

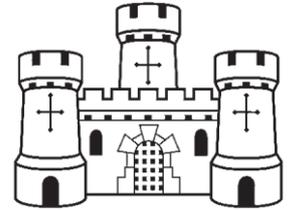
Public Document Pack

Date of meeting Monday, 13th November, 2023

Time 7.00 pm

Venue Astley Room - Castle

Contact Geoff Durham



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Castle House
Barracks Road
Newcastle-under-Lyme
Staffordshire
ST5 1BL

Audit and Standards Committee

AGENDA

PART 1 – OPEN AGENDA

- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 MINUTES OF PREVIOUS MEETING** (Pages 3 - 6)
To consider the minutes of the previous meeting(s).
- 4 TREASURY MANAGEMENT HALF YEARLY REPORT 2023/24** (Pages 7 - 20)
- 5 QUARTER TWO CORPORATE RISK MANAGEMENT REPORT 2023/24** (Pages 21 - 34)
- 6 QUARTER TWO INTERNAL AUDIT PROGRESS REPORT 2023/24** (Pages 35 - 42)
- 7 WORK PROGRAMME** (Pages 43 - 46)
- 8 URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

Members: Councillors P Waring (Chair), Burnett-Faulkner (Vice-Chair), Holland, Whieldon, Stubbs, Brockie and Lewis

Members of the Council: If you identify any personal training/development requirements from any of the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Democratic Services Officer at the close of the meeting.

Meeting Quorums :- Where the total membership of a committee is 12 Members or less, the quorum will be 3 members....Where the total membership is more than 12 Members, the quorum will be one quarter of the total membership.

SUBSTITUTE MEMBER SCHEME (Section B5 – Rule 2 of Constitution)

The Constitution provides for the appointment of Substitute members to attend Committees. The named Substitutes for this meeting are listed below:-

Substitute Members:	Panter	Lawley
	Parker	Northcott
	Gorton	Reece
	S Jones	

If you are unable to attend this meeting and wish to appoint a Substitute to attend in your place you need to:

- Identify a Substitute member from the list above who is able to attend on your behalf
- Notify the Chairman of the Committee (at least 24 hours before the meeting is due to take place)

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

NOTE: THERE ARE NO FIRE DRILLS PLANNED FOR THIS EVENING SO IF THE FIRE ALARM DOES SOUND, PLEASE LEAVE THE BUILDING IMMEDIATELY THROUGH THE FIRE EXIT DOORS.

ON EXITING THE BUILDING, PLEASE ASSEMBLE AT THE FRONT OF THE BUILDING BY THE STATUE OF QUEEN VICTORIA. DO NOT RE-ENTER THE BUILDING UNTIL ADVISED TO DO SO.

Agenda Item 3

Audit and Standards Committee - 28/09/23

AUDIT AND STANDARDS COMMITTEE

Thursday, 28th September, 2023
Time of Commencement: 7.00 pm

[View the agenda here](#)

[Watch the meeting here](#)

Present:	Councillor Paul Waring (Chair)		
Councillors:	Burnett-Faulkner Holland	Whieldon Panter	Brockie
Apologies:	Councillor(s) Stubbs		
Substitutes:	Councillor Richard Gorton (In place of Councillor Mike Stubbs) Councillor Annabel Lawley		
Officers:	Simon Sowerby Sarah Wilkes Craig Turner	Business Improvement Manager Service Director - Finance / S151 Officer Finance Manager	
Also in attendance:	Councillor Stephen Sweeney	Deputy Leader of the Council and Portfolio Holder - Finance, Town Centres and Growth	

1. **APOLOGIES**

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

3. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 17th July 2023 be agreed as a correct record.

4. **CORPORATE RISK MANAGEMENT REPORT**

The Business Improvement Manager presented the Corporate Risk Management Report.

Members asked questions and responses were provided as follows:

- Cllr Brockie asked about the arson/fire risks at the Sky Building and how these could be mitigated. – Contact was currently sought with the owner of the building to ensure adjacent properties would be protected, would there be any issues. A security person was guarding the building.

Audit and Standards Committee - 28/09/23

- Cllr Whieldon expressed concerns about the Council getting too involved in the mitigation of risks pertaining to the Sky building which could lead to responsibility in case something happened. – The Chair clarified that the Council was simply monitoring the situation.

The Chair requested that more information be provided on the risks relating to the Sky Building at the next meeting of the committee.

- Resolved:**
1. That there were currently 14 risks that were more than 6 months overdue for a review up to end of Q1 2023/24, be noted.
 2. That there had been 5 risk level increases be noted.
 3. That there had been no movement on the Corporate Risk Register be noted.
 4. That officers be advised of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting.
 5. That whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change, be noted.

[Watch the debate here](#)

5. INTERNAL AUDIT UPDATE Q1 2023/24

The Internal Auditor presented the Internal Audit Update for 2023-24 Quarter 1 including the implementation of recommendations issues in June.

Resolved: That the report be considered.

[Watch the debate here](#)

6. STATEMENT OF ACCOUNTS 2022/23 - EXTERNAL AUDIT FINDINGS REPORT

The External Auditor presented the Final Accounts and Audit Findings Report for the financial year 2022/23.

It was noted that the audit was not quite complete yet with outstanding information awaited with regard to the pension fund. The accounts were otherwise satisfying and there had been no adjustment required to the draft financial statement numbers. An unmodified audit opinion was to be expected.

The Deputy Leader wished to thank the Service Director for Finance (S151 Officer) and her team for their work resulting in a superb audit. The Chair supported the statement adding that other councils were for some of them two years behind which made the work of the team even more remarkable.

Resolved:

1. That the final accounts for the financial year 2022/23 be received and that delegated authority be given to the Service Director for Finance and the Chair of the Audit and Standards Committee to sign off the Statement of Accounts once the Staffordshire Pension Fund Audit has been completed.

2. That the audit findings report for the financial year 2022/23 be received.

[Watch the debate here](#)

7. WORK PROGRAMME

The Chair informed members that there may be a need to move either the November or February meeting depending on when the value for money report would be received.

Resolved: That the work programme be noted.

[Watch the debate here](#)

8. URGENT BUSINESS

There was no urgent business.

**Councillor Paul Waring
Chair**

Meeting concluded at 7.20 pm

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO
AUDIT AND STANDARDS COMMITTEE**

13 November 2023

Report Title: Treasury Management Half Yearly Report 2023/24

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
To receive the Treasury Management Half Yearly Report for 2023/24 and to review the Treasury Management activity for this period.	
<u>Recommendation</u>	
That Committee:	
1. Receive the Treasury Management Half Yearly Report for 2023/24.	
<u>Reasons</u>	
The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year.	
It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.	

1. Background

1.1 The CIPFA Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.

1.2 This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.

1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Treasury Management Strategy Report approved by Council on 15 February 2023.

2. **Issues**

2.1 The Treasury Management Half Yearly Report for 2023/24 is attached at Appendix 1. The economic background included in the report has been provided by the Council's Treasury Management Advisors, Arlingclose.

3. **Recommendation**

3.1 That the Treasury Management Half Yearly Report for 2023/24 be received.

4. **Reasons**

4.1 The CIPFA Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year.

4.2 It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.

5. **Options Considered**

5.1 Provision of the Treasury Management Half Yearly report is best practice and demonstrates the transparency regarding treasury management activities during the first half of 2023/24.

6. **Legal and Statutory Implications**

6.1 This report ensures that this Council is embracing best practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising directly from this report.

8. **Financial and Resource Implications**

8.1 There are no specific financial implications arising from the report.

9. **Major Risks & Mitigation**

- 9.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.
- 9.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.
- 9.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

10. UN Sustainable Development Goals (UNSDG)

- 10.1 Treasury Management helps to inform the budget process, as part of the budget process consideration will be given to the need for investment in order to deliver the Council's Sustainable Environment Action Plan.



11. Key Decision Information

- 11.1 Not applicable as report is for information only.

12. Earlier Cabinet/Committee Resolutions

- 12.1 Council, 15 February 2023, agenda item 4 – Treasury Management Strategy 2023/24.

13. List of Appendices

- 13.1 Appendix 1, Treasury Management Half Yearly Report 2023/24.

14. Background Papers

- CIPFA Treasury Management Code of Practice (revised December 2017),
- Council's Treasury Management Policy Statement,
- Council's Treasury Management Strategy,
- Local Government Act 2003,
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,
- Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government (revised April 2018).

Treasury Management Half Yearly Report – 2023/24

1. Background

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate security and liquidity initially before considering optimising investment return (yield).

Accordingly Treasury Management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The second main function of a treasury management service is the funding of an authority’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasions any debt previously drawn may be restructured to meet Council risk or cost objectives.

2. Introduction

In February 2010 the Council adopted the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management semi-annual and annual reports.

This report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, regarding the reporting of the treasury management prudential indicators.

The Council’s treasury management strategy for 2023/24 was approved at a meeting on 15 February 2023. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council’s treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council’s Capital Strategy, complying with CIPFA’s requirement, was approved by full Council on 15 February 2023.

This Half Yearly Report to members is intended to provide an update of the treasury management strategy and performance for the period April to September of this financial year.

3. Economic Update – as provided by the Council’s Treasury Management Advisors, Arlingclose

UK inflation remained stubbornly high over much of the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly Gross Domestic Product (GDP) data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline Consumer Price Index (CPI) declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England’s Monetary Policy Committee (MPC) continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority’s treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

4. Credit View – as provided by the Council’s Treasury Management Advisors, Arlingclose

Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody’s revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority’s counterparty list recommended by Arlingclose remains under constant review.

5. Arlingclose's Economic Outlook for the remainder of 2023/24 (based on 25th September 2023 interest rate forecast)

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

The MPC held Bank Rate at 5.25% in September. Arlingclose believes this is the peak for Bank Rate.

The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second round effects. Arlingclose see rate cuts from Q3 2024 to a low of around 3% by early 2026.

The immediate risks around Bank Rate lie to the upside, but these diminish over the next few quarters and shift to the downside before balancing out, due to the weakening UK economy and dampening effects on inflation.

Arlingclose expects long-term gilt yields to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility.

6. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy for 2023/24 was approved by Full Council on 15 February 2023. The Council's annual Investment Strategy, which is incorporated in the Treasury Management Strategy, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Arlingclose suggested creditworthiness matrices. Currently investments are only being made with UK financial institutions.

Investments during the first six months of the 2023/24 financial year have been in line with the strategy, and there have been no deviations from the strategy.

It is considered that the strategy approved on 15 February 2023 is still fit for purpose in the current economic climate.

7. Investment Portfolio 2023/24

In accordance with the CIPFA Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. The Bank of England has increased the official Bank Rate from 4.25% to 5.25% during the period. This has fed through into increasing investment returns.

The Council held investments of £28.19m as at 30 September 2023; £24.25m was placed in the Debt Management Account Deposit Facility (DMADF) with the DMO, £2m was held in the Public Sector Deposit Fund, and £1.94m was held in the Council's Lloyds Current Account for liquidity. In comparison £21.35m was held as at 31 March 2023; £17.0m in the DMADF and £4.35m in the Lloyds Current Account. Investments held have been with institutes with a credit rating of A+ or above. This is greater than the average portfolio credit rating target of A or above set in the Council's Treasury Management Strategy 2022/23.

Funds available for investment purposes during 2023/24 to date have varied throughout the year, with up to £34.58m being available for investment, mainly due to advances of the Town Deal and Future High Streets funding streams. There are fluctuations due to cash inflows and outflows during each month. Large cash inflows include council tax and business rate direct debits and the Housing Benefit subsidy from the Department for Work and Pensions. Large cash outflows include payment of the precepts to Staffordshire County Council, the Fire Authority and the Police, payment of salaries and payment of business rates to Central Government and the Staffordshire Business Rate pool.

The investment portfolio yield for the first six months of the year is 4.72%. For all investments held as at 30 September 2023 this yield was 5.26%. The Council's budgeted investment return for 2023/24 is nil. As at the end of the first 2 quarters of 2023/24 £607,446.09 of interest has been earned.

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses.

Throughout 2023/24 to 30th September 2023 the interest rate on the Lloyds Current Account had risen from 2.3% to 3.0%. A rate of up to 5.36% was received from the DMADF. The return on Money Market Funds net of fees produced returns of up to 5.19%.

8. Borrowing Position 2023/24

The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. During the first six months of 2023/24 no borrowing has taken place, however it is envisaged that borrowing will be required to cover short-term cash flow deficits together with the capital programme.

The Council consider it to be more cost effective in the near term to use internal resources or borrow on a short-term basis. This is also in line with advice provided by Arlingclose Ltd.

However, a need to borrow in order to fund the Council's capital programme was included within the Revenue and Capital Budgets and Strategies 2023/24 reports presented to Council on 15 February 2023. The impact of borrowing is included in the Medium Term Financial Strategy pressures for 2023/24 and future years.

Borrowing Update

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB (Public Works Loan Board) loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Authority has not invested in assets primarily for financial return or that are not primarily related to the functions of the Authority. It has no plans to do so in future.

9. Compliance

The Service Director for Finance (S151 Officer) reports that all treasury management activities undertaken during the year to date have complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Compliance with debt limits:

	Q1 & Q2 2023/24 Maximum	30.09.23 Actual	2023/24 Operational Boundary	2023/24 Authorised Limit	Complied?
Borrowing	£0m	£0m	£75m	£85m	Yes

Compliance with investment limits:

	Q1 & Q2 2023/24 Maximum	30.09.23 Actual	2023/24 Limit	Complied?
The UK Government	£31.5m	£24.25m	Unlimited	Yes
Local authorities & other government entities	£0m	£0m	£7m	Yes
Secured investments	£0m	£0m	£7m	Yes
Banks (unsecured)	£7m	£1.94m	£7m	Yes
Building societies (unsecured)	£0m	£0m	£7m	Yes
Registered providers (unsecured)	£0m	£0m	£10m	Yes
Money market funds	£2m	£2m	£7m	Yes
Other Investments	£0m	£0m	£7m	Yes

10. Prudential Indicators 2023/24

Treasury management activity during the first half year has been carried out within the parameters set by the prudential indicators contained in the approved 2023/24 Treasury Management Strategy. Consequently, there is no intention to revise any of the indicators for the remainder of the year.

Liability Benchmark:

This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £1m required to manage day-to-day cash flow.

	31.3.23 Actual	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast
Loans CFR	10.7m	26.2m	26.1m	25.9m
Less: Balance sheet resources	(32.1m)	(10.7m)	(26.2m)	(26.1m)
Net loans requirement	(21.4m)	15.5m	(0.1m)	(0.2m)
Plus: Liquidity allowance	-	1.0m	1.0m	1.0m
Liability benchmark	(21.4m)	16.5m	0.9m	0.8m

Maturity Structure of Borrowing:

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Refinancing Rate Risk Indicator	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%

Principal Sums Invested for Periods Longer Than One Year:

Price Risk Indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£25m	£25m	£25m	£25m

Security:

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Liquidity:

Credit Risk Indicator	2023/24 Target
Portfolio average credit rating	A

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling [three] month period, without additional borrowing:

Liquidity Risk Indicator	Target
Total cash available within 3 months	£1m

Interest Rate Exposures:

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates are:

Interest rate risk indicator	2023/24 Target
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	(£113,000)
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£113,000

Annex A

Treasury Management – Glossary of Terms

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.

- **CPI** – a measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- **DMADF** – is provided by the DMO as part of its cash management operations and in the context of a wider series of measures designed to support local authorities' cash management.
- **DMO** – The Debt Management Office is an Executive Agency of Her Majesty's Treasury responsible for debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.
- **GDP** – Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.
- **Liquidity** – relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **MPC** – the Monetary Policy Committee (MPC) is a committee of the Bank of England, which meets for three and a half days, eight times a year, to decide the official interest rate in the United Kingdom (the Bank Rate).
- **PWLB** – Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office. PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.
- **GfK Measure** – GfK's Consumer Confidence Index measures a range of consumer attitudes, including forward expectations of the general economic situation and households' financial positions and views on making major household purchases.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S REPORT TO THE
AUDIT & STANDARDS COMMITTEE**

13 November 2023

REPORT TITLE Corporate Risk Management Report for Quarter 2 2023/24

Submitted by: Corporate Leadership Team

Portfolio: Finance, Town Centres and Growth and One Council, People and Partnerships

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
To update Members on the current position in respect of risk management controls and identified corporate risks.	
<u>Recommendation</u>	
That the Audit & Standards Committee:-	
<ol style="list-style-type: none"> 1. Note that there are currently no risks that are more than 6 months overdue for a review up to end of Q2 2023/24. 2. Note that there have been no risk level increases. 3. Note no changes to the Corporate Risk Register. 4. Note the new risk profile specifically for Newcastle Town Deal. 5. Note the risk in relation to the Sky Building and J2. 6. Advise officers of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting 7. Note that whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change 	
<u>Reason</u>	
To comply with Audit and Risk Management Strategy requirements to report to committee: risk reviews that are more than 6 months overdue; the Corporate Risk Register; and any risks that have been increased in rating to a medium D or high E, or are new risks.	

1. **Background**

- 1.1 The Council's Risk Management Strategy (RMS) sets out how it identifies, records, manages and reports on risk. It uses the GRACE software (Governance Risk and Control Environment) to monitor and manage all of its risks by creating individual risk profiles which rank risk based on likely occurrence and impact, after applying relevant mitigation measures. The system allows for the creation and monitoring of mitigation action plans and the assignment of risk owners.
- 1.2 The system allows risks to be managed in this way at service and directorate level and, where warranted, corporately through the Corporate Leadership Team and this committee. The RMS

describes how risks are escalated and reported through that hierarchy depending on the nature of the risk, and in light of any delays in reviewing risk profiles or applying mitigation measures.

- 1.3 The Council currently reviews its high (red) risks at least monthly and its medium (amber) risks at least quarterly. The RMS and good audit practice requires that amber and red risks are reported to this committee where escalation is required, along with any risk profiles that are overdue for review by 6 months or more. This set of measures was last reported to this Committee on 28 September 2023.
- 1.4 GRACE automatically prompts Risk Owners to review their risk profiles at the required intervals, and will escalate overdue reviews. The review process involves the Council's Risk Champion challenging Risk Owners in respect of the controls, further actions, ratings and emerging risks related to their risk profiles. They are also challenged on the reasons for inclusion or non-inclusion of risks and amendments made to profiles. The Risk Champion has a direct reporting line to the Monitoring Officer and into the Corporate Leadership Team.
- 1.5 Project specific risks are managed to a high level in project specific risk registers, and are reviewed in accordance with the RMS at least monthly. Any specific projects can, where required, also have their risks monitored, maintained and managed in the Project Board meetings, but remain subject to the escalation requirements in the RMS.

2. **Issues**

- 2.1 There are currently no risk reviews 6 months overdue, up to the end of Q2 2023/24.
- 2.2 During the last quarter (Q2), no risks rose in priority to a Medium D or High E.
- 2.3 The Corporate Risk Register has been reviewed, and there are no changes.
- 2.4 A specific risk profile for the Newcastle Town Deal has been updated.
- 2.5 At the last meeting, the Chair requested more information be provided on the risk relating to the Sky Building. There is currently one risk identified in Leisure Services operational risk profile in respect of Arson/fire of the Sky Building adversely affecting the Jubilee2 building.

3. **Proposal**

- 3.1 That Members note that there are currently no risks more than 6 months overdue for a review up to end of Q2 2023/24.
- 3.2 That Members note that there have been no risk level increases to either a Medium D or a High E.
- 3.3 That Members note no changes in the Corporate Risk register.
- 3.4 That Members note the specific risk profile for the Newcastle Town Deal – Appendix A.
- 3.5 That Members note the risk in relation to the Sky Building and J2 – Appendix B.
- 3.6 That Members advise officers of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting.

3.7 Note that whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change.

4. **Reasons for Preferred Solution**

4.1 To comply with Audit and Risk Management Strategy requirements to report to committee: risk reviews that are more than 6 months overdue; the Corporate Risk Register; and any risks that have been increased in rating to a medium D or high E, or are new risks.

5. **Options Considered**

5.1 N/A. Reporting is undertaken in accordance with the RMS.

6. **Legal and Statutory Implications**

6.1 It is considered that the RMS and the procedures it sets out, including the escalation of risks and reporting to this committee satisfies the requirements of the Accounts and Audit (England) Regulations 2015 which state that:

*“The relevant body **is** responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk”.*

7. **Equality Impact Assessment**

7.1 There are no differential equality impact issues in relation to this report.

8. **Financial and Resource Implications**

8.1 There are no resource implications in respect of the management and reporting of risk, outside of usual establishment provision for the costs of delivering that service. Finance and resource implications arising from particular risks are identified and managed as part of the risk profile in question.

9. **Major Risks**

9.1 Limited resource to ensure timely compliance with the processes in the RMS leaves the council unable to appropriately identify and manage a potentially significant wide range of risks.

9.2 That could lead to a wide range of organisational governance and service or project delivery failures. Impacts could be profound in financial and health and wellbeing terms for the organisation, its employees and partners and the people and organisations it delivers services to. It could mean the Council may be unable to comply with the legal requirements set out above in respect of the management of risk.

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 Good risk management is a key part of the overall delivery of the Council’s four corporate priorities of; Local Services that Work for Local People, Growing our People and Places, a Healthy, Active and Safe Borough, a Town Centre for all. Officers assess sustainability and climate change implications as part of their local services.



11. **Key Decision Information**

11.1 N/A.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Previous Minutes from Committee meeting held on 28 September 2023.

13. **List of Appendices**

13.1 Appendix A – Newcastle Town Deal.

13.2 Appendix B – Sky Building.

14. **Background Papers**

14.1 None.

Newcastle Town Deal

Risk Achievement of Project Spend

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description Achievement of project and programme spend within the Town Deal deadline of March 2026

Potential Consequences loss of investment in the Borough
 Unable to complete project delivery
 reputational damage
 damaged relationship with stakeholders
 unable to deliver the targeted economic regeneration outputs for the Kidsgrove Town Deal area

Implication Financial, Reputation, Political

Risk Owners Elaine Burgess; Brian Meredith

Risk Rating Medium Amber D **Last Review** 07/07/2023

Final Risk Rating Medium Amber D **Next Review** 05/10/2023

Target Risk Level Medium Amber C **Treatment** Treat

Path Newcastle Town Deal/Commercial Development and Economic Growth/Newcastle Under Lyme

Objectives

A successful and sustainable growing Borough Corporate

Town Centres for all Corporate

Key Controls Identified

Appointment of competent contractors for delivery

Project Sub Groups

Town Deal Board

Contingency plans being developed

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
-------------------------	------------------	-------------------	-----------------------	----------

		Co-funding		
Likelihood	H			
	M			
	L		R/T	G
		L	M	H
	Impact			

Impact Measures

Risk Description Unable to attract co-funding for project delivery

Potential Consequences projects not fully delivered.
projects stall
projects not delivered.
Loss of investment to the Borough
unable to achieve the targeted economic regeneration outputs for Newcastle Town Deal

Implication Reputation, Financial, Reputation

Risk Owners Elaine Burgess; Hal Higgins; Brian Meredith

Risk Rating Medium Amber C **Last Review** 07/07/2023

Final Risk Rating Low Green B **Next Review** 03/01/2024

Target Risk Level Low Green B **Treatment** Tolerate

Path Newcastle Town Deal/Commercial Development and Economic Growth/Newcastle Under Lyme

Objectives

A successful and sustainable growing Borough	Corporate
Healthy, active and safe communities	Corporate
Town Centres for all	Corporate

Key Controls Identified

- Partner/Stakeholder Management
- Project Sub Groups
- Town Deal Board
- Legal support

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
-------------------------	------------------	-------------------	-----------------------	----------

Risk Completion of Grant Funding Agreements

Likelihood	H			
	M			
	L		R/T	G
		L	M	H
	Impact			

Impact Measures

Risk Description Completion of adequate and appropriate grant funding agreements with partners to enable delivery to take place.

Potential Consequences unable to deliver projects
project delivery delayed
loss of investment in the Borough
unable to deliver objectives of Newcastle Town Deal
unable to achieve the economic regeneration outputs for the Borough

Implication Financial, Reputation, Regeneration

Risk Owners Elaine Burgess; Brian Meredith

Risk Rating Medium Amber C

Last Review 07/07/2023

Final Risk Rating Low Green B

Next Review 03/01/2024

Target Risk Level Low Green B

Treatment Tolerate

Path Newcastle Town Deal/Commercial Development and Economic Growth/Newcastle Under Lyme

Objectives

A successful and sustainable growing Borough	Corporate
Healthy, active and safe communities	Corporate
Town Centres for all	Corporate

Key Controls Identified

- Appointment of competent contractors for delivery
- Project Sub Groups
- Town Deal Board
- Partner/Stakeholder Management

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
-------------------------	------------------	-------------------	-----------------------	----------

Risk

28

Likelihood

Planning Permission

H			
M			
L		R/T	G
	L	M	H

Impact

Impact Measures

Risk Description Achievement of Planning Permission for all relevant element of delivery.

Potential Consequences Unable to deliver all projects set out in the Newcastle Town Investment Plan.
Loss of investment in the Borough.
unable to deliver desired economic regeneration outputs.

Implication Regeneration, Financial, Reputation.

Risk Owners Elaine Burgess; Hal Higgins

Risk Rating Medium Amber C **Last Review** 07/07/2023

Final Risk Rating Low Green B **Next Review** 03/01/2024

Target Risk Level Low Green B **Treatment** Tolerate

Path Newcastle Town Deal/Commercial Development and Economic Growth/Newcastle Under Lyme

Objectives

A successful and sustainable growing Borough Corporate

Healthy, active and safe communities Corporate

Town Centres for all Corporate

Key Controls Identified

Project Sub Groups

Appointment of competent contractors for delivery

Partner/Stakeholder Management

pre-app planning advice

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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Risk Project Adjustment Requests

Likelihood	H			
	M		R	
	L		T	G
		L	M	H
	Impact			

Impact Measures

Risk Description Project Adjustment requests not approved by DLUHC or delay in approval.

Potential Consequences Delay in project delivery
loss of investment to the Borough
Project has to be withdrawn
unable to achieve economic regeneration outputs for the Borough

Implication Financial, Reputation, Regeneration

Risk Owners Elaine Burgess

Risk Rating Medium Amber C

Last Review 29/09/2023

Final Risk Rating Medium Amber C

Next Review 28/12/2023

Target Risk Level Low Green B

Treatment Treat

Path Newcastle Town Deal/Commercial Development and Economic Growth/Newcastle Under Lyme

Objectives

A successful and sustainable growing Borough

Corporate

Healthy, active and safe communities

Corporate

Town Centres for all

Corporate

Key Controls Identified

DLUHC relationship

Town Deal Board

Project Sub Groups

Appointment of competent contractors for delivery

Action Plans

Action Plan Description

Action Plan Type

Action Plan Owner

Due for Completion by

Comments

Risk **Project Spend**

Likelihood	H			
	M			
	L			R/T/G
		L	M	H

Impact Measures

Risk Description Achievement of project and programme spend within the Town Deal deadline of March 2026

Potential Consequences loss of investment in the Borough
Unable to complete project delivery
damaged relationship with stakeholders
unable to deliver the targeted economic regeneration outputs for the Newcastle Town Deal area

Implication Financial, Reputation

Risk Owners Elaine Burgess

Risk Rating Medium Amber C **Last Review** 07/07/2023

Final Risk Rating Medium Amber C **Next Review** 05/10/2023

Target Risk Level Medium Amber C **Treatment** Treat

Path Newcastle Town Deal/Commercial Development and Economic Growth/Newcastle Under Lyme

Objectives

A successful and sustainable growing Borough	Corporate
Healthy, active and safe communities	Corporate
Town Centres for all	Corporate

Key Controls Identified

- Appointment of competent contractors for delivery
- Legal support
- Partner/Stakeholder Management
- Project Sub Groups
- Town Deal Board

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Effective project and programme management processes in place.	Effective project and programme delivery processes in place to ensure project delivery and compliance with DLUHC requirements.	Ongoing	Elaine Burgess	31/03/2026	

Risk Stakeholder Engagement

Likelihood	H			
	M			
	L			R/T/G
		L	M	H
	Impact			

Impact Measures	
Risk Description	Stakeholders disengage from programme and project delivery.
Potential Consequences	unable to deliver projects project delivery delayed loss of investment in the Borough unable to deliver objectives of Newcastle Town Deal damage to long term relationship with key stakeholders
Implication	Financial, Reputation, Regeneration
Risk Owners	Elaine Burgess; Hal Higgins; Simon McEneny; Brian Meredith
Risk Rating	Medium Amber C
Final Risk Rating	Medium Amber C
Target Risk Level	Medium Amber C
Path	Newcastle Town Deal/Commercial Development and Economic Growth/Newcastle Under Lyme
Last Review	07/07/2023
Next Review	05/10/2023
Treatment	Tolerate

Objectives

A successful and sustainable growing Borough	Corporate
Healthy, active and safe communities	Corporate
Town Centres for all	Corporate

Key Controls Identified

Communications with Town Deal Board
Town Deal Board
Partner/Stakeholder Management
Project Sub Groups
Appointment of competent contractors for delivery

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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Subsidy Control Requirements

Likelihood	H			
	M			
	L		R/T	G
		L	M	H
		Impact		

Impact Measures			
Risk Description	Compliance with UK subsidy control requirements in delivering projects.		
Potential Consequences	loss, withdrawal or reclaim of funding. reputational damage potential for legal challenge unable to deliver the economic regeneration outputs for Newcastle Town Deal		
Implication	Financial, Reputation, Legal		
Risk Owners	Elaine Burgess; Simon McEneny		
Risk Rating	Medium Amber C	Last Review	07/07/2023
Final Risk Rating	Low Green B	Next Review	03/01/2024
Target Risk Level	Low Green B	Treatment	Treat
Path	Newcastle Town Deal/Commercial Development and Economic Growth/Newcastle Under Lyme		

Objectives

A successful and sustainable growing Borough	Corporate
Healthy, active and safe communities	Corporate
Town Centres for all	Corporate

Key Controls Identified

Legal support
DLUHC relationship

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
subsidy control assessments	ensure adequate subsidy control assessments are completed for the relevant projects.	Ongoing	Elaine Burgess	02/01/2024	

Leisure Services

Risk Arson/fire of the Sky Building adversely affecting the Jubilee 2 building

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

Impact Measures

Risk Description Arson or other fire in the Sky Building adversely affecting the Jubilee 2 building.

Potential Consequences Loss of income to the council. Dissatisfied customers. Increased cost to the council. Potential reputational damage to the council. Health and Safety of staff and/or Jubilee 2 customers. Adverse media attention, building closure, total loss of building

Implication Financial, reputation, legal,

Risk Owners Andy Arnott

Risk Rating Medium Amber D **Last Review** 23/06/2023

Final Risk Rating Medium Amber D **Next Review** 21/09/2023

Target Risk Level Medium Amber C **Treatment** Tolerate

Path Leisure Services/Commercial Delivery/Commercial Development and Economic Growth/Newcastle Under Lyme

Objectives

To make a positive difference to our communities by delivering services in leisure, culture, bereavement, commercial business and regeneration. Operational

LINKED TO: 1 - One Council delivering for Local People

LINKED TO: 2 - A successful and sustainable growing Borough

LINKED TO: 3 - Healthy, Active and Safe Communities

LINKED TO: 4 - Town Centres for all

Key Controls Identified

Planning and Development are monitoring the Sky Building.

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

Audit & Standards Committee
13 November 2023

Report Title: Internal Audit Update Quarter 2 2023/24

Submitted by: Chief Internal Auditor

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
To report on the position regarding Internal Audit during the period 1 July to 30 September 2023.	
<u>Recommendation</u>	
That 1. That Members consider the report.	
<u>Reasons</u>	
The role of Internal Audit is to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments.	

1. **Background**

1.1 The Internal Audit Plan for 2023/24 allows for 276 days of audit work.

1.2 This is the second progress report of the current financial year presented to the Committee.

1.3 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the Council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The internal audit plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be reported to the Audit and Standards Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

2. **Issues**

Audit reviews

2.1 During quarter 2 work continued to progress reviews and 3 reviews that began in a previous quarter were finalised. See table 1 for details.

Table 1 – Audits Completed in the Quarter Ending September 2023

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Income Collection 2022/23 Health Check	Good (Positive)	0	1	1	2
Purchase to Pay 2022/23 Health Check	Satisfactory (Positive)	0	3	1	4
Housing Benefits 2023 Health Check	Good (Positive)	0	2	0	2

2.2 All of the above reviews received positive opinions.

2.3 Opinions for the above reviews are classified as follows:

Table 2 – Opinion Definitions

Level of Assurance	Detailed definition of level of assurance
Good (Positive)	A good level of effective control, which allows reliance to be placed on the management of the system.
Satisfactory (Positive)	A satisfactory level of control. However, some control weaknesses have been identified which need to be corrected in order to move up to a good level of control.
Marginal (Neutral)	A number of weaknesses have been identified which make it difficult to place reliance on the operation of the internal control framework. Improvements are required to increase the adequacy and effectiveness of control.
Unsatisfactory (negative)	A number of significant weaknesses have been identified which make it difficult to place reliance on the operation of the internal controls. Significant improvements are required to increase the adequacy and effectiveness of control.
Unsound (negative)	At least one fundamental absence or weakness exists which places the system open to major error, waste, loss or abuse. Fundamental weaknesses need immediate action to improve the control environment.

2.4 At the end of quarter 2 a number of audit work remains in progress, details are provided in table 3 below.

Table 3 –Audits in Progress at the end of September 2023

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	One Council Programme	Fieldwork
	Human Resources	Preparation
	Procurement and Contract Management	Draft
	Risk Management Health Check	Draft
Sustainable Environment and Operations	Disabled Facilities Grant 2022/23	Fieldwork
	Streetscene	Fieldwork
IT Audit	Civica System	Fieldwork
	Payroll System (joint audit with Stoke-on-Trent City Council)	Fieldwork

2.5 As internal audit resources are finite, it is important that the audit plan is continually monitored and reviewed with regard to the needs and priorities of the Authority. Consequently, to coordinate the work of internal audit with that of the Authority it is proposed that the 2023/24 planned audit of Communications be deferred, given a service review of this area is currently in progress.

2.6 As in the previous quarters, the internal audit team continue to be available to provide advice and guidance to services as required. The annual internal audit plan also remains under regular review to support the production of the annual opinion at the year end.

Number of Recommendations Implemented

2.7 At the conclusion of every audit, an audit report is issued to management detailing findings of the audit review together with any recommendations required to be implemented to address any weaknesses identified.

2.8 Up to the end of September 2023, 353 recommendations had been made, of which 321 have been implemented, which represents 91%; the target for the implementation of all recommendations is 96% by the end of the financial year. Of the remaining 32 recommendations, 5 have not yet received their due date for completion and 27 are in progress. This shows an approved position on outstanding recommendations following a review by senior management during the quarter. Appendix A provides further details.

2.9 Of the 27 recommendations in progress; 13 relate to audit reports issued in 2023/24; 6 to reports issued in 2022/23, 7 to reports issued in 2021/2022 and 1 to 2019/20. The outstanding 2019/20 recommendation relates to the IT governance report which will be actioned when the ICT strategy is approved by Cabinet in December 2023.

3. Proposal

3.1 The internal audit plan for 2023/24 remains under review to ensure best use of available resources.

4. **Reasons for Proposed Solution**

4.1 The audit plan is monitored on a regular basis to ensure that it is achievable and reflects the key risks affecting the council.

5. **Options Considered**

5.1 None

6. **Legal and Statutory Implications**

6.1 The Accounts and Audit Regulations 2015 require the Council to 'maintain an adequate and effective system of internal control in accordance with the proper internal audit practices'.

7. **Equality Impact Assessment**

7.1 There are no equality impact issues identified from this proposal.

8. **Financial and Resource Implications**

8.1 The service is currently on target to be provided within budget. The financial implications resulting from the recommendations made within audit reports will be highlighted within individual reports wherever possible. It is the responsibility of managers receiving audit reports to take account of these financial implications, and to take the appropriate action.

9. **Major Risks**

9.1 If key controls are not in place, managers are exposing their systems, processes and activities to the potential abuse from fraud and corruption.

9.2 If key controls are not in place, assurance cannot be given that the Services being delivered provide Value for Money for the Council.

9.3 If the risks identified are not addressed through the implementation of agreed recommendations, achievement of the Council's objectives will be affected.

10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 The Internal Audit and Counter Fraud Arrangement via Stoke-on-Trent City Council and the Fraud Hub supports UNSG and Climate Change objectives in a number of ways. Principally, through partnership working and supporting sustainable cities and communities via the correct use of public monies. The following UNSGs are supported.



11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Approval of the Internal Audit Plan for 2023/24 (Audit and Standards Committee April 2023).

13. **List of Appendices**

13.1 Appendix A – Outstanding internal audit recommendations

14. **Background Papers**

14.1 Internal Audit Plan 2023/24.

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Summary of Overdue Audit Recommendations at the end of September 2023

Directorate	Total Number of Recommendations	Number of Recommendations Completed	Number of Recommendations Not Completed	Number of Recommendations Not Completed				
				Not Yet Due	Overdue for Implementation*			Total
					High	Medium	Low	
Chief Executives	188	175	13	5	0	8	0	13
Regeneration & Development Services	25	21	4	0	0	0	4	4
Operational Services	81	80	1	0	0	1	0	1
Corporate Reviews	59	45	14	0	0	8	6	14
Total	353	321	32	5	0	17	10	32

* includes recommendations where extensions have been agreed

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AUDIT & STANDARDS COMMITTEE



Work Programme 2023/24

Chair

Cllr P. Waring

Vice-Chair

Cllr B. Panter

Members

Cllrs M. Holland, J. Whieldon, W. Brockie,
M. Stubbs

Officer Champions

Sarah Wilkes / Anthony Harold

The Audit & Standards Committee is responsible for overseeing the Council's audit and assurance arrangements. Its role is to provide independent assurance to members of the adequacy of the Council's corporate governance arrangements including risk management and its systems of internal control. More information is available in Section B2 of the Council's constitution.

For more information on the Committee or its work Programme please contact the Democratic Services:

✚ Geoff Durham at geoff.durham@newcastle-staffs.gov.uk or on (01782) 742222

✚ Alexandra Bond at alexandra.bond@newcastle-staffs.gov.uk or on (01782) 742211

Planned Items

DATE OF MEETING	ITEM	NOTES
17/07/2023	<ul style="list-style-type: none"> • Health and Safety Report 2022/23 • Treasury Management Annual Report 2022/23 • Q4 Corporate Risk Management Report 2022/23 • Annual Internal Audit Report and Annual Opinion 	
28/09/2023	<ul style="list-style-type: none"> • Q1 Corporate Risk Management Report 2023/24 • Q1 Internal Audit Progress Report 2023/24 • Audited Statement of Accounts 2022/23 	
13/11/2023	<ul style="list-style-type: none"> • Treasury Management Half Yearly Report 2023/24 • Q2 Corporate Risk Management Report 2023/24 • Q2 Internal Audit progress Report 2023/24 	
05/02/2024	<ul style="list-style-type: none"> • Q3 Corporate Risk Management Report 2023/24 • Q3 Internal Audit Progress Report 2023/24 • Procurement of Internal Audit Service 2024/25 	

Previous Items

DATE OF MEETING	ITEM	NOTES
30/05/2023	<ul style="list-style-type: none"> • Proposed Accounting Policies • Annual Governance Statement • Draft Statement of Accounts 2022/23 • Revised Finance and Contract Procedure Rules 	
17/04/2023	<ul style="list-style-type: none"> • Internal Audit Charter 2023/24 	

	<ul style="list-style-type: none">• Internal Audit Plan 2023/24• Corporate Fraud Arrangements 2023/24• Committee Work Plan 2023/24• Risk Management Policy & Strategy 2023/24• External Audit	
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Last updated on 6th September 2023

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