Rugby Borough Council

Auditor’s Annual Report

Year ended 31 March 2024

July 2025

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

Contents

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

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

We performed our audit in accordance with International Standards on Auditing (UK). This report has been prepared in line with the National Audit Office's Code of Audit Practice 2020 (the "Code") and is required to be published by the Council alongside the annual report and accounts. Our reports are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office and relevant requirements of the Local Audit and Accountability Act 2014.

Key messages

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

We have undertaken our work in accordance with the Audit Plan issued earlier in the year and our report to Those Charged with Governance. We have complied with the National Audit Office (NAO) Code of Audit Practice 2020, other guidance issued by the NAO, and International Standards on Auditing (UK).

Area of work	Our responsibilities	Conclusions
Financial statements	We are required to audit the financial statements of the Council under the Local Audit and Accountability Act 2014. We express an opinion as to whether the financial statements: • give a true and fair view of the financial position of the Council and of its expenditure and income for the year; • have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and • have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014. We conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice (2020) published by the National Audit Office and applicable law.	We issued an unqualified audit opinion on the Council's financial statements on 24 February 2025. This means that we consider the financial statements give a true and fair view of the financial performance and position of the Council.

Key messages

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

Key messages

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

Financial statements

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

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

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

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

Area of work	Conclusions
Audit opinion on the financial statements	We gave an unqualified opinion on the Council's financial statements on 24 February 2025.
Audit Findings (ISA260) report	More details can be found in our ISA260 report, which was reported to the Council's Audit & Ethics Committee In February 2025.
Whole of Government accounts	We are required to carry out specified procedures on behalf of the NAO on the WGA consolidation pack under WGA group audit instructions. The Council does not exceed the threshold for detailed testing. We submitted our assurance statement to the NAO after the audit had been concluded. However, the NAO have reserved the right to ask for additional work to be completed on bodies below the threshold due to the low numbers of LA's with signed financial statements. We will therefore be issuing a delayed certificate in our auditor's report.
Preparation of the accounts	The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and supporting working papers was insufficient in some areas.

Financial statements

Significant risks

Detailed findings from the audit of the 2023/24 financial statements are set out in our Audit Findings (ISA260) report, reported to the Council's Audit & Ethics Committee via email on 21 February 2025. Earlier versions of the report were taken to both the December 2024 and February 2025 Audit & Ethics Committee meetings. Requests for this report should be directed to the Council. This report set out the significant risks identified for the 2023/24 financial statements audit, along with the procedures performed to address each risk and the conclusions reached following the performance of those procedures.

We identified a number of significant adjustments which were made to the 2023/24 financial statements submitted for audit. These related to:

- The net pension liability at 31 March 24 and the net pension asset at 31 March 2023. Both years required amendment to ensure full compliance with IFRC 14;
- Collection fund debtors and creditors were corrected at both 31 March 2024 and 31 March 2023, as both the debtor and creditor amounts had been overstated;
- A reclassification was made to correct a miscoding between government grant income and fees and charges income;
- A reclassification was made to correct a miscoding between government grant income and collection fund income;
- Provisions figures were corrected, including the split of long and short term, due to a formula error within the working papers. This also reduced non-domestic rate income; and
- A reclassification adjustment was made to useable reserves, following inconsistencies being identified in the presentation of reserves.

Management also processed adjustments in relation to the valuation of council dwellings and other land and buildings after submitting the financial statements to us for audit. This was due to them receiving the valuation report late from their RICS qualified management expert.

The significant risks we identified as part of our audit, and the conclusions from our work are set out in Appendix 1. The main recommendations as a result of the financial statements audit are set out in Appendix 2 of this report.

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice (2020) and the requirements of Auditor Guidance Note 3 (‘AGN 03’).

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

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

Value for money

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

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

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

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

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

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

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

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

Summary of findings

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

Financial sustainability

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

We considered the following areas:

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

2023/24 outturn

The Council reported a positive outturn variance to the general fund revenue budget of £683k. This was presented to Cabinet on the 21 July 2024. This report showed an overspend on service delivery of £1.6m, which was offset from savings in the net cost of borrowing.

The Council also achieved £1.9m of its £2.1m saving requirement (92%) for 2023/24. The £174k not achieved mainly related to recharges to the County Council for the share of Art Gallery and Museum costs.

2024-29 Medium Term Finance Plan

The Council's Medium Term Financial Plan (MTFP) for 2024/25 to 2028/29 was approved by Cabinet on the 21 February 2024. The MTFP presented a balanced budget for 2024/25, although it did recognise that the Council faced challenges relating to expected funding reform in the future. Due to these challenges, the MTFP approved in February 2024 was extended to cover a five-year period and future MTFP's will be extended further to cover a 10-year period.

The Council approved an increase in council tax of 2.99% effective for 2024/25 which is the maximum increase for District Councils for this period.

Within the 2024/25 budget, savings proposals of £3.0m were included (£1.6m of these being temporary and £1.4m being permanent). As at the end of quarter three, £2.8m of these savings have been delivered or are expected to be delivered by 31 March 2025. The Council has enhanced its arrangements relating to the identification, delivery and monitoring of saving plans and each 'saving' over £10k has its own delivery plan. Those savings which have medium/high risk attached to their delivery are reported to Cabinet and monitored quarterly. Financial risks and opportunities are also reported by exception to the Leadership Team in the months between quarterly Cabinet reporting.

The Council set up a Budget Working Group during 2022/23 and this continued to embed throughout 2023/24. The Budget Working Group meet monthly and includes the Council's full Leadership Team to ensure financial consideration by all departments within the organisation.

In addition, from February 2025, the S151 Officer has committed to ensuring that Scrutiny Committee monitor the exception reports every two months. These reports will contain key risks to budget delivery and allow for stronger financial management and monitoring by Council members. Whilst the 2024-29 MTFP showed a deficit position each year from 2025/26 onwards, the Council has built up a significant reserve in its Business Rates Equalisation Reserve (BRER). This has been considered in detail below.

Financial sustainability

Business rate reform and impact to financial position

Rugby Borough Council is a high business rates growth borough and has had the option to build up a sizeable Business Rates Equalisation Reserve (BRER). Since 2017/18, the Council aimed to remove its own reliance on business rate income. As such, any growth above the assessed relative need, was placed into this reserve.

Future business rates reform is expected and the 2024-29 MTFP recognised that such reform could have a significant impact on the Council. The Council does however have the option to utilise this reserve to balance the budget beyond 2025/26 until 2028/29.

The table below sets out the impact to the BRER over the MTFP period.

All figures in £000'	2024/25	2025/26	2026/27	2027/28	2028/29
Total net base budget	21,746	19,397	20,498	21,065	21,665
Surplus/(Deficit)	0	(4,992)	(5,118)	(5,360)	(5,404)
Use of reserves required	0	4,992	5,118	5,360	5,404
Remaining BRER (expected best estimate scenario)		(14,477)	(10,527)	(6,204)	(801)
Remaining BRER (worst case scenario if all risks materialise)		(9,711)	(2,139)	Shortfall	Shortfall

The MTFP approved in February 2024, explained the rationale for the Council holding this reserve and noted that this policy remained a core pillar of the Council's strategy.

However, following the elections in May 2024, the Council has changed its strategic priorities, and the policy has softened allowing the Council to utilise this reserve to fund services. The Council had also previously assumed that business rate reform would occur from 1 April 2025, leading to the underlying deficit position.

2025-30 MTFP

As of January 2025, we now understand that business rates reform is expected from 1 April 2026 and the latest MTFP shows that the Council is forecasting a balanced budget for 2025/26 with a small £217k saving requirements to achieve a break-even position.

In the updated MTFP, short term business rates growth is now used for the provision of council services and business rates transitional funding is assumed to be received from 2026/27, reducing by 25% over the next four years. This shows that the Council has an underlying deficit position of c£1.5m per year from 2026/27 to 2029/30. However, the Council have taken a prudent approach to new expected future costs, such as household food collection which will be required from 1 April 2026.

Financial sustainability

The Council is aware of its underlying deficit and is putting plans in place to identify and secure c£1.5m of savings per annum from 2026/27. This will be driven through the current Budget Working Group and the Council has had a recent track record of largely achieving the saving plans that have been identified.

The Council, like all local authorities, faces significant uncertainty relating to future funding and potential local government devolution following ‘The English Devolution White Paper’ published on 16 December 2024. The Council is therefore monitoring its risks closely and ensuring its arrangement to identify and mitigate risks is appropriate. This will be considered further in the governance area of our VFM work.

As part of our value for money work, we used the CIPFA Financial Resilience Index. This is based on information for the 2023/24 financial year which showed the Council as ‘lower risk’ based on its level of reserves. This also illustrates the level of reserves improving over the past five years, which will provide a safeguard to the Council over this period of uncertainty.

It does however recognise that growth above the baseline funding is a concern for the Council. The Council are aware of this, and it has been factored into the Councils considerations to start to address the long-term underling deficit. We have made an improvement recommendation in relation to this.

Capital programme

The outturn report for 2023/24 showed capital spend of £10.3m against a target of £19.0m. This was largely due to the Caldecott development Ltd initiative being paused and the loan not being made by the Council.

The Capital Strategy was approved by the Council on 22 February 2024. This shows a 2024/25 capital programme (excluding 2023/24 schemes that have been reprofiled) of £1.8m. There is a backlog of capital projects at the Council and a policy decision was made not to approve any new capital projects for 2024/25, unless urgent, to allow the backlog to be completed.

HRA MTFP 2024-29

The 2023/24 HRA revenue outturn position, as reported to Cabinet on 21 July 2024, showed a balanced position. This included lower contribution being made from reserves of £29k than the £49k originally budgeted.

The Housing Revenue Account (HRA) is in a relatively strong position over the short to medium term and a balanced budget has been set up to 2027/28. The budget position forecasts that reserve balances will remain at £3.8m over the three-year period at least to 2025/26. These balances are considered prudent by the Council to meet unexpected revenue costs arising relating to the HRA.

Financial sustainability

The Council has undertaken a stock condition survey on 100% of the HRA and will be refreshing the 30-year HRA business plan now this exercise has been completed.

We identified in our Audit Plan that there was a potential risk of significant weakness over financial sustainability, due the prior year weakness identified by the external auditors in 2021/22 and 2022/23.

Based on the above work performed and our understanding of the Councils arrangements within 2023/24 and to date, we are satisfied that the Council's arrangements to secure financial sustainability are not indicative of a significant weakness in arrangements at this current time. The prior year significant weakness reported can therefore be removed and we have set out our other recommendations below.

Other recommendations:

1. We recommend that the Council, as a priority, continue to develop realistic saving plans to address the underlying deficit from 2026/27 to ensure long term financial sustainability, without requiring the use of reserves to balance the position. These saving plans should be specific, detailed and closely monitored to assess progress, and mitigating actions taken if progress is not on track to deliver.

2. We recommend that the Council update the long term HRA business plan, following the completion of the stock condition survey to ensure that the Council has long term visibility over future potential financial pressures within the HRA, to allow the Council to make informed decisions.

Governance

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

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

- how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

<u>Risk management arrangements</u>

The Council has an effective risk management strategy in place, which is directed by the Council's Risk Management Policy. The policy sets out the purpose and objectives, the risk management process and roles and responsibilities, including communication processes.

The Risk Management Policy was last updated in 2019 and whilst this policy hasn’t been updated recently, we are satisfied that the Council have appropriate arrangements in place to identify and monitoring risks. The risk register is updated regularly to reflect risks present and changes in risk profile and this is being maintained by the internal audit function. The Council also implements a risk based internal audit plan based on the key strategic risks facing the Council and this is considered regularly by the Audit and Ethics Committee.

Whilst there have been no instances of fraud or suspected fraud during our year, we did become aware of a whistleblowing allegation during the audit. The processes followed by the Council and arrangements in place to react to such instances are acceptable. Regardless, the Council is proactively refreshing its whistleblowing policy to ensure it is up to date and in line with best practice.

<u>Budget setting process and control</u>

The Council’s has a Budget Working Group in place which is comprised of Officers and when required, Councillors from all political parties. This Budget Working Group provide scrutiny throughout the budget setting process. In November, group leaders and cabinet members were consulted, and the Chief Finance Officer and Deputy Chief Finance Officer engaged with Councillors to discuss budget setting and political priorities

In addition, the Chief Financial Officer meets monthly with the Leadership Team meet monthly to discuss all aspects of financial performance and delivery against the budget. There is sufficient engagement from stakeholders and strong ownership of the budget by the Council. Further information in relation to financial performance of the Council has been covered within the financial sustainability section of our report.

Governance

We have noted that the Council had a high level of agency spend at £1.5m and a further £510k has been spent on consultancy fees. From discussions with the finance team through our VFM work, we have noted that resource and capacity within the Council is stretched. There has been a high level of staff turnover within the finance team, and we also recognise resource constraints with the legal and internal audit functions.

Whilst we are satisfied that the 2023/24 financial statements approved on the 24 February 2025 are materially correct, we did note a large number of adjustments including two prior period adjustments. Many of these findings could have been resolved internally by the Council prior to the audit starting if the Council had a more robust review process and sufficient capacity within the finance team.

Internal Audit and Audit & Ethics Committee

The Council has a robust framework in place to ensure the effective operation of internal controls. The Council's internal audit function was previously provided in house by the Council. However, following the retirement of the Councils Internal Audit Manager in 24/25, internal audit services have been provided by Lighthouse, an external provider. This was a short-term arrangement until March 2025, and the Council are considering longer term solutions.

The Council's Audit Committee has delegated responsibility for oversight of governance, control and risk issues across the Council, and the progress and outcome of Internal Audits work, alongside the performance of the service. The Audit Committee regularly request relevant Officers to attend the committee to provide further information and assurance regarding the outstanding recommendations. We consider that attendance at Audit & Ethics Committee has been reasonable, and effective challenge has been noted.

Scrutiny Review

In May 2024, the Council invited the Centre for Governance and Scrutiny (CfGS) to carry out an evaluation of the Council’s scrutiny arrangements and effectiveness, with the intention of driving continuous improvement. This voluntary review is a positive step for the Council and evidences their intention to continue to enhance the scrutiny arrangements.

A number of recommendations have been made as a result of this review. However, the findings overall comment that the scrutiny at Rugby Borough Council is structurally and operationally in reasonable shape but could be stronger and more effective. None of the recommendations made are indicative of significant weaknesses in arrangements, but improvements could be made to enhance scrutiny, in a more uniformed way.

The Council’s scrutiny function has also been restructured and given a fresh purpose. Two previous scrutiny committees have been condensed into a single committee, which is designed to work as a board or ‘select committee’ to constructively hold the council’s Cabinet and Corporate leadership to account and to bring into focus issues of borough-wide concern.

Governance

Other recommendations:

1. We recommend that the Council refresh the risk management policy to ensure the policy is up to date and as effective as possible.

2. We recommend that the Council enhances the capacity of the finance team with posts being filled substantively rather than with contractors or agency staff. This would enable enhanced accountability and allow the Council to have a more effective review processes in place, ensuring the financial statements are of a high quality at the draft stage.

3. We recommend that the Council secure a long-term solution for internal audit, to ensure that momentum is not lost on the delivery of the 2025/26 internal audit plan, as well as implementing outstanding recommendations made.

4. We recommend that the Council implement the findings highlighted in the Centre of Governance and Scrutiny review. These actions should be SMART and the Council should actively monitor and report against progress made.

Improving economy, efficiency and effectiveness

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

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

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

Performance

The Council maintains a performance dashboard online which sets out the key performance indicators (KPIs) of the Council and the key statistics that are monitored. This tool is helpful for stakeholders to review the Council's performance in a timely manner. The dashboard provides narrative with actions taken by the Council, and this is also reported to Cabinet on a quarterly basis as part of the budget monitoring process.

We have reviewed the 2023/24 outturn report which reports on the KPI performance for the 23/24 financial period. 62% of all KPIs either met or exceeded target, however, 30% were amber or red, and information could not be obtained for the remaining 8%.

The strength areas are noted as a reduction in the number of complaints, property repairs exceeding target and the fact that no planning application decisions went to appeal.

The key areas for improvement were in the following areas:

- The % of major voids completed on time;
- The % of premises that have attained the Food Hygiene Rating 5;
- The number of missed green bin collections was higher than target; and
- 97% of council tax was collected, compared to a target of 98.6%. Whilst this is behind target, this is the first year where the Council has improved year on year since 2016.

Strategic direction

The Council sets its strategic direction within its Corporate Strategy. This has been updated following a change of administration in the council after the May 2024 elections and has been set to cover the period 2025 to 2035. This has 4 key elements:

- a healthier rugby
- a thriving rugby
- a greener rugby
- a fairer rugby

Improving economy, efficiency and effectiveness

The Council participated in a peer review in October 2023, and the findings from this review were released in February 2024. This review highlighted eight recommendations for the Council to consider. The key recommendation being that 'consideration should be given to Rugby Borough Council's priorities in relation to its available resources which would improve capacity.'

We note that an action plan was developed by the Council which went to cabinet on 5 February 2024. The Leadership Team are accountable for the delivery and monitoring of the plan through programme board meetings.

Capacity

A recurring theme throughout discussions with key officers and employees at the Council has been the challenges faced in relation to capacity and high employee vacancies. We have already noted in our governance section that high staff turnover within the finance team led to capacity challenges within the financial statement audit process and sometimes led to a lack of corporate memory.

However, this is not contained solely to the finance function, and the Council relies heavily on agency staff in many directorates. Whilst the Council should be focussed on rebuilding capacity, it would also be beneficial to give thought as to how it can use its limited internal resources available to achieve the best quality outcomes. The Council hasn't recently undertaken a cost benefit analysis of any services. This should be performed alongside an options appraisal to understand the best service delivery outcomes that can be obtained.

Partnership working

The Council has a shared service partnership with other local authorities in the Warwickshire and West Midlands region. Since 2010, Coventry, Solihull, Warwickshire, Nuneaton and Bedworth and Rugby have been working together as a shared procurement service. This means the Council has access to advertise opportunities intervalley or in partnership with other councils in the local area on the same system, which is beneficial. The Council has a procurement strategy in place and there is no evidence that the council is failing to operate a fair procurement exercise for significant contracts. This was set in 2023 to cover the period to 2027.

The main partnership is the Rainsbrook crematorium which is a joint project between Rugby Borough Council and West Northamptonshire Council. This is operated by Rugby on behalf of a joint committee which represents both authorities equally. The Council also has a small share in Sherbourne recycling facility which was established to deliver recycling facilities to Rugby and the other seven participating local authorities.

In the prior year, the external auditors noted Caldecott Developments Limited (CDL) as a partnership arrangement which was a joint venture with Norse group. It was noted that CDL was a company set up to be a delivery vehicle to enable Rugby Borough Council to deliver on its overall strategic vision. The aim was to develop new housing in a commercial way by building on council owned land. In the prior year it was expected that the Council would provide a loan of up to £9.7m to CDL. We however now understand that the company is dormant and there are no plans to continue with the loan facility. The Council has now undertaken a review of all its council stock and is implementing a 30-year business plan for its HRA.

Improving economy, efficiency and effectiveness

Other recommendations:

1. We recommend that the Council undertakes a cost benefit analysis and options appraisals for its key services to ensure that the Council is obtaining the best use of the resources it has available.

Key recommendations

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

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

Other recommendations

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

Criteria	Recommendation	Management response
Financial sustainability	We recommend that the Council, as a priority, continue to develop realistic saving plans to address the underlying deficit from 2026/27 to ensure long term financial sustainability, without requiring the use of reserves to balance the position. These saving plans should be specific, detailed and closely monitored to assess progress, and mitigating actions taken if progress is not on track to deliver.	The Budget Working Group is meeting regularly to develop plans for 2026/27 and future years, whilst also reviewing progress against savings agreed as part of 2025/26 budget setting.
Financial sustainability	We recommend that the Council update the long term HRA business plan, following the completion of the stock condition survey to ensure that the Council has long term visibility over future potential financial pressures within the HRA, to allow the Council to make informed decisions.	The HRA Business Plan is being updated following the completion of the stock condition survey.
Governance	We recommend that the Council refresh the risk management policy to ensure the policy is up to date and as effective as possible.	External support has been commissioned specifically for risk management, this will involve a review of the strategy, the risk registers and training for members and officers. In addition, the way that risks are reported will be reviewed and where necessary enhancements made.
Governance	We recommend that the Council enhances the capacity of the finance team with posts being filled substantively rather than with contractors or agency staff. This would enable enhanced accountability and allow the Council to have a more effective review processes in place, ensuring the financial statements are of a high quality at the draft stage.	The Council continues to recruit on a permanent basis with several roles recently filled. However, the market for appropriately experienced and qualified staff remains challenging and some roles are proving very difficult to fill. In addition to this CIPFA will be used to coordinate an internal review of team competencies which will help target future recruitment.

Other recommendations (continued)

Criteria	Recommendation	Management response
Governance	We recommend that the Council secure a long-term solution for internal audit, to ensure that momentum is not lost on the delivery of the 2025/26 internal audit plan, as well as implementing outstanding recommendations made.	The Council has procured a service from Central Midlands Audit Services on an initial trial period of 12 months and will review and take a decision on a permanent arrangement by the end of the 2025/26 financial year.
Governance	We recommend that the Council implement the findings highlighted in the Centre of Governance and Scrutiny review. These actions should be SMART and the Council should actively monitor and report against progress made.	This is in hand and a plan is in place.
Improving economy, efficiency and effectiveness	We recommend that the Council undertakes a cost benefit analysis and options appraisals for its key services to ensure that the Council is obtaining the best use of the resources it has available.	The MTFS for 2025/26 includes specific VFM reviews for key services. During 2024/25 WSU and the Sport and Recreation team will be looked at as a minimum.

Follow up of prior recommendations

Criteria	Recommendation	Type	Date raised	Progress to date	Addressed?	Further action needed
Financial sustainability	The Council should continue to review budgets and planned savings schemes as necessary to deliver a balances financial position over the medium term.	Key	2022/23	The challenges in delivering a balanced MTFP remain given the continued single year finance settlements. However, in 2023/24 the council delivered 92% of the approved savings with a similar achievement rate forecast for 2024/25. Due to an adjustment in policy for 2025/26 the use of retained business rates growth is being utilised meaning that only £0.217m of savings are required to balance the budget. The target for 2026/27 is £1.8m which represents <10% of the net budget. This is also seen as a prudent estimate as the modelling assumes that government grants and retained business rates will reduce by 25% between years. The BWG continues to look for areas to deliver savings across the MTFP and this is factored into each round. The budget setting process is continuous to give the maximum opportunity to deliver significant change. With a new administration from July 2024 there has also been a new political approach which has changed focus in certain areas.	Partly	Based on 23/24 VFM assessment, no significant weaknesses identified. Therefore the ‘other recommendations’ in the current year supersedes this.
Financial sustainability	Consideration should be given to performing a dedicated review of savings after implementation and assessing whether these have been an impact on the quality of services.	Other	2022/23	Very few of the savings identified have a direct impact on services, however the savings delivery plans now have a section to review the impact on services following delivery.	Partly	No – current year other recommendation now in place which supersedes this.

Follow up of prior recommendations (continued)

Criteria	Recommendation	Type	Date raised	Progress to date	Addressed?	Further action needed
Financial sustainability	The Council should consider channels by which they can seek external engagement on the annual budget and medium-term financial strategy.	Other	2022/23	CFO is now the VP of the SDCT and will become president in March 2025. Budget consultation was completed for the 2025/26 budget setting process and approx. 250 responses were received.	Yes	No
Financial sustainability	The Council should consider how it can improve the clarity of message in its quarterly financial reporting. This should include the way that the key messages are summarised, and the way that more detailed information cascades from this. It should also consider how major movements in the forecast outturn can be avoided between quarters.	Other	2021/22 and 2022/23	Annually, through joint working between the finance team and the Budget Working Group improvements in reports are considered. With a change in administration from June 2024 this has also led to reviews to meet the requirements of the new ruling groups.	Yes	No
Governance	The Council should ensure that the Risk Register is updated to reflect the actual risks in relation to the MTFP and Transformation Programme.	Other	2022/23	The risk management process was reviewed/updated in 2023/24 leading to new reporting and easier access to information. External support has been commissioned specifically for risk management, this will involve a review of the strategy, the risk registers and training for members and officers. In addition, the way that risks are reported will be reviewed and where necessary enhancements made.	Partly	Yes

Follow up of prior recommendations (continued)

Criteria	Recommendation	Type	Date raised	Progress to date	Addressed?	Further action needed
Improving economy, efficiency and effectiveness	The Council should ensure the latest Performance reports detail the RAG rating, and direction of travel, and include a narrative detailing reasons for movements and direction of travel. It should also map into corporate objectives. Further the Council should ensure that Transformation programme is included in Performance Monitoring Framework.	Other	2021/22 and 2022/23	A powerbi dashboard way of working has now been introduced meaning that the KPI information is easier to interpret and analyse. This will continue to be developed with the adoption of a new Corporate Strategy in November 2024.	Yes	No
Improving economy, efficiency and effectiveness	The Council should: A) The Council should review its expectations in relation to the delivery of savings and investment related income linked to commercial vehicles such as the CDL when developing its financial plans. B) Closely monitors, and reports to councillors, the performance of its commercial vehicles so it is able to assess and react to any indications of financial stress or where it has fallen behind plan	Other	2021/22 and 2022/23	A) the MTFS continues to develop this approach, however with CDL now being a dormant company there is no commercial vehicles to report on. B) with CDL being dormant there is nothing to report on, however if things change this will be considered	Yes	No
Improving economy, efficiency and effectiveness	The Council should: A) Develop a workforce strategy which has a clear link between workforce management, recruitment and retention and delivering corporate objectives and the transformation programme. B) the Council should implement a performance appraisal process for Chief Officers.	Other	2021/22 and 2022/23	A) RBC is preparing a people strategy which will deal with this B) RBC trialled PDRs for all officers in 2024/25 and this will become live from 2025/26 so this can be considered	Yes	No

Follow up of prior recommendations (continued)

Criteria	Recommendation	Type	Date raised	Progress to date	Addressed?	Further action needed
Improving economy, efficiency and effectiveness	The Council should ensure the transformation programme maps to strategic objectives and details risk and issues in relation to delivering transformation programme.	Other	2021/22 and 2022/23	The organisation has a new transformation lead and this is the work that is currently underway.	Yes	No

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Appendices

Appendix I: Key audit findings: financial statements

Significant risks at the financial statement level

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

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

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Appendix I: Key audit findings: financial statements

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

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

Significant risks	Audit approach	Audit findings and conclusion
Fraud in revenue recognition and expenditure (rebutted) Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted on all income streams because: • there is little opportunity available to manipulate; • there is limited incentives to manipulate; • the Council's existing transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies. We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the reasons set out above. **Inherent risk of material misstatement:** • **Revenue and expenditure recognition: Low**	Whilst we have rebutted the risk of fraud in income and expenditure, we have performed the below procedures based on their value within the financial statements: • Documenting our understanding of the Council's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Evaluating the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code. • Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year.	We identified two reclassification errors relating to government grant income. One of these should have been reclassified as fees and charges, with the other being collection fund income. Management have amended for these errors. In addition, management processed a reduction to non-domestic rate income (NDR) with the corresponding impact increasing the NDR provision. We are satisfied that revenue and expenditure are materially correct following the adjustments noted above.

Appendix I: Key audit findings: financial statements

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

Significant risks
Valuation of council dwellings and other land and buildings (key accounting estimate) Revaluation of council dwellings, other land and buildings and investment property should be performed with sufficient regularity so that carrying amounts are not materially misstated. The council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at least every five years and council dwellings are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates. The last full revaluation was in 2022/23 financial year. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. These valuations represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings and other land and buildings as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations. We have pinpointed the significant risk around the following: - Assets where the valuation movement differs to what we would expect based on market movements; - Assets where the inputs used have changed compared to those used in the prior year; - Assets that are new this year; - Any other factors which in our auditor judgement increases the risk of material misstatement in an asset. **Inherent risk of material misstatement:** • **Council dwellings and other land and buildings (valuation): High**

Appendix I: Key audit findings: financial statements

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

Audit approach	Audit findings and conclusion
We have performed the following procedures to mitigate the risk identified in this area: • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of management’s valuation expert; • Considering the basis on which the valuations are carried out and challenging the key assumptions applied; • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor’s expert; • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.	Our audit work has not identified any significant issues in respect of this risk. Due to the delays in the valuation report, the values have been adjusted post issue of the draft accounts. Following this adjustment, we are satisfied that the valuation of council dwellings and other land and buildings are materially correct. We have however raised a control recommendation in relation to the timeliness of valuation reports.

Appendix I: Key audit findings: financial statements

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

Significant risks	Audit approach	Audit findings and conclusion
Valuation of the defined pension fund net liability (key accounting estimate) An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant).ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk. **Inherent risk of material misstatement:** **• Defined pension fund net liability (valuation): High**	We have performed the following procedures to mitigate the risk identified in this area: • Evaluating managements processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work; • Evaluating the competence, capabilities and objectivity of the actuary; • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete; • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert; • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements; • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts; and • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.	Based on the work performed, we have identified a number of adjustments required to the pension figures in the draft accounts. According to IFRIC 14, the Authority must adjust the pension asset for the liability from future contributions to past service contributions. This adjustment was not performed in 2023/24 and, upon reviewing the prior year's calculations, it was also omitted from those accounts. Therefore, Management have updated the accounts for both financial years, with the 2022/23 adjustment being processed as a prior period adjustment. We also identified a current year error relating to pension costs charged to the CIES being posted the wrong way around. Following the adjustments made, we are satisfied that the valuation of the defined pension fund net liability is materially correct.

Appendix II: Internal control recommendations

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

Assessment	Issue	Recommendation	Management response
Significant deficiency	**Timeliness of property valuations** The valuation of land, buildings and council dwellings was not finalised until September 2024, almost four months after the publication of the draft accounts. This meant that the audit team were unable to begin the testing in this area as planned and that audit adjustments were process by management following the draft accounts being presented for audit. Following such adjustments we have gained material assurance over the valuations of council dwellings and other land and buildings.	Management should ensure they engage with valuers early and the final report is available in time with their closedown and financial statements preparation timetable.	The issues for 2023/24 largely related to the fact that a new supplier was procured and the contract began later than expected. Work is already in place to ensure that information is received in a more timely way.

Key: Significant deficiency in internal control Other deficiency in internal control Other observations

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