

Enquiries to Committee Services
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Date: 19th January 2023

Our Ref: MM

Dear Sir/Madam,

An extraordinary meeting of the **AUDIT & STANDARDS COMMITTEE** will be held in the Council Chamber, Town Hall, Nuneaton, on **Tuesday, 31 January 2023 at 6.00 pm.**

Please note that meetings will be recorded for future publication on the Council's website.

Yours faithfully,

BRENT DAVIS
Executive Director - Operations

To: All Members of the
Audit & Standards
Committee

Councillors R Baxter-Payne (Chair),
J. Sheppard (Vice-Chair), B. Beetham,
T. Cooper, L. Cvetkovic, L. Downs,
M. Green, J. Hartshorn, J. Kennaugh,
N. Phillips and R. Tromans

A G E N D A

PART I - PUBLIC BUSINESS

1. ANNOUNCEMENTS

To advise the meeting participants of the procedure that will be followed by the Members of the committee.

A fire drill is not expected, so if the alarm sounds please evacuate the building quickly and calmly. Please use the stairs and do not use the lifts. Once out of the building, please gather outside Lloyds Bank on the opposite side of the road.

Exit by the door by which you entered the room or by the fire exits which are clearly indicated by the standard green fire exit signs.

If you need any assistance in evacuating the building, please make yourself known to a member of staff.

Please also make sure all your mobile phones are turned off or set to silent.

This meeting is due to be live streamed to YouTube and will be available to view via the NBBC website.

2. APOLOGIES - To receive apologies for absence from the meeting.

3. DECLARATIONS OF INTEREST

To receive declarations of Disclosable Pecuniary and Other Interests, in accordance with the Members' Code of Conduct.

Declaring interests at meetings

If there is any item of business to be discussed at the meeting in which you have a disclosable pecuniary interest or non-pecuniary interest (Other Interests), you must declare the interest appropriately at the start of the meeting or as soon as you become aware that you have an interest.

Arrangements have been made for interests that are declared regularly by members to be appended to the agenda (**Page 4**). Any interest noted in the Schedule at the back of the agenda papers will be deemed to have been declared and will be minuted as such by the Committee Services Officer. As a general rule, there will, therefore, be no need for those Members to declare those interests as set out in the schedule.

There are, however, TWO EXCEPTIONS to the general rule:

1. When the interest amounts to a Disclosable Pecuniary Interest that is engaged in connection with any item on the agenda and the member feels that the interest is such that they must leave the room. Prior to leaving the room, the member must inform the meeting that they are doing so, to ensure that it is recorded in the minutes.

2. Where a dispensation has been granted to vote and/or speak on an item where there is a Disclosable Pecuniary Interest, but it is not referred to in the Schedule (where for example, the dispensation was granted by the Monitoring Officer immediately prior to the meeting). The existence and nature of the

dispensation needs to be recorded in the minutes and will, therefore, have to be disclosed at an appropriate time to the meeting.

Note: Following the adoption of the new Code of Conduct, Members are reminded that they should declare the existence and nature of their personal interests at the commencement of the relevant item (or as soon as the interest becomes apparent). If that interest is a Disclosable Pecuniary or a Deemed Disclosable Pecuniary Interest, the Member must withdraw from the room.

Where a Member has a Disclosable Pecuniary Interest but has received a dispensation from Audit & Standards Committee, that Member may vote and/or speak on the matter (as the case may be) and must disclose the existence of the dispensation and any restrictions placed on it at the time the interest is declared.

Where a Member has a Deemed Disclosable Interest as defined in the Code of Conduct, the Member may address the meeting as a member of the public as set out in the Code.

Note: Council Procedure Rules require Members with Disclosable Pecuniary Interests to withdraw from the meeting unless a dispensation allows them to remain to vote and/or speak on the business giving rise to the interest.

Where a Member has a Deemed Disclosable Interest, the Council's Code of Conduct permits public speaking on the item, after which the Member is required by Council Procedure Rules to withdraw from the meeting.

4. PUBLIC CONSULTATION - Members of the Public will be given the opportunity to speak on specific agenda items if notice has been received.
5. ANNUAL AUDITOR REPORT 2020/21 ACCOUNTS – A report of the Director for Finance and Enterprise **(Page 7)**.
6. ANY OTHER ITEMS - which in the opinion of the Chair should be discussed as a matter of urgency because of special circumstances (which must be specified).

**Audit and Standards Committee - Schedule of Declarations of Interests
– 2022/2023**

| | Name of Councillor | Disclosable Pecuniary Interest | Other Personal Interest | Dispensation |
|--|--|--|---|--|
| | General dispensations granted to all members under s.33 of the Localism Act 2011 | | | Granted to all members of the Council in the areas of: <ul style="list-style-type: none"> - Housing matters - Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - An allowance, payment given to members - An indemnity given to members - Any ceremonial honour given to members - Setting council tax or a precept under the Local Government Finance Act 1992 - Planning and Licensing matters - Allotments - Local Enterprise Partnership |
| | R. Baxter-Payne (Chair) | Manager Brinklow Quarry Ltd, Brinklow; County Councillor - WCC | Spouse: Self-employed childminder Member of the following Outside Bodies: <ul style="list-style-type: none"> • West Midlands Combined Audit, Risk and Assurance Committee • Warwickshire Adult Social Care and Health Overview and Scrutiny Committee (substitute) | |
| | B. Beetham | Employed at The George Eliot Hospital; Warwickshire County Council – Camp Hill | Member of the following Outside Bodies: <ul style="list-style-type: none"> • Camp Hill Urban Village: Pride in Camp Hill Board • Committee of Management of Hartshill and Nuneaton Recreation Ground | |
| | T. Cooper | None | Member on the following Outside Bodies: <ul style="list-style-type: none"> • Camp Hill Urban Village: Pride in Camp Hill Board • Committee of Management of Hartshill and Nuneaton Recreation Ground | |
| | L. Cvetkovic | Head of Geography | The Bulkington Volunteers | |

| | Name of Councillor | Disclosable Pecuniary Interest | Other Personal Interest | Dispensation |
|--|--------------------------|---|---|--|
| | | (Teacher), Sidney Stringer Academy, Coventry | (Founder); Bulkington Sports and Social Club (Trustee) Member on the following Outside Bodies: <ul style="list-style-type: none"> • Building Control Partnership Steering Group | |
| | L. Downs | River Bars Limited; Coventry Plus Beyond the Plane | Member on the following Outside Body: <ul style="list-style-type: none"> • Hammersley, Smith and Orton Charity | |
| | M. Green | Employed by Horiba Mira – Calibration Technician | Chair of Education Standards Committee – St Thomas More School Executive Member – Nuneaton Conservatives. President – St Vincent De Paul Society at Our Lady of the Angels Church. Our Lady of the Angels Church Member of the George Eliot Fellowship. Member of the Nuneaton Education Strategy Board Member on the following Outside Bodies: <ul style="list-style-type: none"> • Friendship Project for Children. | |
| | J. Hartshorn | Employed by Asda Nuneaton | Member of Nuneaton Conservatives | |
| | J. Kennaugh | County Councillor W.C.C. Employed by FedEx Express UK Limited. | Member of the W.C.C. Regulatory Committee Member of the Conservative Party Member of UNITE the Union Member on the following Outside Bodies: <ul style="list-style-type: none"> • EQUIP | |
| | N. Phillips | Employee of DWP | Member of: <ul style="list-style-type: none"> • Nuneaton Labour CLP • The Fabian Society • The George Eliot Society • The PCS Union • Central Credit Union • Stockingford Sports and Allotment Club • Haunchwood Sports and Social Club | |
| | J. Sheppard (Vice-Chair) | | Partnership member of the Hill Top and Caldwell Big Local. Director of Wembrook Community Centre. | Dispensation to speak and vote on any matters of Borough Plan that relate to the Directorship of Wembrook Community Centre |

| | Name of Councillor | Disclosable Pecuniary Interest | Other Personal Interest | Dispensation |
|--|---------------------------|---|--|---------------------|
| | | | Member of the Management Committee at the Mental Health Drop-in. | |
| | R. Tromans | RTC, Nuneaton AFL, Wellingborough | W.C.C. Warwick Member of the following Outside Bodies: <ul style="list-style-type: none"> • Nuneaton Neighbourhood Watch Committee Hospice Charity | |
| | | | | |

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Audit and Standards Committee 31st January 2023

From: Director – Finance and Enterprise

Subject: Annual Auditor Report 2020/21 Accounts

1. Purpose of Report

1.1 To provide the final opinion on the Statement of Accounts for 2020/21.

2. Recommendations

2.1 That the Annual Auditor Report for the Statement of Accounts are noted.

2.2 That the Annual Audit Report is recommended to Council for noting.

3. Background

3.1 The External Auditor, Grant Thornton have concluded the audit for 2020/21 and report the opinion in Appendix A.

4. Body of Report

4.1 Detail of the final opinion and value for money conclusion of the External Auditor are noted in the Annual Audit Report and are presented to the Committee.

5. Conclusion

5.1 That the enclosed opinion and value for money conclusion is noted.

6. Appendices

6.1 Appendix A – Nuneaton and Bedworth Borough Council Audit Findings Report

7. Background Papers

7.1 None.



Auditor's Annual Report on Nuneaton & Bedworth District Council

2020-21

January 2023

Contents



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

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



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Appendices

- A – The responsibilities of the Council
- B – An explanatory note on recommendations
- C – Use of formal auditor's powers

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

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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

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

| Criteria | Planning Risk assessment | Conclusion |
|---|--|--|
| Financial sustainability | Potential risk of significant weaknesses identified in respect of the Council's financial sustainability | No significant weaknesses in arrangements identified, but improvement recommendations made |
| Governance | No risks of significant weaknesses identified | No significant weaknesses in arrangements identified, but improvement recommendations made |
| Improving economy, efficiency and effectiveness | No risks of significant weaknesses identified | No significant weaknesses in arrangements identified. Our work on Covid-19 identified one improvement recommendations. |

Overall commentary

Overall, we have not identified any significant weaknesses and related key recommendations, including the Council's response to COVID 19. We have identified a small number of financial management, governance and capacity related improvement recommendations to further improve the Council's governance and performance arrangements, which management has accepted and will implement.

Extraordinary Audit and Standards Committee - Tuesday, 31 January 2023



Financial sustainability

The Council is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. The Council, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Council has maintained a good financial position. The Council put forward a series of proposals which forecast a balanced budget for the 2021/22 financial year.

This places the Council in a reasonable financial position. The Council's Medium Term Financial Plan will enable the sensible phasing of proposals to minimise the impact of the financial climate on services to residents. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified some further improvements to strengthen the Medium Term Financial Plan and monitoring of the delivery of savings and capital plan.

Further details can be seen on pages 8 to 14 of this report.



Governance

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

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements or the need for key recommendations in relation to governance. We have identified opportunities to further enhance the Council's governance arrangements in areas such as registers of gifts and hospitality and upside of risk management. Further details can be seen on pages 15 to 20 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements or need for key recommendations in relation to delivering economy efficiency and effectiveness. In the context of COVID 19 and ongoing service pressures, the Council needs to continue to explore opportunities to increase capacity and strengthen the resilience of the services provided.

Further details can be seen on pages 21 to 23 of this report.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified audit report on the Council's financial statements on 22 September 2022. This is later than the statutory deadline of 30 November 2021. The reasons for this are set out on the following page.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements or Annual Report.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was reported to the Council's Audit and Standards Committee in August 2022 with a final update in September 2022.

Our audit identified several adjustments and recommendations. The full details and impact of these can be found in our Audit Findings Reports to the Audit & Standards Committee. Whilst there was no material net impact of the adjustments upon the resources available to the Council to spend on services the larger adjustments were in respect of accounting for property, plant and equipment valuations and the treatment of a provision in respect of business rates appeals.

Preparation of the accounts

The Council provided draft accounts later than the statutory deadline due to an increased workload being placed on the Head of Financial Services (see next page). Working papers were not provided at the same time as the financial statements.

Whole of Government Accounts

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

We have completed our work on the Whole of Government Accounts consolidation pack in line with the national deadline of 30 September 2022.

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.



Issues arising from the audit of the financial statements

In prior years, through our Annual Audit Letter and Audit Findings Reports, we informed the Audit & Standards Committee that we believed the Council was carrying what we described as a 'key person risk' in that all of our audit queries were dealt with and co-ordinated by one member of the finance team, the Head of Financial Services.

During the 2020-21 financial statements audit, the Head of Financial Services had also been asked take on additional responsibilities in relation to Covid-19 grants and other returns. This was partly responsible for the start of our audit being delayed until October 2021. As the increased workload for the Head of Financial Services continued, this led to a delay in receipt of evidence and receipt of responses to queries raised. The audit was originally due to be completed before the end of December 2021. However, due to the delays previously mentioned this was not achieved. It was communicated early in January 2022 that the Head of Financial Services would be leaving at the end of March 2022. Plans were then agreed with the Interim Director of Finance to have the audit completed by the end of January. This was further delayed to the end of March due to the prioritisation of the Head of Financial Services workload, primarily linked to the budget setting process.

By the time the Head of Financial Services left the Council, there were still a number of queries outstanding. We agreed with the Interim Director of Finance at that time to have all responses to queries early in April however but this deadline was not achieved. In May, the Council has appointed a new Director of Finance who has assisted the audit team to obtain the required evidence for the audit to be completed in September 2022. The new Director of Finance has also been supported since the end of July by a new Interim Head of Financial Services. The Director of Finance and Head of Financial Services have been a significant help to the audit process since they joined and have worked to ensure that the wider finance team was able to provide responses to our remaining queries.

As noted above this enabled us to bring the 2020/21 audit of the financial statements to a conclusion in September 2022. Our audit identified several adjustments and recommendations. The full details and impact of these can be found in our Audit Findings Reports to the Audit & Standards Committee. Whilst there was no material net impact of the adjustments upon the resources available to the Council to spend on services the larger adjustments were in respect of accounting for property, plant and equipment valuations and the treatment of a provision in respect of business rates appeals.

Given the length of the delay in finalising the 2020/21 financial statements audit we have considered whether this might indicate a significant weakness in the Council's arrangements. We have noted that the Council has continued to ensure its finance function has capacity through the initial use of interims and the progression to permanent staff. At the same time it was responding to the challenges of the pandemic. On balance we have concluded that there is not a significant weakness. We have raised an improvement recommendation as we believe it is important that in order to create greater resilience in respect of accounts preparation and support of future audits it is important that the Council now use this opportunity to review the arrangements for accounts preparation, including appropriately delegating and spreading the tasks between the finance team and providing training where necessary in order to reduce the key person risk going forward.



Improvement recommendation



Governance

| | |
|---------------------------|---|
| Recommendation 1 | The Council should continue to improve resilience in respect of accounts preparation and support of future audits by reviewing the arrangements for accounts preparation, including appropriately delegating and spreading the tasks between the finance team and providing training where necessary in order to reduce the key person risk going forward. |
| Why/impact | Timely preparation and publication of the Council's statutory financial statement is a key plank of public accountability. Delays also impact the normal cycle of work within the Council including preparation and in-year monitoring of budgets and increased audit costs. |
| Auditor judgement | The Council has a relatively small finance team. It has relied upon a key individual in the past in order to prepare the financial statements and support delivery of the audit alongside their other duties. We had highlighted in previous audits that this represented a key person risk and as a result of the pandemic and illness this crystallised during 2020/21 and into 2021/22. It is important that the Council continues to improve resilience in respect of accounts preparation and support of future audits by reviewing the arrangements for accounts preparation, including appropriately delegating and spreading the tasks between the finance team and providing training where necessary in order to reduce the key person risk going forward. |
| Summary findings | During the 2020/21 financial statements audit, the Head of Financial Services, who was the key person in preparing the financial statements and supporting their audit had to take on additional responsibilities in relation to Covid-19 grants and other returns. This led to a delay in receipt of evidence and receipt of responses to queries raised. The audit was originally due to be completed before the end of December 2021 but was ultimately completed in September 2022. During this period the Head of Finance and the Director of Finance left the authority. A new permanent Director of Finance was appointed in May 2022 and has been supported since the end of July 2022 by a new Interim Head of Financial Services. They have been key in bringing the 2020/21 audit to a conclusion. |
| Management comment | The Finance team is currently in the process of being restructured, with the new structure expecting to be in place in April 2023. Training will be provided across the team to ensure they will be able to be actively involved in the preparation of the annual accounts and audit during 23/24 onwards. |



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

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 30. Further detail on how we approached our work is included in Appendix C.

Financial sustainability



We considered how the Council:

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

Approach to Medium term financial planning to identify the significant financial pressures

Council papers for February 2021 included the Medium Term Financial Plan (MTFP) which was updated as part of the budget setting process to take into account any new information available from the provisional settlement for 2020/21. The draft budget for 2020/21 included the following assumptions:

- Pay award estimate of 2.75% plus increased Independent Living Wage
- No price inflation unless it is contractual or unavoidable
- Employers pensions contributions in line with the 2019 triennial valuation
- An increase in the council tax base of 2%
- Increasing Council Tax to £5 on a Band D property
- No further increase in fees and charges other than for Cemeteries
- Interest Rates per the latest forecasts
- 1.5% vacancy saving
- Revenue Support Grant and Business Rates in order to achieve a balanced budget, Council officers developed savings and income opportunities across existing transformation themes, as reflected in the Council Plan 2019-31, resulting in proposals to meet the budget gap

From review of the MTFP and budget setting papers we are satisfied that the Council has appropriate financial planning arrangements in place, and there is evidence of scrutiny at Cabinet, Council and the Audit and Standards Committee. From a review of the financial performance reports we are satisfied that financial risks in the Council are understood and being managed. The Council's corporate risk register includes a risk relating to delivering a financially sustainable Council, which demonstrates that the Council is aware of the significant challenges it continues to face and is actively managing its financial sustainability. The Council is appropriately managing its financial risks in the short, medium and long term.

The Council does not have significant levels of income from commercial activities. The Council is the sole shareholder for Nuneaton & Bedworth Community Enterprise Ltd (NABCEL) and during 2020/21 it received a dividend payment of £59,180. Review of final 2020/21 NABCEL financial statements highlighted the company had increasing cash balance to fund any potential liabilities, with monitoring of company performance undertaken by the NABCEL Shareholder Committee which reports to council Cabinet.

It is important that management continue to monitor the financial sustainability of the company and ensure this is fully reflected in the Council's financial plans.

Financial sustainability (Cont'd)

The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation. The MTFP sets out the range of key assumptions that the Council has made in developing its financial plans. The MTFP sets out the range of key assumptions that the Council has made in developing its MTFP. This includes: inflationary assumptions including in relation to planned savings and in relation to various sources of income.

There is no evidence that the Council's MTFP is based on unrealistic assumptions. The MTFP is reviewed annually as part of the annual budget setting process, with the net financial effect of overspends mitigated by underspends elsewhere, the use of reserves and contingencies. Given the relative financial stability during 2020/21 these arrangements were satisfactory. At the time of writing however, given current levels of inflation reported by the Office for Budget Responsibility, significantly higher than the assumed levels set out in the future years of the MTFP, a formal mid-year review of MTFP, including assumptions, would help improve the accuracy of forecasts. We have therefore made an improvement recommendation regarding best practice to review and update key assumptions budget and MTFP mid-year to ensure they remain accurate.

The budget is developed each year considering cost pressures and Council priorities. These cost pressures are clearly outlined within the budget. Budget development includes analysis of information from other services areas, historic and more recent trends. This is used to estimate the demand for services, alongside demographic changes, which feeds into the budget and MTFP. The Council also identifies mitigations against these potential pressures. For example it has established provisions for contract inflation and pay inflation in relation to Brexit.

Cash forecasts were prepared for a two year period covering the period to 31 March 2022. Total income and expenditure is totalled for each month to present the net cash flow position. This is used for forecast an opening and closing cash balance for each month (adjusted closing balance). The cash flow forecasts indicated that the Council's cash balance would remain positive throughout 2021/22 with no cash flow difficulties identified. The positive cash balance reported in 2021/22 has subsequently been conformed.

The Section 25 report which details the robustness of the estimates made for the purposes of the budget calculations; and the adequacy of the proposed financial reserves was presented by the Director of Finance (Section 151 officer) to Council on 17 February 2020, which confirmed that the Council Tax calculation for 2020/21 and set a balanced budget for 2020/21. The report sets out the key assumptions that support the MTFP, and discusses the adequacy of the general fund balance in particular, with the aim to maintain the balance to £1.439 million in 2021/22. This reserves position was actually achieved within 2021/22, during which the Council strengthened its useable reserves position. The Section 25 report clearly identifies an approach to increasing Council reserves to support uncertainty in the short and medium term.

Plans to bridge funding gaps and identify achievable savings

The MTFP set out approved planned savings of £1.774m to be delivered during 2020/21. The Council had clear arrangements in place to identify and monitor the progress of savings delivery. The Council had a minor reduction in its useable reserves position during 2020/21 with overall balances reducing from £9.64 million at 31/3/2020 to £9.51 million at 31/3/2021, Reserves will be used to manage slippage in savings delivery and to manage uncertainties in the medium term. To mitigate against the undelivered savings the Council plans to utilise temporary underspends and a drawdown from the COVID-19 emergency grant.

The Local Government Association (LGA) analysis (used by the Council) shows that the Council's General Fund unallocated balance is less than half the average level of their nearest neighbours and the overall level of reserves is also lower than that same comparative group. Whilst the level of reserves that the Council holds is still considered reasonable (by the Council) in relation to the budget risk assessment, they are at the lower end of the prudent level. This has been taken into account as part of the budget setting process for 2022/23 and the Medium Term Financial Plan update. The £99k surplus in 2020/21 has been allocated to General Fund balances to ensure that this continues to reflect the risks that the Council faces.

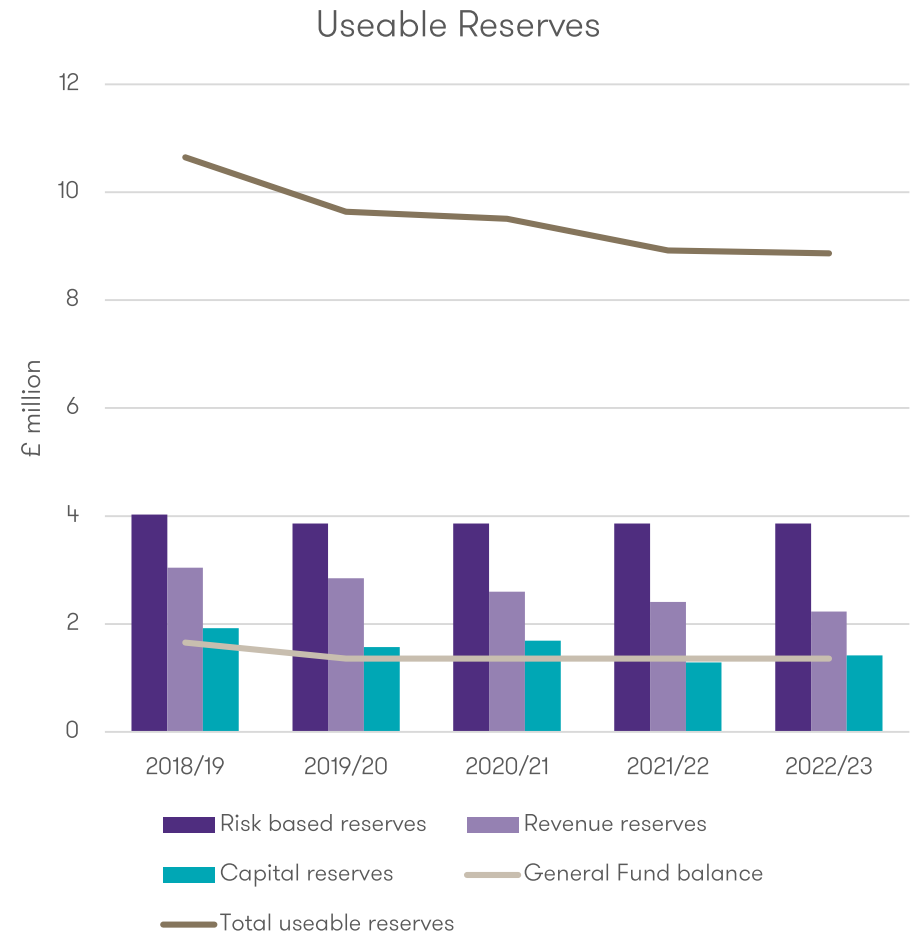
Financial sustainability (Cont'd)

The 2020-21 savings update reported to Cabinet in February 2021 forecast £1.774m (100% of planned savings) savings would be delivered in 2020/21. Monitoring of savings delivery is one of the key areas of focus for the Cabinet. Reporting the Council's delivery of MTFP planned savings highlights a very confusing picture. The information is difficult to be clearly reviewed and Cabinet and Council finance commentary reports detail the Council has found delivery of their saving target to be a challenge. This suggests that the Council's targets are ambitious or unrealistic or require further monitoring to ensure delivery.

Given the sustained period of austerity faced by all local authorities, savings become harder to identify over time given the scale of savings already delivered, which has been further impacted by the COVID-19 pandemic. In this context, we recommend that the Council refine its existing arrangements for monitoring savings, to ensure they support delivery of the savings required. We have raised an improvement recommendation in relation to this on page 13.

The Council was able to maintain its useable reserves position during 2020/21, including risk based reserves and the general fund balance. This provides a buffer in case the Council fails to deliver savings or future uncertainties arise in the medium term.

The graph on the right details an analysis of the useable reserves looking at the period 2018/19 to 2022/23 highlights a downward trajectory in the overall reserves balance. In this context, it is important that the Council continues to focus on the delivery of savings and strengthening its useable reserves.



Financial sustainability (Cont'd)

Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Our review of budget planning documents highlights that the Council has an understanding of the cost of delivering core statutory services as distinct from discretionary areas of spend. This is not clearly differentiated in the financial planning reports which underlie the budget and MTFP on the basis that all spend is directed towards the delivery of core services and achievement of Council Plan priorities.

The outcomes for the Council are set out in the MTFP 2019-23. These outcomes drive the work of the Council and the strategic planning process including:

- Promote residents' health and wellbeing
- Enable appropriate housing development Sponsor a sustainable green approach
- Prioritise community safety and empowerment
- Grow a strong and inclusive economy
- Champion education skills
- Embrace new and emerging technology
- Support local businesses
- Create vibrant and diverse town centres
- Stimulate regeneration
- Celebrate and promote our heritage
- Improve the physical environment

The MTFP could be strengthened to clearly link to the corporate plan priorities and better demonstrate transparently how the MTFP delivers against the corporate plan.

There are a number of new or increased projects included in the Capital Programme for 2020/21. These include:

- Preliminary Works Riversley Park Bridge – for the provision of a bridge suitable for both pedestrians and cyclists and funded by external contributions.
- Pingles Running Track – the resurfacing and improvement of the track which was last replaced in 2010.
- Mobile Home Sites – this is the final phase of remedial works to improve fire safety and the expansion of one site. Works have progressed well and therefore some of the planned work for 2020/21 has moved forward to 2019/20.

The Council approved the 2020/21 Capital Strategy in February 2020. The Capital Strategy identifies outcomes which the capital programme is designed to achieve:

- maintenance of existing assets and statutory compliance to achieve Council Plan outcomes (transforming our services and organisation);-
- enterprise driven investment to deliver savings or generate sustainable income streams. These outcomes link clearly to the Council's Plan.

The capital strategy includes planned capital expenditure over the period 2019-23 by year. The narrative of the MTFP provides details on how some of the projects link to Corporate Plan and Capital Strategy outcomes. The capital budget appears to support the delivery of strategic priorities. To strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within and particular Council Plan outcomes. This would demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme.

The financing of the capital programme is included in the MTFP and is supported by the Treasury Management Statement, also approved by Council in February 2020. The General Fund Capital Programme for 2020/21 was updated in February 2021 and a revised budget of £15.57m (compared to original budget of £19.636m) was approved. The actual outturn for the year was £10.53m. Of the overall underspend, £2.47m was to be reprofiled into 2021/22.

Reasons for major projects requiring re-profiling into 2021/22 included:

- £0.21m Tennis Courts Miners Welfare Park procurement exercise being delayed,
- £0.12m Leisure Strategy Cabinet - 21st July 2021 highlighted work on the project is progressing well, the carry forward funding was a result of the phasing of payments,
- £0.43m Vehicle Replacement Vehicles were ordered but due to lead in times they were not delivered until 2021/22.
- £0.18m, Purchase of Investment Properties One property did not complete until June 2021.
- £0.29m Towns Fund Advanced Funding, the contract was awarded with a completion date of June 2021.
- £0.79m Getting Britain Building, this was a 2-year project with phased grant contributions.

We have discussed with management the reasons underlying re-profiling are supported by reasonable assumptions and accurately reflect project status. Management have held conversations with the funders of the projects to extend the deadlines due to the impact Covid has had on these projects. The capital programme for 2022/23 is set at £61.6m of which £16.7m of this is reprofiled from 2021/22.

Financial sustainability (Cont'd)

Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The MTFP sets the framework for how the Council plans to use its financial resources to deliver activity over the medium term. The Council considers the MTFP one of the key strategic documents. The others are the Asset Management Plan, the Corporate Plan & the Housing Revenue Account Business Plan and the Strategic Workforce Plan. Our work highlighted that the MTFP is fully integrated with the Corporate plan acting as the foundation to deliver the vision and priorities within it and the workforce plan (the framework to develop the workforce to achieve Council Priorities).

Capital project proposals are considered by the Cabinet, including how each proposal will help to deliver corporate priorities, savings that will be realised and the revenue implications of the project (such as on-going maintenance costs). Our work found no evidence of major capital investment cancelled, there was slippage in the capital budget during 2019/20 and 2020/21 (mainly due to impact of COVID-19).

The Council's Treasury Management Strategy sets out the balance sought between optimising return and mitigating risk. The Council follows the CIPFA Code of Practice on Treasury Management, which sets out the reporting requirements, to ensure best practice is followed. The minimum reporting requirements are for three main reports incorporate estimates and actuals. An annual Treasury Strategy (prepared in advance of the new financial year) covers the annual Treasury and Investment Strategies, the Treasury and Capital Prudential Indicators and the Minimum Revenue, a Provision Policy Statement and a mid-year Strategy Review to update Members with the progress of the capital programme, amending prudential indicators as necessary, and whether the Treasury Strategy is still appropriate or requires revision (e.g. Council received the 2020/21 Half-Year Update Report in November 2020). Reporting covers investments and borrowing. The Council has been risk averse in its investment strategy.

The budget and MTFP clearly identifies priorities and resulting cost pressures. The budget is developed focusing on delivery of key service areas and priorities, and budget plans are centrally collated to avoid conflicting or competing elements. Our work highlighted no evidence of inconsistencies between the budgetary and the financial position reported in financial statements.

Identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Risks are incorporated into the MTFP. There is a section within the Council's MTFP entitled 'How will the Council Manage Financial Risk?'. This section of the MTFP discusses key risks to delivery of the MTFP and the actions to mitigate of each risk identified. The total cost of these risks is £4.7m. The MTFP was presented and discussed by Cabinet February 2020 allowing for scrutiny and questioning (before presentation to Council in February 2020).

The MTFP highlights the Council's reserves which form an important role in managing uncertainty. In particular, the MTFP outlines key areas of uncertainty identified the MTFP identifies the key risks to the delivery of the MTFP. Each of these risks are individually quantified and total £4.7million, with mitigation of the risk identified too. As at 31st March 2021 General Fund earmarked reserves stood at £18.47m, primarily due to the accounting treatment for business rates. The Council held both revenue and capital reserves as well as an unallocated balance. There are also reserves for specific risks that the Council faces, such as the Insurance Fund and Business Rates Retention, as well as unspent grants that are ring-fenced for a specific purpose. The potential impact of changes of various estimates and assumptions is discussed with Cabinet as part of the briefing process, as part of the budget development. This is however not formally reported to members.

The Council has an ongoing planned savings programme, which will also help in addressing future variances. Generally, the Council is well managed and has an understanding of its budget position and budgetary pressures.

A risk based reserves review was undertaken as part of the 2019/20 budget setting process which set minimum levels to mitigate the risk that the authority faces. The basis of this has not changed significantly and those levels of reserves are deemed reasonable. The Council have identified that a Financial Planning Reserve of at least £1.5m should be maintained to cover budget risks and fluctuations such as income reductions or higher inflation. The Council has set a minimum target level of £1million for the General Fund. At the end of 2020/21 the balance was £1.36m. The Council has sufficient provisions in place to take into account the impact of legal and regulatory proceedings.

Conclusion

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified some further improvements to strengthen the Medium Term Financial Plan and monitoring of the delivery of savings and capital plan.

Improvement recommendation



Financial sustainability

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| Recommendation 2 | Introduce a formal mid-year review of current MTFP assumptions with appropriate reporting to Members. Refine formal reporting to Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP. |
| Why/impact | Regular review of MTFP assumptions will help to ensure ongoing accurate financial forecasting and allow for appropriate timely action. Reporting a mid-year review of MTFP assumptions, sensitivity analysis and scenario planning to members will provide the opportunity for challenge, scrutiny, oversight and improved the accuracy of forecasting. |
| Auditor judgement | Greater agility on financial management is required given current financial uncertainties, regular review and challenge of MTFP assumptions to help ensure financial forecasts remain accurate. |
| Summary findings | MTFP assumptions are updated annually as part of the annual budget setting process. Sensitivity analysis and scenario planning is undertaken as part of the development of the budget, however this analysis is not formally presented to members. |
| Management comment | Members are more actively involved in the budget setting process for 23/24 at present, and during the 23/24 financial year mid-year MTFP reviews will commence and be reported to Members. |



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

Improvement recommendation



Financial sustainability

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| Recommendation 3 | Refine existing arrangements for identifying and monitoring MTFP saving plans to ensure planned savings are fully delivered. Where circumstances change to affect delivery these are clearly reported, especially for those in relation to early intervention and demand management. |
| Why/impact | Sufficient and appropriate arrangements to monitor, manage and address slippages will improve savings delivery and reduce pressure on the Council's useable reserves. Further analysis would enable the Council to provide assurance that the Council's targets (whilst ambitious) are not unrealistic. |
| Auditor judgement | There is a risk that MTFP savings become harder to identify and deliver over the medium-term. |
| Summary findings | Our experience in the sector is that in sustained periods of austerity, savings become harder to deliver over time. This is likely to be the case for the Council, given the impact of 10 years of funding reductions, the scale of savings already delivered and continuing impact of the pandemic. |
| Management comment | For the 23/24 financial year onwards, monitoring of performance against savings put forward as part of the approved budget will be encompassed as part of the monthly budget monitoring process undertaken by the Accountancy team. |



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

Governance



We considered how the Council:

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

Monitoring and assessing risk

The Corporate Risk Register is clearly set out, with a risk owner, concise description and key controls to manage each risk. The Council has a Risk Management Policy, Process Guide and Toolkit to ensure consistent scoring of risks across all Directorates. The Council provides appropriate training on risk management. The Council's risk appetite was unchanged throughout 2020/21. There is scope to increase the Council's risk maturity and duality of risk by formally considering opportunities to exploit as well as a focus on downside risks, in risk registers. The Council's pandemic response and shift to new ways of working has identified a number of opportunities to refine and improve the way the Council delivers its services. It is important that these opportunities are captured so change can be embedded and monitored going forward.

The impacts of the pandemic can be seen throughout the Corporate Risk Register. The Council's highest rated corporate risks were in relation to:

- Nuneaton and Bedworth Community Enterprises Ltd. (NABCEL) gives rise to unplanned liabilities
- Failure to effectively manage Health & Safety arrangements to limit the potential for accidents and financial penalties
- Failure to deliver / refresh the key elements of "Delivering Our Future (DOF) 2019 - 31"
- Arson or an accidental fire in NBBC corporate buildings, General Purpose flats and Independent Living Complexes
- Inadequate information management resulting in penalties applied by the Information Commissioner's Office / Non-compliance with General Data Protection Regulations (GDPR)
- The impact of COVID-19 on the provision of Council services

The Council has an established risk management framework in place. The arrangements include reports to Cabinet, reports to Service and Directorate Management Team meetings. The Council Corporate Risk Register is reviewed quarterly by Cabinet. Deep dive reviews of the critical risks were presented to the Audit and Assurance Committee throughout the year, allowing for more detailed and effective oversight and challenge. The corporate risk register is a focus document and we are satisfied that it includes a proportionate number of risks.

The Strategic Performance Monitoring Report includes a description of actions that the Council undertook and performance measures which provide an indication of how well the Council is performing against its priorities. The Council should consider whether it can streamline this report to provide more summarised and integrated performance, finance and risk reporting, this would build on existing arrangements which include meetings between respective finance, performance and risk management teams to discuss their reporting to Cabinet. We have included improvement recommendations to ensure the Council continues to formalise its risk maturity and risk management arrangements at directorate, service and operational level.

Governance (Cont'd)

Assurance over the effective operation of internal controls

In developing its 2020/21 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. The Council reviews the Local Code of Corporate Governance on a regular basis and adopts an action plan to deal with any issues. The Audit and Standards Committee approved a revised Local Code in July 2018, which is consistent with the principles set out in the CIPFA/Solace Delivering Good Governance in Local Government Framework 2016. The Council also carried out a comprehensive review of the effectiveness of its governance framework including its system of internal control. This included:

- an assessment by each Assistant Director of internal controls in their service areas against the required standards;
- review of minutes of Audit and Assurance Committee, Cabinet and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed;
- review of the overall opinion of the Head of Audit and Governance (Head of Internal Audit);
- assessment of the Audit and Assurance Committee arrangements against the 2018 CIPFA Guidance for Audit Committees in Local Authorities and the Police;
- review of the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit;
- review by the Pensions Committee of the Warwickshire Local Government Pension Scheme (LGPS) Fund Policy documents;

This exercise provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2020/21 year.

Internal Audit

The Council has appropriate Internal Audit arrangements in place. Internal Audit services are provided by an in-house team. Despite the impacts of COVID-19, sufficient work was carried out across the Council's 5 directorates to support the opinion given. The Group Audit Manager provided "reasonable assurance" over the effectiveness of the Council's arrangements for governance, risk management and internal control. 70% of planned 2020/21 audits were completed, 3 audit reviews in 2020/21 were given the lowest assurance level of 'limited'. This, combined with the completed reviews in year, gave an appropriate level of coverage across the Council to provide this Head of Internal Audit opinion.

The primary reason for not achieving delivery off full planned audit programme was the difficulties caused by the Covid-19 restrictions with many Council services affected directly and having high priority Covid related priorities to deal with and the majority of staff were working from home. This therefore made it more difficult and time consuming to obtain information to complete audit reviews.

The Head of Internal Audit's annual opinion has been produced in line with mandatory Public Sector Internal Audit Standards (PSIAS). The annual report also makes reference to Internal Audit's Quality Assurance and Improvement Programme, which ensures work is compliant with PSIAS. The PSIAS require an external assessment of the internal audit service at least once every 5 years; the last external assessment at NBBC was in 2019.

Monitor compliance with legislation and regulatory standards

Compliance with legislative and regulatory standards falls within the remit of the Director for Planning & Regulation who is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council, or in any case where he/she considers that such action is necessary to protect the Council's interests. The annual governance statement sets out that the Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken each year. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016. The Annual Governance Statement is approved by the Audit and Standards Committee.

This exercise provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2020/21 year. This was corroborated by our 2020/21 financial statements audit and review of the 2020/21 Annual Governance Statement.

There have been two instances reported during 2020/21 which may fall into the category of "serious" data security breaches. One related to disclosure of a confidential investigation report related to member behaviour. The other related to disclosure of personal information to a cleansing operative related to removal of Ragwort from land. Our work highlighted both of these had been properly resolved.

Governance (Cont'd)

Counter Fraud

The Council seeks to engender an organisational culture that embraces the highest standards of conduct and accountability. Anti-fraud and corruption policies are kept under close review. The Council also participates in the National Fraud Initiative (NFI). The Council has a Whistleblowing policy and a Speak Up statement, which complements the Whistleblowing policy and encourage individuals to raise issues of concern in a safe environment. The Council has not been subject to any material frauds in year. In addition to national initiatives, the Council produces and reviews its own anti-fraud and corruption measures as it aims for the highest standards of conduct and integrity to protect public funds. The relevant policies are contained within the Council's Constitution - Financial and Contract Procedures Rules; Members Code of Conduct; Employee Code of Conduct; Anti-Fraud, Corruption and Bribery Strategy; Anti Money Laundering Framework - Rules and Procedures, Confidential Reporting Code (i.e. Whistleblowing Policy), Gifts & Hospitality Policy.

Gifts and Hospitality and Declaration of Interests arrangements were reviewed as part of our work for 2020/21 and it was identified that at March 2021 not all declarations had been received. A record of the gifts and hospitality and declaration of interests is published on the Council's website for transparency. Actions have been taken by the relevant Departments to close the exposure gaps identified by the audit. New employees receive induction training on a range of policies in the first 3 months; they are then required to undertake a mandatory training/or refresher training on these policies (reading and understanding) through the Training system (Delta), which records the relevant courses undertaken by individual employee (e.g. Anti-fraud and Corruption policy etc.) and prompts refresher when due.

The Council has been participating in Housing Benefits Accuracy Awards reviews. The Housing Benefit team selects approximately 60 claims across the claim types, every month from the spreadsheet activity sent to the Council by the DWP, and reviews these findings evidence the Council is in the top quartile in the Country.

Leadership and committee effectiveness/decision making

The Council operates a Leader and Cabinet form of executive. Governance arrangements include a number of scrutiny committees which hold the Cabinet to account. The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Council's AGS sets out how the Council operates, how decisions are made and the policies and are followed to ensure that these are efficient, transparent and accountable to local people.

Our review of minutes of Audit and Standards Committee and review of other committee minutes indicates that key strategic decisions are subject to healthy challenge and are supported by detailed papers. Senior officers are open to conversations during committee meetings. Senior officers attend to present their own area items and to field any questions. We have not seen evidence of discussions not being open. The Audit and Standards Committee provides challenge of financial and non-financial items. The members of the Committee have a good mix of experience and expertise. The Committee is well attended with minimal absences.

There is discussion with officers and attendance at committee demonstrating an appropriate "tone from the top". There have been a number of changes to the Council's Corporate Management Team during 2020/21 financial year, this has included changes of Director of Finance. Arrangements were put in place to ensure statutory posts were filled. In view of the loss of experienced officers, it is important that the Council continues to put arrangements in place to ensure there is continuity in the leadership of the Council and no loss of corporate memory. We are satisfied that the recent changes to the leadership team have been well managed, with continuity maintained and corporate knowledge retained.

Register of Interests/ Gifts Hospitality

The Council maintains a record of member interests and gifts and hospitality on its website. There is a requirement for members to reconfirm their interest within 28 days of becoming a member or on re-election/ re-appointment to office. The constitution is also clear that member must ensure that their register of interests is kept up-to-date and updates should be notified within 28 days of becoming aware of any new interest. An extraordinary Council meeting December 2020 included an updated Register of Councillor declared interests. Whilst compliant with the Council's constitution, the process could be strengthened by requesting members to confirm annually that their register of interests and gifts/ hospitality is up to date, the website could then be updated to reflect this.

We acknowledge that the Council does an annual exercise to inform the related party disclosures in the financial statements, although again this is not integrated into other central or departmental registers. We have raised an improvement recommendation in relation to the Council's arrangements for maintaining a register of interest and gifts/ hospitality for senior managers and officers.

Our work has identified that at the end of March 2021 not all declarations had been received by members. This gives rise to a risk that decisions are made by the Council without taking into account any conflict of interests.

Governance (Cont'd)

Budgetary Setting Process

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. There is monitoring at a service, directorate and corporate level. There is stringent in year oversight of the budget at a high level, with quarterly budget monitoring reports taken to Cabinet. These reports include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on useable reserves. An update is also provided against the Capital Programme, with revisions also communicated. We are satisfied that timely and accurate financial monitoring information is provided to budget holders.

The Council has an established process for developing its annual budget and Medium Term Financial Plan (MTFP). The development of the budget commences with the rolling forward of the Budget Model from the prior year. The model is updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates. Prior year assumptions are reviewed, including inflation rates and Council Tax base. Updates are then made to reflect new savings proposals, existing savings delivery, service pressures, changes to sources of funding announced within the spending review, changes to service fees and charges and the Council tax base.

The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation. The MTFP sets out the range of key assumptions that the Council has made in developing its financial plans. These include inflation, pay increases, savings delivery and changes to sources of income. The Council engaged a third party to undertake a review of their income streams, assumptions and bases to ensure these remain up to date and accurate as possible. Risks are incorporated into the MTFP. There is a section entitled 'How will the Council Manage Financial Risk?' This section of the MTFP discusses key risks to delivery of the MTFP and the actions to mitigate each risk identified. The MTFP was presented and discussed by Cabinet before presentation to Council February 2021.

We have made an improvement recommendation made as part of work on financial sustainability in relation to sensitivity analysis and scenario, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP. This will provide transparency on the sector wide uncertainties the Council is subject to and the potential impact of these on its financial sustainability.

The Council consulted stakeholders on their draft budget for 2021/22. The consultation focused on whether or not Council Tax should be increased by 1.99%. The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; communication with Trade Unions; engagement with Area Management Teams; posts on the internet; intranet and Your Cumbria news website and use of social media. The Council did not consult on savings. Given the limited engagement achieved, the Council should consider how it can enhance its stakeholder engagement and empowerment to ensure this is a meaningful process, which supports the development of the budget, MTFP and savings.

Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. There is monitoring at a service, directorate and corporate level. There is stringent in year oversight of the budget at a high level, with quarterly budget monitoring reports taken to Cabinet. These reports include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on useable reserves. An update is also provided against the Capital Programme, with revisions also communicated.

On a monthly basis Accountants meet with Budget Managers, and Service Accountants meet with Assistant Directors to discuss service budgets and forecasts. The Finance Team, in consultation with budget managers, review budgets monthly and look in detail at cost centres and nominal codes. The Council's Cabinet receives quarterly monthly financial monitoring reports.

Financial monitoring reports and minutes demonstrate that in year forecast variances are being picked up promptly, and budget holders are being held to account for delivering to budget. Covid-19 has had a large impact on the finances of the Council. The 2020/21 outturn included COVID-19 related pressure of £4.4million, which was partly off-set by specific grant funding of £2.2 million. This was clearly reported via in year monitoring and year end outturn report. Review of budget detail indicates it is appropriate to allow for effective review at Cabinet. Accrued financial information is received quarterly by cabinet, which is appropriate. We are satisfied that, the Council has robust financial planning arrangements and there is evidence of it being well scrutinised at Cabinet, Council and Audit and Standards Committee.

Conclusion

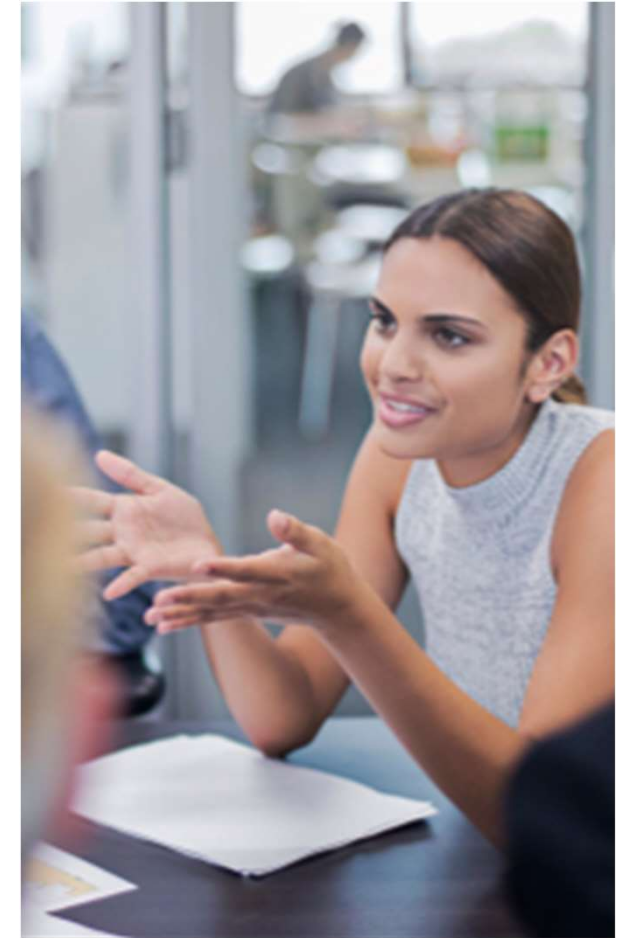
Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified some opportunities for further improvement, set out overleaf.

Improvement recommendation



Governance

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| Recommendation 4 | <p>Develop the Council's risk maturity and duality of risk by formally documenting consideration of opportunities to exploit, as well as a focus, on downside risks to build on how the Council is currently managing risk.</p> <p>Review the Strategic Performance Monitoring report to see if it can be streamlined.</p> |
| Why/impact | <p>A fully updated risk register will provide a clear reference point of the principle risks, opportunities and associated mitigations facing each directorate/ service. Ensuring operational risk registers inform the corporate risk register is important so that the Council can track emerging risk themes in the directorates or services that need to be escalated as potential corporate risks.</p> |
| Auditor judgement | <p>Including the duality of risks within risk registers can help to consider opportunities to exploit alongside downside risks.</p> <p>Real time risk management has taken place at all levels of the Council throughout 2020/21. In this context it is important that risks, opportunities and mitigations are clearly documented and regularly refreshed.</p> |
| Summary findings | <p>There is scope to increase the Council's risk maturity and duality of risk by formally considering opportunities to exploit, as well as a focus on, downside risks. The Strategic Performance Monitoring Report includes a description of actions that the Council undertook and performance measures which provide an indication of how well the Council is performing against its priorities. The Council should consider whether it can streamline this report to provide more summarised and integrated performance, finance and risk reporting, this would build on existing arrangements which include meetings between respective finance, performance and risk management teams to discuss their reporting to Cabinet</p> |
| Management comment | <p>The Strategic Performance Monitoring Report is produced monthly for each of the three reporting areas, with an accompanying high-level finance report. The process will be reviewed and assessed going forward.</p> |



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

Improvement recommendation



Governance

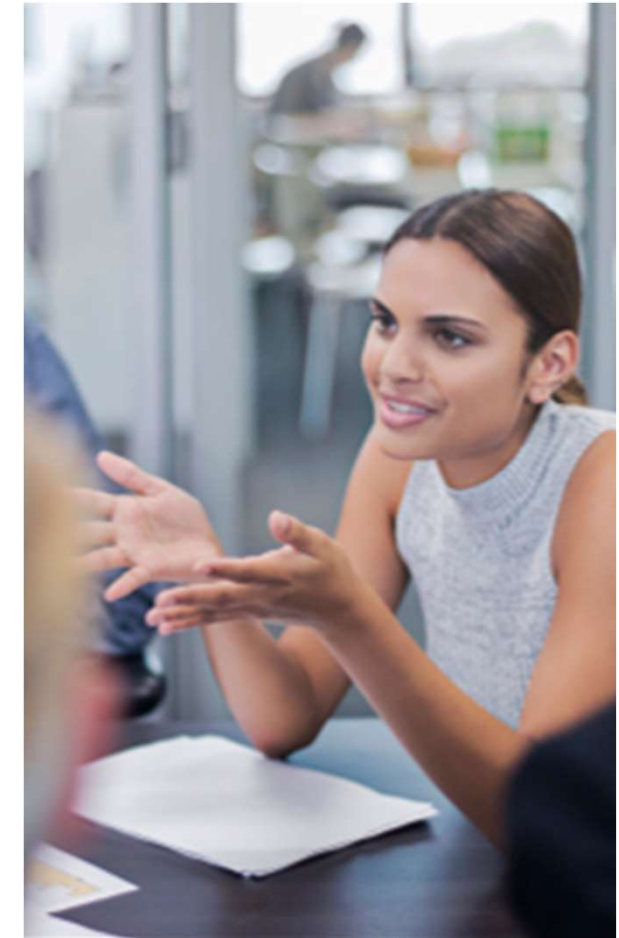
Recommendation 5 Ensure that a Register of Interest and Gifts/Hospitality is maintained and regularly updated for all Directors, Assistant Directors and Senior Managers.

Why/impact Review of the existing register of interest and gifts and hospitality register creates the impression that member and senior manager declarations are out of date.

Auditor judgement The current register of interest and gifts and hospitality register for both members and senior managers does not demonstrate appropriate safeguards being in place to protect against real and perceived threats to independence, integrity and objectivity.

Summary findings The Council maintains a record of Member Interests and Gifts and Hospitality on its website. There is a requirement for members to reconfirm their interest within 28 days of becoming a member or on re-election/ re-appointment to office. The constitution is also clear that member must ensure that their register of interests is kept up-to-date and updates should be notified within 28 days of becoming aware of any new interest. Whilst compliant with the Council's constitution, the process could be strengthened by requesting members to confirm regularly that their register of interests and gifts/ hospitality is up to date, the website could then be updated to reflect this.

Management comment The Register of Gifts and Hospitality for Members is regularly updated and published on the Council's website. Declarations of Interest for Members are included as part of monthly Cabinet. Management agrees to the principle of the recommendation for senior managers and consider it a proportionate and appropriate thing to do. However, to implement the recommendation will take a little time as it will require amendments to the Council's Code of Conduct for Employees which, in turn, will involve discussions with the recognised Trades Unions.



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

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Performance review, monitoring and assessment

The Council's performance against the Council Delivery Plan is reported on a quarterly basis to Cabinet and Council. The quarterly Strategic Performance reports show the latest assessment of the Council's performance indicators using a Red, Amber or Green rating. The Council's performance outturn for 2020/21 is reported in the Quarter 4 Strategic Performance Report. This report was presented to the Cabinet in May 2021.

The Corporate Performance Monitoring Report includes a description of actions that the Council undertook and performance measures which provide an indication of how well the Council is performing against its priorities. The Council should consider whether it can streamline this report to provide more summarised and integrated performance, finance and risk reporting, this would build on existing arrangements.

At the end of Quarter 4 (2020/21), 30 of the 19 performance indicators within the Strategic Performance Report, reported by exception with performance being on or around target / good performance benchmark unless otherwise stated in this summary. Commentary details actions undertaken for 10 red and 23 amber risk action points and rated amber. Performance details 7 (37%) indicators are risk rated red and 1 (5%) - these included:-

- Short term return to work interview compliance is 78.21% against the 90 – 100% target range within 3 days. The rolling average days to complete all short-term return to work interviews is currently 3.60 days.
- Delivering Our Future monitoring is 58% (56% last quarter) against the 80% target at the end of March 2021. Many issues are linked to the impact of the Covid-19 pandemic
- Annual Development Reviews completed is 92% (90% last quarter) against the 100% target at the end of March 2020/21
- Health and Safety Monitoring is 76% against the 80% target at the end of March 2021. In line with Government guidelines on essential travel only, compounded by a Covid-19 outbreak in
- Independent Living Units in December 2020 and buildings not being occupied, many scheduled inspections were curtailed.

Some slippage against these measures is to be expected given the impacts of the pandemic throughout the 2020/21 financial year. However, as the Council returns to business as usual, it is important that performance continues to be monitored closely and there is a renewed focus on delivery of Council Plan priorities.

Improving economy, efficiency and effectiveness (Cont'd)

Partnership working

The Council's Constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. This engagement has been increased significantly during the pandemic.

Effective partnerships at different levels are important to the council and it is focused on maintaining and nurturing these. This includes powerful examples of working closely with community groups to unlock funding and deliver community outcomes, for example in meeting health and wellbeing priorities where the council has provided support to the Bedworth Cricket Club and the Pringles Stadium in Nuneaton. Relationships with Warwickshire County Council (WCC) and NBBC's neighbours are positive and productive. For instance, the shared service arrangements with neighbouring North Warwickshire Borough Council (NWBC), including Private Sector Housing and Revenues & Benefits services, is noted as a particularly beneficial relationship in delivering shared aims, where NBBC is seen as a partner of choice. Additionally, following changes in political leadership at NBBC,

Our work highlighted relationships with WCC have improved and the council is an area which the County want to continue to work closely with, including on the delivery of the Transforming Nuneaton programme. Nuneaton and Bedworth Community Enterprises Ltd (NABCEL) is the council's wholly owned delivery body which manages a portfolio of properties, temporary accommodation for homeless people and undertakes housing maintenance work.

The Council is an active member of key economic partnerships including Coventry & Warwickshire Local Enterprise Partnership.

Significant partners are set out in the Council Plan, so there is transparency. Regular reporting to committees and Cabinet ensures transparency. The Council developed new joint working and partnership arrangements to respond to the pandemic and ensure that the needs of service users continue to be met. The Council's pandemic response has involved close working with both Clinical Commissioning Groups and Foundation Trusts in the County along with NHS England and wider partners.

Stakeholder Engagement

The Council consulted stakeholders on their draft budget for 2020/21. The consultation focused on whether or not Council Tax should be increased by 1.99%. The Council did not consult on savings. Given the limited engagement achieved in 2020/21, the Council should consider how it can enhance its stakeholder engagement and empowerment to ensure this is a meaningful process, which supports the development of the budget, MTFP and savings. Key stakeholders are consulted as appropriate for example during the development of the council Sport, Recreation and Community Facilities Strategy: 2016 - 2031.

Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Key decisions of officers are published on the Council's website. The Council carries out a wide range of public consultation.

The Council has an Employment Committee. Senior managers are engaged through regular meetings of the Leadership Team and management development conferences. These meetings have continued during the pandemic with the Extended Leadership Team meetings and management development conferences being held virtually. New forms of engagement have been put in place during the pandemic, the Council should continue to adopt these engagement activities which have worked effectively during the pandemic.

The Council has received a significant amount of funding for projects to be delivered over the next few years. The Council have set up boards for the Towns Fund and the Future High Street Fund which enables engagement of key stakeholders.

Improving economy, efficiency and effectiveness (Cont'd)

Benchmarking

Our review of the Council's Strategic Performance monitoring reports indicates that currently the Council does not measure its performance with reference to national benchmarks. We are aware of a Peer review undertaken by the Local Government Association in September 2021. Ten key recommendations were made in relation to:

- Continue to capitalise on the positive progress made with Cabinet member and senior management relationships, and embed across the organisation to develop positive relations more widely.
- Progress plans to meet the future financial challenges including the development of the 3 year MTFP and plans for income, savings and investments.
- Finalise the new corporate plan and ensure this supports the priorities of the council, is widely consulted on with partners and communicated for clarity across the council.
- Ensure staff recruitment and retention is linked to the People Strategy and underlying policies.
- Provide clarity on the council's future direction re: Covid-19 recovery e.g. next steps for agile working versus on site in the Town Hall.
- Complete the development of some of the key strategies e.g. Economic Development Strategy and Town Centre Strategy.
- Ensure key projects have a clear purpose i.e. maximise income generation opportunities, social value etc.
- Consider the effective and consistent use of appropriate data to inform decision making.
- Undertake a Residents' Survey.
- Review the internal and external approach to communications to ensure this supports priorities and ambitions.

Procurement

The Council has a detailed Procurement Strategy which covers the period 2017-22. The aims of the policy are to support the Council's long term financial sustainability and drive efficiencies, support local economic growth whilst responding to commissioning requirements and to optimise the opportunities for delivering social value opportunities through procurement. The Council currently spends approximately £23m per year on procurement of supplies, services and works, using a large number suppliers. The Council is continually improving its procurement processes and procedures to achieve maximum efficiency. Examples include Cabinet approval (sept 2020) for NBBC – Leisure Procurement Strategy Arts and Leisure Portfolio to support its future development and delivery of leisure facilities working with Sports England, its Project Management and Design & Cost Consultants and partners.

The Procurement team is supported by Finance and Legal to ensure compliance with relevant legislation, professional standards and internal policies. The Council maintains a detailed Commissioning and Procurement Pipeline register which effectively summarises key contract dates, values and terms. The procurement strategy ensures procurement considered in terms of 6 principal aims of the strategy- to Provide services that represent good value for money including:

- Identify best practice in procurement and challenge current methods
- Maximise local Social Value and Environmental Sustainability
- Deliver efficiency savings both cashable and non-cashable
- Be open to and seek opportunities for partnership or collaborative work with other authorities
- Ensure Procurement is conducted within EU/UK legislation and is compliant

Regulatory Reports

Our work found no reports from regulators in 2020/21 which identify significant weakness and no specific areas requiring improvement recommendations. Officers are subject to Continuous Professional Development (CPD) requirements and undertake training within their professional discipline. Reports are submitted to management Team in connection with any significant legislative changes as well as to Cabinet and Council. The statutory officers receive all reports in draft and have the opportunity to comment upon them and to sense check the recommendations. In terms of behaviours, the Council has a set of values that it expects officers to adhere to which form part of the recruitment and appraisal processes. Regular staff bulletins are issued to employees, which will re-enforce expected behaviour and conduct and a copy of the Annual Report from Standards Committee is circulated for reference. In addition, staff receive an annual reminder in connection with the Gifts & Hospitality policy.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

COVID-19 arrangements



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

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

Financial sustainability

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

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

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

The financial statements identify that “It is evident from both the financial and non-financial performance over the last 12 months that the Council continues to achieve its corporate priorities with reduced resources. However, as referred to previously, the long-term implications to the Council’s finances and the overall community of Nuneaton and Bedworth from Covid-19 will require the Council to consider a “new normal” when formulating budgets and remodelling it’s Medium Term Financial Plan.”

Governance

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

The Council has also administered the distribution of around £28.5 million for the various grant support schemes in which the Council has operated as an agent.

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

Improving economy, efficiency and effectiveness

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

Looking ahead, the Council has been able to generate a significant amount of extra funding to deliver projects within the town such as the Abbey Street regeneration. Our review of these projects will be completed as part of the 2021/22 Value for Money audit.

Appendices

Appendix A - An explanatory note on recommendations

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

| Type of recommendation | Background | Raised within this report | Page reference |
|------------------------|---|---------------------------|----------------------|
| Statutory | Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report. | No | |
| Key | The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'. | No | |
| Improvement | These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements. | Yes | 6, 13, 14, 19 and 20 |

Appendix B - Responsibilities of the Council



Role of the Director of Finance:

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

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

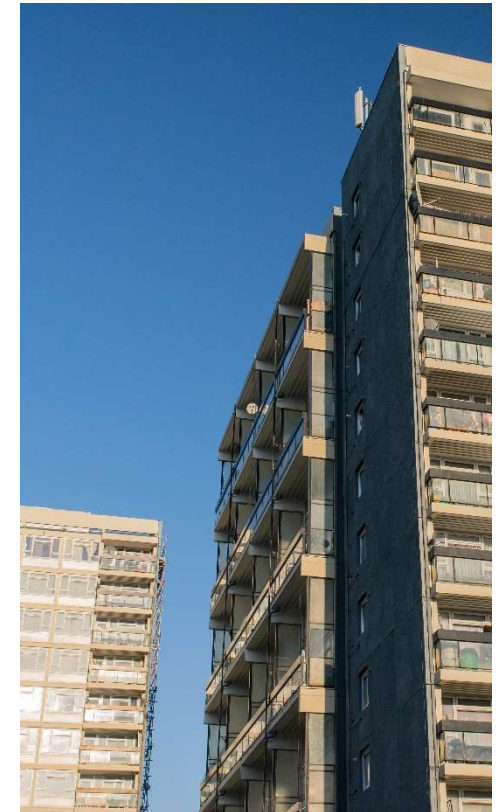
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014

Public interest report

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

We did not issue a public issue report under Schedule 7 of the Local Audit and Accountability Act 2014.

Application to the Court

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

We did not apply to court under Schedule 28 of the Local Audit and Accountability Act 2014.

Advisory notice

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

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

We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

Judicial review

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

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.



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