the business rates base alongside the risks faced by the anticipated changes in business rates baseline and fairer funding. The accumulated business rate reserve combined with the setting aside of increases from business rates growth generated in subsequent years has significantly supported the Authority's ability to mitigate against the 2021/22 pressures and has continued to do so in 2022/23 and in future years.

The Council has subsequently identified reduced risks around Business Rates reset, and it was agreed that a contribution from (BRER) of £3.9m would be used to support the 2021/22 budget position. The objective was primarily to support the Council in the challenges related to the pandemic (the potential loss of income, PPE and homelessness costs as a result of COVID-19) and enable the new SMT structure and the new Corporate Strategy to be implemented.

The MTFP detailed several assumptions which included the use of £1.1m of COVID-19 recovery fund to support the recovery from the pandemic. £0.6m growth and inflation across operational services. In the main this related to temporary accommodation pressures (£0.2m), and increased software and licenses costs (£0.1m)). The pay award was assumed to be 2% (£0.2m). Savings and new income generating proposals were anticipated to deliver £0.8m extra in 2021/22. This included £0.17m increase in Green waste income targets related to subscriptions and £0.1m in relation to increased planning applications. There were also £0.5m of savings proposals.

The 2021/22 revision of the MTFP detailed an overall funding gap of £2.8m in 2022/23, however did not detail how this funding gap would be addressed and the programme of savings and transformation required to ensure mitigation.

In relation to 2021/22 outturn, after carried forward requests and transfers to and from reserves (including COVID-19 Reserves), a balanced position was achieved compared to the final net budget of £11m. However, within this position, we note that significant overspends on a number of service budgets were compensated by vacancies and other one-off measures in addition to centrally held COVID-19 budgets.

We note that the Council did retain and utilise Covid-19 specific reserves at this time including the COVID Recovery fund. These were held at corporate level and released so that specific COVID related pressures could be identified and managed separately. These reserves were sufficient to cover the impact of the income and cost pressures driving the overspends.

Financial sustainability

2022/23 Planning and Performance

The key areas of overspend were:

- £0.5m: Related to pressures in Housing Benefit largely due to decreasing levels of income received from Housing Benefit overpayments as the number of claimants reduced following migration to Universal Credit.
- £0.3m Pressure within Trade Waste and Green Waste Collections due to reduced trading activities of businesses and opportunities to expand these services primarily due to the impact of the Covid-19 pandemic
- Executive Services has an overspend of £0.2m which was mainly due to the costs associated with a private report presented to Cabinet on 20 April 2021, and the associated costs of recruitment and the increased cost of well-being across the authority
- These pressures were mitigated by in year vacancies within services across all portfolios. However, this was offset by an overspend on Agency and recruitment costs pressures of £0.9m.

In relation to the Housing Revenue Account (HRA) The final outturn detailed a pressure of £0.4m against the approved budget of £17.0m. The main driver to this was the decant of Rounds Gardens resulting in an adverse variation of £0.15m on rents, additionally there were higher voids than the budgeted resulting in a further adverse variance of £0.3m. The £0.4m this was transferred from the Housing Revenue Account Balances reserve.

The Outturn position details the increasing challenges the Council was facing, and the need for long term solutions to mitigate budget pressures. We discuss further the Council's performance on Capital, use of reserves, and savings.

The Final Local Government Finance Settlement was announced on the 7 February 2022 via a written statement. There were no material changes compared to 2022/23. Key growth proposals detailed in the MTFP included Pay Awards For 2022/23 at 2%, however given the uncertainty around the pay increases, there was a risk that for every 1% increase in pay the authorities wage bill there would be an extra £0.2m of pressures.

Significant in-service pressures included £0.18m due to reductions in housing benefit overpayments due to claimants moving to universal credit, and £0.14m due to increase in costs and requirements for software licences.

Savings target proposals totalled £0.3m and included £0.1m from procurement contracts efficiencies and savings. The full service and procurement related income was offset by some decreases in income such as the Warwickshire Homelessness Early Intervention Project which ended in March 22. Income and Savings proposals of £0.12m included increased fees and charges and interest anticipated from the loan to Caldecott Developments Limited (CDL).

Following the 2022/23 year end, the Q4 outturn report reported an overall surplus of £0.496m against a budget of £20.9m. However, we note that again within the outturn position there were significant overspends across most service budgets. These had been partly mitigated by one-off benefits from treasury management and the carrying of vacant posts. The remainder was covered by the deployment of centrally held inflation and COVID-19 funds. This demonstrates that prudent measures to manage financial risk were in place at a corporate level. However, it also highlights the ongoing challenge to address underlying service deficits through budget adjustments, savings and transformation.

We further note that the Q3 report was forecasting a year end deficit of £0.463m and there was a significant positive movement in Q4 due to the one-off benefits that accrued at year end. Key areas of overspend included:

- Communities, Homes, Digital and Communications reported a pressure of £0.26m in relation to Housing Advice and Benefits Team. The related to the shortfall in target house purchases to mitigate the increased cost of leased temporary accommodation. There was a lack of suitable units available on the open market during 2022/23. Further the Housing Advice and Benefits Team incurred increased expenditure for general and major repairs for Private Sector Leasing properties.
- Finance, Performance, Legal and Governance reported a pressure of £0.33m due to un-recovered Court Fees. There was a further £0.17m pressure due to the cost of covering vacancies within the Financial Services Team by agency staff.
- Growth and Investment had a pressure of £0.49m: £0.32m related income in Planning Services following a decline in planning applications being submitted in. £0.17m was due to the cost of covering vacancies within the planning services team by agency staff
- Leisure and Wellbeing had a pressure of £0.37m due to unachieved sales, fees and charges against income targets and the unsuccessful recruitment costs for income generating vacancies. There was a further £0.16m within Parks was mainly due to pressures arising from; inflationary costs on existing contracts.

Financial sustainability

- Operation and Traded Services reported a pressure of £0.59m: £0.28m related to the use of agency staff and overtime payments to deliver scheduled works due to vacancies and absences across all waste and recycling services. There was also a £0.19m pressure on income from Green Waste due to a shortfall of 4,900 subscriptions to the service in comparison to the previous year. A further £0.135m due to increased cost of fuel across the fleet as prices increased on average by 26% compared to 2021/22. Also, there was £0.107m pressure due to underachievement of income in Trade Waste due to the increased inflationary costs.
- Executive Services reported a pressure of £0.29m in the main due to the housing programme led by Caldecott Development Limit not being progressed and no loan being made to the company, and no interest charged.

These pressures were offset by corporate savings of £1.0m around reductions in Minimum Revenue Provision (MRP) and the Net cost of borrowing (NCoB). The Council increased the use of Capital receipts to fund the Capital Programme.

The HRA detailed a balance position against the approved budget of £17.3m. This included a reduction in the contribution to future Capital expenditure projects of £0.27m. However, there were contained pressures in the HRA including a 45% increase in the number of void properties that required extensive repairs. Further there were challenges in the labour market, leading to difficulties recruiting to vacant posts, and using agency staff.

We have observed that over both financial years 2021/22 and 2022/23, the Council has delivered relatively substantial service budget overspends. There is a risk that a lack of effective cost control will exacerbate in future years and further depleting reserves or embedding further cost pressures. The use of corporately held funds to manage inflation and other pressures risks the loss of agency and accountability of budget holders if it becomes general practice and adds to the belief that the finance team will 'come-up with something' to bridge the gap at year end. We note that the Council has implemented budget training during 2022/23 to support the corporate strategy and have made an improvement recommendation to enhance the clarity of financial monitoring reports.

Financial challenges for 2023/24

We note two areas of challenge for 2023/24:

- **Savings:** Failure to deliver on savings could impact on the ability to maintain the level of reserves identified as part of the corporate reserve risk assessment. Table 1 details the level of savings required over the medium term (£5.4m).
- **Inflation:** The impact of inflation included within the proposed budget, however, if the rate of inflation is higher for a much longer period than expected this will have an impact on the savings required to deliver a balanced budget in future years.

The Council's Reserves and Balances.

As detailed previously any business rates growth above the baseline level would be transferred to the Business Rates Equalisation Reserve to be available to offset the financial risks to the general fund detailed in the MTFP report and the expected cliff edge impact of the business rates increases.

Whilst reserve balances were healthy and in the upper quartile in comparison to similar sized authorities the Council has prudently undertaken a risk assessment of reserves for the next 4 years.

The risk assessment was not a forecast of use of reserves, but more a summary of all the financial risks that could face the authority. The assessment outlined that there was a potentially significant drop in corporately held reserves over the life of the MTFP and this could have an impact on the financial resilience of the organisation if balances are not replenished.

Key areas of risk were around new emergencies such as COVID, which would require 1% of budget support (£2m). Another key area was the non-achievement of Savings particularly around digitalisation (£9.7m). Further risks include significant loss around employees and business leaving the authority (£2.1m), and loss of income based on negative outcome options (£2.5m). In conclusion whilst balances are healthy for an authority this size there are several long-term risks which the Council must ensure there are medium to long term plans to address.

From discussions with management, the focus of the Council was on formulating a transformation programme and therefore the budget did not include specific plans to build on these reserves other than those noted.

The Council's Performance on Savings

The finance function manages the savings process. Guidelines were provided to portfolio holders and detailed information on the context for the budget, timetables and deadlines and instructions on completing revenue and capital savings appraisal forms. The latter allow officers to submit budget proposals which include details on the nature of the proposal, financial implications (increase in expenditure, savings and income changes) and a risk assessment of the proposal.

Financial Sustainability

The budget is then discussed between the relevant officer and member of the financial services team, at Leadership Team meetings and with elected members. We reviewed this process, and it was unclear how it linked with new corporate priorities. We have made an improvement recommendation in relation to this.

Savings and Income Targets

The Council's performance in relation to savings and income targets is detailed below in table 2. Note the planned savings amounts have been extracted from the Council's outturn reports for the relevant years

Table 2 below details performance

Savings	2020/21 £m	2021/22 £m	2022/23 £m	TOTAL £m
Planned	0.96	0.74	0.98	2.67
Delivered	0.14	0.57	0.51	1.22
Percent	15%	77%	53%	46%

2020/21 was severely impacted by the pandemic particularly in relation to the Housing acquisition fund. In December 2018, Cabinet approved the establishment of the housing acquisition fund and one of the expected benefits was to reduce the spend on bed and breakfast and other temporary accommodation costs.

As a result, a 4-year saving target of £0.515m was identified. This target was not achieved in 2020/21 in the Context of the ongoing COVID-19 pandemic and was deferred until 2021/22.

During 2020/21 several income proposals (£0.570m) were not delivered because of the challenges caused by the pandemic and inability to expand areas of income generation within services. This was partly mitigated by cost efficiencies and grant income from the Sales, Fees and Charges via the COVID compensation scheme.

2021/22 saw a marked improvement in performance. Portfolio Service savings of (£0.371m) were delivered. Of the Income targets (£0.366m), £0.200m was delivered. The balance (£0.166m) related to Operation and Traded Services and income targets for Garden Waste Subscriptions (note this was a growth item in the 2021/22 MTFP). It should be noted that £0.102m was achieved out of the £0.17m income target as subscriptions to the service were closed at quarter 3.

2022/23 saw a decrease in performance with only 53% of savings and income targets delivered. Of the savings proposals (£0.763m), £0.490m was delivered. Of the remaining unachieved amount £0.273m, £0.157m related to Housing Acquisition Savings within Homes and Communities and £0.062m related to organisational changes not delivered by the transformation programme. In relation to the Portfolio income targets of (£0.216m) only (£0.023) was delivered and (£0.193m) undelivered.

This in the main related to (£0.105m) to housing development schemes not progressing and no loans being issued to Caldecott Developments limited (CDL) and thus no interest charges received by the Council.

The saving targets for 2023/24 (£4.2m) are divided between permanent savings £2.0m and temporary savings £2.0. Key elements of the permanent savings include £0.3m on Cemeteries increased fees and charges and £1.2m use of COVID relief funds, and £0.3m use of capital receipts to reduce the Minimum Revenue Provision (MRP).

As in previous years the Council plans to use business rate surpluses accumulated in the business rates equalisation reserve (BRER) to support a balanced budget position while transformation savings plans are developed. Given the variable performance on savings the Council should ensure savings targets are realistic and evidenced based. Further the Council should ensure that the savings plan is developed into a long-term sustainable solution to the Council's MTFP shortfall.

The Council's Transformation Programme

The 2022/23 budget detailed proposals around the Council's transformation agenda. Officers developed a transformation programme to support the organisation deliver a balanced Medium Term Financial Plan. The impact of the funding arrangements meant that innovation and new ways of working were the only way to deliver the scale of savings needed from 2023/24 onwards.

Since presenting a strategic summary to Cabinet in September 2022, officers identified a business operating model review which will inform the transformation plan. The programme developed the case for change principles which were aligned to the delivering the Corporate Strategy. This was communicated to all colleagues in the organisation through employee briefings and will feature in all future work.

Financial sustainability

The programme would be multi-year and the timeline would ensure that there is sufficient lead time for decision making and implementation to deliver the maximum benefit. Further details would be reported to councillors.

It was recognised that transformation would require investment and during 2021/22 a dedicated reserve of £0.500m was established. With the business rates reset being deferred by a further year it was proposed that £1.0m was transferred from the business rates equalisation reserve (BRER) to the transformation reserve which would help to pump prime schemes and fund temporary staff resource when colleagues are deployed to delivering the programme. This created a balance of £1.4m after considering current commitments. The 2023/24 MTFP details that in order to deliver the necessary long-term solutions, the reserve would be increased to £1.5m.

A transformation progress update report was submitted to Cabinet on January 2023. It detailed that the cashable benefits of £0.3m per annum had been delivered so far and had been ratified by the programme board. Of this figure, £0.108m had been top-sliced from the 2022/23 budgets. On top of this an additional budget saving of £0.178m per annum had also been realised during 2022/23 and would be reflected in the 2024/25 Medium-Term Financial Plan going forward.

We found that the transformation programme was still very much in a formative stage. The Corporate Assurance Manager (Head of Internal Audit) had been seconded to head up the programme and whilst savings had been identified there was very little in the way of identified large scale projects, savings, project plans and risk and issues.

This is of concern given the level of savings required for 2025/26 (£1.7m) and total savings required over the MTF5 (£5.4m) We consider this to be part of the significant weakness in the Council's arrangements to ensure financial sustainability and further made improvements comments to support the Council in its direction of travel going forward.

The Council's Performance on Capital Spend

The MTFP includes the net cost of borrowing and cash available for investment by the Local Authority. This links to the Capital Strategy which incorporates Investment and Treasury Management and is refreshed annually. It details how the Council intends to plan cash flow and ensure sufficient adequate liquidity, invest surplus monies and finance large capital programmes.

During 2021/22, the revised approved General Fund capital programme was £10.2m. The programme had a net underspend, prior to slippage, supplementary, and refinancing requests, to year-end of £5.0m (50% of the programme). The most significant variance was within the Communities, Homes, Digital and Communications portfolio, where a significant number of schemes did not progress, and others were transferred to revenue in 2022/23.

Performance in relation to the Housing Revenue Account (HRA) Capital programme: The revised approved HRA capital programme for 2021/22 was £13m. The programme detailed a net variance, prior to slippage, of (£6.8m). This was 52% of the programme. Slippage accounted for most of the variance, but other significant variances included (£1.0m) due to schemes in relation to developing the garage sites not progressing and savings of (£0.271m) relating to reduced demand for capital works.

It should be noted there were pressures on HRA revenue in relation to repair works during 2021/22.

During 2022/23 the General Fund Capital programme was revised to £11.651m. The programme showed a net underspend at year-end of (£0.360m). This was 3% if the programme and a considerable improvement from 2021/22. The most significant variance was within the Communities, Homes, Digital and Communications portfolio, where significant savings had arisen due to the local digital fund scheme transferring to revenue of (£0.150m) and within Regulation and Safety portfolio (£0.180m) where the crematorium car park extension was removed from the programme.

In relation to the Housing Revenue Account (HRA) the Capital revised approved HRA capital programme for 2022/23 was £45.7m. The programme had a net underspend of (£1.9m). This was 4% of the programme and again was a considerable improvement from 2021/22. The most significant variances was £0.33m in relation to heating upgrades and savings of £0.4m repair scheme where tenant engagement was lower than anticipated.

As noted, both the General Fund and the Housing Revenue Account had substantial slippage in 2021/22. The Council's performance improved in 2022/23. The Council reviews the capital programme to ensure it links to corporate priorities and also has clear links to transformation programme and future delivery of savings.

Financial sustainability

The presentation of financial monitoring information

During our review we noted that the Quarterly finance reports and supporting Appendixes were potentially difficult for non-financially trained readers to interpret. For example, the use of the term ‘variance’ or ‘saving’ to reflect an underspend, and the use of ‘pressures’ to reflect an overspend, without making these definitions clear. We also felt that the tables in Appendix 1 did not provide sufficient clarity on this point, including on the relationship between the income budget and the net cost budget outturn and how they combine to produce the final outturn figure. In addition, in both 2021/22 and 2022/23 there was a significant positive swing between the overspends being forecast in Q3 and underspends reported in Q4. There is a risk that this obscures or undermines the message to councillors regarding the underlying financial position and overemphasises the finance team’s ability to ‘come up with something’ from corporately held resources to bridge the financial gap. We recognise that the finance team has been working to develop the presentation of its financial reports, and we welcome and support this ongoing effort. We have made a recommendation on this point.

Conclusion

In our 2020/21 VfM review (issued May 2022) we identified a significant weakness in the Council’s arrangements to manage the underlying deficit in its finances that has been identified over the medium term. We are pleased to report that good progress has been made in developing resilience, including the maintenance of good levels of reserves. However, the Council has not yet found a solution to its medium-term funding deficit within its service budget and the financial position continues to be un-sustainable in the medium to long term. Therefore, it is appropriate that for the purposes of this report, that the previously identified significant VfM risk and its accompanying Key Recommendation (KR1) remains in place 2021/22 and 2022/23. The Council has begun to implement changes to address the Key Recommendation but further work is required to close the projected funding deficit. We note that the Council had moderate to large overspends on the revenue budget in both 2021/22 and 2022/23, that were partly covered by corporate resources including, centrally held funds set aside to manage inflation risks and COVID-19 pressures, in addition to the use of other reserves.



Improvement recommendation 1

Financial Sustainability improvement recommendation



Recommendation

The Council should consider how it can improve the clarity of message in its quarterly financial reporting. This should include the way that the key messages are summarised, and the way that more detailed information cascades from this. It should also consider how major movements in the forecast outturn can be avoided between quarters.

Audit year

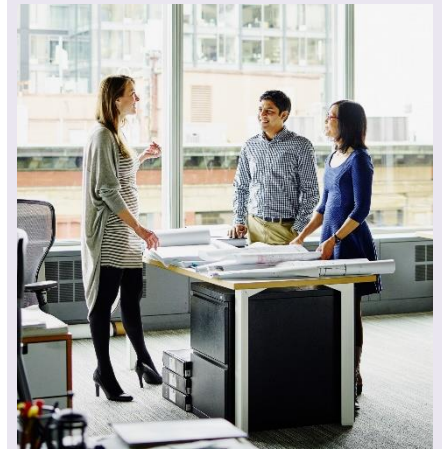
2021/22 and 2022/23

Why/impact

During our review we noted that the Quarterly finance reports and supporting Appendixes were potentially difficult for non-financially trained readers to interpret. For example, the use of the term 'variance' or 'saving' to reflect an underspend, and the use of 'pressures' to reflect an underspend, without making these definitions clear. We also felt that the tables in Appendix 1 did not provide sufficient clarity on this point, including the clarity with which the relationship between the income budget and the net cost budget outturn combine to produce the final outturn figure. In addition, in both 2021/22 and 2022/23 there was a significant positive swing between the overspends being forecast in Q3 and underspends reported in Q4. There is a risk that this obscures or undermines the message to councillors regarding the underlying financial position and overemphasises the finance team's ability to 'come up with something' to bridge the financial gap. We recognise that the finance team has been working to develop the presentation of its financial reports, and we welcome and support this ongoing effort.

Management Comments To be provided separately.

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



Governance



We considered how the Borough 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. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

The Council's Risk Management Arrangements

A new Strategic Risk Register was developed by the Leadership Team and Strategic Risk Management Group to more closely align with the new Corporate Strategy. A separate risk register has been developed for each strand of the Corporate Strategy, under the headings of Economy, Climate, Homes and Communities and the Organisation.

In accordance with the Risk Management Strategy the Audit and Ethics Committee receives reports which provide assurance on the effective management of the Council's 'Top Level' risks. This report provides details of those risks but has been expanded to provide members with the full Strategic Risk Register.

In order that risks may be prioritised according to their severity, the Council operates a traffic light system. Risks are scored within one of the following levels detailed in table 3 below:

Risk Rating	Level of Risk	Prioritisation
8-16	High (Red)	Immediate attention
4-6	Medium (Amber)	Moderate risk, mitigation action
1-3	Low (Green)	Regular review

The strategic risk register documents a description of the risk across a number of dimensions (opportunities, consequences, existing internal controls, further actions/controls required, status, responsible Officer, current and desired risk score, target completion date and review frequency). Risks are RAG rated based on their aggregated score of likelihood and impact. These range from remote to almost certain likelihood and minor to extreme impact.

There is also a Strategic Risk Management Group which includes the Leadership Team and representatives of corporate assurance (Internal Audit) who discuss organisational risk. The Council's 'Top Level' risks are those which are assessed as 'red'. As May 2022 There were seven 'Top Level' risks which included if the economic environment worsens, or the fair funding review results in a poor outcome, or there is a lack of buy in for difficult decisions.

One of the mitigations relates to the Transformation programme which has oversight board in place to ensure projects are implemented which will support financial self-sufficiency. There were limited details about how the risk associated with transformation programme would be managed, including alternative arrangements if the programme falls behind schedule. We have made an improvement recommendation in relation to this.

Audit Committee

Attendance at Audit and Ethics Committee demonstrates that councillors provide sufficient challenge and scrutiny of officers. There has been some turnover in relation to membership over the period but there has been sufficient continuity to maintain effectiveness. Periodic changes have been made to the makeup of the committee where there were changes in councillors or as a result of elections or membership of other committees. The independent chair of the Audit and Ethics Committee has remained in post for several years. Overall attendance statistics (95%) were high.

Governance

Internal Audit

As required by the Public Sector Internal Audit Standards (PSIAS), an annual Internal Audit Plan is prepared by the Corporate Assurance and Improvement Manager (CAIM) with input from the Leadership Team. This is reviewed and approved by the Audit and Ethics Committee. The plan is risk focused and culminates in the Corporate Assurance and Improvement Manager (CAIM) being able to provide an opinion on the effectiveness of the overall control environment at the Council.

Progress against the plan and the result of audits completed to date as well as relevant findings are reported to the Audit and Ethics Committee on a quarterly basis.

This allows councillors to challenge management and feed into the development of responses to any deficiencies identified.

Rugby Borough Council internal audit services are delivered by an in-house team of three staff and supported by external contract support as and when required.

The internal audit (IA) service had an external quality assessments to ensure compliance with PSIAS, in March 2022/23. The Assessment concluded that the service had responded to the changes of focus in professional standards by continuing to develop a risk-based approach regarding planning and the completion of assignment work. The Internal Audit Manual was updated (July 2022) along with the Internal Audit Charter in March 2022 to reflect the requirements of the Public Sector Internal Audit Standards (PSIAS) and better align its methodology with sector practice. Further the report concluded that the current Internal Audit services' generally conformed with the PSIAS standards.

Based upon the work undertaken by Internal Audit during 2021/22 the CAIM's overall opinion was one of Substantial Assurance and the Council had adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives.

Of the 14 graded assignments undertaken for 2021/22, 13 (93%) resulted in an opinion of either High or Substantial Assurance, and 1 (7%) resulted in an opinion of Limited Assurance. The limited assurance related to Trade Waste Services due to the service running at a loss over 3 years. The risk exposure in relation to this was deemed high. The audit into budgetary control and financial planning had a substantial level of assurance due to the establishment of Business Partnering arrangements

The progress made by management in implementing the actions arising from audits was good. 75% of agreed actions arising from audits were implemented within the agreed timescale and a further 22% were implemented late, resulting in an overall implementation rate of 97%. This was an improvement compared to 92% in previous year. There were 6 agreed actions which were overdue as at 31st March 2022, compared 17 as at 31st March 2021. None of the overdue actions were graded as High risk. A total of 48 agreed actions have been implemented by the Council during 2021/22 as a result of internal audit work.

The Internal Audit plan for 2022/23 was approved by the Audit and Ethics Committee on 29 March 2022. As at March 2023 8 final reports were issued, 7 draft reports were issued; and 7 assignments were progress (4 of these were delivered by the external contractor). A combined 6% of management actions have been implemented by the agreed implementation date, with a further 31% implemented late, giving an overall implementation rate of 98%. At the time of reporting there were 4 agreed management actions for which implementation was overdue, none of which were regarded as High Risk and none of which were regarded as Medium risk.

Based on our assessment the Council has an adequate and effective internal audit function to monitor and assess internal controls and operations during 2021/22 and 2022/23.

Anti-fraud, bribery and corruption

The Council has an anti-fraud, bribery and corruption strategy, this sets the scene for the culture of the organisation and highlights the severity of fraud regarding public monies. The strategy has been compiled in line with frameworks provided by CIPFA in relation to fighting fraud locally and managing the risk of fraud. The Strategy and associated documents was refreshed and published in June 2023. The internal audit plan for 2022/23 included a review of the counter fraud framework. Internal audit also completed a review of fraud risks for those departments considered to be at higher risk of fraudulent activity. No significant new risks was identified. The results were incorporated in the annual internal audit report, which was be presented to the Audit & Ethics Committee on 29th June 2022.

The Council has demonstrated that fraud was a key element of training in the organisation with workshops provided by the Corporate Assurance team, as well as quizzes and modules on the subject. The Council's constitution included a code of conduct for employees which outlined the behaviours expected officers who work in a local government environment.

This included a section on whistleblowing which stipulated that should employees should report any illegal, improper, unethical or other behaviour which is inconsistent with the Code,

Further, a separate code of conduct exists for members of the Council covering similar areas to those in the employee code but with additional consideration that come with being an elected councillor. Our review concludes the Council has robust processes for dealing with Anti-Fraud, Corruption and bribery and these policies are reviewed on a time basis.

Governance

Budget Setting Process

Budget setting is an iterative process. An initial review of the general fund budget, was carried out in October 2020 for 2021/22 (October 2021 for 2022/23) which considers latest intelligence on funding and expenditure. Following this, a detailed draft budget was presented to members of the Cabinet for comment in January 2022 and 2023 and then the final budget is completed and reported in February 22 and 23.

Internally, the Council communicate through the finance function and provide budget guidelines to officers and provides information on the context for the budget, timetables and deadlines and instructions on completing revenue and capital appraisal forms. The latter allows officers to submit budget proposals which include details on the nature of the proposal, financial implications (increase in expenditure, savings and income changes) and a risk assessment of the proposal. The budget is then discussed between the relevant officer and member of the financial services team, at Leadership Team meetings and with elected members.

The budget setting process for 2022/23 began in the spring of 2021. The Council undertook a consultation process which attracted around 1000 responses, however a deliberate pause took place for 2022/23 as the Council considered a more targeted engagement exercise to incorporate several of the new Corporate Strategy delivery plan objectives.

The annual MTFP details an appendix titled financial modelling assumptions this set out key risks to the delivery of the budget namely. Key themes include loss of existing growth due to the business rates reset, the outcome of the fair funding review and significant changes to/ and possible end of the new homes bonus. The impact of these variables was illustrated in graph and table format showing the funding position of the Council per the budget and MTFP (current assumptions) and then analysis with both positive and negative outcomes from the risk areas. This was also accompanied by a risk assessment review of corporate reserves. The review analyses the opening position, forecast contribution to/ from reserves over the MTFP and then on a line-by-line basis the impact of potential future risks were mapped.

To support this, the Chief Finance Officer introduced a dedicated Budget Working Group for 2021/22 the which is a combination of officers and when appropriate Councillors of all political parties. The remit of the group is to provide strategic direction and challenge to deliver a balanced budget which will include holding officers accountable for the delivery of the programme. This has been developed and enhanced for the 2023/24 financial year with the process starting in March 2022 allowing the maximum time available to deliver the aims.

Budgetary control

The Chief Financial Officer meets monthly with the Leadership Team to discuss financial performance in the context of the financial dashboard. This shows the current budget against actuals and variances to budget between employees, running costs, income, pending supplementary virements and any reserves requests. Officers are expected to provide reasons for significant variances where they exist and this enables the narrative on the outturn to be developed. Exception reports are produced to support this process.

In relation to the savings programme. The delivery of both the savings and income proposals was monitored through savings delivery plans. These plans ensure appropriate governance is achieved and that responsible officers take ownership for delivery. Progress reports were presented to councillors through the budget monitoring process.

To provide further support to the process the Chief Financial Officer established the Budget Working Group to review the delivery of the approved savings as well as look at medium term options. If any schemes were not delivered, the Chief Financial Officer in conjunction with the relevant portfolio holder may be required to identify alternative ways for achieving the target.

Cabinet ensures that monitoring of finances is completed to an appropriate standard. There are no significant unexpected or unexplained budget variances from our review of key documents. This is reported at a high level initially through narrative and summary tables and then drills into further detail including revenue outturn in each service area, savings plans delivery, reserves and capital programme delivery. Several appendices are presented alongside the executive summary for further scrutiny by councillors.

Governance

Leadership and decision making

All reports presented by the Council set out a responsible chief officer and contact officer (individual responsible for preparing the detail). The relevant Director reviews the reports prepared and will sign these off prior to being considered by the Council and/ or the Cabinet and applicable sub-committee for scrutiny and challenge. Our review of reports confirms that these are comprehensive in detail and follow a standard format which includes cover sheet and detailed appendices. The cover sheet has standard sections on financial implications, risk management implications, environmental implications, legal implications and equality and diversity for decision makers to consider.

During 2021/22 the Council has introduced Financial Regulations which identified for the first time the responsibilities of Executive Directors, Chief Officers and the CFO on all financial activity. This was approved by the Audit and Ethics Committee and will be reviewed annually through the budget setting process.

The CIPFA FM code delivery plan was endorsed by the audit and ethics committee during 2021/22 and included targets for the Leadership Team. The Council does not currently operate an annual performance appraisal process and should consider implementing this to ensure performance management is embedded within Officer objectives.

We have reviewed these process and conclude the Council has effective and thorough decision-making process.

Compliance with systems and controls

The Council has an adequate system of internal financial controls and procedures. Financial Regulations are embedded and detail the roles and responsibilities of the leadership team. This is complemented by financial instructions and the internal constitution which applies to all officers in the organisation.

Monitoring and ensuring appropriate standards

The Council has a legal team headed by the Monitoring Officer who ensures the organisation meet legislative and regulatory requirements. The Monitoring Officer attends relevant meetings of the full Council, Cabinet and other committees such as Audit and Ethics to advise on legal and regulatory matters. They have direct access to senior management and chair-persons of relevant committees and a budget which allows them to seek external legal counsel, if necessary.

The Council has both an officer and member code of conduct. The former is set out in the Council constitution which all employees are familiar, and the latter is updated periodically in reference to good practice. All declarations are made on the gifts and hospitality declaration form which includes details on date, type of gift/ hospitality, circumstances under which the offer was made, estimated value and whether it was accepted or not. The completed forms are sent to the democratic services team for assessment. The policy stipulates that any breaches will be treated as a disciplinary matter.

As set out in the code of conduct for both employees and councillors, all business and pecuniary interests must be declared and an exercise to collate a register of such interests is undertaken annually. The form is used to document interests is comprehensive and covers interests in other employments, grants and sponsorship, contracts, membership of external organisations, land and property and companies/ securities. The form also considers the interests of close family members and whether the individual making the declaration is a councillor, holds a politically restricted post or is involved in the letter of contracts on behalf of the Council.

In our discussions with the monitoring officer there was no evidence of decision-making that was unlawful or could lead to exposure to significant reputational risk such as conflicts of interest, no evidence of significant non-compliance with the Council's constitution, and no breaches of legislation or regulatory standards that have led to investigations by any legal or regulatory body.

The Transformation Programme

The Council has embarked on an ambitious transformation programme. Despite being established in 2021/22 there has been relatively infrequent engagement and visibility with councillors. For example, one report to date has been submitted to Cabinet in January 2023. We note that the transformation plan has undergone some consultation with councillors however, it is essential given the scale of the savings to be delivered that the Council has regular visibility and cross-party support on the programme continues to be maintained. This will ensure that necessary decisions are made on a timely and appropriate basis.

Conclusion

Overall, we were satisfied the Council has appropriate arrangements in place to manage risks and provide ample scrutiny, oversight and governance of key decisions. Adequate arrangements are in place in regard to Internal Audit, decision making and core governance structures. We note that whilst there is a programme board for the transformation programme, there were limited details about how the risk associated with the transformation programme would be managed, including alternative arrangements if the programme falls behind schedule. The Council should ensure councillors have full visibility of the programme, to ensure key decisions are made on a timely and appropriate basis. Further the Council must ensure that current financial challenges and the mitigating actions being taken are properly reflected in the corporate risk register. We have made an improvement recommendation in relation to these risks.

Improvement recommendation 2

Governance improvement recommendation



Recommendation

The Council should ensure that the Risk Register is updated to reflect the actual risks in relation to the MTFP and Transformation Programme.

Audit year

2021/22 and 2022/23

Why/impact

One of the mitigations relates to the Transformation programme which has oversight board in place to ensure projects are implemented which will support financial self-sufficiency. This also extended to the way that the Council's financial challenges are reflected in the risk registers. There were limited details about how the risk associated with transformation programme would be managed, including alternative arrangements if the programme falls behind schedule. We have made an improvement recommendation in relation to this

Management Comments

To be provided separately.

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



Improving economy, efficiency and effectiveness



We considered how the Borough 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.

Setting a strategic direction

The strategic direction for the authority is set by the Corporate Strategy 2021-2024, which was adopted by Council on 23 February 2021. The Strategy sets out what the Council would be doing to support the Borough. It incorporated the basis for the Council's proposed recovery with outcomes correlated to 4 principles: The Economy; Climate; Health and Communities; and Organisation. In addition there are four overarching outcomes:

- Outcome 1: Rugby is an environmentally sustainable place, where the Council works together to reduce and mitigate the effects of Climate Change
- Outcome 2: Rugby has a diverse and resilient economy that benefits all residents
- Outcome 3: Residents live healthy, independent lives, with the most vulnerable protected
- Outcome 4: Rugby Borough Council is a responsible, effective and efficient

Within the Organisation outcome there are several principles which underly the outcomes detailed above (MTFS). This included:

- Setting a robust, comprehensive and achievable budgets, exploring all avenues of income to meet the Council's financial targets.
- Undertaking commercial activities in the open market, where it is sustainable and responsible to do so.
- Maintain robust systems of governance that ensure fairness, accountability, and transparency.
- Treating taxpayers' money with respect and ensure that our high-quality services demonstrate value for money.

In addition to the above, the Council also has five Commercialisation Pillars, developed in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA), which provide a baseline in relation to commercial solutions. This provides guidance to officers and ensure Commercial projects are undertaken with the best interests of the Council in mind.

Whilst the Council's priorities are clearly detailed, we noted that links to other strategies such as the transformation and capital programme were not always clear and transparent.

Building Capacity

One of the recurring themes of our review has been in relation to capacity and resourcing within the officer group. Several service areas have struggled with recruitment and retention. Recruitment in Local Government more generally has been challenging and the Council needs to build resilience and continuity across all services. Options included use of apprentices and links with Universities and Colleges and other partners.

Further the Council should formalise its approach to organisational training and development. We recommend the Council develops a workforce strategy which directly maps into corporate objectives and the transformation agenda.

Improving economy, efficiency and effectiveness

Performance

Key performance indicators were reported to the Cabinet on a quarterly basis as part of the budget monitoring process. These included as an appendix to the relevant reports.

During 2021/22 the Councils had a performance reporting mechanism in place. In the quarterly financial reports there was a detailed Appendix outlining the Councils Performance.

Data was collected and analysed regarding each of the Council's service areas, namely:

- 1) Operations and Traded
- 2) Leisure and Wellbeing
- 3 Communities & Homes
- 4) Finance, Performance, Legal and Governance
- 5) Regulatory Services
- 6) Executive Director's Office
- 7) Growth & Investment

The detailed sub-sections of the appendix assessed the performance indicator and RAG rate current performance and compared to previous quarters to present a trend where applicable.

Key areas where performance decreased were:

- Proportion of current rent arrears caused by Universal Credit moving from 25% in 2020/21 to 35% 2021/22.
- Percentage of household waste sent for reuse, recycling and composting reducing from 43% to 39%.
- Percentage of major planning applications determined within statutory time frame reducing from 100% to 86%.
- Percentage staff turnover increase from 9% to 18%.

The 2021/22 outturn report (dated June 2022) contained detailed the Council's performance against key performance indicators.

During the summer 2022 the Leadership Team developed a new suite of Key Performance Indicators (KPIs), key statistics and performance measures which went live during Quarter 2 of 2022/23.

Reporting was accompanied by narrative notes to explain the position and graphs and other pictorial analysis where this was helpful in illustrating performance.

Where services are reporting a downward trend in their performance, this can be challenged by councillors or senior management who have the authority to request a review into the activity to understand the root cause of this and determine whether a remedial plan is required. Similarly, if it is identified that services are significantly under or overspending their budgets, then the financial services team would intervene to undertake an assessment of the driving force behind these instances of underperformance in existing activities.

It should be noted that the Performance outturn report in June 2022/23, did not include as much information as detailed in the 2021/22 reports. The 2022/23 report did contain a list of KPI's and performance over the 4 Quarters. Unlike the 2021/22 report there was no detail as to RAG rating, direction of travel, further there was no narrative notes detailing position.

We believe this reduction in information risks weakening the effectiveness of the arrangements to manage and monitor performance and have made an improvement recommendation in relation to this.

All officers and councillors have access to the performance monitoring dashboard and training is provided on the use of this system by the Corporate Assurance and Improvement team. All performance information as reported in the quarterly budget monitoring report is reviewed by the Leadership Team prior to being presented to the Cabinet and this is signified by the inclusion of the relevant report Director in all papers.

The Council does not currently operate an annual performance appraisal process so introducing specific targets for each Senior Officer will be challenging. The Council should consider implementing this to ensure performance management is embedded within Officer objectives. We have made a recommendation on this point.

Given the Council has new corporate objectives, it should also ensure that there are clear links to its Performance Management Framework, and the Framework should also include clear links to corporate priorities and the transformation programme.

Improving economy, efficiency and effectiveness

Partnerships and engaging with stakeholders

The Council is part of a procurement shared service in partnership with other local authorities in the Warwickshire and West Midlands region. Coventry, Solihull and Warwickshire's (CSW-JETS) is the sub-regional e-tendering portal run by In-tend. Since February 2010, Coventry, Solihull, Warwickshire, Nuneaton and Bedworth and Rugby Councils have been working together as a shared procurement serviced together through the collaborative.

E-Tendering portal. CSW-Jets enables the Council to advertise opportunities individually or in partnership with the other councils on the same system. This means that there is a single point of contact for procurement in the region.

The Council works in partnership with many organisations across all sectors - private, public and voluntary, and this spans all services and directorates of the Council.

The most notable commercial partnerships are:

- Rainsbrook Crematorium, which is a joint project between Rugby Borough Council and West Northamptonshire Council. The crematorium is operated by Rugby Borough Council's bereavement services team on behalf of a joint committee which represents both authorities. We have detailed in this report an Internal audit investigation into the Crematorium
- Sherbourne Recycling Limited, has been established to deliver recycling facilities to Rugby Borough Council and the other seven participating local authorities. The new company is fully owned by these partner authorities and the Council are classed as a director of the board and therefore hold influence over the service provision.

The Caldecott Developments limited (CDL)

The Caldecott Developments limited (CDL) is a company within the Council's trading entities and is a development delivery vehicle to enable Rugby Borough Council to deliver on its overall strategic vision for the town and borough.

The aim of CDL is to help deliver new housing at pace and scale, to facilitate the development of property and land, while achieving financial returns for the shareholders and securing economic, social and environmental well-being within the administrative area of the council. Rugby Borough Council and the Norse Group recognise that their presence in the borough and the local communities have a significant impact on shaping places. The objectives are to:

- To make intelligent investment decisions and expertly manage that intervention to ensure that the Council makes an agreed return on its investment
- To consider, in setting up its trading structure, where wider services and functions might be incorporated in future
- To ensure that where the local or macro-economic, or political, environments change, that the structure and trading entities can respond to that change

In addition to Council-owned land and assets, there may also, over the lifetime of the partnership, be opportunities through the Council to acquire land and/or assets held by other public bodies or private landowners.

In June 2021, the Council agreed a loan facility of up to £9.760m to the recently incorporated company, Caldecott Developments Ltd (CDL). The oversight of this company is undertaken by another recently incorporated company known as Caldecott Group Ltd, a subsidiary of the Council, and the governance arrangements will include elected councillors.

The loan is to provide the company with capital and revenue for the next 5 years to allow them to complete feasibility studies on several proposals which, if successful, will provide Rugby with several redeveloped or new houses. Drawdown of the loan facility will only be actioned following approval from the Shareholder's Committee. CDL is expected to pay the Council interest on the Loan at commercial to ensure compliance with the World Trade Organisation Subsidy Rules, replacing the EU State Aid rules pursuant to the terms of the Project Plan.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum due and has appropriate credit control arrangements in place to recover overdue repayments.

It should be noted there were no housing development schemes and thus no CDL activity during 2021/22 and 2022/23. Savings and income generation in 2022/23 were predicated on loans interest charges to the CDL in relation Of the total Portfolio income target for 2022/23 £0.216m, (£0.193m) was undelivered. Of which (£0.105m) related to CDL loan.

The Council should review its expectations in relation to the delivery of savings and investment related income linked to commercial vehicles such as the CDL when developing its financial plans. In addition, it is important that the Council closely monitors, and reports to councillors, the performance of its commercial vehicles so it is able to assess and react to any indications of financial stress or where it has fallen behind plan.

Improving economy, efficiency and effectiveness

Procurement, commissioning and project management

The Council's Procurement Strategy was refreshed in February 2023 in conjunction with Nuneaton and Bedworth Borough Council as part of their shared service agreement. The purpose of this strategy is to meet the recommendations of the National Procurement Strategy, deliver significant efficiency savings and raise procurement to a strategic level.

Responsibility for contract management lies with the individual budget manager who will liaise with the Financial Services Team regarding costs and performance of contractors. The Council provide training for officers in contract monitoring through 'The way we manage' modules. This outlines contract management responsibilities in key areas such as budgeting, payments, legislation and compliance, record keeping and contract specification. These modules can also be tailored and adapted into bespoke training for specific service areas.

Terms and Conditions provided in contracts are reviewed by Legal Services before the contract is signed/sealed to ensure poor performance can be challenged and corrected. From our review we found a high-level of compliance with Procurement regulations however there were exceptions such as the Riverside Crematorium.

The Transformation Programme

The revised 2023/24 MTFP refresh identified a cumulative budget gap of £5.4m over the period. Since 2022/23 Officers have been developing a transformation programme to support the organisation to deliver a balanced MTF. The impact of the funding changes has meant that innovation and new ways of working were the only way to deliver the scale of savings needed from 2023/24 onwards.

Since presenting a strategic summary to Cabinet in September, officers have undertaken a business operating model review which will inform the transformation plan. The programme has developed the case for change principles which are aligned to the delivery of the Corporate Strategy. This has been communicated to all colleagues in the organisation through employee briefings and will feature in all future work.

The programme will be multi-year and the timeline will be established to ensure that there is sufficient lead time for decision making and implementation to deliver the maximum benefit. Further details will be reported to councillors in due course. It is recognised that transformation will require an investment to deliver and during 2021/22 a dedicated reserve of £0.5m was established. With the business rates reset being deferred by a further year it was proposed that £1.0m is transferred from the business rates equalisation reserve to the Transformation reserve which will help to pump prime schemes and fund temporary staff resource when colleagues are deployed into delivering the programme.

The 2022/23 MTFP detailed that a Programme Board had been established to lead delivery of the Corporate Strategy and to lead the organisation's broader transformation programme. The Programme Board consists of all councillors of Leadership Team, together with representatives from the Transformation Unit. Further detailed review is required on the potential projects which can be undertaken in the shorter term. In accordance with the terms of reference for the Programme.

The transformation progress update report was submitted in January 2023 to Cabinet. It detailed that there were actual cashable benefits of £0.3m per annum delivered by the programme to date, and the programme board had ratified these specific these projects. Of this figure, £0.1m was top sliced from the 2022/23 budgets. An additional budget saving of £0.2m per annum had also been realised and would be reflected in the Medium-Term Financial Plans going forward.

Our concern is that as per the MTFP refresh in February 2023, the Council must deliver £3.5m of transformation savings in 2024/25 rising to £5.4m in 2027/28 and the current transformation programme saving profile does not demonstrate how this will be achieved. Further the current programme of Transformation projects does not map to strategic objectives and does not describe the impact the transformation programme will make to services. There has been limited assessment of risks and issues that may affect delivery of the schemes detailed in in the Transformation plans. We have made an improvement recommendation in relation to this.

Improving economy, efficiency and effectiveness

Whistleblowing incident

We noted that Internal audit work had been done during the year in relation to a whistleblowing incident. This highlighted c. £60k of purchases where Council procurement rules had not been followed. An action plan has been agreed to strengthen monitoring controls further, and the internal audit plan for 2023/24 includes quarterly sample testing of purchase transactions.

We have reviewed the outcome of the internal audit review and consider that, while there were failings in the procurement process, these have been detected and addressed through an appropriate action plan. We are therefore satisfied that the matter has been appropriately dealt with.

Benchmarking and evaluation

We are aware that the Council are part of several networks, both in the region of Warwickshire and through wider Local Government groups. The authority also have access to various CIPFA publications and access to the financial resilience index in order to review performance information data. In the light of the concerns we have expressed on the financial position earlier in this report, the Council could consider engaging Chartered Institute for Public Finance (CIPFA) and the Local Government Association (LGA) to support a review of financial resilience.

Capital Projects

All capital projects are assigned a dedicated officer who is required to review the financial position of the project periodically in line with the budget monitoring timetable. Information on the project is then fed back to the financial services team who factor this into quarterly reporting that is scrutinised by the Cabinet.

As detailed in the Financial Sustainability section of this report the Council has significant slippage in the HRA and General fund Capital programmes in 2021/22 (52%). This was primarily in relation to COVID 19 related challenges. In 2022/23 this improved considerably with only 4% slippage. However, we found that spend was not mapped to corporate objectives and have made recommendations in relation to this.

Conclusion

Overall, we were satisfied the Council has appropriate arrangements in place to ensure it manages risks around the delivery of economy, efficiency and effectiveness in its use of resources. The Council has adequate arrangements in areas such as risk management, procurement, performance management and partnership working. We have identified improvements in relation to the 2022/23 performance management reports and ensuring future reports have sufficient information to enable progress to be properly scrutinised. The Council should ensure that the performance of investments are closely monitored and councillors have fully visibility on their performance. Also, the Council should ensure it has a workforce strategy that has a built-in performance appraisal process and maps directly to corporate objectives. The transformation programme should have clear links to the MTFP and wider Council strategy, including the impact on corporate priorities.

Improvement recommendation 3

Improving economy, efficiency and effectiveness improvement recommendation



Recommendation 1

The Council should ensure the latest Performance reports detail the RAG rating, and direction of travel, and include a narrative detailing reasons for movements and direction of travel. It should also map into corporate objectives. Further the Council should ensure that Transformation programme is included in Performance Monitoring Framework

Audit year

2022/23

Why/impact

The 2021/22 performance and outturn reports include detailed reports on Performance. This was not continued in 2022/23. The original reports had a RAG rating, direction of travel and comparator figures from the previous year's KPIs. We further noted that the Transformation programme was not detailed in the Performance Monitoring Framework. Given the MTFS financial gap and the decisions the Council will need to make about delivering future savings, the Council will need to ensure that performance on transformation programme is reported and managed going forward.

Management Comments To be provided separately.

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



Improvement recommendation 4

Improving economy, efficiency and effectiveness improvement recommendation



Recommendation

The Council should:

- A) The Council should review its expectations in relation to the delivery of savings and investment related income linked to commercial vehicles such as the CDL when developing its financial plans.
- B) Closely monitors, and reports to councillors, the performance of its commercial vehicles so it is able to assess and react to any indications of financial stress or where it has fallen behind plan

Audit year

2021/22 and 2022/23

Why/impact

The Caldecott Developments limited (CDL) is a company within the Council's group structure and is a development delivery vehicle to enable it to deliver on its overall strategic vision for the town and borough in regard to housing and regeneration. We note that there have been no housing development schemes and thus no commercial activity during 2021/22 and 2022/23. We note that the financial plan for 2022/23 included the receipt of loan interest charges to the CDL of £0.105m that did not ultimately materialise.

Management Comments To be provided separately.

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



Improvement recommendation 5

Improving economy, efficiency and effectiveness improvement recommendation



Recommendation

the Council should:

A) Develop a workforce strategy which has a clear link between workforce management, recruitment and retention and delivering corporate objectives and the transformation programme.

B) the Council should implement a performance appraisal process for Chief Officers.

Audit year

2021/22 and 2022/23

Why/impact

A) The Council does not have a workforce strategy. This will be essential for delivering the Council's corporate objectives and ensuring its transformation programme is focussed on building capacity. Given the level of vacancies (11% of workforce), the Council needs to ensure it is fit for purpose and has the capacity to deliver quality services whilst ensuring value for money.

B) the Council does not currently operate an annual performance appraisal process so introducing specific targets for each Chief Officer will be challenging. the Council should consider implementing this to ensure performance management is embedded within Officer objectives.

Management Comments To be provided separately.

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



Improvement recommendation 6

Improving economy, efficiency and effectiveness improvement recommendation



Recommendation

The Council should ensure the transformation programme maps to strategic objectives and details risk and issues in relation to delivering transformation programme.

Audit year

2021/22 and 2022/23

Why/impact

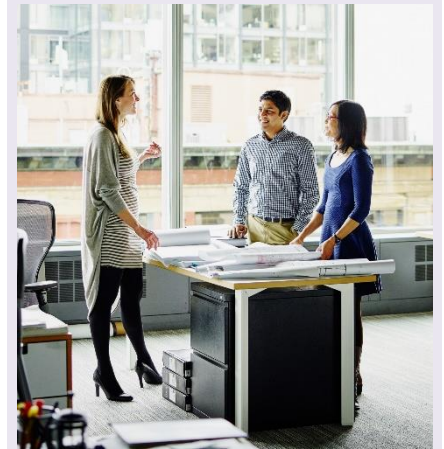
The Council had increasing budget pressures during 2021/22 and 2022/23. The revised 2023/24 MTFS detailed a £5.4m budget gap over the MTFS period. Given this gap the Council needs to be very focussed on how it prioritises and invest in future service, and make difficult decisions as to which services to invest in and which to reduce.

The Council needs to ensure that any future decisions in relation to transformation, investments, capital and revenue workstreams are clearly mapped and linked to delivering the Councils corporate priorities. This will enable the Council make the difficult decisions in relation to the services to invest in and those to reduce, and also help clearly identify the workstreams the transformation programme should focus on order to enable savings reductions without compromising delivery of corporate objectives.

Management Comments

To be provided separately.

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



Follow-up of previous recommendations

1	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	the Council should continue to review budgets and planned savings schemes as necessary to deliver a balanced financial position over the medium term	Key	May 2022	<p>The CFO is introducing the concept of a rolling year MTFP which would have savings identified for the whole of the period not just a single year. As a result of this the budget setting process will ideally look to year 4 of the programme each year not year 1. This has been highlighted in the CT setting papers for 2021/22 and 2022/23. To support this, the CFO introduced a dedicated Budget Working Group for 2021/22 the which is a combination of officers and when appropriate Councillors of all political parties. The remit of the group is to provide strategic direction and challenge to deliver a balanced budget which will include holding officers to account for the delivery of the programme. This has been developed and enhanced for the 2023/24 financial year and the process began in March 2022 - giving the maximum time available to deliver the aims.</p> <p>It is also important to highlight that the savings required to balance the MTFP have been severely impacted by government decisions around the phasing out of the new homes bonuses, the delay in the fair funding/business rate reset and the legacy of COVID-19, not as a result of sub-optimal management decisions. The CFO is using networks including the MP to lobby for a positive impact as a result of future funding settlements.</p> <p>Identified during 2021/22, but implemented during 2022/23, a transformation programme which will be led by Programme Board but with a newly created transformation manager formed in 2021/22 will manage all of the projects that will deliver the Corporate Strategy Delivery plan and achieve financial sustainability. To complement this a business operating model took place in 2021/22, which identified areas to focus attention. To date approximately 40 potential projects have been identified, but 3 have been approved and are being pursued.</p>	Partly	Yes

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
2	Consideration should be given to performing a dedicated review of savings after implementation and assessing whether these have been an impact on the quality of services	Improvement	May 2022	<p>Since 2021/22 Savings Delivery Plans have been introduced which are used to track the progress of savings and provide assurance on delivery. In 2021/22 the quarterly finance and performance reports presented to Cabinet had a summary of the delivery of savings and during the year. Also during 2021/22 monthly exception reports were introduced to leadership in the months between formal reporting which also included the delivery of savings.</p> <p>With the introduction of a programme board, a project management approach to delivering the transformation programme has been implemented and this uses a gateway approach to reporting. Gateway 6 includes a post implementation review which will include the impact of the delivery of the scheme/savings.</p> <p>The organisation annually reviews reporting and enhances it where possible, post implementation assessments are now in progress, but the results will not be known until later in 2022/23 when projects are complete. In addition to this, during 2022/23 with the introduction of a monthly budget working group which will require officers to present updates where savings have been identified as amber/red (at risk of non-delivery) The first discussions on this will take place in late June.</p> <p>With the implementation of a new performance management framework in 2022/23, performance management will get a renewed focus and will be aligned to deliver the Corporate Strategy delivery plan</p>	Partly	Yes

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
3	Risk included In the risk register should be mapped to corporate objectives to ensure cohesion of strategies	Improvement	May 2022	1) The new strategic risk register which was introduced IN 2021/22 AND has been developed in a way which ensures each risk is directly linked to a corporate strategy objective. This work has been undertaken in a workshop style with the Leadership Team. The potential causes of each corporate objective not being achieved have been discussed and documented with the Leadership Team, and this has helped formed the basis of the action plans developed to ensure the Corporate Strategy is successfully implemented. The new Strategic Risk Register and Risk Management Strategy will be presented to the Audit & Ethics Committee on 29th June 2022 and Cabinet on 1st August 2022.	Yes	No
4	A review/refresh of anti-fraud, bribery and corruption policies and strategies should be performed periodically.	Improvement	May 2022	The Anti Fraud, Bribery and Corruption Strategy and associated documents will be reviewed and updated by the Corporate Assurance Manager & Transformation Lead by December 2022. The internal audit plan for 2022/23 already includes a review of the counter fraud framework. This review will be undertaken independently by an external organisation, once the framework has been updated, and the results will be reported to the Audit & Ethics Committee. Internal audit has just completed a review of fraud risks for those departments considered to be at higher risk of fraudulent activity. No significant new risks have been identified. The results of this work will be incorporated in the annual internal audit report, which will be presented to the Audit & Ethics Committee on 29th June 2022. The Council has undertaken a review during 2021/22 to identify all policies and strategies in operation and during quarter 1 of 2022/23 an internal constitution will be implemented which will provide all officers in the organisation guidance on all aspects of the organisation, which will include the policies - this will be used to ensure that regular updates and reviews take place	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	the Council should consider including specific goals in relation to financial performance into senior managements appraisals	Improvement	May 2022	<p>Through the delivery of the Corporate strategy is looking at all aspects of performance. During 2021/22 the Council has introduced Financial Regulations which identifies for the first time the responsibilities of Exec Directors/Chief Officers and the CFO on all financial activity.</p> <p>This was approved by the Audit and Ethics Committee and will be reviewed annually through the budget setting process. The CIPFA FM code delivery plan has also endorsed by the audit and ethics committee during 2021/22 and includes targets for the Leadership Team. the Council does not currently operate an annual performance appraisal process so introducing specific targets for each Chief Officer will be challenging.</p>	Yes	No
6	A strategy should be developed to ensure a clear succession plan and build capacity resilience in what is a key function	Improvement	May 2022	<p>The Financial Services Team was restructured during 2021/22 and as a result of this a number of vacancies were established. Recruitment in Local Government as a whole is challenging at the moment, the CFO is working on a number of strategies to build resilience and continuity in the team which will investigate the use of apprentices and links with Universities and Colleges, however this will not see the true benefit for a number of years. In addition to this the CFO has actively supported the development of the team by supporting the team to undertake professional qualifications in both accountancy and finance business partnering but also encourage training and development by supporting colleagues to undertake training and development to enhance the knowledge base of the team.</p>	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7	the Council should consider channels by which they can seek external engagement on the annual budget and medium term financial strategy	Improvement	May 2022	<p>For the 2021/22 budget setting process the Council undertook a consultation process which attracted around 1000 responses, however a deliberate pause took place for 2022/23 as the Council is considering a more targeted engagement exercise to incorporate a number of the new Corporate Strategy delivery plan objectives. The MTFS will be update as part of 2023/24 budget setting process and external comparison will be considered.</p> <p>The CFO has submitted an expression of interest to become part of the Society of District Council Treasurers which will give the Council greater access to the network. In addition to this the CFO is currently the Chair of the Warwickshire Association of Finance Officers</p>	Yes	Yes
8	the Council should implement measures to create tangible output from their use of Local Government networks and other roles at their disposal and incorporate this into performance reporting	Improvement	May 2022	<p>The Council is establishing a new performance management framework which will use benchmarking as well as other appropriate tools to inform performance based decision making. In June 2022 the Council will be introducing CFO insights as a comparison/benchmarking tool to aid decision making.</p> <p>With the introduction of a Chief Officer for finance and performance the Council is demonstrating the importance of robust performance management. The performance management framework review is looking at all aspect of collecting and reporting KPIs which will include using external support to create a new suite of KPIs which will be formally reported to Cabinet, but more importantly used for decision-making in the organisation to drive improve and challenge weaknesses. In 2021/22 Finance Business Partners were introduced and the remit includes performance management. The Corporate Strategy Delivery plan is clear that looking to other organisations for best practice and benchmarking will help the Council deliver its aspirations</p>	Partly	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9 Consideration should be given to the review and renewal of the procurement strategy as this covered the period to 2016 and it therefor significantly aged.	Improvement	May 2022	The procurement strategy review has been updated.	Yes	No.

Opinion on the financial statements for 2021/22



Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Borough Council's financial statements on 15 December 2022

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Borough Council's Audit Committee on 1 December 2022.

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 Borough Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work found no issues to report.

Preparation of the accounts

The Borough 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

Opinion on the financial statements for 2022/23



Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Borough Council's financial statements on 14 November 2023

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Borough Council's Audit Committee on 28 September 2023 and updated on 14 November 2023.

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 Borough Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work found no issues to report.

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:

	2021/22	2022/23
<p>Statutory recommendations</p> <p>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</p>	We did not issue	We did not issue
<p>Public Interest Report</p> <p>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.</p>	We did not issue	We did not issue
<p>Application to the Court</p> <p>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.</p>	We did not apply	We did not apply
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> 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	We did not issue
<p>Judicial review</p> <p>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.</p>	We not apply	We did not apply

Appendices

Appendix A – Responsibilities of the Borough 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.

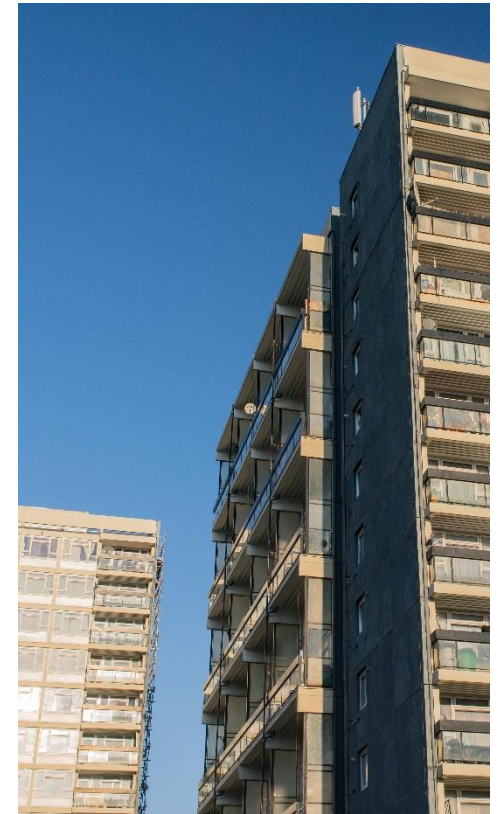
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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 [type of body]'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 [type of body] will no longer be provided.

The [type of body] 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 – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and / or 2022/23	Financial sustainability was identified as a potential significant weakness, see pages 9 to 16 for more details.	We have followed up the findings of 2020/21 and updated on the progress made in this report.	See pages 9 to 16	The significant weakness relating to the Council's management of its forecast medium-term deficit remains in place for 2021/22 and 2022/23, although progress has been made in establishing the transformation programme. Appropriate arrangements in place for other aspects of financial sustainability and six improvement recommendations raised in 21/22 and 22/23.
2021/22 and / or 2022/23	Governance was not identified as a potential significant weakness, see pages 17 to 22 for more details.	N/A – no risk of potential significant weakness identified	See pages 17 to 21.	Appropriate arrangements in place, six improvement recommendations raised in 21/22 and one improvement recommendations in 22/23.
2021/22 and / or 2022/23	Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 23 to 31	N/A – no risk of potential significant weakness identified	See pages 22 to 30.	Appropriate arrangements in place, three improvement recommendations raised in 21/22 and one improvement recommendations in 22/23.

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the authority 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 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'.	Yes	7
Improvement	These recommendations, if implemented should improve the arrangements in place at the authority, but are not a result of identifying significant weaknesses in the authority's arrangements.	Yes	16, 21, 27-30



Recommendation	Management Response
<p>KR1 – The Council should continue to review budgets and planned savings as necessary to deliver a balanced financial position over the medium term.</p> <p><i>It should be noted that this is a continuation of the recommendation we made in the 2020/21 Annual Audit report</i></p>	<p>The review of options to deliver a balanced budget is now embedded in the annual processes of the organisation. Through the activity of the budget working group, including in year budget monitoring, savings delivery plans and strategies around reducing costs and increasing income are discussed.</p> <p>With the implementation the corporate strategy delivery plan there is a focussed emphasis on delivering the Corporate Strategy (with one of the outcomes being a responsible effective and efficient organisation) and the Rugby blue print which highlights our ambition to be a financially sustainable organisation. The programme board established to lead on the delivery of the plan also has a strategic role in ensuring that this is delivered to compliment the work of the budget working group.</p> <p>The challenge facing officers though is the lack of clarity on the savings required. Single year financial settlements and deferral of reforms such as the business rates reset, fair funding and the replacement of New Homes Bonus has led to the Council not having to make difficult decisions in terms of service delivery.</p> <p>Although there is a reported gap in the MTFP, this is largely due to the Council making a decision to transfer all retained business rates growth to the Business Rates Equalisation reserve, set up in 2018 this was planned to minimise the impact of the impending reset of the system. The continued uncertainty has led to the reserve providing significant security against some of the risks facing the Council. Each year some of the business rates growth has been used to balance the in year budget, however it has been lower than the growth generated which means that when the reset takes place the Council has reduced exposure to significant new savings.</p> <p>Although there is a way on working in place, every year the CFO and the team look all aspects of the process and the network to understand if there are improved ways of working which can be adopted in the organisation.</p>
<p>IR1 - The Council should consider how it can improve the clarity of message in its quarterly financial reporting. This should include the way that the key messages are summarized, and the way that more detailed information cascades from this. It should also consider how major movements in the forecast outturn can be avoided between quarters.</p>	<p>Throughout 2023/24, with a new Financial Services Manager (Deputy S151 Officer) in post, improvements to reporting will be made with a view to launching a new style finance and performance report from quarter 1 of 2024/25.</p> <p>As well as making stronger connections between finance and performance monitoring the work will also centre around making the report as easy to follow as possible for all potential readers.</p> <p>Through embedding the role of the budget working group and achieving the full benefit of the exception reporting process, quarterly swings in forecast should be minimised unless there is a valid reason.</p>

	<p>As part of the corporate strategy delivery plan there is a project to enhance the finance business partnering role, the financial services team will continue to provide training and support to budget managers in order to define the roles and expectations of the budget manager role.</p>
<p>IR2 -The council should ensure that the Risk Register is updated to reflect the actual risks in relation to the MTFP and Transformation Programme.</p>	<p>Independent of this review the Corporate Assurance Team (tasked with the responsibility for RM) is looking at a root and branch review of risk management from the introduction of a new risk register template through to how it is then challenged at the Strategic Risk Management Group and embedded into business as usual for all teams. This will include all elements including the MTFP and the transformation programme (now renamed the Corporate Strategy Delivery Plan)</p> <p>It is likely that this will have a soft launch during 2023/24 with full implementation from April 1, 2024.</p>
<p>IR3- The council should ensure the latest Performance reports detail the RAG rating, and direction of travel, and include a narrative detailing reasons for movements and direction of travel. It should also map into corporate objectives. Further the council should ensure that transformation programme is included in performance monitoring framework.</p>	<p>RAG rating is a key part of the performance management framework, the 2022/23 info was reported differently to 2021/22 because the organisation was transitioning to both new KPIs and a new way of reporting them. From qtr1 of 2023/24 officers are using a power BI dashboard to present the info which will be a more user-friendly way of presenting the info.</p> <p>As a lot of the KPIs are new for 2023/24, trend analysis will be difficult until the latter stages of the year and into 2024/25.</p> <p>Performance management is part of the Corporate Strategy Delivery plan and being performance led is part of the Rugby Blueprint. As well as embedding a new culture of performance management, officers are also looking at innovative ways in which the info can be presented and used to demonstrate the performance of the organisation.</p>

Recommendation	Management Response
<p>IR4 - The council should:</p> <p>A) The council should review its expectations in relation to the delivery of savings and investment related income linked to commercial vehicles such as the CDL when developing its financial plans.</p> <p>B) Closely monitors, and reports to councillors, the performance of its commercial vehicles so it is able to assess and react to any indications of financial stress or where it has fallen behind plan.</p>	<p>Already built into the process for determining the viability of a commercial project is an initial assessment of outcomes in relation to the commercialisation pillars (established during 2022/23)</p> <p>This comes before any detailed business planning and assessment of the scheme. During 2023/24 a new project management framework was established and this has clear guidelines for the delivering projects such as this.</p> <p>Members will not be asked to make a decision unless the outcomes both financial and non-financial are understood.</p> <p>The trading structure that has been established - holding company - Caldecott Group Limited and ultimately the shareholders committee have been established to specially hold commercial operations to account.</p>
<p>IR5- The Council should:</p> <p>A) Develop a workforce strategy which has a clear link between workforce management, recruitment and retention and delivering corporate objectives and the transformation programme.</p> <p>B)The council should implement a performance appraisal process for chief officers.</p>	<p>a) A 3-year HR strategy – which includes talent, recruitment and retention - has been approved by the All Leaders Steering Group. A delivery plan is in place for 2023/24 and one for 2024/25 will be finalised in January 2024. Our work this year has included moving to WM Temps and Opus People Solutions for agency workers which will allow for workforce planning and temp to perm arrangements. We currently have an 8% vacancy level, but as turnover remains at 20%, this will remain a challenge into 2024.</p> <p>b) Within the 2024/25 delivery plan, the introduction of quarterly Performance Development Reviews (PDR's), starting with Leadership Team, will be a key project.</p>
<p>IR6 - The council should ensure the transformation programme maps to strategic objectives and details risk and issues in relation to delivering transformation programme.</p>	<p>From April 2023, the transformation programme has now migrated into the Corporate Strategy Delivery plan and so each project aligns directly to the corporate strategy.</p> <p>Through the project management framework risks will be identified, assessed and monitored and will use the revised risk management template which will go live during 2023/24</p>

AGENDA MANAGEMENT SHEET

Report Title:	2022/23 Audit Findings Report - Management Responses
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	18 December 2023
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	all
Prior Consultation:	Chair and Vice Chair of Audit and Ethics Committee
Contact Officer:	Jon Illingworth jon.illingworth@rugby.gov.uk 01788 533410
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	Yes
Corporate Priorities:	This report relates to the following priority(ies): <input checked="" type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input checked="" type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input checked="" type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	This report provides a summary of the management responses to the action plan identified by Grant Thornton as part of the audit finding report for 2022/23
Financial Implications:	None as a direct result of this report

Risk Management/Health and Safety Implications:	None as a direct result
Environmental Implications:	None as a direct result of this report and therefore no Climate Change and Environment Impact Assessment is require
Legal Implications:	None as a direct result of this report
Equality and Diversity:	None as a direct result of this report and therefore no Equality Impact Assessment is required
Options:	The management responses is a summary of the action officers will take to address the points raised, there are no options however the committee could request alternative courses of action.
Recommendation:	The management responses to the action plan included in the 2022/23 Audit Findings Report be endorsed.
Reasons for Recommendation:	Officers have considered the findings of the 2022/23 Audit Findings report and management responses provided a summary of how the team intends to deal with them before the 2023/24 external audit process

Audit and Ethics Committee - 18 December 2023

2022/23 Audit Findings Report - Management Responses

Public Report of the Chief Officer - Finance and Performance

Recommendation

The management responses to the action plan included in the 2022/23 Audit Findings Report be endorsed.

1. Background

- 1.1. The 2022/23 accounts and the audit findings report were presented to the Committee on 28 September, although there was an action plan included in the report, the committee agreed to allow officers some extra time to consider the plan and formulate a management response.
- 1.2. A summary of the action plan and the management responses are shown in Appendix A.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 18 December 2023

Subject Matter:

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

Appendix A

Issue/recommendation	Management response
During the audit we noted several disclosure errors in the financial statements that were communicated to management and corrected. Upon reflection we noted that these deficiencies occurred due to the weakness in the financial statements preparation and review process. These are detailed in appendix C	The accounts were completed almost 2 months earlier than 2021/22 and potentially this has had an impact given the prior audit was only completed in December 2022. Processes will be reviewed in line with 2023/24 closedown, but with more preparation time it is expected this will not be a major factor.
As discussed with management, the client extracted the report for certain Housing Benefit Codes a few days earlier than the 31 March. Hence this is a control point that will be raised in the action plan as due to this there may be some gaps in the actual provisioning required.	Although the closedown timetable specified the requirement to run reports at 31 March, this report was inadvertently overlooked. The 2023/24 timetable will again emphasise that the report is run on 31 March for the 2023/24 accounts
For the NNDR and council tax substantive analytical procedure, we shared a sample of 25 NNDR and council tax applicants to be agreed to source documentation. But out of the 25 each client not able to share source documents for 2 of the council tax and 15 for the NNDR SAP. Post discussion with the Revenues team, it was mentioned that the support documentation are too old to retain and cannot be retrieved.	These were exemptions and reliefs, Previous to Covid 19, the Council periodically followed up granted reliefs to ensure that claimants re-affirmed their claims and that the exemptions and reliefs were still valid. This practice had not been re-introduced post Covid 19. Therefore many reliefs and exemptions are historic and original documentation could not be located. The Council will re-introduce follow up procedures, prioritising those where evidence cannot be located.
We found that the CEO most recent annual declaration was last completed in April 2021 compared to the rest of the leadership team, who submitted in 2023. The Council did confirm that there were no other disclosures or changes to declarations for the CEO since 2021, however, this should be kept up to date.	The 2023/24 timetable will be reviewed in line with this. All Officers and members will be expected to complete an annual declaration.
The Minimum Revenue Provision is 1.75% of opening Capital Financing Requirement (excluding HRA items) We have checked the calculations as accurate and whilst this is below 2%, it is only just below this level.	The MRP policy is based on an annuity method and this. The CFR is a combination of HRA and General Fund. As discussed with the team during the audit. MRP represents 5.88% of the General Fund financing requirement. A working paper was provided to the audit team.
During our completeness and inspection procedures we note that the earlier version of the financial instrument note shared has information related to debtors and creditors which are not correct and include some non financial instruments as well. Accordingly, the Council removed the £62k from long term debtors, £1,716k from short term debtors and £661k from the short term creditors. Accordingly correct numbers have now been revised by the client post discussion. Also, for the debtors and creditors of PY numbers those have been updated as earlier they include elements which are not financial instruments as well. Accordingly those have been adjusted as well for correct disclosure. Accordingly, PY long term debtors of £49k (being employee vehicle loans) £1.5million of rent payers (being stat dues as discussed with the client) have been reduced from PY signed numbers to represent the correct disclosure	Although the changes were made it was merely a swap between long term and short term debtors and this had no impact on the balance sheet as was contained within the disclosure note. A contributing factor is shorter period (May from July) to close the accounts and the short time between the 2021/22 and 2022/23 audit. The 2023/24 timetable will include more review time
Our reviews of the valuation reports and the fixed asset register highlighted a number of discrepancies, due to either the asset register not being fully updated for valuations, e.g dates and or errors, whereby management has not appropriately rechecked the accuracy of data received or applied its own internal controls to verify correct and appropriate input and update of the register and financial statements.	A contributing factor will have been the lateness of receiving the valuations in May. The 2023/24 timetable allows for a larger gap between receiving valuations and producing the accounts. The process will also be reviewed to understand if there are any changes that need implementing

Agenda No 7

AGENDA MANAGEMENT SHEET

Report Title:	Internal Audit Progress Report 2023/24
Name of Committee:	Audit & Ethics Committee
Date of Meeting:	18 December 2023
Report Director:	Chief Officer – Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	None
Prior Consultation:	Chief Officer – Finance and Performance
Contact Officer:	Richard Green – Interim Corporate Assurance Manager
Public or Private:	Public
Report Subject to Call-In:	No
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
(C) Climate (E) Economy (HC) Health and Communities (O) Organisation	
Summary:	The report sets out progress towards delivery of the annual internal audit plan, and provides an update on service performance
Financial Implications:	None
Risk Management/Health and Safety Implications:	Non delivery of an adequate internal audit plan would have an adverse impact on the level of

assurance provided in the Annual Governance Statement

Environmental Implications: None

Legal Implications: None

Equality and Diversity: No implications

Options: None

Recommendation: The internal audit progress update be noted

Reasons for Recommendation: To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution

Audit and Ethics Committee -- 18 December 2023

Internal Audit Progress Update 2023/24

Public Report of the Chief Officer Finance and Performance

Recommendation

The Internal audit progress update be noted.

1. Introduction

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2023/24.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

2. Summary of Audit Work

- 2.1 The Internal Audit plan for 2023/24 was approved by the Audit and Ethics Committee on March 30th, 2023. Progress against delivery of that plan is set out at Appendix A.

3. Revisions to the 2023/24 Audit Plan

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There are currently no proposed amendments to the internal audit plan.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 18 December 2023
Subject Matter: Internal Audit Progress Update 2023/24
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appx A	Internal Audit Progress Update November 2023

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX A

**INTERNAL AUDIT PROGRESS
UPDATE**

NOVEMBER 2023

RIGHT FOR RUGBY

Introduction

- 1.1** The Public Sector Internal Audit Standards (the Standards) require the Audit and Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

Performance

2.1 Will the Internal Audit Plan be delivered?

The expected position by the date of the Committee meeting is as follows:

- 4 final reports have been issued - 1 since last report
- 1 compliance assessment issued
- 3 draft reports have been issued
- 5 assignments are in progress;
- 7 assignments are at the planning stage; and
- 8 assignments have not yet been started

At the time of writing there are sufficient resources available, and the internal audit plan is expected to be delivered on time. The delivery will be supported by the Council's external contractor, Lighthouse Consulting Ltd, who will deliver the Council's IT internal audits, and support delivery of non-IT audits where required.

Progress on individual assignments is shown at pages 10 to 13 of this report.

2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, a cumulative 70% of management actions have been implemented by the agreed implementation date, with a further 23% implemented late, giving an overall implementation rate of 93%.

If we use the data since 2020, this would show 58% of actions implemented by the agreed date and a further 23% implemented late and an overall implementation rate of 81%.

A summary analysis of progress on implementation of audit recommendations is shown at pages 14 to 15.

At the time of reporting there are 24 agreed management actions for which implementation is overdue, 3 of which are regarded as High risk, 11 regarded as Medium risk and 10 Low risk.

The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at pages 14 to 15. Implementation of the actions will continue to be monitored by the Corporate Assurance team and reported to each Committee meeting.

2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	100 days This has reduced slightly but still high due to delays with previous reviews.
Audit Delivery	Average time from Fieldwork start to draft report issued	69 days This is a new measure but is high as it includes all days during that period and the exact dates were not recorded previously and have been estimated.
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	7 days Performance is broadly stable and below the 10 days considered to be the benchmark followed by peers.
Report Clearance	Average time to move a draft report to final status	25 days This is a new measure and includes some reports that covered multiple service areas
Effectiveness	Implementation of Agreed Actions – Percentage implemented on time	93% (81% since 2020/21) at the time of reporting there are 24 recommendations which are past their agreed implementation date out of 209 agreed since 2020/21. Of those there are 3 are regarded as High risk and 11 as Medium risk. Refer to page 16 onwards for details.

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Ethics Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and to prevent or detect irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Progress to date

Since the last Audit & Ethics committee meeting (28th September) there has been one audit report issued.

The Ethical Governance review gave a substantial assurance –

The main issues noted related to

- No formal requirement for declarations by members to be completed annually or a central record of such.
- No central records of emergency decisions and
- No review of the Employee Code of Conduct for since 2018.

The three draft reports being considered by management are

- Housing Benefit
- Sundry Debts
- Fleet Management

All should be moved to finals by 23rd December2023.

Progress against the Annual Plan

Audit	Assurance level	Recommendations			
		High	Medium	Low	Total
Housing Rents	Limited	4	7	3	14
Company Credit Cards	Limited		6	3	9
External Audit Recommendations	High			2	2
CIPFA Financial Management Code	N/A				
Ethical Governance	Substantial		7	2	9

Progressing the Annual Internal Audit Plan

KEY Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Housing Benefits	20					✓			
Sundry Debts	16					✓			
Housing Rents	20						✓	Limited	
CIPFA Financial Management Code Compliance	10						✓	N/A	
Corporate Credit Cards	10						✓	Limited	
Counter Fraud									
Fraud Awareness	8		✓					Not applicable	
Transaction Testing	20		✓						
Transport – Fuel Usage.	12			✓					

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
ICT									
System Resilience	8		✓						Being delivered by external contractor
Corporate Risks									
Business Continuity & Emergency Planning	12	✓							
Corporate Health & Safety	25		✓						
Performance Management & Data Quality	20		✓						Being delivered by external contractor
Project Management & Corporate Strategy Delivery	16	✓							Being delivered by external contractor
Customer Access Strategy	12	✓							
Governance & Ethical Risks									
Internal Constitution	20	✓							

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Ethical Governance	15						✓		Being delivered by external contractor
Operational Risks									
Follow up work	28		✓					Not Applicable	
Business Improvement District	15	✓							
Benn Hall	16	✓							
Bereavement Services	20		✓						
Complaints and Freedom of Information	18			✓					
Fleet Management	20					✓			
WSU Health & Safety Action Plan	10	✓							
Property Repairs including Stock Control	25			✓					

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Homelessness Grants	8			✓					
Assets – Statutory Compliance	12			✓					
Additional Support									
Annual Governance Statement	12	✓							
External Audit Recommendations	5						✓	High	
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.
Control Environment - Advice	25							Not applicable	
Corporate Investigation Work	40							Not applicable	

Summary Of Audit Recommendations 2020 - 2024 to date

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2020/21	Local Government Transparency Code	0	1	0	1	0	1	3
2020/21	Expenses	0	1	0	2	0	0	3
2020/21	Payroll	0	2	2	2	0	0	6
2020/21	Covid Business Grants	0	0	1	1	2	0	4
2020/21	Test and Trace Support Payments	0	1	1	1	1	0	4
2020/21	Equal Pay & Single Status	3	2	2	1	0	0	8
2021/22	Payment Card Industry Data Security Standards (PCI DSS)	1	5	3	0	0	0	9
2021/22	Policies, Procedures and Strategies	0	1	0	0	0	0	1
2021/22	Treasury Management	0	3	0	8	0	1	12
2021/22	Fraud Risk Review	0	4	0	0	0	0	4
2021/22	Trade Waste	10	1	2	0	0	0	13
2021/22	Housing Rent Arrears	4	2	0	1	2	2	11
2021/22	Council Tax	0	1	0	3	0	1	5
2021/22	Service Desk Management	3	0	0	0	0	0	3
2021/22	Budget Setting & Budgetary Control	0	4	0	1	0	0	5
2021/22	Housing Standards	0	1	0	0	0	0	1





Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2022/23	Workforce Training	1	5	4	1	0	0	11
2022/23	Procurement & Contact Management	0	4	1	1	0	0	6
2022/23	ICT Financial Processes Review	0	0	0	0	0	1	1
2022/23	Voids Review	3	3	1	3	0	6	16
2022/23	Risk Management	2	0	0	0	0	0	2
2022/23	Licensing	1	3	0	1	0	2	7
2022/23	NDR	1	4	0	0	0	0	5
2022/23	Food Safety	5	0	0	0	0	0	5
2022/23	Right to Buy	0	1	0	0	0	3	4
2022/23	Section 106 Agreements	1	2	0	0	0	0	3
2022/23	Systems Resilience	5	1	0	0	0	0	6
2022/23	Data Protection/Records Management	6	0	0	1	0	2	9
2022/23	Counter Fraud Framework	3	1	0	0	0	1	5
2022/23	Growth Hub Grants	2	1	0	0	0	0	3
2022/23	Impact Assessments	2	0	0	0	0	0	2
2023/24	Housing Rents	9	0	0	1	0	4	14
2023/24	Corporate Credit Cards	9	0	0	0	0	0	9
2023/24	Ethical Governance	9	0	0	0	0	0	9
	Totals	80	54	17	29	5	24	209
2017/2020		0	114	72	60	14	0	260
	Overall Totals	80	168	89	89	19	24	469







Notes:




Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.


Out of time: This is where the action was implemented later than the agreed timescale

Details of Overdue High and Medium Risk Audit Recommendations

Audit	Action	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Housing Rents 2023/24	If the issue printing Direct Debit letters is not resolved with the system upgrade, the process will need to be reviewed to determine how we can meet customers' expectations and our regulatory requirements in the interim.	31-Oct-2023	Update from Chief Officer - Communities & Homes 6/11/23: The upgrade has had a minor delay but will go ahead this week. Testing has confirmed that the issues with the DD letters has been resolved in the latest version.	09-Nov-2023	 High Risk	Housing Services Manager SM
Housing Rent Arrears 2021/22	Ensure former tenant arrears are understood and addressed appropriately. This work needs to take place in parallel with managing current tenant arrears.	31-Jul-2023	Update from Chief Officer - Communities & Homes 6/11/23: We are in the early stages of looking at how we do this. We have had initial discussions with Revenues re taking back some of the FTA accounts which still sit with them. We have recruited into a vacant Income Officer post & have received approval to recruit to another part time post. This should give us the additional staffing capacity required to pursue former tenant accounts.	09-Nov-2023	 High Risk	Housing Services Manager
Right to Buy	In line with Section 121AA of the Housing Act 1985 the Council (as Landlord) to issue an up to date Right to Buy information document to all secure tenants at least every five years, as well as to all new secure tenants at the time of tenancy.	31-Jul-2023	Update from Chief Officer - Communities & Homes 6/11/23: The CX upgrade happens this week so we will try to get a bulk communication out to all in the next few weeks to confirm the RTB.	09-Nov-2023	 High Risk	Housing Services Manager
Counter Fraud Framework 22/23	That the Anti-Fraud, Bribery & Corruption Strategy be reviewed on a regular basis to ensure it captures any revised practice, references to revised guidance/ documentation/legislation. See description.	30-Sep-2023			 Medium Risk	Transformation Manager

Audit	Action	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Data Protection / Records Management 22/23	Management Team establishes a squad and tasks it with management and oversight of Information Governance risks and issues. A Terms of Reference should be created documenting the membership and roles and responsibilities within the team.	31-Jul-2023	Chief Officer - Communities & Homes has confirmed that the TOR for the squad have been agreed and adopted by group. These will be going to the Management Team on 22 November Housing Services Manager.	24-Oct-2023	 Medium Risk	Chief Officer - Communities & Homes
Housing Rents 2023/24	Implement checks to the calculations before uploading the rents/service charges to the system. This would provide assurance that they are accurate.	31-Oct-2023	Update from Chief Officer - Communities & Homes 6/11/23: We are currently rewriting the end of year process with assistance from our CX Consultant.	09-Nov-2023	 Medium Risk	Finance Manager
Housing Rents 2023/24	Update the target rent/standard rent held on the CX system to ensure they are correct	31-Oct-2023	Update from Chief Officer - Communities & Homes 6/11/23: The Project Officer will be writing a specification to assist us in getting external advice on rents.	09-Nov-2023	 Medium Risk	Housing Services Manager
Housing Rents 2023/24	Resolve at what level the rents should be set at (target or chargeable) when properties are re-let and bring the rents to the correct level.	31-Oct-2023	Update from Housing Services Manager 6/11/23: The Project Officer will be writing a specification to assist us in getting external advice on rents.	09-Nov-2023	 Medium Risk	Housing Services Manager
Licensing 22/23	To address the GDPR requirements for accuracy & data minimisation, the Licensing Team should consider a data validation exercise on records to ascertain if data should still be held on individual & if so, verify it is still accurate.	31-Aug-2023	Asked Licensing for update 31/08/2023	04-Sep-2023	 Medium Risk	Licensing & Parking Manager
Licensing 22/23	The Licensing Team develops a set of user acceptance tests across all licence types to ensure, that as planned a user can only submit a licence application when fully	30-Sep-2023			 Medium Risk	Licensing & Parking Manager

Audit	Action	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
	completed with no errors and with the required document attached. Testing plans					
Right to Buy	Procedure notes & process map be updated to reflect current processes and systems; recommend that processes are extended to incorporate the legal process. Procedures should include timescales that all depts involved in the process need to work toward.	30-Sep-2023	Update from Housing Services Manager 6/11/23: This has been started but not completed due to other pressures in the service. I am hoping the Project Officer can pick this up. Progress moved to 10%.	09-Nov-2023	 Medium Risk	Housing Services Manager
Right to Buy	A clear policy on how to calculate the Cost Floor figure be produced along with a process to ensure that all relevant costs are included in the final calculations.	30-Sep-2023	Update from Housing Services Manager 6/11/23: This has been started but not completed due to other pressures in the service. I am hoping the Project Officer can pick this up.	09-Nov-2023	 Medium Risk	Housing Services Manager
Systems Resilience 22/23	A documented IT Disaster Recovery plan is produced outlining detailed procedures for recovery of the ICT network infrastructure.	31-Jul - 2023	Response received from SM 29/08/2023 - IT draft plan completed A baseline DR plan for IT systems as a whole has been drafted. We are working with Health and Safety team as they are conducting BCP plans with Service Areas, this piece of work will feed into our overall plan. We currently have no set detail set out by the organisation or areas, specifically to identify critical applications and agreed RPO times. We anticipate to complete further works and be complete by Q3 2023.	30-Aug-2023	 Medium Risk	IT & Service Manager

Audit	Action	Due Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Local Government Transparency Code 20/21	Include all Purchase Orders in excess of £5k within the quarterly published Procurement Information.	31-Jul-2023	Discussed with D L-W. Procurement Team Leader needs to ask for a report to be built by IT. There maybe some duplication as they are starting to request POs for some contracted spend. This will be published as a separate spreadsheet to the contract register which is currently the published data and was last published for Q4 22/23 (Jan - Feb 23). The Q1 (April - June 23) data has not yet been published but will be when the above report is received from IT.	21-Aug-2023	 Medium Risk	Finance Manger/ Chief Officer – finance & Performance