Tamworth Borough Council

Auditor’s Annual Report

Year ended 31 March 2024

January 2025

AZETS

We are required to satisfy ourselves under s20(1)(c) of the Local Audit and Accountability Act 2014 that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report to you if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements are operating effectively.

Contents

Detailed findings from our audit of the financial statements are communicated in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2024
- audit findings (ISA 260) report to Those Charged with Governance

We performed our audit in accordance with International Standards on Auditing (UK). This report has been prepared in line with the National Audit Office's Code of Audit Practice 2024 (the "Code") and is required to be published by the Council alongside the annual report and accounts. Our reports are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office and relevant requirements of the Local Audit and Accountability Act 2014.

Key messages

The purpose of the Auditor’s Annual report is to bring together all of the auditor’s work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the members and the wider public relevant issues, recommendations arising from the auditor’s work and the auditor’s view on whether previous recommendations have been implemented satisfactorily.

We have undertaken our work in accordance with the Audit Plan issued in November 2023 and our report to Those Charged with Governance. We have complied with the National Audit Office (NAO) Code of Audit Practice 2024, other guidance issued by the NAO, and International Standards on Auditing (UK).

Area of work	Our responsibilities	Conclusion
Financial statements	We are required to audit the financial statements of the Council under the Local Audit and Accountability Act 2014. We express an opinion as to whether the financial statements: • give a true and fair view of the financial position of the Council and of its expenditure and income for the year; • have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and • have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014. We conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office and applicable law.	We issued an unqualified opinion on the Council’s financial statements on 20 December 2024. This means that we consider the financial statements give a true and fair view of the financial performance and position of the Council.

Key messages

Area of work	Our responsibilities	Conclusions
Narrative report and annual governance statement	We are required to read and report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements and our knowledge obtained from the audit or otherwise appears to be materially misstated. We are also required to assess whether the Annual Governance Statement complies with the disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.	We did not identify any significant inconsistencies between the information presented in the Narrative Report and Annual Governance Statement and our knowledge of the Council.
Value for money	We are required under Section 20(1)c of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our commentary relating to proper arrangements. We assess the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work. We are required to report our commentary under specified criteria: Financial sustainability, Governance and Improving economy, efficiency and effectiveness.	We have not identified any significant weaknesses in the arrangements for securing economy, efficiency and effectiveness in the use of resources at the Council. We have made "other" recommendations to support the Council's ongoing improvement.
Key recommendations	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their review of the Council's arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We consider these to be key, or essential, recommendations.	We did not identify any key recommendations.

Key messages

Area of work	Our responsibilities	Conclusions
Public interest report	Under Section 24, Schedule 7(1)(1) of the Local Audit and Accountability Act 2014 the auditor of the Council must consider whether to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public.	We did not identify any matters for which we considered a public interest report to be required as part of our external audit for 2023/24.
Statutory recommendations	Under Section 24, Schedule 7(2) of the Local Audit and Accountability Act 2014 the auditor of a Council can make written recommendations to the Council which need to be considered by the Council and responded to publicly.	We did not identify any matters for which we considered statutory recommendations are required as part of our external audit for 2023/24.
Application to the court	Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think than an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the court.
Advisory notice	Under Section 29, Schedule 8 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if they think that the Council, or an officer of the Council, is about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review	Under Section 31, Schedule 8 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 to act by an authority, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Financial statements

The Statement of Accounts and financial statements included therein are an important tool for the Council to show how it has used public money and how it can demonstrate its financial health.

We provide an independent opinion on whether the Council's financial statements:

- *give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended;*
- *have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the* CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24*; and*
- *have been prepared in accordance with the Local Audit and Accountability Act 2014.*

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

Area of work	Conclusions
Audit opinion on the financial statements	We issued an unqualified opinion on the Council's financial statements once we had received assurances from the Staffordshire County Council's Pension Fund Auditors.
Audit Findings (ISA260) report	More details can be found in our ISA260 Audit Findings Report, which was reported to the Council's Audit and Governance Committee on the 13 November 2024.
Whole of Government accounts	We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. The Council does not exceed the threshold for detailed testing. We submitted our assurance statement to the NAO after the audit had been concluded. However, the NAO have reserved the right to ask for additional work to be completed on bodies below the threshold due to the low numbers of LA's with signed financial statements. We will therefore be issuing a delayed certificate in our auditor's report.
Preparation of the accounts	The Council provided draft accounts slightly later than the national deadline, however this was only due to the Council awaiting information from their actuary. The quality of the draft financial statements and supporting working papers was good.

Financial statements

Significant risks

Detailed findings from the audit of the 2023/24 financial statements are set out in our Audit Findings (ISA260) report, reported to the Council's Audit and Governance Committee on 13 November 2024. Requests for this report should be directed to the Council. This report set out the significant risks identified for the 2023/24 financial statements audit, along with the procedures performed to address each risk and the conclusions reached following the performance of those procedures.

No significant adjustments were made to the 2023/24 financial statements submitted for audit.

The significant risks we identified as part of our audit, and the conclusions from our work are set out in Appendix I. The main recommendations we made as a result of the financial statements audit are set out in Appendix II of this report.

None of the recommendations we made reflected significant weaknesses in the arrangements to secure economy, efficiency and effectiveness in the Council's use of resources and, as such, are not considered key recommendations.

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice (2024) and the requirements of Auditor Guidance Note 3 (‘AGN 03’).

In undertaking our work, we have not identified any significant weaknesses in arrangements. Our detailed commentary is set out on the following pages.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	No	Yes
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	Yes

Value for money

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

- Meeting with management and regular meetings with senior officers
- Interviews as appropriate with other executive officers and management
- Review of Council and committee reports and attendance at audit committee meetings
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Review of the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit
- Consideration of other sources of external evidence.

Councils are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from other regulators and internal auditors, reviewing records at the Council and performing procedures to gain an understanding of the high-level arrangements in place. The resulting risk areas we identified were set out in our audit plan.

Value for money (continued)

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place at the Council to achieve value for money.

The NAO Code of Audit Practice requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Council in each area.

Summary of findings

Based on the audit work performed, we have not identified any significant weaknesses in the Council's arrangements for achieving value for money and have therefore not raised any key recommendations. We have raised other recommendations within each of the three criteria as set out on the subsequent pages.

Financial sustainability

This relates to how the Council plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

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

The Council's Medium Term Financial Strategy (MTFS) for 2024/25 to 2028/29 was approved by Cabinet on 22 February 2024 and Council on 27 February 2024.

This MTFS sets out the fact that the Council face a deficit budget in 2024/25 and beyond and will be reliant on the use of reserves to balance this. This is not a financially sustainable position for the Council in the medium to long term. As outlined in the MTFS, existing general fund reserves would be insufficient to cover deficit levels beyond 2025/26 if council tax was not increased.

To that end, the Council approved an increase in council tax of 2.95% effective for 2024/25. This will ensure that there are sufficient general fund reserves to cover the deficit and leave the required minimum funding level (£500k) over the three-year period to 2026/27.

Management have identified that the current MTFS does not provide a long-term, sustainable option. The MTFS highlights significant ongoing deficits. The use of the General Fund reserves over the short term is planned, however, the Council have identified that savings of c£5m are required from 2027/28 in order to balance the budget.

Financial sustainability (continued)

Management have also highlighted challenges, uncertainties and risks attached to delivering this plan. The MTFS also sets out, in detail, the main budget assumptions which include; inflation, pay awards and interest rates. The pressures in future years are exacerbated by the uncertainty over the future of local government funding and potential business rates reset. The MTFS therefore highlighted the need for the Council to develop a longer-term sustainability strategy.

To address this, a “Financial Stability Plan and Productivity Plan” was taken to Corporate Scrutiny Committee on 25 June 2024 and to Cabinet on 27 June 2024. This was as a result of the MTFS for 2024/25 recognising the need for a plan to be developed. The first draft of this plan sets out key areas, timings and target savings to be achieved.

The financial statements for 2023/24 show a net General Fund surplus of £1.1m for the year and a General Fund Balance of £10.7m. This is consistent with the prior years, with the 2022/23 and 2021/22 accounts showing a net General Fund surplus of £0.46m and £1.153m, respectively.

As mentioned in our Governance commentary, the Council also went through a Corporate Peer Challenge review in October 2024. As part of this review, we were asked as External Audit to feed into this process. The initial feedback received by the Council is that inspectors noted that “there are significant challenges ahead” and that an “underlying plan is still needed”. Their recommendations include:

1. Develop a clear strategy / plan to address the financial challenges with robust governance oversight; and
2. To align the Council’s financial plans to the new Corporate Plan.

We note that the final peer review report has now been received in the Council. However, we have included two “other” recommendations for the Council to consider in relation to the recommendations coming out of this review.

Financial sustainability (continued)

The MTFS approved in February 2024 set out the following. The table below summarises the next five financial years and clearly shows the point at which the Council's reserves will be depleted.

	2024/25	2025/26	2026/27	2027/28	2028/29
Net cost of services	8,183	11,605	12,795	13,144	13,605
Surplus/(Deficit)	(1,135)	(3,262)	(4,726)	(4,822)	(5,020)
Cumulative gap	(1,135)	(4,397)	(9,123)	(13,945)	(18,965)
Use of reserves	1,135	3,262	4,726	1,197	-
Reserves	9,185	5,923	1,197	(3,625)	(8,645)
				Shortfall in reserves occurs	

The Housing Revenue Account (HRA) is in a stronger position over the short to medium term. The budget position forecasts that balances will remain above the approved minimum level of £0.5m over the five-year period to 2028/29. These balances are noted in the MTFS to be required to enable the long-term costs of the capital programme in the 30-year HRA business plan to be achieved.

We are satisfied that the Council's current arrangements to secure financial sustainability are not indicative of a significant weakness in arrangements at this current time. However, we have identified one "other" recommendation for the Council to consider to ensure that their arrangements are forward looking to address future shortfalls in their budget and over-reliance on reserves, as much as can reasonably be expected in their control.

Financial sustainability (continued)

Other recommendations:

1. We recommend that the Council, as a priority, continue to develop and monitor progress against their Financial Stability Plan to address the reliance on reserves to balance the budget. Given these reserves will be depleted by 2027/28 based on current assumptions, the Council should focus on developing sustainable solutions to address gaps in their funding or reduce their planned deficit by determining realistic saving plans. These should be specific, realistic, time-based and closely monitored.

2. We recommend that the Council ensure that the final report from the Corporate Peer Challenge review and actions coming out of this are addressed and monitored as part of their future plans.

Governance

This relates to the arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;

The Council maintains a corporate risk register and report this via a risk management quarterly update to the Audit & Governance Committee. This was made available to review as part of assessing the Council's arrangement to secure value for money through governance. The risk report reviewed was clear, concise and comprehensive.

Service area managers are responsible for operational risks. These are required to be discussed with relevant Assistant Directors, highlighting any areas which may need to be considered under strategic or corporate risks.

Corporate risks are monitored by Corporate Management Team (CMT) and reported to Members on a quarterly basis as part of quarterly performance reports. Corporate Risks are also reported on a quarterly basis to Audit & Governance Committee.

There is an Operational Risk Champions Group which meets regularly at which service managers can discuss any risk issues, and training and support is available. Risk management workshops facilitated by Zurich have been held recently and training for members has also been provided in December 2023 and August 2024.

Governance (continued)

…continued

- how the Council 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; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Council has in place three Scrutiny Committees:

1. Corporate;
2. Health & Wellbeing; and
3. Infrastructure, Safety & Growth.

These provide scrutiny to the achievement of the strategic priorities, such as the budget. The Scrutiny Committees have the right to "call in" decisions made by the Executive team to improve accountability and decision making. Each Chair of the Scrutiny Committee reports annually to Full Council. Training will continue, as required, for members to improve effectiveness.

The Audit and Governance Committee met eight times in 2023/24 and has met three times so far in 2024/25. CIPFA guidance sets out that audit committees should meet at least four times a year, which the Council is compliant with. The guidance also states that to discharge responsibilities effectively, the committee should include regular attendees. The Council complies with this guidance, except for having regular attendance from the Chief Executive. This is something the committee should consider whether appropriate to address this. We have made one "other" recommendation in relation to this.

The Audit & Governance Committee receive regular reports on counter fraud arrangements and also approved the counter fraud and corruption policy statement, strategy & guidance notes, whistleblowing policy and anti-money laundering policy.

Governance (continued)

As part of our work on the Governance arrangements of the Council, we met with the Information Governance Officer (Monitoring Officer). No issues or concerns were identified as part of this meeting. We have also viewed the Code of Corporate Governance for 2023/24 which is available on the Council's website.

The Council underwent a Corporate Peer Challenge review in October 2024. We consider this to be positive, as this promotes continuous improvement by providing effective insight, guidance and challenge to the council. Some of the benefits also include ensuring the Council are responsible for their own performance, stronger local accountability leading to further improvement and reinforcing a sense of collective responsibility for performance in the local government sector.

The overall control environment is assessed via the outcome of internal audit's planned programme of work and the production of the Annual Governance Statement. Where risk areas are identified during audit work, action plans are in place to address risk control issues identified, and audit recommendations are regularly followed up to enhance overall arrangements in this area.

The Council's internal audit function continues to be an in-house shared service arrangement with Lichfield District Council. The Annual Internal Audit Opinion was presented to Audit and Governance Committee in June 2024 and stated the following: "On the basis of audit work completed, Internal Audit's opinion on the Council's framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All these have been or are in the process of being addressed". This is consistent with the prior year.

Governance (continued)

In the prior year, it was noted that 38 internal audit recommendations were outstanding as at April 2024. The Council are proactively looking to continue to reduce the number of outstanding recommendations for a number of years. As at quarter 1 of 2024/25, there are 57 recommendations outstanding. Of these, eight are a “high” priority and only one of them is classed as overdue. This continues to remain an area of focus for the Council through Audit & Governance Committee to work with internal audit to address.

During 2024/25 the internal audit manager announced he would be leaving the Council. At a similar time to this announcement, the incumbent s151 officer went on gardening leave, and has subsequently ceased employment with the Council. Whilst we are satisfied that arrangements in place at the Council are not indicative of a significant weakness in arrangements, there is a risk to the Council of losing traction with closing down internal audit recommendations and loss of corporate memory.

In October 2024, the Local Government Association published a report “Local government finance workforce action plan for England”. This sets out key recommendations for action at a local, regional and national level to address the workforce challenges that face the finance profession in English councils.

The Council have in place an interim s151 officer who has undertaken this as an interim role before and has been working at the Council for a number of years. The Council are also in the process of recruiting to fill the substantive internal audit manager vacancy, however, in the meantime have secured an external contractor to provide this service for a period of 6 months.

Other recommendations

1. We recommend that consideration is made to the CIPFA guidance setting out the Chief Executive as being one of the regular attendees at the Audit and Governance Committee.
2. We recommend the Council considers the recommendations and proposed action table as set out in the Local Government Association report “Local government finance workforce action plan for England”.

Improving economy, efficiency and effectiveness

This relates to how the Council seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

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

The Council report their quarterly performance to the Corporate Scrutiny Committee and Cabinet in a timely manner.

These reports set out a summary performance over the quarter being reported, updates on corporate risk and also complaints. They include reporting on General Fund revenue and capital variances, as well as HRA, along with comments for the variances to allow for this to be scrutinised to allow for appropriate action to take place.

The Council updated the “Comments, Compliments and Complaints” policy in May 2024 which was approved by Cabinet in August 2024. This was to address the updated Housing Ombudsman and Local Government and Social Care Ombudsman (LGSCO) Complaint Handling Code and is available on the Council’s website. Through meeting the Information Governance Manager (Monitoring Officer/Data Protection Officer), no concerns were raised with regards to open or outstanding complaints which are considered significant.

Procurement Act 2023

The Council's procurement arrangements are established in Procurement Procedures which form part of Financial Guidance. Different procurement routes are specified depending on the value, risk and complexity of the procurement in question. This is set out on the Council’s website.

Improving economy, efficiency and effectiveness (continued)

Key performance indicators will be specified in contracts where appropriate and will be monitored by the relevant contract manager.

The Procurement Act 2023 is due to come into effect on 24 February 2025. Whilst this is a four-month delay from the original planned go-live date, the Council have arrangements in place to address this. The Council's Procurement Team have developed an "Action Plan" detailing the work completed to date and actions to progress and to be completed. This also includes details of the action required, responsible officers and target dates to work towards. This is reported quarterly to Corporate Management Team (CMT) and will also be reported to Cabinet in January 2025. The Council have also included a notice of this on their website.

Shopping centre

Since the previous Auditor's Annual Report issued in April 2024, the Council continued to drive forward progress with the Town Centre Shopping Centre lease. The Council adequately considered all available options and have taken advice from experts as necessary. The Council approved the managed surrender of the significant town centre commercial head-lease on 21 November 2024, with the lease returning to the Council on 29th November 2024.

Major capital projects

The Future High Street Fund (FHSF) is a significant capital project for the Council, with funding of £21.65m being awarded to the Council in 2021. This project focuses on the following key areas:

- College Quarter;
- Middle Entry Refurbishment & Castle Gateway; and
- St Editha's Square.

Improving economy, efficiency and effectiveness (continued)

We reviewed the September 2024 project update taken to Cabinet in October 2024. This set out an update on key areas of the project. The key message being that the programme remains a challenge for the Council.

The government funding originally stipulated that funds were contractually committed by the end of March 2024; however, actual delivery could continue after this date. In 2023, The Ministry of Housing, Communities and Local Government (MHCLG) (previously Department of Levelling Up Housing and Communities (DLUHC)) communicated that an extension to the spend deadline has been awarded to delivering authorities of the fund, with funds needing to be committed by September 2024 and spent by March 2025.

The Council have identified that some of the projects, whilst progressing, are likely to extend beyond this date. This has been reported in monitoring reports to MHCLG. The Council noted in their update report to Cabinet in October that at a recent meeting with MHCLG the delivery officer has no concerns about the progress that Tamworth Borough Council are making and has suggested that there will be a further extension granted for delivering authorities beyond March 2025. As yet, there has been no further guidance on this. The Council are continuing to work to ensure that the FHSF grant money is spent by the end of March 2025.

The Corporate Scrutiny Committee received an update on Capital Programme Monitoring in August 2024, and this reported all FHSF funds had a predicted outturn matching budget for 2024/25, with just one overspend on Castle Gateway of £186k. The Council has matched some funding for projects and the Council is prioritising spending the grant element of the funding before spending their matched element.

Improving economy, efficiency and effectiveness (continued)

A summary of the spend to date against the total project funding is as follows:

	Total spent to date	Total project funding	Remaining FHSF funds	General Fund funding
FHSF	£19.036m	£21.650m	£5.310m	£2.696m

The above table illustrates the total FHSF funds against the total spent to date (reported in October 2024) and highlights the remaining funds to be spent by March 2025. The total project cost is £40m, with the difference between the £21.650m being funded by the Council.

The below table summarise the total committed expenditure and actual expenditure so far in 2024/25 as well as the remaining budget in 2024/25. This illustrates that there are plans in place in 2024/25 to spend the remaining element of the FHSF shown in the table above.

Cost Centre	Total committed & spent in 2024/25 to date	Total budget in 2024/25	Total not identified against in 2024/25
College Quarter	£2.598m	£3.198m	£0.6m
Middle Entry	£2.705m	£5.843m	£3.138m
Castle Gateway	£3.328m	£5.784m	£2.456m
Total	**£9.131m**	**£14.825m**	**£4.694m**

Improving economy, efficiency and effectiveness (continued)

The Council have included the delivery of the FHSF on their corporate risk register and report on other aspects of the project such as resource implications, environment and sustainability implications and legal risk. The Council are expecting to have fully spent the FHSF funding by the end of March 2025 with the exception of £186k which has been reported to MHCLG in regular monitoring reports. We are satisfied that there are no significant weaknesses in the Council's arrangements to secure value for money in respect of this however we have raised two "other" recommendations in relation to this.

Partnership working

The Council continue their joint waste service with Lichfield District Council as well as other shared services such as Internal Audit and Health & Safety. The Council's legal advice service is provided by South Staffordshire District Council, and CCTV is managed by West Midlands Combined Authority.

The Council have recently become a member of the Cooperation Council Innovation Network. The aim of this membership organisation is to reclaim traditions of community action, community engagement and civic empowerment.

The Council have also refreshed their implementation of a Local Strategic Partnership in September 2024. This has been created with the keys aims of:

- Creating and sharing knowledge and insight across organisations;
- Increase collaborative working between organisations;
- Develop and facilitate the creation of help in the community; and
- Tackle the causes of wider social determinants of health and wellbeing.

Improving economy, efficiency and effectiveness (continued)

The set up of this partnership addresses two risks on the corporate risk register being:

1. Promoting Community Resilience and Cohesive Communities; and
2. Delivering economic growth, and sustainability in the Borough.

It was agreed at Cabinet on 29 August 2024 to endorse the proposal to establish the partnership. At the same meeting, thematic operational groups were also proposed to support the delivery of the partnership objectives as well as Terms of Reference for the group. The first meeting was held on 10 September 2024 and is in the early stages of implementing change.

Other recommendations:

1. We recommend that the Council, as a priority, continue to regularly monitor the progress against the Future High Street Fund to ensure that they are on track to deliver the required spend by March 2025. Where this is not the case, they should seek formal approval from MHCLG of the extension required and produce and share a detailed plan for a realistic time frame for completion of the project.

2. Pressure to spend capital project funding by a specific deadline has a risk of not ensuring funds are achieving value for money. The Council should ensure that they are able to provide clear and concise audit trails of where funds have been spent in line with appropriate policies.

Key recommendations

Key recommendations relate to significant weaknesses we have identified during the course of our work.

We have not identified any significant weaknesses in arrangements, and as such, have no key recommendations to make.

Other recommendations

These recommendations relate to less significant deficiencies or opportunities for improvement we have identified during the course of our work. Progressing the actions management has identified to address the recommendations made will support the Council in realising the improvement opportunities identified from our work.

Criteria	Recommendation	Management response
Financial sustainability	We recommend that the Council, as a priority, continue to develop and monitor progress against their Financial Stability Plan to address the reliance on reserves to balance the budget. Given these reserves will be depleted by 2027/28 based on current assumptions, the Council should focus on developing sustainable solutions to address gaps in their funding or reduce their planned deficit by determining realistic saving plans. These should be specific, realistic, time-based and closely monitored.	Agreed, a Financial Resilience Plan is currently being developed, with a number of key workstreams to deliver savings/additional income to ensure longer term stability of the Council's finances, also in line with the recommendations made in the Corporate Peer Challenge report.
Financial sustainability	We recommend that the Council ensure that the final report from the Corporate Peer Challenge review and actions coming out of this are addressed and monitored as part of their future plans.	Agreed, as recommended in the Peer challenge report, the Financial Resilience Plan will include tangible, costed and deliverable savings, monitored as part of the corporate programme board and by Cabinet/Corporate Scrutiny in terms of MTFS monitoring, and will include as a key workstream our plans around asset management and investment.
Governance	We recommend that consideration is made to the CIPFA guidance setting out the Chief Executive as being one of the regular attendees at the Audit and Governance Committee.	The Chief Executive will attend Audit & Governance Committee meetings going forward

Other recommendations (continued)

Criteria	Recommendation	Management response
Governance	We recommend the Council considers the recommendations and proposed action table as set out in the Local Government Association report “Local government finance workforce action plan for England”.	Consideration will be given to this report and the recommendations applicable to Tamworth as a district council. The LGA CFO Mentoring programme which is encouraged in the report is currently in train for the Interim ED Finance
Improving economy, efficiency and effectiveness	We recommend that the Council, as a priority, continue to regularly monitor the progress against the Future High Street Fund to ensure that they are on track to deliver the required spend by March 2025. Where this is not the case, they should seek formal approval from MHCLG of the extension required and produce and share a detailed plan for a realistic time frame for completion of the project.	Spend against the FHSF scheme is regularly monitored at Programme Board and as part of monthly reporting to CMT and quarterly to Cabinet and Corporate Scrutiny. The latest projections are that all but £186k of FHSF grant will be spent by end March, and this has been reported to MHCLG who are satisfied with progress.
Improving economy, efficiency and effectiveness	Pressure to spend capital project funding by a specific deadline has a risk of not ensuring funds are achieving value for money. The Council should ensure that they are able to provide clear and concise audit trails of where funds have been spent in line with appropriate policies.	There are clear and concise audit trails in terms of decision making at Programme Board level and with regular reporting to Members including full Council where required.
Financial statements	There were no “significant deficiency“ internal control recommendations made as a result of the financial statements audit. Please refer to the Audit Findings Report for 2023/24 which details four “other” recommendations made.	Not applicable.

Follow up of prior recommendations

Criteria	Recommendation made by predecessor auditor in 2022/23 AAR	Type	Date raised	Progress to date	Addressed?	Further action needed
Governance	The Council should ensure it has good attendance (ie at least 6 of the 7 members) at its audit and governance committee meetings	Other	2022/23	Attendance at A & G committee meetings has significantly improved since 22/23 and the Council continues to support members to maintain good attendance levels.	Yes	None.
Improving economy, efficiency and effectiveness	The Council should report on the number and value of waivers to Audit, Standards & Governance quarterly	Other	2022/23	The recommendation was accepted and the first report with regard to waivers for the quarter ending June 2024 will be presented to A & G committee at the September meeting.	Yes	None.

Follow up of prior recommendations

Criteria	Recommendation made by predecessor auditor in 2022/23 AAR	Type	Date raised	Progress to date	Addressed ?	Further action needed
Improving economy, efficiency and effectiveness	We repeat the recommendation of the past two audits in relation to service plans. The service plans provided by the Council in many cases did not include KPIs which could be monitored and showed as nil values. In addition, some service plans did not provide updates on progress of the actions required identified in the report.	Other	2020/21 2021/22 2022/23	Work on the inclusion of relevant KPIs within service plans has been completed early 2024/25 to inform performance monitoring and update Pentana.	Yes	None.
Improving economy, efficiency and effectiveness	The council should make use of the LG Futures benchmarking data they have purchased and use this to support their review of service costs in future budgeting exercises.	Other	2022/23	LG Futures benchmarking data has been purchased previously but was not received on a timely basis and was limited to areas which were difficult and time consuming to make meaningful comparisons. The Council has also used CIPFA benchmarking tools in the past, but there was a lack of consistency in the capture of information across different councils and the exercise was considered to be of little benefit. The council continues to review alternative benchmarking opportunities where available.	Yes	Management have considered the recommendation appropriately.

Appendices

Appendix I: Key audit findings: financial statements

Significant risks at the financial statement level

The below table summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
Management override of controls Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Specific areas of potential risk including manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. **Risk of material misstatement: Very high**	Procedures performed to mitigate risks of material misstatement in this area included: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.	Our audit work has not identified any significant issues in respect of this risk.

Appendix I: Key audit findings: financial statements

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The tables below summarise conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Significant risks	Audit approach	Audit findings and conclusion
Fraud in revenue recognition and expenditure (rebutted) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to: • Little incentive by management to manipulate revenue recognition; and • Limited opportunity to manipulate revenue recognition. We also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out below: • Little incentive by management to manipulate expenditure recognition; and • Limited opportunity to manipulate expenditure recognition. **Inherent risk of material misstatement:** • **Revenue and expenditure recognition: Low**	Whilst we rebutted the risk of fraud in income and expenditure, we performed the below procedures based on their value within the financial statements: • Documenting our understanding of the Council's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluating the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year.	Our audit work has not identified any significant issues in respect of this risk. We are satisfied that both revenue and expenditure are materially correct.

Appendix I: Key audit findings: financial statements

Significant risks	Audit approach
Valuation of council dwellings, other land and buildings and investment property (key accounting estimate) Revaluation of council dwellings, other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated. The council carries out a full revaluation each year and council dwellings are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings, other land and buildings and investment property as a significant risk. We further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations. **Inherent risk of material misstatement:** • **Council dwellings, other land and buildings and investment property (valuation): High**	Procedures performed to mitigate risks of material misstatement in this area included: • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of management's valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor's expert; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.

Appendix I: Key audit findings: financial statements

Significant risks	Audit findings and conclusion
Valuation of council dwellings, other land and buildings and investment property (key accounting estimate) We have pinpointed the significant risk around the following: - Assets where the valuation movement differs to what we would expect based on market movements; - Assets where the inputs used have changed compared to those used in the prior year; - Assets where valuation basis has changed compared to those used in the prior year; - Assets that are new this year; and - Any other factors which, in our auditor judgement, increases the risk of material misstatement of an asset.	Our audit work has not identified any significant issues in respect of this risk. We are satisfied that the valuation of council dwellings, other land and buildings and investment property are materially correct. We engaged an auditor's expert to support us with evaluating the reasonableness of the valuation of the ground lease for the shopping centre. This was due to complexities that we were made aware of during the audit which are commercially sensitive in nature. Our auditor's expert concluded that the valuation basis and key assumptions used to value the asset are reasonable and the valuation is materially correct.

Appendix I: Key audit findings: financial statements

Significant risks	Audit approach	Audit findings and conclusion
Valuation of the defined benefit pension net liability/asset (key accounting estimate) An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk. **Inherent risk of material misstatement:** **• Defined pension fund net liability/asset (valuation): High**	Procedures performed to mitigate risks of material misstatement in this area included: • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert; • Evaluating whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council’s share of the investment valuations in the audited pension fund accounts’ and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.	Our audit work has not identified any significant issues in respect of this risk. We are satisfied that the valuation of the defined benefit pension net liability is materially correct.

Appendix II: Internal control recommendations

We set out here the highest priority recommendations we identified during the course of our financial statements audit.

Assessment	Issue	Recommendation	Management response
Red	No significant deficiencies were identified that caused a high risk to material misstatement of the financial statements.	N/A	N/A

Key: **High risk** of material misstatement **Medium risk** of material misstatement **Low risk** of material misstatement

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