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North Warwickshire Borough Council

Auditor's Annual Report

Years ended 31 March 2024 and 31 March 2025

November 2025

Contents

Headlines from our audit	3
Value for money	7
Recommendations	27



Headlines from our audit



Headlines from our audit

Purpose of this report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our audit of the Council for 2024/25. The report has been prepared in line with the Code of Audit Practice and supporting guidance published by the National Audit Office and is required to be published on the Council’s website.

Our responsibilities

Financial statements	Narrative report and Annual Governance Statement	Value for money
We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Authority and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice on Local Authority Accounting ('the Code'). Due to the predecessor auditor issuing disclaimed opinions for 2021/22 and 2022/23, and Azets subsequently issuing a disclaimed opinion for 2023/24 due to having insufficient time to recover the missing assurances before the backstop date of 28 February 2025, it will not be possible to regain full assurance over the 2024/25 financial statements before the next backstop date of 27 February 2026. Furthermore, the 2024/25 draft accounts have not yet been published and are expected to be issued later in December 2025. Consequently, the continuing limitations arising from the lack of assurance on opening and closing balances in key areas will prevent us from forming an opinion on the 2024/25 financial statements. We therefore intend to issue a disclaimed audit opinion. As explained in our external audit plan, we have developed an approach to recover the missing assurances and removed disclaimed opinions by 31 March 2028 in advance of local government reorganisation. Our audit completion report will contain more detail on the financial statements audit.	We assess whether the Narrative report and Annual Governance Statement is consistent with the financial statements and our knowledge of the Authority. As we will be unable to conclude on the 2024/25 financial statements, we also cannot conclude on whether the other information published with the financial statements is consistent with those statements.	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 (value for money) in its 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 have identified a significant weaknesses in value for money arrangements due to the breach of statutory regulations and the impact on transparency and governance of the late preparation of the financial statements for 2023/24 and 2024/25. Further detail is provided in this report.



Headlines from our audit

Statutory powers

We may exercise other powers we have under the Local Audit and Accountability Act 2014. These powers include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

Public interest report	Statutory recommendations	Advisory notice	Judicial review	Application to the court
We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public. If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public. <u>2023/24 and 2024/25</u> We have not issued a Public Interest Report in either year.	We may make written recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State. <u>2023/24 and 2024/25</u> We have not made any statutory recommendations during the periods.	We may issue an advisory notice if we believe that the Council, or an officer of the Council, has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency. If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice and then notify us of the action it intends to take and why. <u>2023/24 and 2024/25</u> We have not issued an advisory notice during the periods.	We may make an application for judicial review of a decision of the Council, or of a failure to act by the Council, which it is reasonable to believe would have an effect on the accounts of that body. <u>2023/24 and 2024/25</u> We did not make an application for judicial review during the periods.	We may apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful. <u>2023/24 and 2024/25</u> We have not applied to the courts during the periods.



Headlines from our audit

Findings and recommendations

Findings from our financial statements audit	Recommendations arising from our financial statements audit	Key recommendations arising from our value for money work	Other recommendations arising from our value for money work
Detailed findings from our audit of the financial statements, including our consideration of significant risks, are communicated in the following reports: • audit opinion on the financial statements for the year ended 31 March 2024 and 31 March 2025 • audit completion (ISA 260) report for 2023/24 and 2024/25 to Those Charged with Governance <u>2023/24</u> Our reports were presented to the Executive Board on 10 February 2025. <u>2024/25</u> Our reports are planned to be presented to the Executive Board on 11 February 2026. Requests for our audit completion report should be directed to the Council.	Recommendations relating to internal controls and other matters arising from our financial statements work are contained in the audit completion (ISA 260) report. Subject to the Council providing draft statement of accounts for audit in sufficient time for the backstop date to be achieved, our findings and recommendations will be included in our audit completion report to the Executive Board on 11 February 2026.	We provide a summary of our findings in respect of value for money in the commentary in this report. Where we identify significant weaknesses as part of our review of the Council’s arrangements to secure value for money, we make key, or essential, recommendations setting out the actions that should be taken by the Council. We have made one key recommendation which applies to both 2023/24 and 2024/25.	We make other recommendations if we identify areas for improvement which do not relate to identified significant weaknesses We have made other recommendations later in this report.



Value for money



Value for money

We consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have completed our value for money work in line with the NAO Code of Audit Practice and Auditor Guidance Note AGN03. Our findings are summarised below and reported in the commentary in this section of the report.

We have concluded there is a significant weaknesses in arrangements due to the breach of statutory regulations and the impact on transparency and governance of the late preparation of the financial statements for 2023/24 and 2024/25.

Reporting criteria	Planning – risk of significant weakness identified? 2023/24 and 2024/25	Final – significant weakness identified? 2023/24 and 2024/25	Recommendations made		
			Statutory	Key	Other
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	No	Yes	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	No	Yes



Value for money: significant weaknesses and key recommendations 2023/24 and 2024/25

The significant weakness(es) we have identified and the key recommendation(s) made are set out below. Our detailed commentary is set out in this Auditor’s Annual Report.

Significant weakness identified	Criteria	Sub criteria	Key recommendation
Area How the body ensures it makes informed decisions and properly manages risk	Governance	Finance team capacity to meet statutory deadline for the publication of draft financial statements and accommodate external audit.	2023/24 and 2024/25 The statutory deadline for publishing draft statement of accounts was 31 May 2024 for 2023/24 and 30 June 2025 for 2024/25. The Council published the draft 2023/24 accounts on 23 December 2024 and has not yet published the 2024/25 accounts as at mid November 2025. Failure to prepare timely annual financial statements impairs transparency, stewardship and governance. The Council should address the reasons for these delays and ensure there is a suitably resourced finance team who can ensure that all statutory requirements regarding financial reporting are met. Further to the above, management should create and implement a detailed timetable for the preparation and publication of the accounts and report progress to the Executive Board for monitoring and review.



Value for money

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.

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
- Interviewing, as appropriate, the Leader of the Council, Chief Executive Officer and other officers and management
- Reviewing Council and committee reports and attending audit committee meetings
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Reviewing the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit and the counter fraud function
- Considering other sources of external evidence such as peer reviews.



Value for money

Overview

North Warwickshire Borough Council (the Council) works with four other district and borough councils, local parish and town councils and Warwickshire County Council (which includes Warwickshire Fire and Rescue Service) in a three-tier local government system. The administrative area also includes the Warwickshire Police and Crime Commissioner and Warwickshire Constabulary. The Council serves a population of circa 62,300 people. The Council provides social housing from an in-house Housing Revenue Account and has entered into a number of large capital and investment schemes to promote regeneration and attract business to the area. Some of these investment schemes carry significant financial risk. The Council faces, over the medium term, growing financial challenge and increasing uncertainty over its longer-term income predictions, particularly in respect of New Homes Bonus, Business Rates Reset, Fair Funding Review and Local Government Reform.

Like all councils and the wider local government sector, North Warwickshire Borough Council continues to face significant challenges. The sector faces high levels of uncertainty over future levels of government funding and, for a number of years, has had to plan on the basis of single-year settlements. This makes it harder to produce comprehensive multi-year plans as part of medium-term financial planning. The government has signalled an intention to return to multi-year settlements in the future and announced a national overhaul of local government, reorganising multi-tier council areas into a series of unitary authorities with devolved powers at a regional level. The changes proposed would impact North Warwickshire Borough Council which, like all districts, would be absorbed into a larger unitary council from 1 April 2028 according to the current planned timescales. Work is currently ongoing to present options for reorganisation in response to government requirements.

High inflation over recent years has increased cost pressures on all councils' revenue and capital expenditure, further increasing economic uncertainty. High interest rates have provided the Council with fortuitously higher than expected interest income on cash balances, but the combination of higher inflation and higher interest rates impacts local communities, including the community the Council serves in North Warwickshire. This can lead to increases in demand for council services and impact on council income in areas such as car parking and collection rates for council tax, business rates and rents.

The Local Government Association continues to estimate that the costs to councils of delivering their services will exceed core funding in the future. Nationally, there has been an increase in the number of councils issuing s114 notices or indicating one may be likely.

North Warwickshire Borough Council has arrangements in place to mitigate the macro-risks posed by the national context including, at present, a reasonable level of general fund reserves. However, these could be significantly depleted over the next few years if macro-economic conditions are unfavourable and the uncertainty inherent in the Council's cost and income assumptions do not crystallise in the Council's favour.



Value for money

Local government reorganisation

On 5 February 2025 the Minister of State for Local Government and English Devolution asked all councils in two-tier areas to develop proposals for bringing together upper and lower tier local government services into new unitary councils. Final detailed proposals are to be submitted in November 2025, with the potential establishment of a shadow Council in May 2027 and the transition to the unitary authority in April 2028.

This means the next few years will be ones of significant change and uncertainty. Councils will need to consider the risk of the loss of key individuals and corporate memory in the lead-up to and transition into the new unitary authority. There may be an incentive for more short-term decision making in respect of the use of reserves, or reserves may end up being repurposed to cover an overspend incurred by a successor body. Whilst Authorities retain powers to make some spending decisions in advance of the reorganisation, it is important that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond the date of transition to the new body.

Transition and reorganisation on this scale will require significant management time to ensure the benefits are identified and plans are in place to realise them post-transition. It may also require experience and skill-sets outside of the 'business as usual' skills and experience in place at the Council. It will be important for the Council to assess the skills it has in place, identify any gaps and take steps to mitigate those gaps to reduce risks arising during or post transition. Plans and arrangements for reorganisation will utilise increasing capacity of senior officers and this may divert attention from the realisation of savings plans or make the achievement of previously planned savings less likely. Such risks will need to be incorporated into updated medium term financial plans.

Members will need to be satisfied that, where earmarked reserves are being utilised, they are applied for their intended purpose and that reserve balances remain at an appropriate and prudent level, as well as be satisfied that balanced budgets continue to be set up to and including the Council's final period of account, in line with the statutory duties placed on key staff. Effective governance and stewardship will remain key, including delivery of internal audit and execution of the risk management process.



Value for money: 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.

General Fund

The Council's General Fund balance was £23,745k in 2023/24, and the report presented to the Executive Board in February 2025 showed an expected outturn drawdown position of £569k for 2024/25. The final results will be published within the statement of accounts which are expected to be tabled to the Executive Board in December 2025. The delay in publication has arisen due to issues experienced by the Council during the migration to a new financial system; however, the figures for the total General Fund reserve are not expected to differ materially between the two years. The 2023/24 General Fund balance comprises General Reserves of £6,902k to manage unexpected future events, a Capital Reserve of £4,726k to fund expenditure on assets with a lasting value, and Earmarked Reserves of £12,117k held to meet specific plans or commitments. The Council's Financial Strategy is based on maintaining a minimum level of General Fund balances of £1.2 million over the medium term, with all growth, savings, and service budget decisions made with this threshold in mind. The current General Fund balance remains significantly above the minimum risk level and is considered a reasonable and prudent level of reserves. Given the Council's net budget expenditure on services of £13,399k in 2024/25 (£11,977k in 2023/24), this level of reserves provides a sufficient buffer to mitigate the impact of unexpected short-term financial pressures.

While earmarked reserves can be reallocated should the Council decide to change their intended use, they are primarily designated for specific purposes in anticipation of identified future costs. The General Reserves of £6,902k reported in 2023/24, while currently healthy and above the Council's minimum risk threshold of £1,400k, represents the Council's core reserve available to address unanticipated cost pressures. The earmarked reserves also include contingent funding set aside to mitigate potential risks in specific service areas and business rates. These reserves provide additional financial resilience and risk management capacity beyond the General Reserve position.

Housing Revenue Account

The Council's ring-fenced reserves for the Housing Revenue Account (HRA) stood at £6,002k in 2023/24, representing an increase from the position reported in 2022/23. In line with the assumptions set out in the MTFs, no drawdowns from the HRA reserve are expected for 2024/25, with further contributions to the reserve anticipated over the period. Within the total HRA ring-fence, management has established earmarked reserves totalling £1,844k, reflecting a slight year-on-year increase but a more significant rise compared with earlier periods. This increase demonstrates management's continued focus on strengthening the HRA's financial resilience and setting aside resources to address emerging short-term financial pressures.



Value for money: financial sustainability

Medium term financial strategy

The Medium-Term Financial Strategy (MTFS), which covers a five-year period, is produced annually and detailed within the annual General Fund budget workings. The MTFS is developed in consultation with the Management Team, Leaders Group, and Senior Managers to ensure that any service-related issues such as new legislative requirements or significant reductions in income, are identified and appropriately reflected within the financial projections. The Housing Revenue Account (HRA) 30-Year Business Plan is also updated annually to assess the Council's long-term financial position, in consultation with the Director of Housing and the Management Team. These documents collectively set the financial parameters in terms of maintaining adequate levels of balances and identifying any necessary income growth or expenditure reductions required to deliver a sustainable budget over the medium and long term. The Capital Programme is prepared on a three-year basis to provide a medium-term view of capital investment requirements, supported by a ten-year capital plan that highlights potential longer-term financial pressures. According to the 2023/24 MTFS, the Council was projected to make contributions to reserves, as net expenditure was expected to remain below total income until 2025/26. Thereafter, drawdowns from reserves are anticipated, reflecting the forecast loss of New Homes Bonus funding, a reduction in National Non-Domestic Rates (NNDR) Baseline, and a significant decline in grant income after 2025/26. The HRA, as outlined in the 30-Year Business Plan presented to the Resources Board, indicated in January 2024 that contributions to reserves were expected rather than drawdowns. The updated forecast reported in January 2025 continues to show a surplus position within the MTFS, demonstrating the Council's continued financial resilience.

Budget projections for 2024/25 onwards have been updated to reflect major variances identified during 2024/25. It is currently assumed that pay awards for 2025/26 and subsequent years will average 3%, with continued upward pressure on pay rates to ensure compliance with the National Living Wage and to address union concerns following several years of public sector pay restraint. Any additional impacts arising from the MRF will be incorporated into the 2025/26 projections, and interest rate assumptions will be reviewed when estimating investment income. These elements will be revisited as part of the more detailed work for the 2025/26 budget process to ensure the Council's financial forecasts remain robust and up to date.

Transformation savings and plans

The MTFS identifies the level of savings and additional income required to deliver a balanced budget while maintaining an appropriate level of general reserves. The current minimum balances figure is £1.2 million, which has been risk-assessed based on key financial risks, including the level of external funding, major income streams, and other expenditure pressures. Prior to the 2024/25 financial year, the Council had agreed a savings programme to support budget balance, and delivery of this programme was being actively monitored. This programme was reset in November 2024 following the identification of significant variances in business rates income, which are expected to persist until the Government implements a full Business Rates Reset, originally anticipated in 2025/26 but now delayed due to the change in government. The Council's balances remain significantly above the minimum threshold of £1.2 million, allowing these to be used strategically to smooth the required savings over the five-year planning period. This approach provides time to develop and deliver savings proposals before the anticipated reduction in funding takes effect. A high-level plan has been developed outlining the key projects expected to generate savings or increased income, including Commercialisation of Leisure Services, an Asset Management Review, Waste Service Optimisation, and wider Transformation Projects. These initiatives will be further developed through the 2025/26 budget-setting process, taking into account the potential implications of the forthcoming Fair Funding Review 2.0.



Value for money: financial sustainability

Peer Review

A Peer Review, conducted in September 2024, identified the need for the Council to develop a more robust savings plan. The review concluded that, while the Council has recognised its financial challenges, it currently lacks a comprehensive, costed, and time-bound plan to address them. The peer team recommended that the Council prioritise the development of a realistic savings plan, supported by strong governance and effective communication arrangements. The review also advised that the savings plan should be accompanied by a Transformation Plan to modernise the Council's operations and enhance value for money. Although the Council has time to address these issues in a measured way, it was emphasised that action needs to commence promptly to meet future financial challenges. The Peer Review also noted a funding gap within the Council's financial plan. While the Council's short-term financial position remains stable, future pressures have been acknowledged at a senior level, allowing informed decisions to be made in advance. The future pressures are largely driven by the assumption that the Business Rates Reset will take place in 2025/26, with no additional income expected thereafter. This is considered a prudent assumption, and the peer review team encouraged the Council to use this time to address the identified savings gap of £2 million to 2026/27. A Peer Review Action Plan has since been developed and was presented to the Executive Board on 10 June 2025. It was noted that some actions remain outstanding and will form part of the ongoing work led by the new Corporate Director of Resources to strengthen financial sustainability and governance arrangements.

Leisure Centre

The Council has announced a £27 million proposal for a new Atherstone Leisure Centre, which will replace the existing facility with a modern, inclusive hub for health, fitness, and community wellbeing. The new centre is designed to serve residents of all ages and abilities and will include a four-lane main pool, learner pool, toddler splash pad, state-of-the-art gym, fitness studio, community event space, children's adventure play zone, and a café. This development represents a significant investment in the borough's future and demonstrates the Council's commitment to improving community infrastructure and promoting active lifestyles. Public consultation and feedback sessions are scheduled for November 2025 to help shape the final design and ensure the facility meets local needs. The existing Atherstone Leisure Centre and Memorial Hall have served the community well for more than 50 years but are now reaching the end of their economic life. Over the past 12 months, the pools at Atherstone Leisure Centre have experienced 16 closures, including eight instances lasting one or more days, with the longest closure extending to 15 days. The Memorial Hall is also in poor condition, with ongoing roof leaks affecting the main hall. In light of these issues, the Council has approved the project in principle, with detailed spending plans to be considered and approved as part of the budget process.

The project remains at an early stage, and the Council is currently exploring a range of viable options, including funding mechanisms and delivery models, to assess and manage the associated financial demands within the MTFs. The Management Team and Leaders Group play a key role in ensuring that available funding is aligned with corporate priorities to support effective delivery. A comprehensive review of the MTFs will be required in the lead-up to the 2025/26 budget setting process, given the scale of significant capital projects planned across both the General Fund and Housing Revenue Account (HRA).



Value for money: financial sustainability

Minimum Revenue Provision

Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003 requires the Council each year to set a Minimum Revenue Provision (MRP). The MRP refers to the amount charged to the revenue budget for the repayment of debt, based on the underlying need to borrow rather than the actual debt held. This underlying debt is necessary to finance the capital expenditure programme.

Capital expenditure generally relates to assets with a life expectancy of more than one year, such as buildings, vehicles, and equipment. It is therefore prudent to charge an amount for the repayment of debt over the life of the asset, or a similar proxy, allowing borrowing to be matched to asset life. Setting aside funds for debt repayment in this way enables future borrowing to finance asset replacement without incurring additional cost. The method of spreading these costs is through an annual Minimum Revenue Provision, and it is therefore important that the MRP is sufficiently prudent to mitigate long-term financial sustainability risks. A prudent MRP policy ensures that the Council sets aside adequate resources to repay borrowing over time, thereby reducing future financial pressure.

Indicators of prudence can be assessed by comparing the MRP to the Council's Capital Financing Requirement (CFR) and total borrowings and comparing the total borrowings to the CFR. An MRP level below 2% of the CFR and 3% of total borrowings may indicate increased financial risk. Where total borrowings exceed the CFR, this also indicates reduced financial headroom.

Management has provided detailed information on the CFR, excluding the Housing Revenue Account (HRA) and HRA-supported borrowing, as determined in agreement with MHCLG. The residual CFR for 2023/24 is £11.8 million. The Minimum Revenue Provision (MRP) for 2023/24 was £81k, representing 1% of the CFR, which is below the benchmark of 2% and indicates a potential financial risk that the MRP may be insufficient to ensure long-term financial resilience. However, this was the only indicator identified as not meeting benchmark expectations. Management has confirmed that the MRP policy will be revisited and submitted to the Executive Board for review and approval. The Council currently does not have General Fund borrowing, and therefore MRP as a percentage of borrowings is not applicable; the only borrowing held relates to the HRA. This position is positive, as it provides the Council with the flexibility to obtain external borrowing in the future, potentially at lower interest costs, should additional financing be required.

While maintaining a low MRP may temporarily improve short-term financial flexibility, it poses several risks that could impact the local authority's financial health in the medium to longer term. A low MRP results in slower repayment of the CFR, leading to the accumulation of long-term debt. Borrowing costs (interest payments) are therefore likely to remain a financial burden for future budgets, reducing the flexibility to address emerging priorities. A low MRP also limits the ability to borrow further for new capital projects, as a higher CFR reduces headroom under statutory and policy borrowing limits. The council also has a statutory responsibility to ensure it is providing a prudent MRP charge under the Local Government Act 2003.

Management should therefore review the level of MRP provision in future years to ensure that the annual adjustment remains adequate, prudent, and aligned with long-term financial sustainability. The MRP policy should be submitted annually to the Executive Board as part of the revenue and capital programme budget approval process, accompanied by a clear financial risk analysis setting out the key considerations and risks facing the authority. This will support informed decision-making and strengthen the Council's medium- and long-term financial resilience.



Value for money: financial sustainability

Summary

From the work conducted, we have not identified any significant weaknesses in arrangements to support financial sustainability. However, there are financial risks present which will need continuing careful management over the short to medium term.

The Council has effective arrangements in place to plan and manage its resources to ensure it can continue to deliver its services. It has a good understanding of its financial position and the risks inherent in the forward-looking MTFS. The MTFS is reviewed annually to ensure alignment with financial goals and economic changes.

There is one indicator of financial strain, which is that MRP is low compared to the Council's residual general fund CFR. This needs to be reviewed to ensure it is prudent considering the Council has a significant capital programme during the short to medium term.

With local government reorganisation planned to take place in just over two years, but with little certainty over what the future reorganisation will look like, there is a growing uncertainty over the longer-term plans. This makes it harder for the Council to consider the longer-term financial position. In the short-term, Members will need to ensure that their current decisions take into account, as far as possible, the needs of the future unitary body into which North Warwickshire will be absorbed and ensure that, on transition, the Council's financial resilience is as strong as possible to ensure the emerging organisation commences its life on a robust financial footing.

Recommendation

We have made two “other” recommendations in respect of:

Minimum revenue provision - Management should review the minimum revenue provision (MRP) in future years to ensure the annual MRP adjustment is adequate and prudent and ensure longer term financial risks are contained.

Peer Review – Management should address the peer review recommendation by using the time available now to address the identified savings gap of £2m by 2026/27 identified by the Medium Term Financial Strategy.



Value for money: 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:

- 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) and for example where it procures or commissions services.

Risk Management and Governance

The Council has a Risk Management Policy dated December 2024, which was approved by the Resources Board in July 2025. Prior to this, the Council did not have a single, consolidated risk management policy or framework; instead, risk management was incorporated within broader governance documents and the corporate strategy. While risk considerations have historically been embedded into key decision-making processes at committee level, the absence of a standardised and formally approved policy limited consistency and transparency in the management of risk across the organisation.

The purpose of the Risk Management Policy is to ensure that risk management is systematically embedded in all key processes and decision-making across the Council, supporting the safeguarding of public funds, effective service delivery, and the achievement of strategic objectives. The policy should provide clear alignment with the Council's strategic plan and objectives and encompass strategic, operational, project, and partnership risks.

Management should ensure that significant risks, arising from the strategic risk register, operational and project risk registers, and any emerging issues are reported quarterly to the relevant committees. In addition, a comprehensive risk update, including associated mitigations, should be presented to Council at least twice per year to support robust governance and oversight.

The approved Risk Management Policy states that it will be monitored by the Senior Management Team; however, it does not specify the nature or frequency of reporting to Council, boards or committees. Management has confirmed that a new process is being implemented, which includes regular review of both strategic and operational risks, and that this will be reported to the Resources Board. The Council also has an agreement with RSM to assist in the management and oversight of risk.



Value for money: governance

Internal Audit

The work of Internal Audit provides essential assurance to the Council that effective financial and operational controls are in place throughout the organisation and the Accounts and Audit Regulations 2015 require the Council to maintain an effective internal audit function. Internal audit provides independent assurance that governance, risk management and internal control arrangements are operating effectively. It supports the Section 151 Officer in discharging their statutory responsibilities, helping to safeguard resources and ensure that public funds are used efficiently, effectively and in accordance with the law. Internal audit also plays a key role in the prevention and detection of fraud and provides advice to support continuous improvement in service delivery.

The Council is a partner in the Central Midlands Audit Partnership (CMAP) to deliver its internal audit service, with this arrangement commencing in November 2023. The partnership supports the Council in achieving its objectives by providing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, internal control, and governance processes. Internal audit work is carried out according to an Annual Risk-Based Audit Plan, which is prepared in consultation with the Council's senior managers to ensure that the highest-risk areas are prioritised. The plan is approved annually by the Resources Board, which receives regular progress reports and a summary of the outcomes of internal audit activity.

The internal audit work for 2024/25 experienced significant delays due to the Council being unable to accommodate the planned internal audit activities. Further delays arose as some elements of the 2023/24 audit plan were deferred into 2024/25. During internal audit follow-up, it was also noted that some recommendations had not been implemented, and the Internal Audit Annual Report for 2023/24 provided only limited assurance. Similarly, the 2024/25 Internal Audit Annual Report has also provided limited assurance. To ensure the effective operation of internal controls, including arrangements to prevent and detect fraud, management should establish a robust system to support the delivery of internal audit work. This should include measures to accommodate audit activities and hold officers accountable for the timely completion of the internal audit plan and the implementation of audit recommendations.

Counter-fraud arrangements

The Council has zero tolerance for all forms of fraud and corruption. From 1 April 2024 the Council has an agreement with Derby City Council for the provision of a Counter Fraud service. The Council has in place specific other mechanisms which help in the prevention and detection of fraud such as an anti-fraud and corruption policy, a register of interests, and a whistleblowing policy.



Value for money: governance

Member governance

The Council has a written constitution which details roles and responsibilities, rules and procedures for the Council and Boards, including codes of conduct and protocols. The Constitution sets out how the Council operates, how decisions are made, and how councillors and officers are held accountable. It defines the roles of members and staff, the structure of meetings and committees, decision-making processes, financial and legal responsibilities, and citizens' rights, including participation, information access, and complaints. Its aim is to ensure the Council works efficiently, transparently, ethically, and in the public interest. The Constitution is currently overdue for review and update.

Peer Review

In September 2024 Council undertook a peer challenge to reflect on its achievements and identify areas for improvement, building on a previous review in 2013. The report noted that the Council has strong local focus, positive relationships between Members and officers, and a clear understanding of its regional context, but the translation of political priorities into a shared, well-embedded corporate plan could be strengthened. Governance issues, including reviewing the constitution, clarifying audit oversight, and finalising performance and risk frameworks, were also reported as needing urgent attention.

Twelve recommendations were raised during the Peer Review and an action plan was developed and presented to the Executive Board in June 2025. The action plan outlines progress made to date and timelines for each recommendation. Progress was reported on eight recommendations, with some partially completed and the remaining recommendations still outstanding as of June 2025. The next review of the Action Plan is expected in early 2026.

Value for money: governance

Annual budget setting approach and control

The Council has forecasting and budgeting procedures. A medium-term business and financial planning process supports delivery of the authority's strategic objectives and is updated twice a year in February and September. The financial forecast produced in September provides the context for the more detailed four-year budget approved in February as part of the Council Tax Setting process. The Council also prepares a capital strategy, which is updated annually.

In the event of potentially significant changes to the Council's financial position, the Corporate Director - Resources will assess whether additional updates to the financial strategy are needed. Before the start of each financial year, the senior officers prepare estimates of income and expenditure on General Fund Revenue accounts in consultation with the Corporate Director - Resources for submission to the appropriate Board. The forecast should agree with the financial plans approved by the Council. They consider all financial implications, including any impact upon Prudential Indicators set by the Council, so that each Board may report on its budget requirement after the budget is prepared and presented to the Executive Board for scrutiny and approval.

Financial management system

The Council has recently replaced its financial management system from an out-of-date legacy system that was no longer fit for purpose and was unsupported. As with most IT implementations there have been challenges, and these have been reviewed by CMAP delivering a limited assurance audit. The consequences have been to affect a number of key processes such as reconciling feeder systems and bank, and the production of detailed budget monitoring information. Whilst the key reconciliations are now being brought up to date and high-level budget monitoring is available, there is still significant work needed to get to the point where it is produced efficiently and in a timely manner. This has been reported to the Executive and Resources Boards and will be further reported at Leaders Group meetings.

Financial statements preparation

The draft Statement of Accounts for 2023/24 were only released on 23 December 2024 by the council, which was well after the statutory deadline of 31 May 2024. The main reason for this was under-resourcing within the finance team. As a result, we raised a significant weakness in 2023/24, which was consistent with the predecessor auditor in 2022/23.

The Council has not yet published draft Statement of Accounts for 2024/25 as at mid-November 2025. We understand that this was partly due to issues experienced during the migration to the new financial system, as noted above, but also because the Finance Team remain significantly under-resourced to meet the revised statutory deadline of 30 June 2025. To address this, management has engaged external accountants with extensive local authority experience to support the Finance Team. The plan is to review and reconcile all previous unaudited financial periods, starting with the oldest set of unaudited accounts in 2020/21. We are working with the Finance Team to complete our audit work in conjunction with this review and reconciliation work. However, until the Council starts producing annual accounts in line with the statutory deadline, we are not able to conclude that the previously identified weaknesses have been fully addressed.



Value for money: governance

Summary

There remains a significant weakness in the Council's governance arrangements due to the failure to produce draft statements of accounts by the statutory deadline.

As noted above the year has been challenging for the finance team as a result of the issues experienced with the financial system migration. Along with continuing lack of finance team resource, this has affected the Council's ability to meet the statutory accounts deadline. The s151 officer has implemented measures to ensure the current and previous years are reconciled before draft accounts are produced for audit.

We have made other recommendation(s) in respect of:

Risk Management Policy – A formal Risk Management Policy has now been drafted and presented to the Executive Board for approval in June 2025. However, the policy will need to provide greater clarity on the frequency of risk reviews and the reporting of ongoing mitigating actions to those charged with governance.

Council constitution - The Council's Constitution was last updated in 2018 and has not been reviewed since. While we understand that the Council is in the process of updating a number of policies, it is important to ensure that all policies remain current and relevant in the interim period. Policies should be reviewed and fully refreshed at least every five years to ensure they continue to support the Council's operations effectively.

Internal Audit - The internal audit work for 2024/25 experienced significant delays due to the Council being unable to accommodate the planned internal audit activities. The Internal Audit Annual Reports for 2023/24 and 2024/25 provided only limited assurance. To ensure the effective operation of internal controls, including arrangements to prevent and detect fraud, management should establish a robust system to support the delivery of internal audit work. This should include measures to accommodate audit activities and hold officers accountable for the timely completion of the internal audit plan and the implementation of audit recommendations.

Value for money: 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:

- 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 and engages with stakeholders it has identified, to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Financial and performance reporting

The Council recognise performance needs to be driven by accurate and timely financial and performance information. Resolving the issues with the new financial management system is key to achieving this. The Council previously had embedded reporting processes in place which will be re-established once the relevant data is available at the level required.

Benchmarking is undertaken for income setting and on some of the major projects being undertaken such as the new Leisure Centre and operating contracts. To be effective, this also requires accurate and up to date information. The Council is working closely with the other Warwickshire authorities through the LGR process, and this will assist in looking at both benchmarks but also aligning services ahead of their integration into the new authority(s).

The monthly and quarterly performance monitoring process tracks progress against the Council's priorities and highlights potential risks and issues in achieving these. Performance management information about critical objectives is regularly provided to the Executive Board. The Council also prepares a Corporate Plan that sets out the vision for the Council and its priorities. It includes what the Council will do over the next three years to deliver the vision.

The MTFS links to the Corporate Plan, and the Corporate Plan drives the spending priorities that inform the MTFS. This will include allocating the overall expenditure budgets for local areas. The Corporate Director-Resources is responsible for producing the MTFS with Senior Officers and recommends measures to the Executive Board to support the Corporate Plan. This will be supported by policy options, savings and efficiencies, and both financial and non-financial information to assist decision-making.

In attempt to improve the financial performance reporting, management has migrated to new accounting system. The legacy system was no longer fit for purpose and was unsupported. The migration implementation experienced issues and the process received a limited assurance from new internal audit review. The consequences have been to affect a number of key processes such as reconciling feeder systems and bank, and the production of detailed budget monitoring information. Whilst the key reconciliations are now being brought up to date and high-level budget monitoring is available, there is still significant work needed to get to the point where it is produced efficiently and in a timely manner.



Value for money: improving economy, efficiency and effectiveness

Partnership

The Council has undertaken resident surveys in the past, which are to be repeated regularly to identify the direction of travel. In January 2024, the results of a boroughwide consultation were presented to Members, which was then used to inform the Corporate Plan and Budgets; the Council is active with several key partners, from countrywide partnerships to local groups and stakeholders. The Council has formally adopted a Board approved 'Partnership Framework & Significance Scorecard' protocol guiding partnerships and shared services.

There is a comprehensive and up-to-date Register of partnerships and shared services.

Regular reporting is made to the Executive Board and Resources Board on the performance of partnerships during Council meetings. The annual budget includes allocated revenue and expenditure to the Council's partnerships. The following are the current partnership:

- Home Environment Assessment & Response Team [HEART
- North Warwickshire Community Safety Partnership (NWCSP);
- Coleshill School – Joint Indoor Leisure Provision Partnership; and
- Building Control – Local Authority Partnership.

Senior Officers maintain a record of all contracts with external bodies. They should ensure that a risk management appraisal has been carried out and that any such partnership arrangement does not adversely impact the services the Council provides.

Procurement

The Council has a procurement team responsible for coordinating and advising on the procurement processes throughout the Council and establishing contracts and framework agreements for commonly used works, goods and services. The team continually seeks to improve its operations and achieve the best value and actively seeks opportunities for joint working with other local authorities. The team also ensures that all procurement practices are carried out in accordance with the Council's standing orders and statutory obligations. The Procurement Strategy is a tool used to provide a consistent basis for procurement decisions. This strategy is intended to be reviewed regularly to ensure that it is current and encompasses any changes to EU or local regulations.

The Council publishes its Procurement opportunities using CSW-JETS (Coventry, Solihull, and Warwickshire Joint E-Tendering System). Suppliers register on the portal. This allows the suppliers to express interest in any of the Councils'/Authorities' opportunities. Registered suppliers may also be invited to tender when the Council has a requirement. The Procurement Team advise and guide suppliers on the Council's processes and systems.



Value for money: improving economy, efficiency and effectiveness

Summary

We have not identified any significant weaknesses in the Council's arrangements for using financial and performance information to make informed decisions for improving the way it manages and delivers services and working with partnerships effectively. However, we have identified one additional recommendation, as detailed below.

Recommendation

Management has experienced issues arising from the migration from the legacy financial system to the new system, and we recognise the work already undertaken by the finance team to address these challenges. Management should now ensure that the recommendations raised by internal audit are fully implemented, including confirming that all feeder systems, whether automated or manual, interface correctly with the new general ledger, that data transfers are complete, accurate, and occur at the required frequency, and that appropriate controls are in place to identify, investigate, and reconcile any differences identified.



Recommendations



Value for money: significant weaknesses and key recommendations

The significant weaknesses we have identified and the key recommendations made are set out below. Our detailed commentary is set out in this Auditor’s Annual Report.

Significant weakness identified	Criteria	Sub criteria	Key recommendation
Area How the body ensures it makes informed decisions and properly manages risk	Governance	Finance team capacity to accommodate external audit and meet statutory deadline for the publication of draft financial statements.	<u>2023/24 and 2024/25</u> The Council should address the reasons for the delays and ensure that there is a suitably resourced finance team who can ensure that all statutory requirements regarding financial reporting are met. Further to the above, management should create and implement a close-down timetable for the preparation and publication of the accounts and report progress to the Executive Board for monitoring and review.



Value for money: other recommendations

The other recommendations made are set out below. Our detailed commentary is set out in this Auditor's Annual Report.

Criteria	Observation 2023/24 & 2024/25	Other recommendation	Management Comments
Financial sustainability	Minimum Revenue Provision The Minimum Revenue Provision (MRP) for 2023/24 was £81k, representing 1% of the CFR, which is below the benchmark of 2% and indicates a potential financial risk that the MRP may be insufficient to ensure long-term financial resilience. The 2024/25 is pending draft accounts.	Management should review the minimum revenue provision (MRP) in future years to ensure the annual MRP adjustment is adequate and prudent and ensure longer term financial risks are contained.	Management accepted the recommendation. They further mentioned MRP has already been discussed with MUFG, the Council's Treasury Management Advisors, and we have agreed to undertake the review as part of the work required to agree the funding for the new Leisure Centre. It's important to note that this isn't just related to the project as it has a fundamental impact on the Council's overall financial position.
Financial sustainability	Peer Review The Peer Review also noted a funding gap within the Council's financial plan. While the Council's short-term financial position remains stable, future pressures have been acknowledged at a senior level, allowing informed decisions to be made in advance. The future pressures are largely driven by the assumption that the Business Rates Reset will take place in 2025/26, with no additional income expected thereafter. This is considered a prudent assumption, and the peer team encouraged the Council to use this time effectively to address the identified savings gap of £2m to 2026/27.	Management should address the peer review recommendation by using the time available now to address the identified savings gap of £2m by 2026/27 identified by the Medium-term financial strategy.	Management accepted the recommendation. The recommendations will be addressed and further discussed with the Peers early in the new year. The specific matter of the savings gap is being managed through the budget setting process for 2026/27. This is the only option given the expected fundamental change that Fair Funding Review 2.0 will bring.



Value for money: other recommendations

The other recommendations made are set out below. Our detailed commentary is set out in this Auditor's Annual Report.

Criteria	Observation 2023/24 & 2024/25	Other recommendation	Management Comments
Governance	Risk Management Policy The Council has drafted a Risk Management Policy dated December 2024, which was approved by the Resource Board in July 2025. During audit review we noted the need to provide greater clarity on the frequency of risk reviews in risk register and the reporting of ongoing mitigating actions to the Council, boards and committees.	Management should update the policy to clarify the frequency of risk reviews on the risk register and the reporting of ongoing mitigating actions to governance groups.	Management accepted the recommendation. The Policy itself is reviewed annually, and this will be made clearer when it is reviewed. In the interim risk reviews are scheduled quarterly and reported to Management Team and Resources Board. An update is scheduled for resources Board on 1st December 2025.
Governance	Constitution The Council's Constitution was last updated in 2018 and has not been reviewed since. While we understand that the Council is in the process of updating a number of policies, it is important to ensure that all policies remain current and relevant in the interim periods to ensure compliance with regulation and etc. Policies should be reviewed and fully refreshed at least every five years to ensure they continue to support the Council's operations effectively.	Management should update the Constitution and ensure that it includes a clearly defined timeline for its periodic review, setting out both the schedule for interim reviews and the deadline for when a full update of the Constitution is required.	Management accepted the recommendation. This significant update is already underway and expected to be completed by March 2026, it will also define timelines for future interim and full reviews. A number of policies have been updated, and it is the intention that policies will be updated every 3 years.



Value for money: other recommendations

The other recommendations made are set out below. Our detailed commentary is set out in this Auditor’s Annual Report.

Criteria	Observation 2023/24 & 2024/25	Other recommendation	Management Comments
Governance	Internal Audit The internal audit work for 2024/25 experienced significant delays due to the Council being unable to accommodate the planned internal audit activities. Further delays arose as some elements of the 2023/24 audit plan were deferred into 2024/25. During internal audit follow-up, it was also noted that some recommendations had not been implemented, and the Internal Audit Annual Report for 2023/24 provided only limited assurance. Similarly, the 2024/25 Internal Audit Annual Report has also provided limited assurance.	To ensure the effective operation of internal controls, including arrangements to prevent and detect fraud, management should establish a robust system to support the delivery of internal audit work. This should include measures to accommodate audit activities and hold officers accountable for the timely completion of the internal audit plan and the implementation of audit recommendations.	Management accepted the recommendation. They further stated that they’re continuing to make changes to the Internal Audit processes, which are still in the embedding phase. The importance though has been recognised by Members and the Resources Board at its last meeting agreed to set up a working party to bring and hold officers to account on their internal audits. Management Team are also reviewing and addressing outstanding audit recommendations to ensure these are up to date.



Value for money: other recommendations

The other recommendations made are set out below. Our detailed commentary is set out in this Auditor’s Annual Report.

Criteria	Observation 2023/24 & 2024/25	Other recommendation	Management Comments
Improving economy, efficiency and effectiveness	Financial System Migration The migration implementation experienced issues and the process received a limited assurance from new internal audit reviews. The consequences have been to affect a number of key processes such as reconciling feeder systems and bank, and the production of detailed budget monitoring information. Whilst the key reconciliations are now being brought up to date and high-level budget monitoring is available, there is still significant work needed to get to the point where it is produced efficiently and in a timely manner.	Management should now ensure that the recommendations raised by internal audit are fully implemented, including confirming that all feeder systems, whether automated or manual, interface correctly with the new general ledger, that data transfers are complete, accurate, and occur at the required frequency, and that appropriate controls are in place to identify, investigate, and reconcile any differences identified.	Management accepted the recommendation. Further stated that significant progress has been made since the new team were recruited to assist with the closedown process. There is still work required to resolve the issues in 2025/26, but resources are in place to address them and get to the position where we are able to report fully.



Value for money: follow up of prior recommendations

The recommendations we made in previous years are set out below, together with actions taken by the Authority in 2024/25 to address them. Our detailed commentary is set out in this Auditor’s Annual Report.

Observation previously reported	Criteria	Recommendation previously made (2021/22 & 2022/23)	Auditor update 2023/24 and 2024/25
Area How the body ensures it makes informed decisions and properly manages risk	Governance	The Council should address the reasons for these delays and ensure that there is a suitably resourced finance team who can ensure that all statutory requirements regarding financial reporting are met. Further to the above, management should create and implement a close-down timetable for the preparation and publication of the accounts and report progress to the Executive Board for monitoring and review.	During 2023/24 the council was behind by two financial years on the publication of its accounts due to lack of capacity within the finance team. In 2024/25, management has again not published the draft Statement of Accounts within the statutory deadline. As noted above, this recommendation remains open.



