



Rugby Borough Council

Auditor's Annual Report
Year ended 31 March 2025

November 2025

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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. This report has been prepared in line with the requirements set out in the Code of Audit Practice and supporting guidance published by the National Audit Office and is required to be published by the Authority alongside the annual report and accounts.

Our responsibilities

Financial statements

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 for the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

We anticipate issuing an unqualified audit opinion on the Council's financial statements. This means that we consider the financial statements give a true and fair view of the financial performance and position of the Council.

Narrative report and Annual Governance Statement

We assess whether the Narrative report and Annual Governance Statement is consistent with our knowledge of the Authority.

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 (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 not identified any significant weaknesses in the arrangements for securing economy, efficiency and effectiveness in the use of resources at the Council. 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 |
|--|--|---|---|--|
| <p>We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.</p> <p>If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.</p> <p>We have not issued a Public Interest Report this year.</p> | <p>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.</p> <p>We have not made any statutory recommendations this year.</p> | <p>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.</p> <p>We have not issued an advisory notice this year.</p> | <p>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.</p> <p>We did not make an application for judicial review this year.</p> | <p>We may apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.</p> <p>We have not applied to the courts this year.</p> |



Headlines from our audit

Findings and recommendations

Findings from our financial statements audit

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 2025
- audit findings (ISA 260) report to Those Charged with Governance

Our audit findings report was reported to the Council's Audit Committee on 22 September 2025.

Requests for our audit findings (ISA260) report should be directed to the Council.

Recommendations arising from our financial statements audit

Recommendations relating to internal controls and other matters arising from our financial statements work are contained in the audit findings (ISA 260) report.

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

Key recommendations arising from our value for money work

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 not made any key recommendations this year.

Other recommendations arising from our value for money work

We make other recommendations if we identify areas for improvement which do not relate to identified significant weaknesses

We have made one new other recommendation this year and rolled forward four other recommendations from the prior year.



Value for money



Value for money

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

We have completed our value for money work. Our detailed findings are reported in the following commentary in this report.

We have not identified any significant weaknesses in the Council's arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

| Reporting criteria | Planning – risk of significant weakness identified? | Final – significant weakness identified? | 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 | No | 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 | No | No |



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
- 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.



Value for money

Overview

Rugby Borough Council (the Council) is a district council in Warwickshire. It works with five other district and borough councils, local parish and town councils and Warwickshire County Council (which includes Warwickshire Fire and Rescue Service) in a two-tier local government system. The administrative area also includes the Warwickshire Police and Crime Commissioner and Chief Constable of Warwickshire. The Council serves a population of circa 114,000 people. The Council provides social housing from an in-house Housing Revenue Account and is considering a number of large capital and investment schemes to promote regeneration, 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 Business Rates Reform, Fair Funding Review and the Local Government Reform.

Like all councils and the wider local government sector, Rugby 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, reorganizing multi-tier council areas into a series of unitary authorities with devolved powers at a regional, mayoral level. The changes proposed would impact Rugby 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, indicating reduced certainty about what the future may hold, economically. 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 Rugby. 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.

Rugby Borough Council has arrangements in place to mitigate the macro-risks posed by the national context and, at present, a reasonable level of general fund reserves.



Value for money

Local government reorganisation

On 5 February 2025, the Minister for State for Local Government and English Devolution asked all councils in two-tier areas to develop unitary proposals, which will bring together upper and lower tier local government services in new unitary councils. Warwickshire is in the third wave of reorganisation. Final detailed proposals were to be submitted in September 2025, with the potential establishment of a shadow Council in May 2027 and the transition to the unitary authority in April 2028, marking the cessation of the existing councils in Warwickshire.

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 and concerns. Where reserves have been built up over previous years, whether through strong financial management or earmarked for specific projects, could potentially be reprioritised by the successor body to meet wider financial pressures. While this is not a certainty, the uncertainty of future governance arrangements means councils should ensure that any spending decisions made before reorganisation are supported by robust governance and clear documentation, particularly for schemes that will continue beyond the transition date.

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, and in particular audit committee members, will need to be satisfied that where earmarked reserves are being utilised, they are being utilised 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, particularly in the operation of the audit committee, delivery of internal audit and execution of the risk management process.

For Rugby Borough Council, this reorganisation into unitary authorities could streamline service delivery, reduce duplication and improve long-term financial sustainability. However, the transition will require careful planning, particularly around the disaggregation of legacy financial systems, reserves, and service responsibilities. Government believes there are substantial financial benefits and savings to be made, although these would depend on the exact configuration arrived at. However, any reorganisation of this scale brings significant risk and uncertainty. The Council recognises that transformation costs and service continuity risks must be managed effectively.



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.

Medium Term Financial Plan

The Council's Medium Term Financial Plan (MTFP) for 2025-2035 was presented to Cabinet on the 21 January 2025, ahead of final approval in February 2025. The 10-year plan forecasts a balanced position for 2025/26, whilst incorporating an in-year 1% efficiency target of £0.217m.

To achieve the 2025/26 balanced position, the Council is planning on using £4.026m of business rate growth, which will have an impact on the amount the Council can transfer to the Business Rates Equalisation Reserve, as it has done in previous years.

Business rates reform and fair funding changes are expected from April 2026, and this reform will alter how local authorities receive and retain revenue. Whilst the details of the reform are yet to be developed fully by government, it is now clear that there will be transitional funding available to those Councils that are negatively impacted. The Council's financial modelling assumes a gradual 25% reduction in retained business rates for four years following the reset. This is considered by the Council as a prudent assumption and further analysis will take place throughout 2025/26.

To ensure resilience, the MTFP forecasts ongoing savings requirements rising cumulatively to £4.342m by 2029/30, to achieve a balanced budget without utilising reserves. The Council's assumptions in its financial strategy are not unreasonable, including the 1.7% increase in fees and charges and 1.48% on Council tax, however, there are risks attached to them which have been considered.

2024/25 outturn position

The Council delivered an adverse expenditure variance of £0.653m compared to the budget of £21.746m. There was also an adverse outturn variance in the Councils income of £0.458m resulting in an overall adverse variance of £1.111m. This has been funded by a transfer from reserves during the year. As part of this, the Council delivered 93% (£2.835m) of savings against a 2024/25 planned target of £3.033m.

The revised approved General Fund Capital Programme for 2024/25 was £9.507m and the Council achieved £9.219m, resulting in a net negative variance at year-end of £0.288m.



Value for money: financial sustainability

General fund and reserves

At 31 March 2025 the Council's general fund balance stood at £2.250m, which is consistent with the general fund balance at 31 March 2024 of £2.250m. However, the level of general fund earmarked reserves increased during the year from £31.196m to £33.205m, meaning the overall level of useable general fund reserves available to the Council now stands at £35.455m, compared to £33.446m a year ago. This is a strong level of reserves and given that the Council's net expenditure on services in 2024/25 was £21.790m, this level of reserves provides a buffer for unexpected short-term shocks.

Financial resilience

In addition, we have assessed the latest available information on the CIPFA resilience index, which summarised financial information from 2023/24 for all local authorities.

This index illustrates that the Council's Reserves to Income ratio was 51%, and its Debt to Income ratio was 135%. We have compared this to neighbouring local authorities to assess Rugby Borough Council's financial resilience. Compared to other local authorities in the Warwickshire area, Rugby Borough Council has a very healthy Reserves to Income ratio and a comparable Debt to Income ratio. The Council's borrowing requirements are predominantly attributable to the Housing Revenue Account, which represents the largest component of its debt profile.

Location government reorganisation

Local government reorganisation (LGR) plans were announced in December 2024 in a "Devolution White Paper" by Ministry of Housing Communities and Local Government (MHCLG). This has meant that the Council's attention has, rightly so, been directed to focus on LGR over the last quarter of 2024/25 and into the 2025/26 financial year. Whilst it is early days, LGR is gathering pace, with expected organisational change from April 2028. To date, the Council have met their obligations to provide information by the required deadlines. They have been working collaboratively with other Councils and submitted interim proposals into the MHCLG. The Council also plan to submit full proposals in November 2025. Whilst this does create some level of uncertainty over the future financial sustainability of the Council in the medium term, the Council have given consideration to the known risks in their latest MTFP. This should continue to be a focus for the Council during the next years budget setting and MTFP process.

Housing revenue account (HRA)

The 2024/25 HRA outturn report showcased a balanced position and HRA reserves of £38.219m at 31 March 2025. The Council achieved an outturn capital programme of £20.416m, against an initial budget set of £23.526m. This budget was however reprofiled during the year, meaning the Council out achieved a net positive variance of £391k compared to the reprofiled budget of £20.025m.



Value for money: financial sustainability

We reported in the prior year that the Council was planning to refresh the 30-year HRA business plan, now that the Council had undertaken a stock condition survey on 100% of our HRA properties. We have followed up on the progress made to our prior year recommendation made to update the long term HRA business plan, and it has been identified that there are a number of properties that had not yet been surveyed due to issues with gaining the necessary access. We have therefore rolled forward our 'other' recommendation from the prior year.

Summary

Whilst we do not consider there to be a significant weakness in the Council's arrangements in 2024/25, we acknowledge the importance of the Council in understanding how they maintain a financially sustainable position, where they are able to deliver on planned savings to balance the budget. The Council does have a track history of achieving the majority of savings targets previously set; however, we note that these targets cumulatively increase over the MTFP period. The Council is currently assessing potential savings for 2026/27 and beyond, and this process is being led by the Chief Executive and Director of Resources (S151 Officer), alongside the budget working group.

The Fair Funding review is expected to have a positive impact on the Council's ability to plan and budget as this provides the Council with more certainty over its settlement for multi-year periods, rather than on a year-by-year basis. Local government reform adds an additional complexity and will be a competing priority for the Council to consider moving forward. The Council should therefore continue to ensure that long term plans are being considered with their Warwickshire counterparts to ensure that long term financial sustainability for the region as a whole is at the heart of their decision making.

We recognise that our previous Annual Auditor's Report was only presented to the Council five months ago. We have therefore rolled forward one of our 'other' recommendations relating to financial sustainability, as it remains relevant and management have not had sufficient time to fully address the recommendation.

Other recommendations:

1. We recommend that the Council update the long term HRA business plan, following the completion of the stock condition survey. This is to ensure that the Council has long term visibility over future potential financial pressures within the HRA and to support informed decision making.



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 last updated its Risk Management Strategy in 2025, and it was approved by the Audit and Ethics Committee in February 2025. The updated strategy remains largely unchanged from the previous version.

The Council has appropriate arrangements in place to assess risk and gain assurance over the effective operation of internal controls, including measures to prevent and detect fraud. The Council also implements a risk-based internal audit plan aligned to its key strategic risks, which is reviewed regularly by the Audit and Ethics Committee.

The risk register is updated regularly to reflect current risks and changes in the risk profile. Until early in the 2025/26 financial year, this was maintained by the internal audit function. To strengthen its risk management approach, the Council engaged RSM in October 2025 to oversee risk management and to review and update the Council's risk registers.

Internal Audit and the Audit and Ethics Committee

The Council has a robust framework in place to support the effective operation of internal controls. Historically, the internal audit function was managed in-house. When the Internal Audit Manager's contract concluded in 2024/25, the Council engaged Lighthouse as an external provider under a short-term arrangement until March 2025. Subsequently, the Council engaged the Central Midlands Audit Partnership to provide the Internal Audit Manager role and oversee the internal audit function on a 12-month trial basis.

As of September 2025, there are 49 overdue audit recommendations, with 16 outstanding for more than 12 months. The delayed implementation of the recommendations was raised as an 'other' recommendation in our prior year and remains relevant for the 2024/25 financial year.



Value for money: governance

The overall internal audit assurance opinion for 2024/25 is 'Substantial assurance', over the adequacy and effectiveness of the Council's governance, risk management, and control framework. While some areas require improvement, appropriate actions have been agreed and are being implemented within reasonable timeframes. Three out of sixteen internal audits undertaken were concluded as 'Limited Assurance' while the remaining thirteen received 'Substantial Assurance'.

The Council's Audit and Ethics Committee has delegated responsibility for oversight of governance, control and risk issues across the Council. This includes monitoring the progress and outcome of Internal Audit's work, alongside the performance of the service. The Audit and Ethics 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 and Ethics Committee has been reasonable during 2024/25, and effective challenge has been noted.

Budgetary control

The Council has a Budget Working Group, which primarily comprises of Officers, and extends to Group Leaders when required. This group provides scrutiny throughout the budget-setting process. From the start of 2025/26, the Scrutiny Committee has also been involved in the budget setting process, alongside a public consultation to further enhance transparency and stakeholder engagement.

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.

We noted that the Council incurred a high level of agency spend, rising from £1.5m in the 2023/24 financial year to £2.5m in the 2024/25 financial year. Through our value for money work and discussions with the finance team, it is evident that the Council continues to face significant resource and capacity challenges. There has been considerable staff turnover within the finance team during 2024/25, and we also observed ongoing resource constraints across payroll and other areas of the Council.

Informed decision making

The Council promotes informed decision-making by ensuring its committee structure hold distinct responsibilities with clear terms of reference. These committees hold regular meetings to address significant matters as per their terms of reference. Details of these meetings, including agendas, are published on the Council's website to foster transparency and facilitate stakeholder engagement.



Value for money: governance

Standards and behaviour

The Council's Monitoring Officer holds overall responsibility for ensuring the Council operates lawfully and has a statutory duty to report any instances of legal non-compliance. The previous Monitoring Officer left the Council in April 2025. An interim Monitoring Officer was appointed following their departure, and a permanent Monitoring Officer was recently appointed in September 2025. The Council's Code of Conduct and website provides guidance on how to raise a concern or complaint, and the Monitoring Officer manages this process.

No breaches of legislation, regulations, or non-compliance issues were reported to us following inquiries with both the previous and current Monitoring Officer, as well as the S151 Officer. Management has also confirmed that there have been no serious data breaches or instances of non-compliance with the Council's constitution during the 2024/25 period or since the year-end.

The Council has a gifts and hospitality policy in place, which is being followed. Fit and proper person tests are undertaken by directors, and we have reviewed the declarations of interest register for both officers and councillors. During our completeness check of these declarations, we identified instances where some declarations were not fully completed. We have performed additional procedures to gain assurance that there are no material concerns impacting the financial statements audit. However, we have raised an 'other' recommendation to improve arrangements in this area. Following discussions with the current Monitoring Officer, we understand that the declaration form has been updated and circulated to members for completion in October 2025.

Local government reorganisation

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 a new unitary authority. There may be an incentive for more short-term decision making in respect of the use of reserves and concerns, where reserves have been built up over previous years, either via strong management or for the implementation of a particular development scheme, that these 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 to make sure 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 identify any skills gaps and take steps to mitigate those gaps, to reduce risks arising during or post transition. Plans and arrangements for reorganisation will put strain on the finance team, where we have already noted capacity constraints. This has the potential to divert attention from the realisation of savings plans and the Council should monitor the delivery of planned savings closely, in line with their medium-term financial plans.



Value for money: governance

Scrutiny review

In May 2024, the Council invited the Centre for Governance and Scrutiny (CfGS) to undertake a voluntary evaluation of its scrutiny arrangements and effectiveness. This review was a proactive step towards continuous improvement and demonstrated the Council's commitment to enhancing its scrutiny function. The CfGS report concluded that Rugby Borough Council's scrutiny is structurally and operationally sound, though there is scope to strengthen its effectiveness and consistency. While no significant weaknesses were identified, several recommendations were made to support improvement. It is intended that the current Monitoring Officer will review the CfGS recommendations and oversee the development of a plan to address them.

Summary

From work performed on the Council's governance arrangement for the 2024/25 financial year, we have not identified any significant weaknesses in the Council's governance arrangements. During the year, the Council had effective arrangements in place for overseeing the Council's performance, identifying risks to the achievement of its objectives, the proper management of its risks and taking key decisions. We have however on the following page drawn attention to a potential risk to governance in 2025/26. This will become an area of focus for our VFM assessment in 2025/26.

We recognise that our previous Annual Auditor's Report was only presented to the Council five months ago. We have therefore rolled forward and updated three out of five of our 'other' recommendations relating to governance, as they remain relevant and management have not had sufficient time to fully address our recommendations.

Other recommendations

1. 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.
2. We recommend that the Council addresses and implements outstanding recommendations raised by Internal Audit in a timely manner.
3. 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.
4. We recommend that the Council strengthen its monitoring arrangements for the register of interests to ensure it is complete, accurate, and updated in a timely manner. We also suggest that the Monitoring Officer consider delivering refresher training to reinforce awareness and understanding of the requirements among members.



Value for money: governance – potential risk for 2025/26

Potential capital investment

In July 2025, we became aware that, as part of the Council's Town Centre Regeneration Programme, management is considering a significant asset acquisition. Although the opportunity emerged late in the 2024/25 financial year, substantive due diligence activities were undertaken in early 2025/26.

To support decision-making, management commissioned a series of best value assessments from external experts and obtained a RICS-compliant property valuation. The valuation indicated that the seller's asking price significantly exceeded the asset's market value. In response, management has appropriately paused negotiations, sought a second valuation, and is exploring alternative options.

At present, discussions have been limited to the Town Centre Regeneration Working Group, comprising the Leader, selected Members, and the Leadership Team. The nature and scale of the potential transaction have led us to consider whether a full options appraisal has been performed, including the impact to financial and non-financial risks to the Council, and whether members have been provided with sufficient information to make informed decisions. Whilst the potential transaction has been paused, we have requested that management demonstrate that appropriate processes have been followed, including adherence to internal controls and decision-making protocols.

Additionally, guidance issued by the Minister for State for Local Government and English Devolution in July 2025, advises local authorities to exercise caution when entering into major capital schemes ahead of the local government reorganisation. The guidance encourages collaborative working and stakeholder buy-in from neighbouring districts and the County Council, particularly for long-term projects. This guidance should be considered, and evidence of wider stakeholder buy in is favourable for significant capital transactions of this nature.

Members should ensure that any future acquisitions are subject to rigorous scrutiny, with full consideration of procedural compliance, long-term financial implications, and risk exposure. As the scheme has not yet been approved, it is not currently reflected in the capital programme. Should it proceed, inclusion in the capital strategy, budget, and Medium-Term Financial Plan would be required to ensure alignment between the Councils key strategies and plans.

Summary

While we did not identify any significant governance weaknesses during 2024/25, this governance arrangements relating to significant capital transactions represents a potential risk for value for money for 2025/26. We intend to undertake further work as part of our 2025/26 Value for Money assessment to evaluate the governance and decision-making arrangements for the Town Centre Regeneration Programme.



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.

Use of financial and performance information

The Council continues to maintain an online performance dashboard that sets out key performance indicators (KPIs) and key statistics across service areas. This remains a useful tool for stakeholders to assess performance in real time, with narrative updates and actions reported quarterly to Cabinet as part of the budget monitoring process.

Performance for the 2024/25 financial year was summarised in the yearly outturn report, which was presented to Cabinet on 24 June 2025. This report reflects the Council's commitment to transparency and continuous improvement.

In 2024/25, the Council monitored 76 key performance indicators (KPIs), each aligned with Portfolio responsibilities and the Corporate Strategy. Of these, 51% met or exceeded their targets, reflecting steady progress across several service areas. Officers now have access to a full year of performance data, which enables more robust trend analysis and benchmarking, supported by tools such as LG Inform.

The areas of strengths include:

- 100% of fly-tipping reports were investigated across all quarters;
- 100% of major planning applications were determined within the 13-week target in the final quarter; and
- Council Tax collection reached 95%, the highest in-year collection rate since pre-Covid.

The areas for improvement include:

- 58% of major voids were completed on time, against a target of 80%, due to a high volume of properties requiring extensive works.



Value for money: improving economy, efficiency and effectiveness

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.

Rainsbrook Crematorium is a joint venture between Rugby Borough Council and West Northamptonshire Council. The facility, which opened in April 2014, serves communities across Rugby and western Northamptonshire. Governance is overseen by a joint committee representing both authorities, ensuring collaborative decision-making and shared strategic oversight. While Rugby Borough Council manages the day-to-day operations and holds sole responsibility for the newly developed cemetery on-site, the partnership continues to support shared service delivery and infrastructure planning. This collaborative model demonstrates effective inter-authority working, contributing to efficient service provision and long-term community benefit.

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.

Use of consultants and agency staff

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 highlighted 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 portfolios. 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.

We raised an 'other' recommendation in the prior year's report for the Council to undertake cost-benefit analysis on key services, and management has taken steps to address this. The MTFP for 2025/26 includes specific Value for Money reviews for key services, with the Waste Services Unit and the Sport and Recreation being reviewed during 2024/25. These actions demonstrate that the Council is embedding a structured approach to assessing service efficiency and delivery options. On this basis, we consider this recommendation addressed.



Value for money: improving economy, efficiency and effectiveness

Procurement of services

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 Procurement Act 2023, came into effect on the 24 February 2025, and the Council have ensured compliance with this act. This is detailed on the Council's website, and the Council's Constitution was also updated in March 2025.

The strategy outlines five strategic aims:

1. Compliance
2. Strategic procurement and purchasing
3. Value for money
4. Collaboration
5. Social value

The Council actively collaborates with a range of public sector partners, strategic suppliers, and regional networks to support service delivery and regeneration initiatives. The Council values stakeholder engagement and seeks to align its plans with community needs, particularly through initiatives that support health, wellbeing, environmental sustainability, and social value. Procurement and commissioning activities are governed by a clear policy framework, ensuring compliance with legislation, professional standards, and internal governance. All procurement activities follow the rules embedded within the Council's Constitution, and the strategy has been communicated to relevant staff to ensure consistent and compliant practice.

Summary

From work performed on the Council's arrangements for the 2024/25 financial year, we have not identified any significant weaknesses in the Council's arrangements in relation to improving economy, efficiency and effectiveness. During the year, the Council had effective arrangements in place for using financial and performance information to make informed decisions for improving the way it manages and delivers services and working with partnerships effectively.



Recommendations



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.

We recognise that our previous Annual Auditor’s Report was only presented to the Council five months ago. We have therefore rolled forward and updated five ‘other’ recommendations from the prior year, as they remain relevant and management have not had sufficient time to fully address our recommendations. These are included on the following page.

| Observation | Criteria | Managements response |
|--|-------------------|---|
| <p>Declaration of interests</p> <p>We recommend that the Council strengthen its monitoring arrangements for the register of interests to ensure it is complete, accurate, and updated in a timely manner. We also suggest that the Monitoring Officer consider delivering refresher training to reinforce awareness and understanding of the requirements among members.</p> | <p>Governance</p> | <p>The Council appointed a new Chief Officer & Monitoring Officer in September 2025.</p> <p>A review has subsequently been undertaken of the Members’ Register of Interests, with the form for Members to complete being redrafted to be simplified and to provide more guidance and examples for Members. The Monitoring Officer has been in dialogue with Members throughout this process to assist them with completing their forms.</p> <p>The Monitoring Officer is also investigating opportunities in early 2026 for training for Members about governance, including declaration of interests</p> |



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.

| Recommendation previously reported | Criteria | Managements response | Auditor update 2024/25 |
|---|---------------------------------------|---|--|
| We recommend that the Council update the long term HRA business plan, following the completion of the stock condition survey. This is to ensure that the Council has long term visibility over future potential financial pressures within the HRA and to support informed decision making. | Financial sustainability 23/24 | The HRA Business Plan is being updated following the completion of the stock condition survey. It has however been identified that there are properties that have not yet been surveyed due to issues with gaining the necessary access. The programme of surveying the stock will therefore recommence shortly and the business planning work will then be progressed once the survey is complete. | Due to the timing of the prior year report, insufficient progress has been made against this recommendation. This other recommendation therefore remains open. |
| 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. | Financial sustainability 23/24 | The Budget Working Group (now known as the MTSF 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. | We are satisfied that the Council has taken appropriate action to begin to address our recommendation. We have also noted successful delivery of 93% of saving plans for 24/25. This other recommendation is now closed. |
| We recommend that the Council refresh the risk management policy to ensure the policy is up to date and as effective as possible. | Governance 23/24 | 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. | We are satisfied that the Council has taken appropriate action to address our recommendation. This other recommendation is now closed. |



Value for money: follow up of prior recommendations

| Recommendation previously reported | Criteria | Management response | Auditor update 2024/25 |
|--|------------------------------------|---|--|
| <p>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 staff stage.</p> | <p>Governance 23/24</p> | <p>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.</p> | <p>Due to the timing of the prior year report, insufficient progress has been made against this recommendation. This other recommendation therefore remains open.</p> |
| <p>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.</p> | <p>Governance 23/24</p> | <p>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.</p> | <p>We are satisfied that a medium-term solution has been secured for internal audit, however, note that a number of outstanding recommendations still require implementation. This other recommendation therefore remains partially open.</p> |
| <p>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.</p> | <p>Governance 23/24</p> | <p>The new monitoring officer joined the organisation in September, and the plan will be reviewed and updated accordingly.</p> | <p>Due to the timing of the prior year report, insufficient progress has been made against this recommendation. This other recommendation therefore remains open.</p> |



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.

| Recommendation previously reported | Criteria | Management response | Auditor update 2024/25 |
|--|---|---|---|
| <p>The Council should ensure that the Risk Register is updated to reflect the actual risks in relation to the MTFP and Transformation Programme.</p> | <p>Governance 22/23</p> | <p>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.</p> | <p>We are satisfied that the Council has taken appropriate action to address our recommendation. This other recommendation is now closed.</p> |
| <p>We recommend that the Council enhances the 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.</p> | <p>Economy, efficiency and effectiveness in the use of resources 23/24</p> | <p>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.</p> | <p>We are satisfied that the Council has taken appropriate action to address our recommendation. This other recommendation is now closed.</p> |



