Public Document Pack

Date of meeting	**Monday, 3rd February, 2025**
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

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	**Q3 INTERNAL AUDIT UPDATE 2024-25**	**(Pages 7 - 12)**
5	**CORPORATE RISK MANAGEMENT REPORT QUARTER 3 2024-25**	**(Pages 13 - 50)**
6	**EXTERNAL AUDIT FINDINGS REPORT 2023-24**	**(Pages 51 - 132)**
7	**WORK PROGRAMME**	**(Pages 133 - 138)**
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, Lewis and Reece

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	S Jones
	Parker	Lawley
	Gorton	Northcott

If you are unable to attend this meeting and wish to appoint a Substitute to attend on your place you need to identify a Substitute member from the list above who is able to attend on your behalf

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

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AUDIT AND STANDARDS COMMITTEE

Monday, 4th November, 2024
Time of Commencement: 7.00 pm

View the agenda here

Watch the meeting here

Present:	Councillor Paul Waring (Chair)	
Councillors:	Burnett-Faulkner Whieldon Lewis	
Apologies:	Councillor(s) Stubbs and Brockie	
Substitutes:	Councillor Philip Reece (In place of Councillor Wendy Brockie)	
Officers:	Sarah Wilkes	Service Director - Finance / S151 Officer
Also in attendance:	Councillor Stephen Sweeney	Deputy Leader of the Council and Portfolio Holder - Finance, Town Centres and Growth

1. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

2. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 30th September 2024 be agreed as a true and accurate record.

Watch the debate here

3. **CORPORATE RISK MANAGEMENT REPORT**

The Service Director for Finance (S151 Officer) presented the Corporate Risk Management report. Three risk levels had increased over the last quarter respectively relating to nuisance investigations, safe drinking water at private water supplies and shared service hub within Kidsgrove town deal and the delivery of the shared service. A new risk had been identified around community cohesion leading to public disorder.

Cllr Reece enquired about the context of the community cohesion risk.

– This was added following the Southport knife attack so that awareness of such risks was accounted for.

Cllr Reece asked for clarification on the financial and resources implications as well as major risks and mitigations.

– All the risks that had been identified and what they implied for the Council had been accounted for. While all risks could not be eliminated, processes were in place to ensure they were mitigated as much as possible within the limits of the Council resources.

Cllr Whieldon commented that risks were assessed at a moment in time and could be low to medium priority for a few weeks before they needed attention.

– The risk register was updated between meetings on a weekly basis.

Cllr Whieldon expressed her appreciation of the traffic light system and the thoroughness of the reports.

Resolved: 1. That there were currently no risks that were more than 6 months overdue for a review up to end of Q2 2024/25, be noted.

2. That there had been 3 risk level increases, be noted.

3. That new risk change to 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

4. **INTERNAL AUDIT UPDATE 2024/25**

The Internal Auditor presented the update report on internal audit.

The Chair asked about the National Fraud Initiative.

– Payrolls from one council to another council were compared to see if same employees were paid from two different places.

The Chair thanked the Internal Auditor for a smooth transition taking over from Stoke-on-Trent auditors.

Resolved: That progress against the 2024-25 Strategic Internal Audit Plan be noted

Watch the debate here

5. **TREASURY MANAGEMENT HALF YEARLY REPORT 2024/25**

The Chair introduced the Treasury Management report which had been heavily amended and simplified further to comments on the complexity of wording raised at previous meetings.

The Director for Finance (S151 Officer) presented the report, reminding members of the Treasury Management Strategy approved at full Council in February.

Resolved: That the Treasury Management Half Yearly Report for 2024-25 be received.

Watch the debate here

6. WORK PROGRAMME

At the Director for Finance (S151 Officer)'s suggestion it was agreed that the External Audit of the Statement of Accounts be brought back to the Committee in February for official sign-off.

Resolved: That the work programme be noted.

Watch the debate here

7. URGENT BUSINESS

There was no urgent business.

Councillor Paul Waring
Chair

Meeting concluded at 7.18 pm

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S REPORT TO

Audit and Standards Committee
3 February 2025

Report Title: **Q3 Internal Audit Update 2024/25**

Submitted by: **Chief Internal Auditor**

Portfolios: **All**

Ward(s) affected: **All**

Purpose of the Report	**Key Decision** Yes ☐ No ☒
To report on the position regarding Internal Audit during the period 1 October 2024 to 31 December 2024.	
Recommendation **That Committee:** 1. **Note progress against the 2024/25 Strategic Internal Audit Plan.**	
Reasons 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 This progress report is submitted to the Audit and Standards Committee as part of our ongoing commitment to providing robust and transparent oversight of internal control, risk management, and governance processes within the Council. The internal audit function plays a critical role in ensuring that the Council operates in compliance with relevant laws, regulations, and internal policies, while also seeking to enhance the efficiency and effectiveness of its operations.

1.2 This progress report provides an overview of the activities undertaken by Internal Audit from 1 October 2024 to 31 December 2024. The purpose of the progress report is to outline the progress made against the approved Internal Audit Plan for the year, highlight any significant findings and emerging risks identified during the audits conducted, and provide an update on the implementation of management actions in response to previous audit recommendations.

1.3 This report is intended to support the Audit and Standards Committee in fulfilling its oversight responsibilities by providing assurance that appropriate controls are in place, that risks are being managed effectively, and that the Council is continuously improving its governance practices. The report also seeks to identify areas where further attention or action may be required to address emerging issues or gaps in control.

1.4 Since the last progress report, preparation for audits that had not started commenced, with 7 of these having agreed starts dates in Q4. Fieldwork continues for several audits and 5 draft reports have been issued, with one of these being finalised (Council Tax).

2. Issues

Completed Audit Reviews

2.1 The Audit & Standards Committee previously agreed that only the reports of the high-risk audits, limited assurance audits and major special investigations would be considered as part of the agenda. All audit reports will be made available to members of the Audit & Standards Committee (either individually or collectively) upon request.

2.2 The table below summarises the audits that have been finalised during Q3.

Audit	Opinion	Recommendations			
		High	Medium	Low	Total
Council Tax	Adequate	1	2	1	4

Progress of the Internal Audit Plan

2.3 At this stage in the year the Internal Audit Service remains on schedule to meet its key performance targets.

2.4 Delivery against the 2024/25 audit plan is summarised below.

Directorate	Audit	Status	Opinion
Office of the Chief Executive	Asset Management Capital	Cancelled	
	Treasury Management	Fieldwork Ongoing	
	Council Tax	Complete	Adequate
	NNDR	Fieldwork Complete	
	Housing Benefits	Preparation (Starting 3/3/25)	
Operational Services	Bereavement Services	Preparation (Starting 3/2/25)	
	Tree Management	Preparation	
	Waste Services	Preparation	
	Jubilee 2	Preparation (Starting 13/1/25)	
Regeneration & Development	Disabled Facilities Grant	Draft Report Issued	Substantial (Draft)
	Planning	Preparation (Starting 15/1/25)	
	Future High Street Fund	Draft Report Issued	Adequate (Draft)

	Newcastle and Kidsgrove Town Deal Funds	Draft Report Issued	Adequate (Draft)
	UK Shared prosperity Fund	Preparation (Starting 16/1/25)	
Corporate	Civil Contingencies & Business Continuity	Fieldwork Ongoing	
	Communications	Preparation	
	Procurement and Contract Management	Preparation	
	Safeguarding	Preparation (Starting 10/2/25)	
	Health and Safety	Preparation (Starting 6/2/25)	
ICT	Cyber Security	Fieldwork Complete	
	Disaster Recovery	Fieldwork Complete	
	ICT Backups	Draft Report Issued	Adequate (Draft)
	PSN Compliance	Preparation	

<u>Counter Fraud</u>

2.5 The 2024/25 Audit Plan also includes 40 days allocated to counter fraud activities. This work is managed by Staffordshire County Council's Audit Manager – Fraud.

2.6 The County Council has received a total of 16 referrals from members of the public reporting potential frauds, a further three since the last progress report. These predominately revolve around the fraudulent claiming of benefits. These reports are carefully triaged in line with our established fraud response processes and through liaising with the Council's Customer Hub Manager and other external agencies where relevant.

2.7 The Audit Manager – Fraud is investigating one whistleblowing referral.

2.8 Any significant findings resulting from these investigations will be promptly reported to the Audit and Standards Committee in future updates.

<u>National Fraud Initiative</u>

2.9 The Council takes part in the National Fraud Initiative ('NFI'). The NFI is a biennial data matching exercise, hosted by the Cabinet Office. Data sets for the current exercise have been uploaded to the Cabinet Office in October/November 2024 in accordance with published deadlines.

2.10 We are still awaiting the results of the NFI exercise but will work with Council Officers to identify strategies for the efficient review of the matches, and report on progress and findings to a future meeting of this Committee when received.

<u>Cancelled Audits</u>

2.11 No audits have been cancelled within this reporting period.

<u>Recommendations</u>

2.12 A new audit management system has been implemented at Staffordshire County Council and the recommendation portal is due to be implemented in March 2025. This portal will allow automated reminders to be sent to responsible officers, as well as the ability for them to provide updates. We are currently liaising with the IT department to understand the processes required to implement this portal at Newcastle-under-Lyme Borough Council, as well as dashboard facilities to Directors, providing them with greater and more timely oversight and visibility of recommendations within their areas of responsibility.

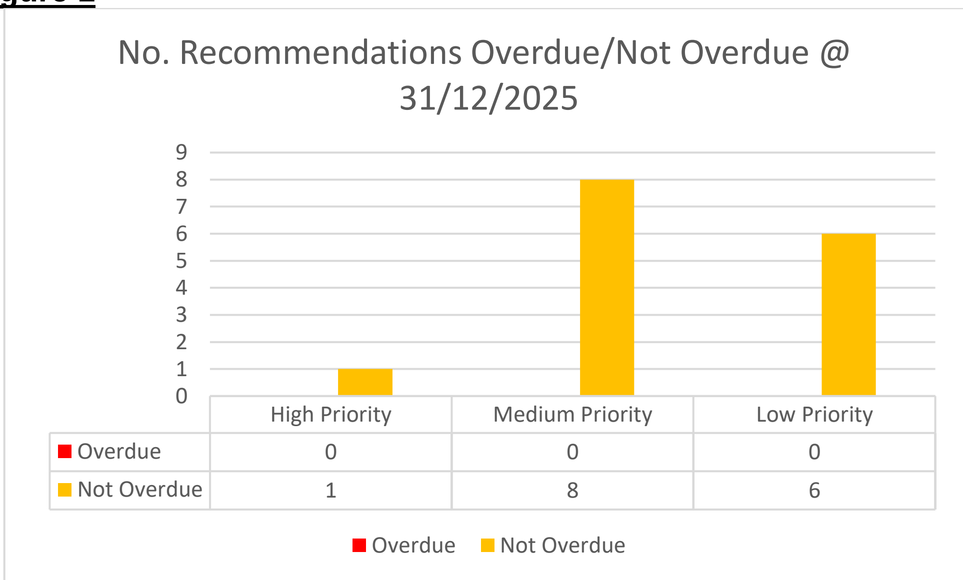
2.13 There are 35 audit recommendations that are being tracked (relating to completed audits for the current financial year plus recommendations carried over from the previous auditors, which covers the 2023/24 financial year).

2.14 No recommendations are overdue at this point.

Area	Total	Implemented	Risk Accepted	Superseded	Not Yet Implemented	
					Not Over Due	Overdue
Office of the Chief Executive	6	2	0	0	4	0
Operational Services	5	3	0	0	2	0
Regeneration & Development	0	0	0	0	0	0
Corporate	16	8	0	0	8	0
IT	8	7	0	0	1	0
Total	**35**	**20**	**0**	**0**	**15**	**0**
%		57%	0%	0%	43%	0%

2.15 Figure 1 below shows the number of high, medium and low priority recommendations which have not yet been implemented (outstanding), and their status as either overdue or not overdue.

Figure 1



3. Recommendation

3.1 Note progress against the 2024/25 Strategic Internal Audit Plan.

4. Reasons

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 Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations 2015 specifically require that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

7. Equality Impact Assessment

7.1 There are no direct implications arising from this report.

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 & Mitigation

9.1 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Where relevant, the results of individual reviews will link into the Annual Governance Statement, providing assurance on the operation of key controls. Internal Audit will continue to align its work with the Corporate Risk Register.

9.2 Continual review of the work contained within the audit plan ensures that where necessary adjustments are made to provide the most appropriate coverage.

10. UN Sustainable Development Goals (UNSDG)

10.1 The Internal Audit and Counter Fraud Arrangement via Staffordshire County 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. <u>One Council</u>

Please confirm that consideration has been given to the following programmes of work:

One Commercial Council ☒

One Digital Council ☒

One Green Council ☒

12. <u>Key Decision Information</u>

12.1 Not Applicable.

13. <u>Earlier Cabinet/Committee Resolutions</u>

13.1 Approval of the Internal Audit Plan for 2024/25 (Audit and Standards Committee April 2024).

14. <u>List of Appendices</u>

14.1 Not Applicable

15. <u>Background Papers</u>

15.1 Internal Audit Plan 2024/25.

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

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

03 February 2025

Report Title: **Corporate Risk Management Report Quarter 3 2024/25**

Submitted by: **Corporate Leadership Team**

Portfolios: **Finance, Town Centres and Growth**

Ward(s) affected: **All**

Purpose of the Report   **Key Decision**   **Yes ☐   No ☒**
To update Members on the current position in respect of risk management controls and identified corporate risks.
Recommendation **That the Audit & Standards Committee:** **1. Note that there are currently 6 risks that are more than 6 months overdue for a review up to end of Q3 2024/25.** **2. Note that there have been 4 risk level increases.** **3. Note there have been 2 new risks added.** **4. Note the Corporate Risk Register profile.** **5. Advise officers of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting.** **6. Note that whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change.**
Reasons 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 04 November 2024.

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 6 overdue risk reviews 6 months overdue, up to the end of Q3 2024/25.

2.2 During the last quarter (Q3), 4 risks rose in priority to a Medium D or High E.

2.3 In the same respect, there have been 2 new risks added in the Civil Emergency Risk register in respect of cyber attacks on services, and chemical, biological and radiological attacks small scale attack.

2.4 The Corporate Risk Register has been reviewed, and there has been no change.

3. **Recommendation**

3.1 That Members note that there are currently 6 risks more than 6 months overdue for a review up to end of Q3 2024/25. Appendix B shows the overdue risks matrixes.

3.2 That Members note that there have been 4 risk level increases to either a Medium D or a High E.

3.3 That Members note the 2 new risks.

3.4 That Members note the Corporate Risk register. Appendix A shows the status as at the last review on 20 December 2024.

3.5 That Members advise officers of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting.

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

4. **Reasons**

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 & Mitigation

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 (UNSDG)

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. One Council

Please confirm that consideration has been given to the following programmes of work:

One Commercial Council ☒

One Digital Council ☒

One Green Council ☒

12. Key Decision Information

12.1 N/A

13. Earlier Cabinet/Committee Resolutions

13.1 Previous Minutes from Committee meeting held on 04 November 2024.

14. List of Appendices

14.1 Appendix A – Corporate Risk register @ 20 December 2024.

14.2 Appendix B – overdue risk report & matrices.

15. Background Papers

15.1 None.

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Corporate Risks

APPENDIX A

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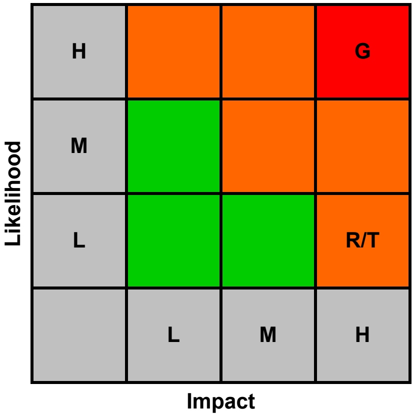
Risk Air Quality



Impact Measures

Risk Description Failure to comply with the Government Directive Timetable

Potential Consequences * Failure to deliver within prescribed timescale, failure to safeguard health, failure to identify alternatives to CAZ, failure to deliver to standard required.
* Failure to comply with Directive Timetable and requirements may result in legal action by Government and Client Earth against the Council.
* Failure by UK Government to satisfy ECJ may lead to fines being passed down to failing LA's under Localism Act.
*Failure to deliver existing workload commitments and statutory duties.

Implication Damage to health / potential legal challenge and further action by Government including intervention in LA Air Quality function. Significant financial implications. Lack of Public Confidence. Reputational damage. Fines if passed down are likely to adversely impact council services. Failure to deliver existing workload commitments and statutory duties

Risk Owners Nesta Barker; Gordon Mole

Risk Rating (G)	High Red E	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Tolerate

Path Corporate Risks/Newcastle Under Lyme

Objectives

1 - One Council delivering for Local People	Corporate
3 - Healthy, Active and Safe communities	Corporate

Key Controls Identified

Air Quality project

Specific risks highlighted in EH profile

Action Plans

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

Risk Breach of health and safety

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

Impact Measures			
Risk Description	Failure to comply with relevant health and safety legislation.		
Potential Consequences	Death or harm to staff, contractors or members of the public. Third party intervention.		
Implication	Reputation. Financial. Legal.		
Risk Owners	Georgina Evans-Stadward		
Risk Rating (G)	High Red E	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

Home-working risk assessments

Health & Safety Policy and Employees Handbook

Target 100 corporate H&S system

Internal training policies, EDR, annual training audit, training resources secured, relevant training provided.

Health & Safety officer post on establishment.

Inspection programme of premises.

Incident Management Team

Liaison with external bodies.

Update seminars, professional membership, access to legislation and reference materials, support from legal services

Facilities Management controls in place for regular maintenance and servicing.

Corporate Health & Safety Committee including senior representation.

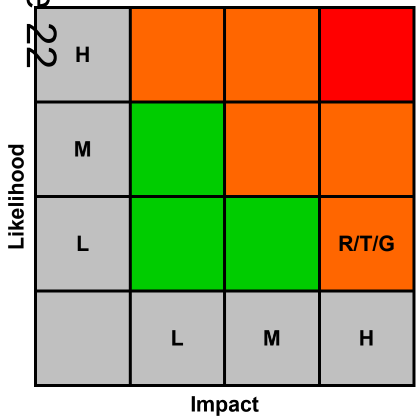
Comprehensive refresher training programme completed

Health and Safety sub-committees established and operational

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Competent Person requirement	This role needs to be identified and filled.	Planned	Georgina Evans-Stadward Gordon Mole	31/01/2025	to clarify a competent person is in post however it is viewed sensible to have an additional competent person in case of absence
Monitoring home-working risk assessments	Ask T100 to try to identify staff who have completed the home-working risk assessment and follow up with those who haven't	Ongoing	Georgina Evans-Stadward	28/03/2025	

Risk Community Cohesion



Impact Measures	
Risk Description	Potential breakdown of community cohesion, leading to public disorder.
Potential Consequences	Disorder and/or targeting of community groups, loss of sense of safety, damage to public spaces and buildings.
Implication	Reputation: Loss of trust in public agencies including NULBC Political: Rise in extreme political views of any persuasion within the community Resources: Police as Cat 1 responder withdraws from other duties Financial: Cost implications of recovery
Risk Owners	Georgina Evans-Stadward; Gordon Mole; Roger Tait

Risk Rating (G)	Medium Amber C	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Tolerate
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

Multi-Agency Response plan

Partners and Partnership working

Action Plans

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

Risk Corporate Governance

Likelihood			
H			
M			G
L			R/T
	L	M	H

Impact

Impact Measures	
Risk Description	Failure of Corporate Governance exposes the Council to financial, legal or reputational risk.
Potential Consequences	Loss of organisational capacity
Implication	Financial implications Legal challenges Reputation damage Government intervention
Risk Owners	Anthony Harold

Risk Rating (G)	Medium Amber D	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

Audit & Standards Committee

Advice obtained from external bodies as and when required

Corporate Leadership Team

Internal Audit inspections

Monitoring Officer

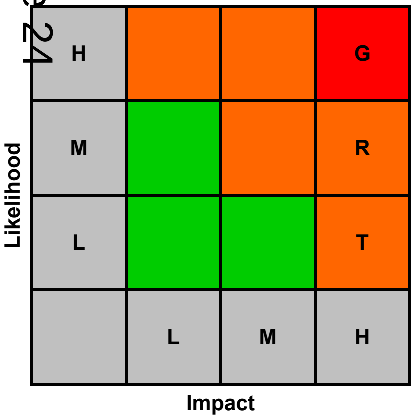
Effective scrutiny arrangements

Scrutiny Protocol

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Review of the Scrutiny Protocol	To complete the review of the protocol for the council,	Planned	Anthony Harold	28/03/2025	

Risk Cyber risk



Impact Measures	
Risk Description	The Council's infrastructure could be compromised by the introduction of malicious software. This could include a traditional destructive virus or another type of incursion such as information gathering software, ransomware, credential harvesting, etc. The threat from Cyber terrorism continues to increase on a global scale and by July 2017, two high profile, highly effective ransomware attacks had already taken place, crippling organisations in both the public and private sector. Everything from non-criminal system failures to criminal activities (be they first or third party) can impact on our ability to operate. •With the new GDPR legislation the risks associated with breaches, made worse by non-compliance to security standards and general best practice, have increased the need to understand our risk landscapes and mitigate them as appropriate.
Potential Consequences	•The impact of these events can have financial, operational, strategic, compliance, criminal, and reputation impacts.
Implication	This risk implies that the Council's network or infrastructure has been compromised and an unknown threat actor who has successfully introduced malicious software such as a virus or ransomware to our environment. It should also be considered that this introduction has or will disrupt services or otherwise compromise the Council's information systems over an undetermined period. The malicious software could have been introduced in any number of ways, such as by a member of staff clicking on a link within an email, the opening of a malicious file or the failure of ICT or a service provider to sufficiently patch and update vulnerable systems. There is also the potential for an attack to make use of a zero-day exploit - something which takes advantage of a previously unknown vulnerability, for which there is no immediate fix or protection.
Risk Owners	Sam Clark; Gordon Mole

Risk Rating (G)	High Red E	**Last Review**	15/11/2024
Final Risk Rating (R)	Medium Amber D	**Next Review**	13/02/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

Staff awareness

Internet and email policies

Anti-Virus scanning at internet gateway

Anti-Virus software

Comprehensive Information Security policies

Blocking of Removable Media

Mandatory Information Security training for staff

Information Security Group

Penetration testing

Receive Gov Cert UK Warnings from NCSC

Use of Government CNS service

Anti-Ransomware software

Patch management

Use of Virtualised Environments

Attendance at West Midlands WARP (West Midlands Warning and Reports Procedures Group)

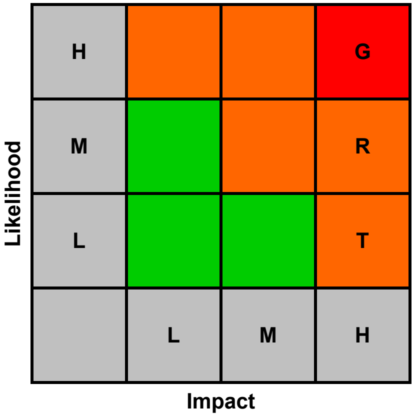
Location Sign-ins

Security Operations Centre

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Briefing to Cabinet	A briefing document highlighting the key cyber risks the council faces is being created. This will be presented to informal cabinet for review and decision. The key risks include; lack of cyber insurance, use of insecure personal devices, lack of necessary policies, use of outdated equipment etc.	Ongoing	Sam Clark	31/03/2025	16/08 - Briefing document to be completed and to include findings from the internal audit on cyber security governance. 18/10 - Awaiting findings of cyber security governance audit from internal audit.
Cyber Certifications	The council should consider the implementation of cyber security based frameworks and certifications, such as Cyber Essentials, NIST, ISO27001.	Ongoing	Sam Clark	31/03/2025	11/23 - Currently working to identify some suitable frameworks. Each have their own associated costs and certification processes. 04/24 - Work continuing on selection of relevant frameworks that will be incorporated in the migration to Azure to ensure alignment with security best practice. 18/10 - migrations underway to move to a new device platform.
IT Security Policy	An IT Security Policy will need to be written and receive the appropriate authorisation. This policy will cover all officers and members with clear protocols on maintaining the security of the Council systems and data.	Planned	Sam Clark	31/03/2025	
Procure Cyber Insurance	The Council does not currently have a Cyber Insurance policy in place. This provides significant financial risk to the council in the event of a cyber incident. The key challenges faced by the council in procuring cyber insurance has been the financial cost of such policies, alongside the technical requirements of such policies. For example, most policies require the alignment to a cyber framework or for certain security controls to be in place.	Planned	Annette Bailey Sam Clark	31/03/2025	16/08 - to be picked up as part of the cyber security briefing to IC.

Risk Data Breach



Impact Measures

Risk Description	Non-compliance with the Data Protection Act and and General Data Protection Act		
Potential Consequences	Potential unlimited fines and damage to reputation. Death and safeguarding issues.		
Implication	Financial, Legal, Reputation, Criminal,		
Risk Owners	Sam Clark; Anthony Harold		
Risk Rating (G)	High Red E	**Last Review**	15/11/2024
Final Risk Rating (R)	Medium Amber D	**Next Review**	13/02/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate

Key Controls Identified

Action plan produced

Information Governance Group Formed

Training available

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Review of GDPR policies	A wider review of GDPR policies required, including information security, data retention and disposal, FOI, SAR etc.	Planned	Sam Clark Julie Hallam Jackie Johnston	31/03/2025	

Risk Failure of a Structure

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

Impact

Impact Measures			
Risk Description	Risk of failure of Bathpool Reservoir and Nelson Reservoir or other major structures, due to environmental factors, and general wear and tear.		
Potential Consequences	Flooding of mainline rail; collapse of drains;		
Implication	Reputation. Financial. Legal		
Risk Owners	Andrew Bird; Simon McEneny; Gordon Mole		
Risk Rating (G)	Medium Amber C	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Tolerate
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

3 - Healthy, Active and Safe communities	Corporate

Key Controls Identified

Regular joint agency review meetings

Regular vegetation removal

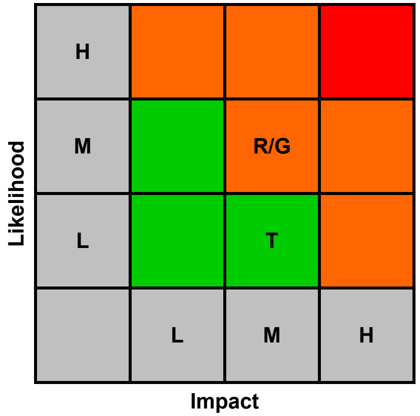
Regular water drainage from the Sluice 'tap'

Survey Work on Structure

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Monitoring of Structures	Monitoring of structures through partnership working and agreed monitoring schedule	Ongoing	Simon McEneny	31/01/2025	Monitoring equipment installed and maintenance is being undertaken, sluice gate wheel being repaired to allow regular water discharge

Risk Failure to deliver the Environmental Sustainability Action Plan



Impact Measures

Risk Description
Failure to achieve the most economic energy & fuel price tariffs for the council; Failure of the Council to audit and report on its Carbon Emmissions to Central Government;
Failure of the council to achieve statutory reductions in carbon emissions; Inefficient use of energy at the council; Insufficient finance to implement the Carbon Reduction Programme

Potential Consequences
Failure to achieve anticipated savings in energy and fuel consumption. Outcomes not realised and reputational damage to the council. Increased cost to the council.
Failure to comply with the council's Environmental Sustainability Strategy. Failure to achieve Value for Money. Adverse impact on other budgets/service areas. Non compliance with statutory legislation. Inability to evaluate the level of success of the Carbon Management Programme.

Implication
Financial. Reputation. Legal. Political. Governmental (watching brief with the change in July 2024 Government - may amend the targets, timelines and grant funding)

Risk Owners	Andrew Bird		
Risk Rating (G)	Medium Amber C	**Last Review**	15/11/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	13/02/2025
Target Risk Level (T)	Low Green B	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

Annual allocation of capital funding
Carbon Monitoring of 6 NULBC sites via Wi Beees
Energy data loggers in place at all the council buildings with a high energy use
Energy purchase contract in place
Energy reduction report re J2 completed with actions for completion
Environmental Sustainability Action Plan Working Group in place
Government Sep 2022 Business Energy Relief (cap) Scheme
Monitoring and Reporting
Ongoing introduction of low-energy products
PIR light control switches in use in main buildings
Pro-active energy management by FM team
Sustainable environment strategy meetings established
Utilisation of information to control energy usage

Action Plans

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

Risk Financial Risk

Likelihood				
	H			G
	M			R
	L			T
		L	M	H
		Impact		

Impact Measures			
Risk Description	Council's financial position is unsustainable in the medium to long term.		
Potential Consequences	Council unable to provide anything other than statutory (core) services.		
Implication	Reputation damage. Government intervention.		
Risk Owners	Sarah Wilkes		
Risk Rating (G)	High Red E	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber D	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Tolerate
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

Adequate level of reserves and balances

Regular financial risk assessments

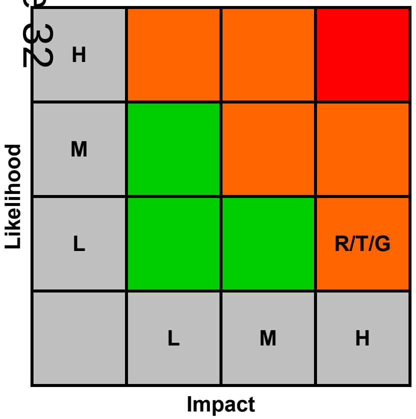
Realistic medium term financial plan

Corporate Leadership Team

Action Plans

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

Risk Kidsgrove Sports Centre



Impact Measures	
Risk Description	Financial failure of new operator and financial risk of step-in by Council
Potential Consequences	Subsidy would have to be found by the Borough Council. Staffing implications.
Implication	Financial implications, Political. Resource.
Risk Owners	Sarah Wilkes
Risk Rating (G)	Medium Amber C
Final Risk Rating (R)	Medium Amber C
Target Risk Level (T)	Medium Amber C
Path	Corporate Risks/Newcastle Under Lyme

Last Review	20/12/2024
Next Review	20/03/2025
Treatment	Treat

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

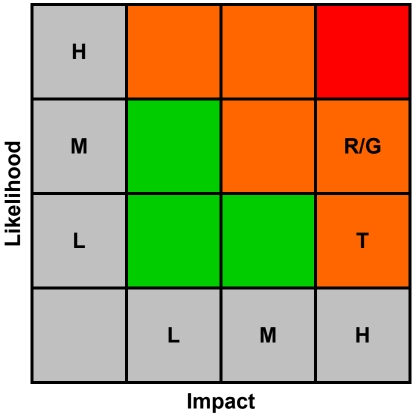
Draw-down fund

Management Agreement

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Ensure contract management takes place	Planned	Joanne Halliday Craig Turner	31/01/2025	Latest copy of accounts received, however checks need to be made by ksc, then procedure to be followed in accordance with the agreement.

Risk Loss of major contractor



Impact Measures

Risk Description	Loss of major contractor or supplier to the Council.		
Potential Consequences	Disruption to service; Potential claims		
Implication	Reputation damage; Financial costs;		
Risk Owners	Gordon Mole		
Risk Rating (G)	Medium Amber D	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber D	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

Market intelligence

Continuous monitoring of contracts and annual credit check

Contracts register in place

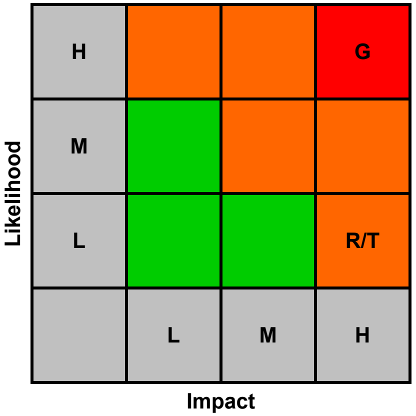
Corporate Procurement Officer & Procurement Strategy

Business Continuity Plans in place

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Critical supplier lists monitor and review	as of today 16/8/24, the contract register is being updated, and on completion of a first draft, the intention is to forward to the relevant service director asking them to identify high value high risk contracts and contractors where they might require an annual review and publication, and sight of a credit report. As an aside alterts are received on specified organisations if anything changes - e.g. credit ratings, risk ratings etc.	Planned	Simon Sowerby	31/01/2025	If there is concern in the annual credit rating and/or a change throughout the year, a recommendation would be an initial meeting with the supplier to try and understand the background to the changes and if this warrants secondary action i.e. obtaining market intelligence of possible slick and quick routes to market/direct awards, considerations on mitigating the risk by introducing alternate provision/providers to lessen the impact of a major contractor failing. This would however need the Service Director and/or Business Manager to review their specification of requirements and possibly monitor their existing supplier base more closely.
Review the council's Contract Procurement Rule and provide training on the Procurement Act 2023	The new Procurement Act 2023 is making some significant changes to the way in which goods and services and for that matter capital works are procured - see comment box.	Planned	Simon Sowerby	31/01/2025	1. It aims to create a more level playing field for SME, Micro, and VCS organisations; 2. It is creating a central portal for suppliers to register their details and provide relevant information, which will be used by public sector organisations rather that asking them to complete an SQ (Selection Questionnaire) every time they bid for a public contract; 3. There is greater reporting and notice requirements e.g. advising the market of an intent to publish a contract notice allowing early preparation by prospective bidders; 4. The Procurement Act 2023 will introduce a centralized debarment list maintained by the government. This list will contain information about excluded and excludable suppliers for a specified period, and will be accessible to all contracting authorities. If a supplier is subject to a mandatory or discretionary ground, their name may be entered on the debarment list, along with relevant exclusion details Being on the debarment list can result in exclusion from future procurements. 5. The way in which evaluation is undertaken will change from MEAT (Most Economically Advantageous Tender) to MAT (Most Advantageous Tender) this will allow the use of additional elements of evaluation (Social Value and Sustainability) further opening the marketplace for SME, Micro, and VCS organisations. 6. There will be greater reporting requirements and central government monitoring; 7. There is a considerable amount of training to be done which contains some of the details;

Risk No.1 London Road



Impact Measures

Risk Description The displacement of residents of the property, and those in the surrounding areas, including businesses, due to a major fire incident. The Borough Council would be a Cat2 responder for the incident, but a Cat1 for the recovery.
The likelihood of fire consuming the whole building.

Potential Consequences Cat 2 - Displacement of 93 households in the property - and unknown surrounding properties.
Cat 1 - High demand for alternative accommodation, after the emergency evacuation procedures are followed.
Unsafe building - Cat 1 - Fire Service, then Cat 2 - Council Building Control.
Transportation issues - moving people around after incident - the resident's cars are parked under the building.
Internal Housing Advice service may need to make eligibility decisions on displaced residents (long-term).
Enforcement against the landlords/freehold tenants/leaseholders - can be made, but should it be, whilst they are undertaking the necessary steps to obtain funding, materials and workforce to correct the issue.

Implication Financial. Staffing. Reputation. Legal. Political.

Risk Owners Gillian Taylor

Risk Rating (G)	High Red E	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat

Path Corporate Risks/Newcastle Under Lyme

Objectives

3 - Healthy, Active and Safe communities Corporate

Key Controls Identified

Bellwin Scheme should meet 85% of cost

Staffordshire Fire and Rescue Service

Support from Civil Contingencies Unit

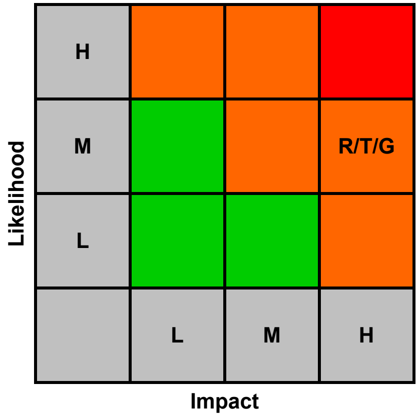
Developed CCU emergency site specific plan

Contractors appointed

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
To complete the required fire safety works	For the Management Committee to obtain monies from the Building Safety Fund, successfully tender for the works and move on to site. If sufficient process isn't made, the Local Authority has a duty to take action under the Housing Act 2004.	Planned	Gillian Taylor	31/05/2028	The granting of the monies from the Building Safety Fund to the Management Committee is outside of the Council's responsibility. The fire safety works involve compartmentalising flats and floors from each other which should reduce the likelihood of a fire spreading, compared to the current situation. The Joint Inspection Unit are supporting the Council in the enforcement considerations as it is recognised that dealing with this type of building is not with the skill set of the Council's Environmental Health Officers. See comment in Risk Review of 22/11/2024 for latest position.

Risk Safeguarding



Impact Measures	
Risk Description	Failure of the Borough Council (both officers and Members) to recognise both a moral and legal obligation to ensure a duty of care for children and adults across its services.
Potential Consequences	Harm and Death. Third Party intervention with investigations.
Implication	Legal implications. Reputation damage. Financial implications.
Risk Owners	Georgina Evans-Stadward

Risk Rating (G)	Medium Amber D	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber D	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber D	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

3 - Healthy, Active and Safe communities — Corporate

Key Controls Identified

Policy and Procedures

Personnel

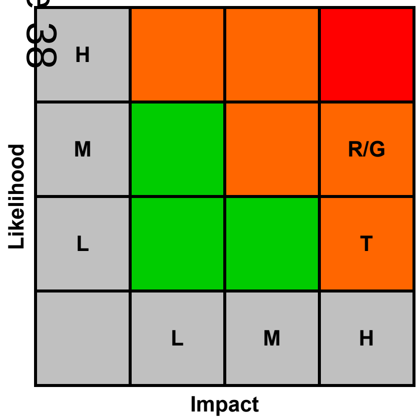
Partners and Partnership working

Adult and Child Safeguarding mandatory training

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Corporate awareness raising across the business to recognise Safeguarding as each persons responsibility where required	CLT and Safeguarding Champions to cascade reminders down to staff and Members	Ongoing	Nesta Barker Andrew Bird Sam Clark Georgina Evans-Stadward Catherine Fox Joanne Halliday Anthony Harold Craig Jordan Simon McEneny Gordon Mole Roger Tait Gillian Taylor Sarah Wilkes	31/01/2025	

Risk Strategic Projects



Impact Measures	
Risk Description	Failure to deliver key strategic project or priorities.
Potential Consequences	Local economic impact Loss of influence and control
Implication	Reputation. Financial. Legal.
Risk Owners	Simon McEneny

Risk Rating (G)	Medium Amber D	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber D	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate
3 - Healthy, Active and Safe communities	Corporate
4 - Town Centres for all	Corporate

Key Controls Identified

Advice obtained from external bodies as and when required

Governance

Resources

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Corporate Project register	Developed to highlight the relevant projects being undertaken, and continuously reviewed.	Ongoing	Georgina Evans-Stadward Sarah Wilkes	31/01/2025	The task is to set-up, then to monitor and review continually.
Develop programme of commercial deliveries and investments		Planned	Joanne Halliday	27/12/2024	on going but difficult climate currently (not slowing down)
Review the council's Contract Procurement Rule and provide training on the Procurement Act 2023	The new Procurement Act 2023 is making some significant changes to the way in which goods and services and for that matter capital works are procured - see comment box.	Planned	Simon Sowerby	31/01/2025	1. It aims to create a more level playing field for SME, Micro, and VCS organisations; 2. It is creating a central portal for suppliers to register their details and provide relevant information, which will be used by public sector organisations rather that asking them to complete an SQ (Selection Questionnaire) every time they bid for a public contract; 3. There is greater reporting and notice requirements e.g. advising the market of an intent to publish a contract notice allowing early preparation by prospective bidders; 4. The Procurement Act 2023 will introduce a centralized debarment list maintained by the government. This list will contain information about excluded and excludable suppliers for a specified period, and will be accessible to all contracting authorities. If a supplier is subject to a mandatory or discretionary ground, their name may be entered on the debarment list, along with relevant exclusion details Being on the debarment list can result in exclusion from future procurements. 5. The way in which evaluation is undertaken will change from MEAT (Most Economically Advantageous Tender) to MAT (Most Advantageous Tender) this will allow the use of additional elements of evaluation (Social Value and Sustainability) further opening the marketplace for SME, Micro, and VCS organisations. 6. There will be greater reporting requirements and central government monitoring; 7. There is a considerable amount of training to be done which contains some of the details;
Scheme specific risk registers	Scheme specific risk registers to be reported quarterly to relevant governance boards	Ongoing	Nesta Barker Andrew Bird Sam Clark Allan Clarke Georgina Evans-Stadward Joanne Halliday Craig Jordan Simon McEneny Roger Tait Sarah Wilkes	31/03/2025	AH believes these risks are being considered at the Audit & Standards Committee, however it is being looked at to strengthen communications on the submission of reports to the relevant Committee.

Risk Walleys Quarry

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

Impact Measures			
Risk Description	Current air quality issues in respect of the quarry and the contractor		
Potential Consequences	Citizen quality of life seriously impacted. Adverse media attention. Service Delivery. Economic impact on the Borough.		
Implication	Reputation. Financial. Resource.		
Risk Owners	Nesta Barker; Gordon Mole; Sarah Wilkes		
Risk Rating (G)	High Red E	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber D	**Next Review**	20/03/2025
Target Risk Level (T)	Medium Amber D	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
3 - Healthy, Active and Safe communities	Corporate

Key Controls Identified

Odour Incident Management Team

Specific Walley's Quarry risk profile in place

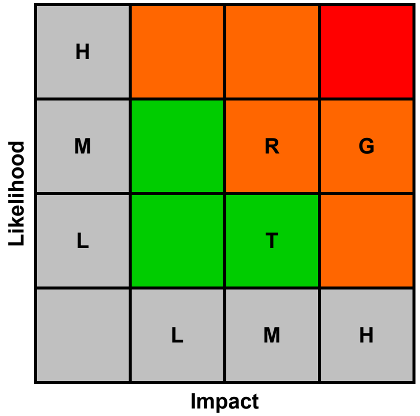
Strategic Co-ordinating Group

Abatement Notice

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Continue with IMT works		Ongoing	Nesta Barker	31/03/2025	
Regular liaison with WQ Ltd	Following agreement reached through formal mediation process regular liaison with WQ Ltd will be taking place.	Ongoing	Nesta Barker Gordon Mole	31/03/2025	

Risk Workforce



Impact Measures

Risk Description	Lack of capacity due to failure to replace and retain key staff or provide resources to cover the work of staff temporarily involved in other priority areas. Failure to consistently train and develop employees to meet the needs of the Council. Delays to implement reviews of policies and procedures. Aging workforce in certain areas.		
Potential Consequences	Staff not treated fairly - implications for staff morale, effective recruitment and retention. Skills shortages both locally and nationally. Out of date policies. Failure to maintain day to day service provision where service quality, availability and consistency of service is affected. Ineffective leadership. Inconsistencies of interpretation of policies and procedures. Not supporting managers and employees. Reduced levels of service, non provision of training needs, non involvement in partnership needs etc. due to existing staff meeting the additional workload arising from lack of capacity. Failure to achieve objectives of improvement plan. Increased costs to the authority in relation to flexible retirement.		
Implication	Legislation implications. Employee relation implications. Employee safety implications		
Risk Owners	Georgina Evans-Stadward		
Risk Rating (G)	Medium Amber D	**Last Review**	20/12/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	20/03/2025
Target Risk Level (T)	Low Green B	**Treatment**	Treat
Path	Corporate Risks/Newcastle Under Lyme		

Objectives

1 - One Council delivering for Local People	Corporate
2 - A successful and sustainable growing Borough	Corporate

Key Controls Identified

Actively reviewing pay scales
Apprenticeship levy available
Corporate Leadership Team are maintaining an overview
Corporate Leadership Team looking Vacancy Approval Forms
Interim posts available
Leadership Development Programme
Staff surveys
Updating recruitment procedures
Mandatory use of OPUS
Workforce policies in place

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Deliver the People Strategy	Ongoing	Georgina Evans-Stadward Helen Smith	30/04/2025	

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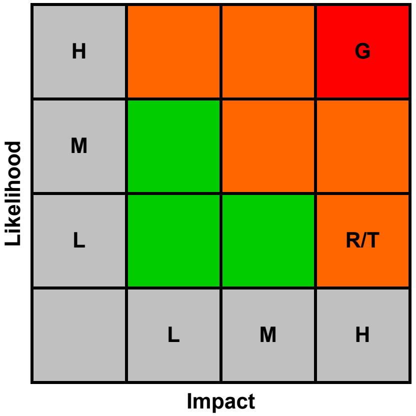
Facilities Management

Risk Inability to implement requirements re Stock Condition Survey of Parks & Playgrounds



Impact Measures

Risk Description Inability to implement requirements re Stock Condition Survey of Parks & Playgrounds

Potential Consequences High cost of remedial works, Potential injuries to people. Unsafe Parks and Playgrounds in the borough. Reputational damage to the council. Potential insurance claims

Implication

Risk Owners Andrew Bird

Risk Rating (G) High Red E

Last Review 16/01/2025

Final Risk Rating (R) Medium Amber C

Next Review 16/04/2025

Target Risk Level (T) Medium Amber C

Treatment Tolerate

Path Facilities Management/Commercial Development and Economic Growth/Newcastle Under Lyme

Objectives

Key Controls Identified

10-year Capital Strategy, taking account of 2018 Stock Condition review, now completed. Approval by council in February.
Stock Condition Survey completed for Parks & Playgrounds.

Stock Condition Survey includes the remedial costs for each of the various Parks & Playgrounds.

Action Plans

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

Strategy, People and Performance

16/01/2025 16:05:16

Risk Failure to have tried and tested Business Continuity Plans (BCP's) across the directorate.

Likelihood			
H			
M		R/T	G
L			
	L	M	H

Impact

Impact Measures

Risk Description Failure to have tried and tested Business Continuity Plans (BCP's) across the directorate.

Potential Consequences serious disruption to ability to maintain service delivery
potential financial consequences
Reputational damage
Risk of prosecution

Implication Environmental events
Malicious attacks
Failure of critical infrastructure
Major accidents and incidents.

Risk Owners Georgina Evans-Stadward

Risk Rating (G)	Medium Amber D	**Last Review**	16/01/2025
Final Risk Rating (R)	Medium Amber C	**Next Review**	16/04/2025
Target Risk Level (T)	Medium Amber C	**Treatment**	Tolerate

Path Strategy, People and Performance/Chief Executive's Office/Newcastle Under Lyme

Objectives

Deliver services to a high standard every day	Operational
LINKED TO: 1 - One Council delivering for Local People	
Maintain a safe working environment for staff and Borough residents	Operational
LINKED TO: 1 - One Council delivering for Local People	

Key Controls Identified

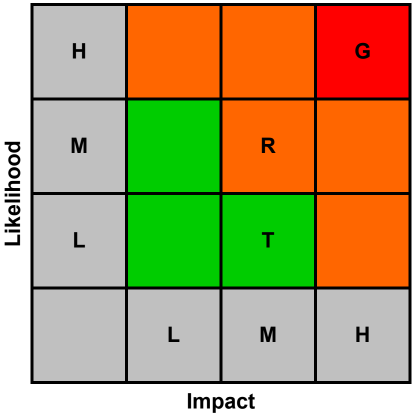
Business continuity plan in place for all business units

Action Plans

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

Legal and Governance

Risk Breach of legislation



Impact Measures

Risk Description Breach of legislation

Potential Consequences Reputational damage. Financial implications. Prosecution. Third party intervention. Residents disenfranchised.

Implication Legal challenge, adverse regulator findings, financial penalties, wasted costs

Risk Owners Anthony Harold

Risk Rating (G) High Red E — **Last Review** 22/02/2024

Final Risk Rating (R) Medium Amber C — **Next Review** 22/05/2024

Target Risk Level (T) Low Green B — **Treatment** Treat

Path Legal and Governance/Chief Executive's Office/Newcastle Under Lyme

Objectives

Key Controls Identified

Officers emailed with legislative updates.

Procurement Strategy and toolkit in place.

Anti-Fraud and Anti-Corruption advice to staff.

Audit advice and guidelines available.

Corporate Training Policy.

Documented procedures in place.

Policies and procedures are written to ensure that legislation is observed.

New, simplified Standing Orders and Financial Regulations in place and training is planned

Data Protection covered during corporate induction.

Qualified solicitors employed.

Legal resources and templates available

Assistance available from neighbouring authorities.

Legal implications checked for all Cabinet reports.

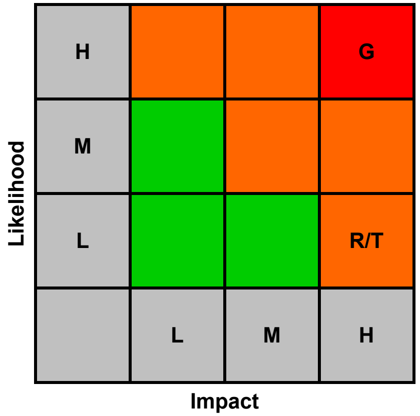
Whistleblowing Policy

Report Process Improvements

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Training	Training on budget holder responsibilities, new FCPRS and governance controls generally	Planned	Anthony Harold Sarah Wilkes	27/09/2024	

Risk Bribery & Corruption



Impact Measures			
Risk Description	Being engaged in behaviour that amounts bribery and corruption, and/or failing to be aware of or discharge obligations in respect of disclosing interests and acting accordingly to avoid corrupt behaviour or any reasonable appearance/inference of the same.		
Potential Consequences	Reputational damage to the council. Legal action against the council. Third Party intervention. Financial implications. Third Party impacts.		
Implication	Potential for legal challenge, costs, reputation impacts, government intervention and criminal prosecutions		
Risk Owners	Anthony Harold		
Risk Rating (G)	High Red E	**Last Review**	22/02/2024
Final Risk Rating (R)	Medium Amber C	**Next Review**	22/05/2024
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat
Path	Legal and Governance/Chief Executive's Office/Newcastle Under Lyme		

Objectives

Key Controls Identified

The register of gifts and hospitality maintained by the Member & Executive Support Team

All Members receive a copy of the Code of Conduct.

Guidance is in place for gifts, hospitality and outside interests.

All relevant staff are trained and are aware of implications.

Anti-Fraud and Anti-Corruption advice to staff.

Corporate Governance procedures in place.

Continuous review of the Code of Conduct.

Members aware of consequences.

Regular review of training and needs for Members and officers.

New, simplified Standing Orders and Financial Regulations in place and training is planned

Whistleblowing Policy

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Officer Training	Training on budget holder responsibilities, FCPRS and governance/decision making generally to all officers.	Planned	Anthony Harold Sarah Wilkes	27/09/2024	
Review Bribery & Corruption Policy	Review Bribery & Corruption Policy	Planned	Anthony Harold	27/09/2024	

Risk — Inadequate staff levels due to sickness, failure to recruit/retain and train qualified and experienced staff

Likelihood			
H		R	G
M			
L		T	
	L	M	H

Impact

Impact Measures				
Risk Description	Inadequate staff levels due to sickness, failure to recruit/retain and train qualified and experienced staff			
Potential Consequences	Disruption of services. Stress and workload issues for retained staff. Financial and public image penalties. Inadequate advice and care of clients. Procedures not adhered to. External stakeholder impacts.			
Implication	Financial. Reputation. Legal.			
Risk Owners	Anthony Harold			
Risk Rating (G)	High Red E	**Last Review**	22/02/2024	
Final Risk Rating (R)	Medium Amber D	**Next Review**	22/05/2024	
Target Risk Level (T)	Low Green B	**Treatment**	Treat	
Path	Legal and Governance/Chief Executive's Office/Newcastle Under Lyme			

Objectives

Key Controls Identified

Recruiting to vacant posts.

Business Continuity Plan in existence for the service.

Continuous review of critical system documentation.

Absence management policy.

Team involvement in service improvements and review.

Staff training and development scheme.

Corporate retention measures in place.

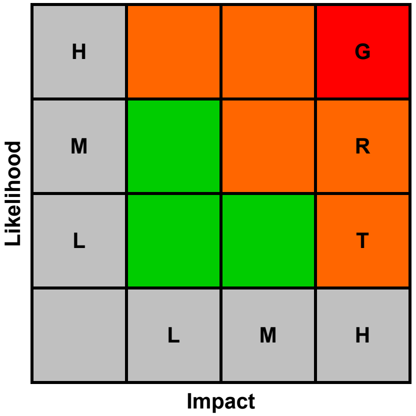
Access to external providers.

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Recruit to vacant posts	Based on restructuring in Legal - review market supplements	Ongoing	Anthony Harold	31/05/2024	A revised structure has now been implemented, however recruitment difficulties remain with no or unsuitable applicants for 1 key post after two rounds of attempted recruitment. Gaps identified in the areas of contracts/commercial work and planning which are going to be addressed by AH taking a resourcing plan to CLT.
Review annual appraisals and training development plans	Review annual appraisals and training development plans, workload, planning and monitoring processes	Planned	Anthony Harold	30/08/2024	

Democratic Services

Risk — Failure of Members to make informed decisions due to lack of appropriate or inaccurate information (Committee Services)



Impact Measures			
Risk Description	Failure of Members to make informed decisions due to lack of appropriate or inaccurate information		
Potential Consequences	Loss of reputation. Political embarrassment. Will undermine effective democratic management of the Council. Legal implications.		
Implication	potential for legal challenge, delays and wasted costs		
Risk Owners	Anthony Harold		
Risk Rating (G)	High Red E	**Last Review**	22/02/2024
Final Risk Rating (R)	Medium Amber D	**Next Review**	22/05/2024
Target Risk Level (T)	Medium Amber C	**Treatment**	Treat
Path	Democratic Services/Legal and Governance/Chief Executive's Office/Newcastle Under Lyme		

Objectives

Key Controls Identified

Timetable to produce Agendas so the items can be considered

Corporate Governance procedures in place.

Ensure information on reports is meaningful

Review scheme of delegation of reporting, to ensure Members only need to consider items of significance
Induction of new members has been undertaken.

Member training in place.

Revised Reporting Protocols

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Training	Additional training is planned on constitution/financial control, governance generally and decision making processes.	Ongoing	Anthony Harold Sarah Wilkes	27/09/2024	

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Our ref:

Your ref:

Date: 23 January 2025

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

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

Dear Richard

This representation letter is provided in connection with your audit of the Authority financial statements of Newcastle-under-Lyme Borough Council ("the Authority"), for the year ended 31 March 2024, for the purpose of expressing an opinion:

i. as to whether these give a true and fair view of the financial position of the Authority as at year end and of the Authority's income and expenditure for the year then ended;
ii. whether the Authority's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Authority Comprehensive Income and Expenditure Statement, Authority Balance Sheet, Authority Movement in Reserves Statement, Authority Statement of Cash Flows, Collection Fund, and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2022, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority as at 31 March 2024 and of the Authority's income and expenditure for the year then ended;
   ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

   The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

5. In respect of the restatement of the net pension liability - pension asset ceiling adjustment, made to correct a material misstatement in the prior period financial statements a £20.652m increase in the net pension liability has been recognised to reflect the present value of agreed deficit contributions up to 31 March 2042. The Authority confirms that the restatement is appropriate.

Information provided

6. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

8. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
   - management;
   - members;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

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11. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

12. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

13. The Authority confirms that:

a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority to continue as a going concern.

14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

The Authority further confirms that:

a) all significant retirement benefits, including any arrangements that are:
- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,

have been identified and properly accounted for; and
b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Standards Committee on 3 February 2025.

Yours faithfully,

Sarah Wilkes
Service Director for Finance and Section 151 Officer

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Appendix to the Authority Representation Letter of Newcastle-under-Lyme Borough Council Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
c) dissimilar items, transactions or other events are inappropriately aggregated;
d) similar items, transactions or other events are inappropriately disaggregated; and
e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

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Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or

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    - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
    - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    - Both entities are joint ventures of the same third party.
    - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    - The entity is controlled, or jointly controlled by a person identified in (a).
    - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
    - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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Uncorrected audit differences (£'000s)				
No.	**Detail**	**CIES Dr/(cr)**	**Balance Sheet Dr/(cr)**	**Comments**
1	Dr Remeasurement of Defined Benefit Liability/(Asset) Cr Defined Benefit Assets	£293 -	- £(293)	Rate of return in the latest available IAS 19 report is higher than the actual rate confirmed by third party administrator resulting in a variance of £293k above AMPT, hence an uncorrected audit misstatement
2	Dr Remeasurement of Defined Benefit Liability/(Asset) Cr Defined Benefit Assets	£68 -	- £(68)	Employer Contributions in the latest available IAS 19 report are higher than the actual contributions confirmed by management resulting in a variance of £68k above AMPT, hence an uncorrected audit misstatement
3	Dr Defined Benefit Assets Cr Defined Benefit Liabilities	- -	£135 £(135)	Benefits paid in the latest available IAS 19 report are higher than the actual benefits confirmed by third party administrator resulting in a variance of £135k above AMPT, hence an uncorrected audit misstatement
Total		**£361**	**(£361)**	

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Auditor's Annual Report for Newcastle-under-Lyme Borough Council

DRAFT

Year-ended 31 March 2024

—

24 January 2025

Contents

DRAFT

Key Contacts

Richard Lee
Director
richard.lee@kpmg.co.uk

Robert Fenton
Senior Manager
robert.fenton@kpmg.co.uk

Fred Dzikunu
Assistant Manager
fred.dzikunu@kpmg.co.uk

This report is addressed to Newcastle-under-Lyme Borough Council (NULBC). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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	c) Improving economy, efficiency and effectiveness	

01

Executive Summary

Executive Summary

DRAFT

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023/24 audit of Newcastle-under-Lyme Borough Council (NULBC). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the NULBC alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the NULBC and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

Narrative report - We assess whether the narrative report is consistent with our knowledge of the NULBC.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in NULBC's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These 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.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued an unqualified opinion on NULBC accounts on [Date]. This means that we believe the accounts give a true and fair view of the financial performance and position of NULBC. We have provided further details of the key risks we identified and our response on pages 9-12.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of NULBC.
Value for money	We are required to give an opinion as to whether NULBC has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that NULBC does have appropriate arrangements place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 14.
Other powers	See overleaf.

Executive Summary

DRAFT

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, NULBC is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action NULBC is taking. We may also apply to the courts for a declaration that an item of expenditure NULBC has incurred is unlawful.

We have not applied to the courts this year

Recommendations

We can make recommendations to NULBC. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, NULBC 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.
2. We can also make other recommendations. If we do this, NULBC does not need to take any action, however should NULBC provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have raised no other recommendations.

Advisory notice

We may issue an advisory notice if we believe that NULBC 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, NULBC is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the NULBC. Where we raise observations we report these to management and the Audit and Standards Committee. NULBC is not required to take any action to these, however it is good practice to do so and we have included any responses that NULBC has given us.

KPMG

02

Audit of the financial statements

Audit of the financial statements

DRAFT

KPMG provides an independent opinion on whether NULBC's financial statements:

- Give a true and fair view of the financial position of NULBC as at 31 March 2024 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of NULBC in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We have issued an unqualified opinion on NULBC financial statements on [Date].

The full audit report is included in NULBC's Annual Report and Accounts for 2023/24 which can be obtained from NULBC's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

DRAFT

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of land and buildings The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle. This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value. A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the internal valuer.	• We have critically assessed the independence, objectivity and expertise of the internal valuers used in developing the valuation of the Council's properties at 31 March 2024; • We have inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. • We have compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information; • We have evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; • We have challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. • We have challenged key assumptions within the valuation as part of our judgement; • We have agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; • We have consulted with our own valuation specialists to assist in the review of the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and • Disclosures: We have will considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation	We did not identify any material misstatements relating to this risk. We consider the estimate to be balanced based on the procedures performed. We raised a recommendation relating to the review of year end valuation reports. Management does not complete a formal review of the assumptions proposed by the internal valuer used in the valuation of land and buildings and investment property. This increases the risk of errors being unidentified which could lead to misstatements within the financial statements. In order to make this management review control compliant with the expectations of international auditing standards this process should be documented and evidenced with a sufficient level of precision.

Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls • Professional standards require us to communicate the fraud risk from management override of controls as significant. • Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. • We have not identified any specific additional risks of management override relating to this audit.	• Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias. • Evaluate the selection and application of accounting policies. • Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. • Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual. • In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments. • We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk.	We did not identify any material misstatements relating to this risk We raised a recommendation due to there being no defined journals approval hierarchy in place. Segregation of duties are in place for the approval of manual journals which means journals require a separate preparer and approver before posting to the ledger. However, best practice would be to ensure the approver is always more senior than the preparer, and the system does not currently enforce this. In addition, the level of precision of the journals review prior to approval is not documented sufficiently to the level required by auditing standards as a manual control over journal entries We did not identify any management bias in our review of the estimates referenced on page 8 and 10 of this report.

Audit of the financial statements

DRAFT

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of post retirement benefit obligations • The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council. • The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements. • We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme • Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement	• Understood the processes the Council has in place to set the assumptions used in the valuation; • Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; • Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets; • Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation; • Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; • Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; • Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice; • Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and • Where applicable, assessed the level of surplus that should be recognised by the entity;	We considered the estimate to be balanced based on the procedures performed. We identified a material prior year error relating to this risk. The Council had not considered the impact of a minimum funding obligation. In response to our challenge, management obtained a value of minimum funding obligation as at 31 March 2023 from their actuaries and restated the prior year balances to allow for this in the current year financial statements. At 31 March 2024, the Fund had a material surplus under IAS 19. We determined the need to limit the surplus to nil based on the asset ceiling in line with the advice received from the Actuary. A material adjustment was required to the financial statements. We raised a recommendation relating to management review of the actuarial assumptions. Management reviews the assumptions and methodologies used in the calculation of the IAS 19 report. This includes inputs to testing such as cash flow, membership data and asset balances. However, we identified that there is no criteria or threshold developed for identification and investigation of outliers for pension assumptions. .

03

Value for Money

Value for Money

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Introduction

We are required to consider whether NULBC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the NULBC for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- **Financial sustainability**: How NULBC plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the NULBC ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How NULBC uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from NULBC. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	14	18	21
Identified risks of significant weakness?	✗ No	✗ No	✗ No
Actual significant weakness identified?	✗ No	✗ No	✗ No
2022/23 Findings	No risk of significant weakness	No risk of significant weakness	No risk of significant weakness
Direction of travel	⇐⇒	⇐⇒	⇐⇒

Value for Money

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National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, that are a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Local context

The Council has seen some significant investment through the Future High Streets Fund and Town deals and has maintained a steady financial position achieving a small surplus for the year to 31 March 2024. The One Council transformation programme continues to embed and has enabled the Council to realise savings in year.

The delivery of the 2023/24 capital plan was behind where it was originally forecast. The rising costs of building services and supplies has meant capital designs have needed to be revisited to ensure the Council is getting the best value for money. Management have stated there is a plan to ensure this is spent in the 2024/25 financial year.

Quality of services continue to be maintained and there has been no regulatory concerns raised by third parties. The follow up of the LGA peer review action plan, which was initially undertaken in 2023, asserted the Council was maintaining its ‘strong and impressive approach to partnership working’.

Ongoing complaints and rising legal costs in relation to Walley’s Quarry continue to be a challenge for the Council. There is regular reporting to Cabinet on the matter and the Council has been prudent in creating a separate reserve to ringfence any spend relating this.

In February 2024, the Council approved a general fund revenue budget for the financial year 2024/25 of £16.857m, which includes a gap of £2.692m. However, savings and funding strategies have been identified to cover the shortfall during the year.

Financial Sustainability

DRAFT

How NULBC plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

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

2023/24 Outturn

In February 2023, the Council approved a general fund revenue budget for the financial year 2023/24 of £16.856m. At the year end a positive variance of £7k was achieved. Pressures identified during the year amounting to £1.8m were offset by interest income of £1.4m and utilisation of the cost-of-living reserve (£0.4m), which was specifically set up to respond to above inflation pay costs.

The main pressures in 2023/24 were driven by income shortfalls of £0.6m, housing subsidy grant shortfall of £0.5m, pay awards of £0.4m and additional audit fees of £0.1m. Savings amounting to £2.1m were achieved in line with budget.

We have seen regular monitoring of the financial position during the year and note the financial position has been transparently reported and challenged.

2023/24 Reserve Position

	2023/24 £000	2022/23 £000
General Fund	2,157	2,160
Earmarked General Fund Reserves	3,015	3,045
Total General Fund reserves	**5,208**	**5,205**

The Council have managed to maintain general fund balances at a level consistent with 31 March 2023, compared to significant reduction during 2022/23 which saw earmarked reserves reduce by £5.7m (driven by a reduction in Business rates reserve of £5m). It should be noted that however the balance of the Business Rates reserve was inflated for 2021/22 and 2022/23 due to s31 grants received to cover the cost of business rate reliefs in 2022/23.

Using the Value for Money Profiles (local.gov.uk), where comparisons can be made with other local authorities, we concluded that the following reserve balances at NULBC are below the average level of other districts councils in the West Midlands:

- Total non-school reserves
- Other Earmarked financial reserves
- Unallocated financial reserves

Financial Sustainability

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Cost pressure identification

Income and cost pressures are reviewed independently by the accounts team and jointly with budget managers on at least a monthly basis. A review of the budget for 2023/24 presented to the Council showed that the Council was expecting additional expenditure mainly due to the local government pay award, increase in premises, fuel and software licences and contracts. The impact of budget pressures have been reflected within the MTFS which covers a reassessed, period.

The One Council programme was launched at the start of 2021/22. The transformation is focused on customer experience and modernising internal processes. After an initial one-off investment of £1.2m in 2021/22, the programme realised savings over three years amounting to £1.1m (£376k in 2023/24) and these will be recurrent savings going forward.

2023/24 Capital Programme

At the beginning of the year, a capital programme with a value of £54.4m was agreed. This included £24m of delayed expenditure that was carried forward from 2022/23 when only 23% of the capital budget was spent. This was because of significant inflationary pressures that required projects to be reassessed and value engineered. During the year, the capital programme was revised to £55.9m, reflecting changes to projects, the flexible use of capital receipts and to include expenditure that was fully funded from the Shared Prosperity Fund. At the year-end, actual expenditure totalled £11.630m, £44.3m below that planned.

We have included a performance improvement observation with respect of this of the above, suggesting management carry out more robust challenge of capital budgets.

2024/25 planning

In February 2024, the Council approved a general fund revenue budget for the financial year 2024/25 of £16.857m. The updated MTFS was reported to Cabinet on 16 January and 6 February 2024 to reflect the impact of the Local Government Finance Settlement. The MTFS provides for a gap in 2024/25 of £2.692m and a revised gap to reflect the continued review of the capital programme, over the 5-year period of the MTFS, of £6.885m (continued overleaf).

Key financial and performance metrics:	2023/24 £000	2022/23 £000
Actual surplus/(deficit), excluding HRA	2,840	(2,666)
Usable reserves	9,567	9,211
Year-end borrowings	54	55
Year-end cash position	593	4,381

Financial Sustainability (Continued)

DRAFT

Savings and funding strategies have been identified to cover the shortfall in 2024/25. Over recent years, the Council has achieved the savings targets it has set itself, primarily through increasing the tax base and additional government grants, rather than through cost reductions.

Looking ahead, the Council is confident that it will continue to be able to achieve agreed budgets without the unplanned need to use reserves or contingencies.

Whilst reserve levels are at a lower level than peers, the Council has completed a full risk assessment that is fully costed to determine the minimum level of reserves that are required. This demonstrates robust risk management processes are operating at the Council and links the Council's Balance and Reserve Strategy to the requirements of the MTFS. However, it is important to acknowledge that the low level of reserves means there is limited headroom for unforeseen pressures that may arise during the year.

For 2024/25, the Council has set the minimum level of unallocated reserves and contingencies at £2.257m. This is to reflect the levels of revenue risk shown in the budget for 2024/25 and is an increase of £0.347m compared to 2023/24. The increase will be funded from additional settlement monies (£0.100m) and from a VAT refund (£0.247m).

Future Capital Programme

The Capital Programme for 2024/25 to 2026/27 is based on new schemes which total £41.269m including major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove. External borrowing is currently very low at the Council, however Prudential borrowing will be required to fund the capital programme in 2025-26.

Conclusion

We consider the arrangements in place over financial sustainability to be appropriate and we have not identified any risks of significant weakness in arrangements.

MTFS pressures (£000s)

2024/25	2025/26	2026/27	2027/28	2028/29
2,692	1,557	997	1,092	547

Performance Improvement Observations

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#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	**Capital Planning** In 2022-23, only 23% of initial capital budget was achieved during the year resulting in a carry over of £24m into 2023/24. In 2023-24, a capital budget of £54.4m was agreed and following a mid-year review was increased to £55.9m. The actual outturn was £11.6m, £44.3m below plan. In 2024-25 another ambitious capital budget has been set, and whilst there is an improvement in the level of delivery (£21.4m delivered as at 31 December 2024 against a revised forecast capital plan of £51.3m), it is unlikely the full plan will be delivered. Following three successive years of delayed delivery, there is a risk that the Council loses credibility over its ability to progress schemes effectively. The Council should carry out a more robust challenge of capital budgets to ensure capital budgets are realistic. Where slippage is experienced, the reasons should be clearly communicated and budgets adjusted accordingly.	

Governance

DRAFT

How NULBC ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how NULBC monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How NULBC approaches and carries out its annual budget setting process;
- How NULBC 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 NULBC ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How NULBC monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risk Management

The Council determines and continuously assesses the nature and extent of the principal risks that it is exposed to by recording risks identified within its Governance Risk and Control Environment (GRACE) system. Each recorded risk is linked to a Strategic Objective in the Council's 2022 to 2026 Strategic Plan. The risks are either graded as low, medium or high risk based on the likelihood and impact on the Council should they materialise.

In 2023-24, the risks and related risk scores were discussed at Corporate Leadership Team (CLT) meetings throughout the year and the risks scores were agreed and subsequently presented to the Audit and Standards Committee (ASC).

We reviewed the Risk Management Strategy and confirmed all identified risks were assigned to risk owners who are responsible for monitoring and reporting them to the Corporate Leadership Team where constant monitoring of the risks recorded within the GRACE systems is conducted. Also, the Risk Management Policy makes room for identifying what strategies have been put in place to reduce impact and/or likelihood of the risk.

The ASC monitors and reviews the effectiveness of the Council's risk management systems and processes on a quarterly basis. We reviewed minutes of ASC and noted that the updated Risk Management Strategy was presented to and adopted by the Committee, and that there is evidence of the ASC challenging the scoring and grading of risks.

Budget setting

The Finance Team sent out budget pressures and savings request spreadsheets in the summer to budget holders and service directors. Once these were complete the output returned was discussed at Efficiency Board meetings which is the first stage of challenge. We saw evidence of an Efficiency Board that took place in September 2023 which was used to explore potential opportunities for savings and cost reductions across the services.

Once the budget assumptions were agreed, they were presented to Cabinet in the form of a first draft. They were then presented to the Finance, Assets and Performance Scrutiny Committee for their comments. This process took place before and after Central Government's Settlement Figures were announced then final approval was obtained at Full Council.

In February 2024, the Council approved the latest Medium-Term Financial Strategy, Capital Strategy, Treasury Strategy and the Borough Council's Financial Plan. A general fund revenue budget for the financial year 2024/25 of £16.857m was approved.

Governance

DRAFT

Reporting to budget holders of financial performance

On a monthly basis, budget holders were provided with financial statements which showed an analysis between budgets and actual performance on a month-by-month and year-to-date basis. We reviewed sample reports for February (Month 11) 2024 across the Regeneration, Neighbourhood and Sustainable Environment services showing a breakdown for budget holders of all expenditure lines during the period with a variance to budget, coupled with example actions agreed at the meetings. The reports provided were at a sufficiently granular level to be appropriately interrogated by budget holders and the respective accountants.

Regular meetings were held with budget holders to discuss variances and expectations for dealing with future challenges. The service directors also met on a weekly basis with business managers to discuss financial and operational performance. Quarterly finance reports were then presented to both the Finance, Assets & Performance Scrutiny and the Council. The reports covered the income and expenditure over the period and non-financial performance indicators showing how services are delivering on their key targets.

A review of minutes of both the Finance, Assets & Performance Scrutiny and Council confirmed councillors present at the meeting queried the adverse variances observed relating to housing benefits subsidy and temporary accommodations, pay awards and benchmarking information against other authorities. Savings are reported alongside the quarterly reporting.

LGA Peer review

The Council underwent a Corporate Peer Challenge review from the LGA in 2022/23 that looked at Local Priorities and Outcomes, Organisational and Place Leadership, Governance and Culture, Financial Planning and Management and the Council's Capacity for Improvement.

The findings of the review were positive and provided commentary on the strong leadership, partnership working and financial position of the Council. A number of recommendations and observations were identified which were followed up in 2023/24. The progress review, which took place on 30th January 2024, focused on each of the recommendations identified in March 2023.

The peer team acknowledged the good progress the Council had made against the recommendations and asserting the Council was maintaining its 'strong and impressive approach to partnership working'.

	2023/24	2022/23
Control deficiencies reported in the Annual Governance Statement	None identified	None identified
Head of Internal Audit Opinion	Satisfactory	Satisfactory
Local Government Ombudsman findings	None identified	None identified
Other regulatory findings	None identified	None identified

KPMG

Governance

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Informed decision making

The Council continued to provide appropriate oversight of the key programmes in place to deliver the wider regeneration across the Borough. There are four independent boards in place who provide oversight of the four key programmes which are – Future High Street, Newcastle Under Lyme Town deal, Kidsgrove Town Deal and Shared prosperity fund projects.

The regeneration team supports the management of the key capital decision-making, and the delivery teams comprise a wide range of stakeholders include senior officers and managers but also external partners.

We have seen evidence of key decision-making taking place at Cabinet, for example awarding the demolition contracts for York Place and contract award for the new multi-storey car park. At the June 2023 Cabinet meeting it was agreed the Council would enter a contract with Morgan Sindall for the construction of the Castle multi-storey car park for a sum of no more than £12m. The contractor had already been appointed as Design and Build Contractors in December 2021 following a procurement exercise using the Pagabo framework.

Following the award of the demolition of York Place, the Cabinet resolved to appoint Capital and Centric to develop plans and development business cases for York Place and Midway Car Park sites at a cost not exceeding £256,500. The report presented to Cabinet outlined the challenges the Council faces with respect of growing borrowing and construction costs and articulates the commercial and operational benefits of seeking appointment of a delivery development partner.

By using business cases and approvals, the Council can demonstrate that it has appropriate decision-making processes in place in line with the Council's constitutional framework.

Standards and behaviours

There are various processes and controls in place to review the Council's compliance with regulatory requirements. This includes regular audits (formal and informal) such as Code of Corporate Governance Compliance audit carried out by the internal audit in 2023/24, effective scrutiny committees and an effective complaints management process. There were no relevant complaints reported by the Local Government and Social Care Ombudsman or other regulatory bodies.

Standards and behaviours

We have reviewed the Annual Governance Statement (AGS) and the Head of Internal Audit report and noted no significant findings or areas of non-compliance. The Code of Corporate Governance adopted demonstrates the Council is committed to ensuring the principles of good governance and the Audit and Standards Committee monitors the system of internal control through the completion of a self-assessment against CIPFA's checklist on 'Measuring the effectiveness of the Audit Committee'

There is a Code of Conduct in place for Members and separately for officers (which is part of the Constitution) alongside a whistleblowing policy which is available on the Councils' website. This is supplemented by regular member and officer training, with oversight sitting with the Council's Monitoring officer.

Conclusion

We are satisfied that management has had appropriate governance arrangements in place throughout the year.

Improving economy, efficiency and effectiveness

DRAFT

How the NULBC uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- How NULBC evaluates the services it provides to assess performance and identify areas for improvement;
- How NULBC ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- Where NULBC commissions or procures services, how it assesses whether it is realising the expected benefits.

Financial and Performance management

The Council used key performance indicators (KPIs) and outcomes to measure the effectiveness of its performance. Quarterly reports were provided the Scrutiny Committee and to Cabinet. The corporate performance report is presented alongside the financial performance report. Through our review of the committee minutes we were able to see evidence of member challenge over this report and queries to officers.

There are clear linkages between the performance and indicators and the corporate priorities which form part of the Corporate Plan (2022/2026). The Council also produces an Annual Report which summarises performance against the corporate plan. The first Annual Report (2022/23) was presented to Cabinet and published in January 2024. The Council's Annual report for 2023/24 was received at Cabinet in September 2024 to allow for more timely reflections on the previous year and forming a key part of the Council's governance and assurance framework.

We have reviewed the March 2024 Financial and Performance Review Report submitted by Corporate Leadership Team to the Finance, Assets and Performance Scrutiny Committee. The indicators included in the report are those agreed as part of the Council Plan and reflected the priorities for the Borough.

Within the quarterly reports, an overall summary is provided. Alongside this sits a summary of performance against each of the four priorities which includes a diagram showing how each indicator contributes to that priority. We noted that as at Q3 2023/24, a total of 45 indicators were monitored, 16 of these indicators were contextual and had no set target. 67% of the indicators had met their targets by Q3.

The Council compares performance trends against the previous year and where performance has improved or deteriorated, commentary and actions were included. Through our inquiries with management, we also noted the Council benchmarks costs against other relevant organisations (nearest neighbours) and external data using CIPFA benchmarking functionality. The LG Futures Financial Benchmarking – Key Financial Indicators report is reviewed to compare the Council's financial resilience to all English district local authorities.

In addition, learnings are shared at groups such as the Staffordshire Chief Officers Group and Staffordshire Accountants Group. Management recognise the need to carry out effective benchmarking analysis to inform cost savings and income generation activity will become increasingly important throughout the MTFS period.

Through our service line inquiries, we were provided with an example of operational benchmark data from Association for Public Service Excellence (APSE) who provide performance data for refuse collection which the Council service directors can use to challenge their own service performance.

Improving economy, efficiency and effectiveness

DRAFT

Partnership working

The Council participates in a wide range of partnership arrangements. Some are formal partnerships regulated by an agreement between the partners and some are informal in nature. One example of a formal partnership is the administration of the Business Improvement District (BID) scheme for Newcastle town centre. Businesses within the BID area pay a supplementary business rate, collected by the Council and use the BID Board to promote the economic wellbeing and development of the town centre. Since its incorporation in 2015, the BID, with the support of local business owners, stakeholder and key partners has invested more than £4.5m into projects which include street cleaning, animating public spaces and boosting skills and training.

Partnership working is critical to the success of devolution and levelling-up agenda. The Capital Programme for 2024/25 to 2026/27 is based on new schemes which total £41.269m including major investment as part of the Future High Streets Fund and Town Deals Fund for both Newcastle and Kidsgrove.

The Council has put in place robust and well documented governance arrangements to oversee the delivery of projects in line with Department for Levelling Up, Housing and Communities (DLUHC). We have been presented with the terms of reference of the Town Deal Boards and confirm they are fit for purpose and in line with DLUHC recommendations. Details of each meeting are publicly available allowing for transparency of decision making. The Council is assigned as the Lead Council and Accountable Body. The existing governance structure in the Council provide the necessary oversight for decision making and financial control.

One of the more significant investments is the £3.5m funding for the Chatterley Valley West Project. The Town Deal Board had to submit a business case to the government to ensure that the project represented good value for money and could be delivered on time. This was subsequently approved. The Town Deal contribution is funding part of a larger project that will open-up a site for a major development which will provide around 1700 high quality jobs for local people. £2.8m of the funding was paid during the 2023/24 financial year.

Regular updates are provided on the Chatterley Valley Project at the Kidsgrove Town Hall Board, of which all agendas and action points are available on the council's website. Key decisions continue to flow through to Cabinet in line with the agreed governance framework, for example the procurement of a joint venture development partner in September 2023.

Commissioning and Procurement

The Council has a Contract and Procurement Strategy which sets out the Borough Council's vision for procurement and priorities for the next three years to 2025, incorporating the latest government procurement legislation and initiatives, and the Council's priorities, aims and objectives and is a statement of the procurement commitments of the Borough Council.

The Council has a small procurement team however service directors are satisfied that it supports service needs. We have reviewed the Council's contract register for year ended 31 March 2024. All the contracts the Council has entered into are recorded within the contract register. The Contract register has details of contract start and expiry dates of the contracts. We are satisfied this register is up-to-date and action has been taken in respect of contracts that expired during the year.

Conclusion

We are satisfied the Council's arrangements for improving economy, efficiency and effectiveness are appropriate.

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Year End Report to the Audit & Standards Committee

Newcastle-under-Lyme Borough Council

Year end report for the year ended 31 March 2024

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24 January 2025

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Newcastle-under-Lyme Borough Council (the 'Council') prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

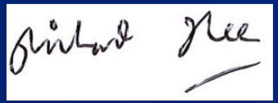
This Report has been prepared for the Councils Audit and Standards Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 9 April 2024.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

Yours sincerely,



Richard Lee
Director KPMG LLP
24 January 2025

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is substantially complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 3 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided for the information of the Audit and Standards Committee of the Council; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit findings

Significant audit risks	Page 4 - 12
Significant audit risks	**Our findings**
Valuation of land and buildings	The valuation of land and buildings is fairly stated in the financial statements. The assumptions used by management were appropriate.
Management override of controls	No issues identified in our work over management override of controls.
Valuation of post retirement benefit obligations	The assumptions used by management for the underlying valuation were appropriate. However, we identified a material prior period error and a material error in the current year figures, both of which have been adjusted.

Key accounting estimates	Page 16
Valuation of land and building	We assessed the assumptions underpinning the valuation as reasonable
Valuation of Investment properties	We assessed the assumptions underpinning the valuation as reasonable
Valuation of gross pension liabilities	We assessed the assumptions underpinning the valuation as reasonable

Uncorrected Audit Misstatements		Page 27
Understatement/ (overstatement)	**£m**	**%**
Net expenditure	0.0	-
Surplus/(deficit) for the year	0.0	-
Total assets	(0.3)	0.3
Reserves	0.3	0.4

Number of Control deficiencies	Page 29
Significant control deficiencies	0
Other control deficiencies	4
Prior year control deficiencies remediated	1

Outstanding matters

Our audit is **substantially complete**. The following areas are outstanding at the time of drafting this report:

- Final internal quality checks
- Review of final signed accounts
- Management representation letter
- Finalise audit report and sign

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which Newcastle-under-Lyme Borough Council operates.

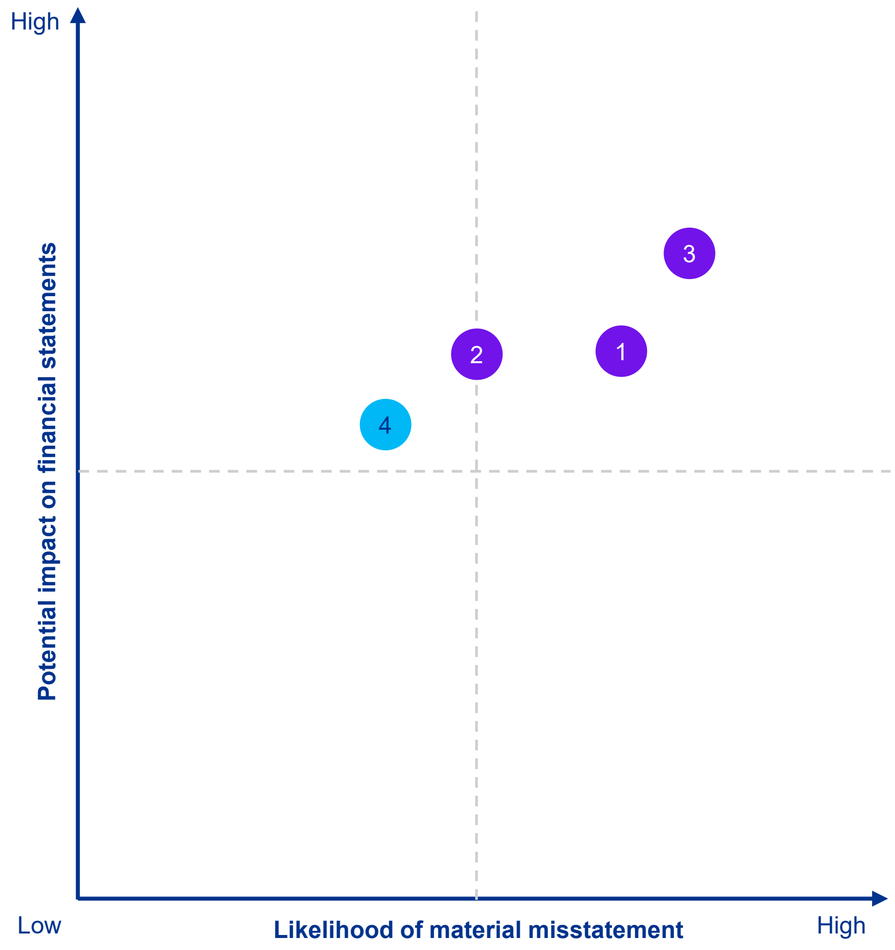
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

See the following slides for the cross-referenced risks identified on this slide.

Significant risks	
1.	Valuation of land and buildings
2.	Management override of controls
3.	Valuation of post retirement benefit obligations

Other audit risks	
4.	Investment Property

Key: # Significant financial statement audit risks # Other audit risk



Audit risks and our audit approach

1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Cautious Neutral Optimistic

Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.
- This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.
- A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the internal valuer with regard to the assumptions adopted for example around obsolescence and remaining useful life of assets.
- The value of the Council's land and buildings at 31 March 2024 was £49.6m, of which £45.1m (£43.2m Land and Buildings and £1.8m Surplus assets) are subject to valuation (community assets £4.6m are excluded).

Our response

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of the internal valuer used in developing the valuation of the Council's properties at 31 March 2024;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

1 Valuation of land and buildings (cont.)

The carrying amount of revalued Land & Buildings differs materially from the fair value

Cautious | Neutral | Optimistic

Significant audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.
- This creates a risk that the carrying value of assets not revalued in year differs materially from the year end fair value.
- A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the internal valuer with regard to the assumptions adopted for example around obsolescence and remaining useful life of assets.
- The value of the Council's land and buildings at 31 March 2024 was £49.6m, of which £45.1m (£43.2m Land and Buildings and £1.8m Surplus assets) are subject to valuation (community assets £4.6m are excluded).

Our findings

- Our findings have not identified any significant issues in relation to the valuation of land and buildings
- In our assessment of design and implementation of controls we note the absence of a formal control with respect of reviewing the assumptions adopted by the Valuer. This does not meet the requirements of a management review control as defined by Auditing Standards. We have reported a control recommendation with respect of this on page 33.
- Through our enquiries with both management and the Valuer, we are satisfied that the valuer has used up-to-date information (e.g. Buildings Cost Information Service (BCIS) indices, detail of capital spend) to inform the valuation as at 31 March 2024.
- We are satisfied that the assumptions such as the BCIS indices and obsolescence factors adopted by management are appropriate and we are satisfied the population of assets not formally revalued could not be material misstated.
- We identified one misstatement relating to the classification of one asset. A piece of development land had been valued as a surplus asset as at 31 March 2024. However, significant capital work had been undertaken (£3m) in year to prepare the land for future development. Consequently, we assessed the cost incurred to date should be recognised as an asset under construction. This resulted in an adjustment to the Property, Plant and Equipment balance.
- Overall, following the completion of our procedures, we are satisfied that the valuation of the Council's Land and Building assets is free from material misstatement and the disclosure of estimation uncertainty is adequate.

Audit risks and our audit approach (cont.)

2 Management override of controls[a]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Our response

- Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures:
- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluated the selection and application of accounting policies.
- Evaluated the design and implementation of controls over journal entries and post closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Analysed all journals through the year using screening analysis and focus our testing on those with a higher risk, such as journals with unusual combination to cash or revenue.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach (cont.)

2 Management override of controls[(a)] (cont.)

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Our findings

- Under the requirements of ISA315r, we conduct a detailed evaluation of the design and implementation of controls around journal entries. This identified that the ledger system permits approval of journals by team members that are more junior that the poster. In addition, the level of precision of the journals review prior to approval is not documented sufficiently to enable us to place reliance as a manual control over journal entries.
- We are therefore unable to rely on controls around segregation of duties in journal entry processing and have not tested the operating effectiveness.
- In response to the deficiency in journal controls we have followed up on prior year recommendations on page 32.
- We identified 13 journal entries and other adjustments meeting our high-risk criteria. No issues were identified during this testing.
- We evaluated accounting estimates, including the consideration of the valuation of land and buildings and did not identify any indicators of management bias. See page 16 for further discussion.
- We have not identified any significant unusual transactions.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Audit risks and our audit approach

3 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious | Neutral | Optimistic

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension surplus and the year-on-year movements.
- We have identified this in relation to the Local Government Pension Scheme membership.
- Also, recent changes to market conditions have meant that more Councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Our response

We have performed the following procedures:

- We obtained an understanding of the pensions process for setting and approving the assumptions used in the DBO valuation.
- Auditing standards require auditors to identify a management control where there is a significant audit risk. We assessed Management's controls that ensure the appropriateness of actuarial assumptions for the preparation of the DBO accounting estimate.
- Evaluated the competency, objectivity of the Fund actuaries and confirmed their qualifications and the basis for their calculations.
- Performed inquiries of the Fund actuaries to assess the methodology and key assumptions used.
- Challenged, with the support of KPMG pensions actuarial specialists, the key assumptions applied, the discount rate, inflation rate and mortality/life expectancy against externally derived data.
- Vouched data provided by the audited entity to the Fund Administrator for use within the DBO accounting estimate calculation.
- Confirmed that the pensions disclosures adopted by the Authority are in line with IAS19 and the SORP.
- Assessed the level of surplus that should be recognised by the entity.
- Assessed the impact of any special events, where applicable.

Audit risks and our audit approach (cont.)

3 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious Neutral Optimistic

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension surplus and the year-on-year movements.
- We have identified this in relation to the Local Government Pension Scheme membership.
- Also, recent changes to market conditions have meant that more Councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Our findings

- We acknowledge that there is a review of key assumptions by management, but we do not place reliance on this control due to the lack of precision and documentation. Whilst this Management Review Control may be achieving the control objective set by management (we have not confirmed this), it does not meet the control requirements as defined by auditing standards. We have reported a control recommendation with respect of this on page 33.
- The Fund actuaries (individual and entity) are professionally qualified to perform actuarial valuations and prepare IAS19 disclosure reports being Fellow of the Institute of Actuaries in the UK;
- The actuarial assumptions methodology is consistent with the prior year except for mortality base tables, which was updated with future improvements to use CMI 2022 tables. Our actuaries view this change in approach as reasonable. They are also compliant with the Council's reporting framework. The actuarial assumptions adopted by the Council compared to KPMG Central Rates, are considered to be balanced overall. All individual assumptions are balanced except mortality future improvements which is cautious compared to KPMG Central Rates
- Based on our review of pension disclosure, we have noted following differences between first draft of pension disclosures and the latest available IAS 19 report above our misstatement posting threshold. We recommended management update the pension disclosure so that they are in line with the latest IAS 19 report: For corrected audit misstatement proposed, refer page 29.

	As per draft accounts	As per latest IAS 19 report	Difference
Current service cost	2,890,000	2,793,000	- 97,000
Employer contributions	4,831,000	4,730,000	- 101,000
Return on assets	13,649,000	12,146,000	- 1,503,000

Audit risks and our audit approach (cont.)

3 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious Neutral Optimistic

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension surplus and the year-on-year movements.
- We have identified this in relation to the Local Government Pension Scheme membership.
- Also, recent changes to market conditions have meant that more Councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Our findings

- We have performed further testing over benefits paid, contributions & return on assets by comparing the latest IAS 19 report (corrected adjustments) to the actuals from the third-party administrator and noted variances which are above our Audit Misstatement Posting Threshold (AMPT). We have reported unadjusted audit misstatements to this effect please refer to page 28.

Surplus recognition

- At 31 March 2024, the fund had a material surplus under IAS 19. Management therefore recognised a net defined benefit surplus of £18.4m in their first draft of financial statements. Following receipt of the revised asset ceiling paper prepared by Hymans dated 12 December 2024, this confirmed that the entity has no unconditional right to a refund from the Fund and that there is no economic benefit available as a refund, as the contributions payable are greater than the service cost.
- The asset ceiling paper also calculated a minimum funding requirement based on the assumption that past service contributions are equal to Employer's funding valuation secondary rate and will continue in payment at the level payable in 2025/26 for the remainder of the Employer's funding valuation time horizon of 20 years (£1,517k a year). After taking account of these assumptions, an additional liability is required to be recognised amounting to £36.6m at 31 March 2024, plus a liability of £4.4m in respect of unfunded pensions – resulting in the net defined benefit surplus becoming a net defined benefit obligation of £22.8m.
- We therefore recommended management account for asset ceiling restrictions and the minimum funding obligation in their financial statements. We have reported the adjusted audit misstatement on page 29.

Audit risks and our audit approach (cont.)

3 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious Neutral Optimistic

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension surplus and the year on year movements.
- We have identified this in relation to the Local Government Pension Scheme membership.
- Also, recent changes to market conditions have meant that more Councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Our findings

Prior period restatement

- In the prior year, the Employer did not consider the impact of a minimum funding obligation. We have tested this and based on the approach used in current year, we concluded that an equivalent minimum funding obligation was required in the prior period, as the value would clearly have been greater than the deficit in the fund at that time.
- In response to our challenge, management obtained a value of minimum funding obligation as at 31 March 2023 from their actuaries and restated the prior year balances. The resulting impact was a £20.5m increase in the net pension liability (see page 31).

Disclosures

- During the review of the pensions note, we noted that some of the required disclosures as per IAS 19 were not presented in the draft financial statements. We recommended management to include the necessary disclosures as outlined in page 30 to explain the underlying transactions and events in a manner that achieves fair presentation. Management have updated their financial statements with the required disclosures.
- We also recommended management reflect the underlying assumptions of the minimum funding obligations which has been updated.

Procedures 3-6: UK assumptions

Level of prudence compared to KPMG central assumptions

Audit misstatement | Cautious | Balanced | Optimistic | Audit misstatement

Reasonable range

Overall assessment of assumptions for audit consideration						Balanced	
Underlying assessment of individual assumptions	**Methodology**	**Consistent methodology to prior year?**	**Compliant methodology with accounting standard?**	**Employer**	**KPMG central**	**Assessment**	**Significant assumption**
Discount rate	AA yield curve	✓	✓	4.80%	4.81%	Balanced	✓
CPI inflation	Quoted CPI inflation assumption, including adjustment for emerging inflation	✓		2.80%			
- Unadjusted CPI	Underlying CPI assumption before adjustments for emerging inflation	✓	✓	2.85%	2.85%	Balanced	✓
- Adjustment for emerging inflation	Adjustment for emerging inflation	✓		0.05% deduction			
Pension increases	In line with CPI	✓	✓	In line with CPI	2.88%	Balanced	
Salary increases	Employer best estimate	✓	✓	CPI plus 0.5%	In line with long-term remuneration policy	Balanced	
Mortality – Base tables	In line with most recent Fund valuation		✓	Fund-specific based on Club Vita curves	In line with Fund best-estimate	Balanced	✓
Mortality – Future improvements	In line with most recent Fund valuation, updated to use latest CMI model		✓	CMI 2022 projections model, 1.5% long-term trend rate, initial addition parameter of 0.25% and default other parameters	CMI 2022,1.25% long-term trend rate and default other parameters	Cautious	✓
Other demographics	In line with most recent Fund valuation	✓	✓	Fund-specific in line with most recent Fund valuation	In line with Fund experience	Balanced	

Employer's assumptions are balanced except for mortality future improvements which is cautious when compared to KPMG central rates but within KPMG tolerance levels. The Council used a long-term trend rate which is 1.5% higher than KPMG central rate which falls in the Cautious range when compared to KPMG central rates

Page 95

Audit risks and our audit approach (cont.)

4 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Cautious | Neutral | Optimistic

Other audit risk

- The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.
- There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.
- The Council's investment property portfolio is £13.5m. This is made up of a small number of assets, and whilst some are individually material, we do not consider there to a significant risk of material misstatement given their nature.

Our response

We have performed the following procedures designed to specifically address the risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of internal valuer, the valuers used in developing the valuation of the Council's investment property at 31 March 2024;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenge key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

4 Valuation of investment property (cont.)

The carrying amount of revalued investment property differs materially from the fair value

Cautious | Neutral | Optimistic

Other audit risk

- The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.
- There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.
- The Council's investment property portfolio is £13.5m. This is made up of a small number of assets, and whilst some are individually material, we do not consider there to a significant risk of material misstatement given their nature.

Our findings

- Our findings have not identified any significant issues in relation to the valuation of investment property.
- Through our enquiries with both management and the Valuer, we are satisfied that the valuer has used up-to-date information (e.g. rental income and detail of capital spend) to inform the interim valuation as at 31 March 2024.
- We are satisfied that the assumptions such as the yields adopted by management are appropriate.
- We identified one presentational adjustment. One of the investment properties (York Place) is recognised as an investment property under construction (AUC), and is therefore valued at cost in line IAS 40. This differs to the operational investment properties which are measured at fair value at the year end. Given York Place is material in value, we have requested management disclose AUC separately in the Investment Property note. This has no impact on the balance sheet or CIES.
- Overall, following the completion of our procedures, we are satisfied that the valuation of the investment property assets is free from material misstatement and disclosure of estimation uncertainty is adequate.

Key accounting estimates and management judgements – Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious | Neutral | Optimistic

Asset/liability class	Our view of management judgement (Cautious – Neutral – Optimistic)	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates (Needs improvement – Neutral – Best practice)	Further comments
PPE Land and Buildings		45.3	1.0		There has been no significant change in the valuation of land and buildings, the £1m movement comprises a predominantly upward movement to reflect building cost indices increases.
Investment Property		13.5	0.7		The overall movements reflects additions to investment properties (investment properties under construction), the overall fair value movement is a reduction of £159k which is not significant and is driven by market assumptions adopted by the valuer that we have assessed as reasonable.
Pensions Gross pension obligation		(159,666)	0.5		The pension liabilities balance has remained consistent with the prior year. Based on our actuaries review, the overall assumptions adopted by the Council are considered to be balanced, and within reasonable range.
Pensions Valuation of Pension Asset		173,486	17.2		The pension assets balance has increase by 10% in comparison to the prior year as a result of the increase in return on assets excluding interest from (£14,137k) in prior year to £12,146k in current year. The valuation basis is considered to be balanced.

Other matters

Narrative report

We have read the contents of the Narrative Report and checked compliance with the requirements of the Annual Report and financial statements with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (‘the Code’). Based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council. As Audit and Governance Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council’s performance, model and strategy

Annual Governance Statement

We have reviewed the Council’s 2023/24 Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We will submit an updated assurance statement on completion of the audit and following review the final financial statements.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our PSAA prescribed 2023/24 audit scale fee for the audit was £157,000 plus VAT (£69,000 in 2022/23). As per PSAA’s Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised and ISA 240. We propose charging an additional £9,500 to cover this work and overruns for the additional work required in relation to the prior period restatement. This is to be agreed with management.

Our non-audit work over Housing Benefit certification for 23-24 is in progress and we have included confirmation of safeguards that have been put in place to preserve our independence on page 25 .

01

Value for money

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

However, we are unable to certify our audit until the Whole Government Accounts work is signed off in line with NAO guidance.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have not identified any risks of significant weakness in the Council/'s arrangements to secure value for money.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

Further detail is set out in our Auditor's Annual Report.

Performance improvement observations

As part of our work we have identified a Performance Improvement Observation, which are suggestions for improvement but not responses to identified significant weaknesses. This has been set out overleaf and will be in the Auditor's Annual Report.

Performance Improvement Observations

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	**Capital Planning** In 2022-23, only 23% of initial capital budget was achieved during the year resulting in a carry over of £24m into 2023/24. In 2023-24, a capital budget of £54.4m was agreed and following a mid-year review was increased to £55.9m. The actual outturn was £11.6m, £44.3m below plan. In 2024-25 another ambitious capital budget has been set, and whilst there is an improvement in the level of delivery (£21.4m delivered as at 31 December 2024 against a revised forecast capital plan of £51.3m), it is unlikely the full plan will be delivered. Following three successive years of delayed delivery, there is a risk that the Council loses credibility over its ability to progress schemes effectively. The Council should carry out a more robust challenge of capital budgets to ensure capital budgets are realistic. Where slippage is experienced, the reasons should be clearly communicated and budgets adjusted accordingly.	

03
Newcastle-under-Lyme Borough Council Appendices

Year ended 31 March 2024

Appendices

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Required communications

Type	Response
Our draft management representation letter (OK)	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences (OK)	There were three adjusted audit differences with a £1.6m surplus impact. See page 29.
Unadjusted audit differences (OK)	The aggregated surplus impact of unadjusted audit differences would be £0.3m. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 28.
Related parties (OK)	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee (OK)	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies (OK)	We have communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts (OK)	No actual or suspected fraud involving Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator (OK)	If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
Issue a report in the public interest (OK)	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties (OK)	No significant difficulties were encountered during the audit
Modifications to auditor's report (OK)	None
Disagreements with management or scope limitations (OK)	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information (OK)	No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence (OK)	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices (OK)	Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management (OK)	No significant matters arising from the audit.
Certify the audit as complete (x)	Due to the Auditor's Annual Report being issued later in the year we have not yet certified the audit as complete. There are no other issues delaying this being issued.
Provide a statement to the NAO on your consolidation schedule (OK)	We will issue our report to the National Audit Office following the signing of the annual report and accounts.

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	*2022/23 (£'000)*
Statutory audit	157	*69[(a)]*
ISA315r	9	-
ISA240	1	-
Additional scope	tbc	
TOTAL	**167**	*69*

Note: (a) Fee charged by Grant Thornton – your predecessor auditor.

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud.
- We will also charge additional fees for the work undertaken to identify and quantify errors in the prior year and current year accounts relating to pension asset recognition. Management are aware an additional fee will be charged for this work.
- Additional fees will be subject to the fees variation process as outlined by the PSAA.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Newcastle-under-Lyme Borough Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

KPMG

Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £	Value of Services Committed but not yet delivered £
1	Housing benefit grant certification	Management Self review Self interest	• Standard language on non-assumption of management responsibilities is included in our engagement letter. • The engagement contract makes clear that we will not perform any management functions. • The work is performed after the audit is completed and the work is not relied on within the audit file. • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	-	£30,800 (based on base fee of £19,250 plus £1,925 per additional workbook tested (estimate six additional workbooks)

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.19: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	167
Other Assurance Services	31
Total Fees	**198**

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

Richard Lee

KPMG LLP

Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Standards Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit and Standards Committee, details of all adjustments greater than £55k (AMPT) are shown below:

Uncorrected audit differences (£'000s)

No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Remeasurement of Defined Benefit Liability/(Asset) Cr Defined Benefit Assets	£293 -	- £(293)	Rate of return in the latest available IAS 19 report is higher than the actual rate confirmed by third party administrator resulting in a variance of £293k above AMPT, hence an uncorrected audit misstatement
2	Dr Remeasurement of Defined Benefit Liability/(Asset) Cr Defined Benefit Assets	£68 -	- £(68)	Employer Contributions in the latest available IAS 19 report are higher than the actual contributions confirmed by management resulting in a variance of £68k above AMPT, hence an uncorrected audit misstatement
3	Dr Defined Benefit Assets Cr Defined Benefit Liabilities	- -	£135 £(135)	Benefits paid in the latest available IAS 19 report are higher than the actual benefits confirmed by third party administrator resulting in a variance of £135k above AMPT, hence an uncorrected audit misstatement
Total		**£361**	**(£361)**	

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Standards Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit differences (£'000s)

No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Asset Under Construction	-	£3,024	A piece of development land had been valued as a surplus asset as at 31 March 2024. However, significant capital work had been undertaken (£3m) in year to prepare the land for future development. Consequently, we assessed the cost incurred to date should be recognised as an asset under construction. This resulted in an adjustment to Property, Plant and Equipment.
	Cr Impairment	(£3,024)	-	
2	Dr Current service cost (P&L)	(£97)		When the draft accounts were compared with the latest available IAS 19 report, we noted variances in the current service cost & employer contributions above AMPT and in return on assets excluding interest income above PM. As management agreed to update their accounts based on latest available IAS 19 report, we proposed a corrected audit misstatement to the effect of £1,507k (£1,604 – £97).
	Dr Contribution / cash settlement account		£101	
	Dr Return on assets excluding interest (OCI)	£1,503		
	Cr Gross Defined Benefit Obligation		£97	
	Cr Fair value of plan assets		(£1,604)	
3	Cr Net Defined Benefit Obligation		(£36,595)	Management initially recognised a net defined benefit surplus of £15.6m (£18.2m surplus on funded pensions plus £2.6m deficit on unfunded pensions) in their first draft of financial statements). Following confirmation the surplus could not be recognised (£18.2m) and an additional liability was required to be recognised (£18.4m) on funded pension, the total adjustment required was £36.6m at 31 March 2024. Combined with a liability of £4.4m in respect of unfunded pensions, the net defined benefit surplus was now a net defined benefit obligation of £22.8m.
	Dr Remeasurement of net defined benefits liability/(asset) – OCI	£35,604		
	Dr Defined benefit plan related expenses – P&L	£991		
Total		**£34,977**	**(£34,977)**	

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit and Standards Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Presentational adjustments

- **Investment Property** - One of the investment properties (York Place) is recognised as an investment property under construction (AUC), and is therefore valued at cost in line IAS 40. This differs to the operational investment properties which are measured at fair value at the year end. Given York Place is material in value, we have requested management disclose AUC separately in the Investment Property note. This has no impact on the balance sheet or CIES.
- **Defined Benefit Pensions -** During the review of the pensions note, we noted that some of the required disclosures as per IAS 19 were not presented in the draft financial statements. We recommended management to include the following disclosures to explain the underlying transactions and events in a manner that achieves fair presentation. Management have updated their financial statements with the required disclosures:

  - Following the Court of Appeal's dismissal of the Virgin Media appeal, we recommended management to include a narrative disclosure in respect of management's assessment of the impact of Virgin Media case on their pension scheme.
  - According to IAS 19.40(a)(iii), an entity is required to include a reconciliation of the asset ceiling in its pensions note.
    This reconciliation ensures transparency and compliance with the disclosure standards set forth by IAS 19.
    During our audit, we recommended that management include the asset ceiling reconciliation to align with these requirements.

Prior period adjustment

Note 35 of the financial statements explains the prior year adjustment and the

Corrected audit differences (£'000s)				
No.	**Detail**	**SOCI Dr/(cr)**	**SOFP Dr/(cr)**	**Comments**
1	**Entry for prior period restatement:**			
	Cr Net Defined Benefit Obligation		(£20,652)	
	Dr Remeasurement of net defined benefits liability/(asset) – OCI	£20,652		In the prior year, the Employer did not consider the impact of a minimum funding obligation. Based on the approach used in current year, we concluded that an equivalent minimum funding obligation was required in the prior period, as the value would clearly have been greater than the deficit in the fund at that time. Management received a revised asset ceiling paper to quantify the obligations resulting in a restatement to the prior year accounts.
2	Cr Net Defined Benefit Obligation		(£254)	
	Dr Remeasurement of net defined benefits liability/(asset) – OCI	£254		
3	Cr Current service cost (P&L)	(£441)		
	Dr Net Defined Benefit Obligation		£441	

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations		
❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	❷	**Journal controls** Segregation of duties are in place for the approval of manual journals which means journals require a separate preparer and approver before posting to the ledger. However, best practice would be to ensure the approver is always more senior than the preparer, and the system does not currently enforce this. In addition, the level of precision of the journals review prior to approval is not documented sufficiently to the level required by auditing standards as a manual control over journal entries *Recommendation* We recommend management should ensure the approver is always more senior that the preparer. To meet the high threshold set by auditing standards, we recommend management fully document the journals review process. This should include clearly defined criteria for selection of journals, confirmation that each journal selected has been reviewed along with the supporting documentation and that the posting is accurate and appropriate, and formal documentation of the review conclusions.	Due to the size of the Service this is not logistical, only 4 Officers can approve journals, those below a qualified Accountant level cannot. All journals contain a full description and the approver obtains clarification before approving a journal if required. The high threshold of the auditing standard is considered to be excessive.

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	2	**Review of internal valuer assumptions** Management does not complete a formal review of the assumptions proposed by the internal valuer used in the valuation of land and buildings and investment property. This increases the risk of errors being unidentified, leading to misstatements within the financial statements. A formal review and challenge of the valuer constitutes a management review control to address a significant risk. In order to make this review compliant with international auditing standards this process must be documented and evidenced with a sufficient level of precision. *Recommendation* In order to meet the high threshold set by auditing standards, management should document a formal review of the valuers assumptions used on an annual basis, such as indices and yields adopted, with numbers tied through to supporting information. Any challenges raised with the valuer would need to be clearly documented.	A review of the assumptions is undertaken and regular meetings are held with the Valuer to discuss and challenge both these and the actual valuations – these will be minuted in future periods. The valuer is a qualified Officer and a reliance is placed on this role in terms of the provision of reasonable assumptions
3	2	**Review of actuarial assumptions** We acknowledge that there is a review of key assumptions by management but we do not place reliance on this control due to the lack of precision and documentation. Whilst this management review control may be achieving the control objective set by management (we have not confirmed this), it does not meet the control requirements as defined by international auditing standards. *Recommendation* In order to meet the high threshold set by auditing standards, management should document a formal review of the actuaries assumptions used on an annual basis, including the setting of expectations and tolerances.	A review of the assumptions is undertaken and a further report is commissioned from the actuary after the production of the unaudited Statement of Accounts, the final Statement of Accounts are amended to reflect any changes in assumptions and actual experience at this point. The actuary is appointed on a professional basis and a reliance is placed on this role in terms of the provision of reasonable assumptions

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Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
4	3	**Approval of significant related party transactions** Auditing standards require us to obtain an understanding of related party processes and controls that: • identify all related parties, relationships and transactions • authorize and approve significant related party transactions and arrangements; and • account for and disclose all related party relationships and transactions in the financial statements. We are satisfied management have a process in place to identify related parties and related party transactions retrospectively through receipt of declarations of interest (DoI) from all members, and then an exercise is carried out where by finance search all AP/AR ledgers to identify transactions with said related parties at the year end. The process and control in place to collate and ensure receipt of DoIs from individuals is a proportionate control to have in place. However, there is no formal, documented control in place to authorise or approve significant related party transactions before they are entered into. Many of the related party transactions are through the normal course of business, however audited entities are required to have identified controls in place to which formally authorise significant transactions. *Recommendation* We recommend management establish a control to authorise significant related party transactions.	This will be reviewed to identify whether a flag can be introduced that notifies the approver of orders or invoices whereby the supplier has an Officer or Member that has declared a related party in relation to them. It should be noted that these are few and far between and the risk facing the Council, especially given its current controls, is very low.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 7. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

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ISA (UK) 315 Revised: changes embedded in our practices

Summary

In the prior period, ISA (UK) 315 Revised "Identifying and assessing the risks of material misstatement" was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Whilst this is second year of implementation, this is KPMG's first year auditing the Council so we will be required to enhance our understanding of your wider control environment, notably within the area of IT, for the first time.

A key area of focus for the auditor will be understanding how the entity responded to the observations, if any, communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

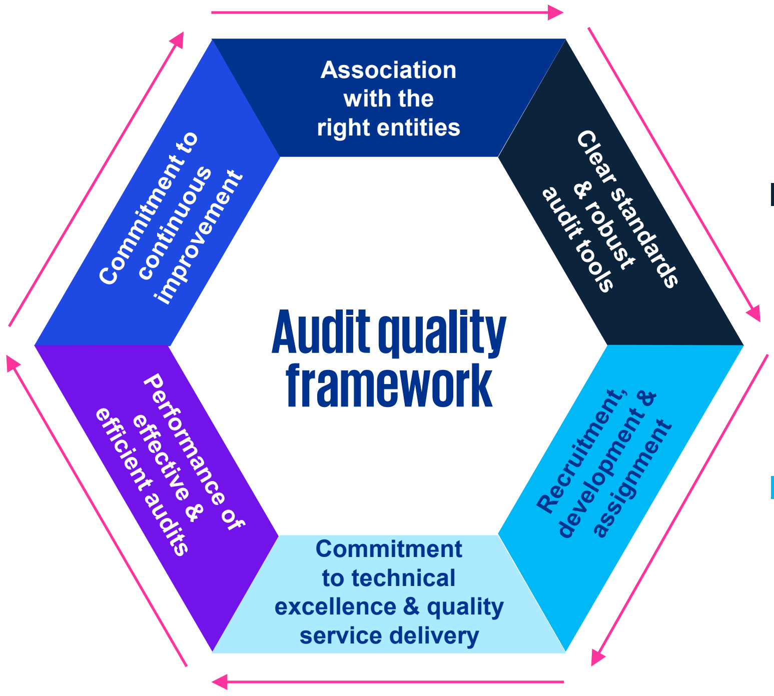
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

kpmg.com/uk

Newcastle-under-Lyme Borough Council

Value for money risk assessment

Year ended 31 March 2024

January 2025

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and property manages its risks.

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.

Value for money

Approach we take to completing our work to form and report our conclusion:

Process

Understanding the entity's arrangements

- Financial statements planning
- Internal reports, e.g. IA
- Management Inquiries
- External reports, e.g. regulators
- Assessment of key processes
- Annual report

Evaluation of entity's value for money arrangements

- Targeted follow up of identified value for money significant risks
- Continual update of risk assessment

Value for money conclusion and reporting

- Conclusion whether significant weaknesses exist

Outputs

Risk assessment to Audit and Standards Committee

Our risk assessment will provide a summary of the procedures undertaken and our findings against each of the three value for money domains. This will conclude on whether we have identified any significant risks that the entity does not have appropriate arrangements in place to achieve VFM.

Value for money assessment

We will report by exception as to whether we have identified any significant weaknesses in arrangements.

Public commentary

Our draft public commentary will be prepared for the Audit Committee alongside our annual report on the accounts.

Public commentary

The commentary is required to be published alongside the annual report.

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Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risk identified
Governance	No significant risk identified
Improving economy, efficiency and effectiveness	No significant risk identified

As a result of our risk assessment, we have not identified any significant risks.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for identifying all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

In February 2023, the Council approved a general fund revenue budget for the financial year 2023/24 of £16.856m. At the year end a positive variance of £7k was achieved. Pressures identified during the year amounting to £1.8m were offset by interest income of £1.4m and utilisation of the cost-of-living reserve (£0.4m), which was specifically set up to respond to above inflation pay costs.

Process of identifying cost pressures

Income and cost pressures are reviewed independently by the accounts team and jointly with budget managers on at least a monthly basis. A review of the budget for 2023/24 presented to the Council showed that the Council was expecting additional expenditure mainly due to the local government pay award, increase in premises, fuel and software licences and contracts. The impact of budget pressures have been reflected within the Medium-Term Financial Strategy (MTFS) which covers a 5-year period.

For example, the One Council programme was launched at the start of 2021/22. The transformation is focused on customer experience and modernising internal processes. After an initial one-off investment of £1.2m in 2021/22, the programme realised savings over three years amounting to £1.1m (£376k in 2023/24) and these will be recurrent savings going forward.

Once the budget assumptions are agreed, they are presented to Cabinet in the form of the first draft. They are then presented to the Finance, Assets and Performance Scrutiny Committee for their comments. This process takes place before and after Central Government's Settlement Figures are announced then final approval is obtained at Full Council. We have seen evidence of this review taking place for 2024-25 planning that took place during the 2023-24 financial year.

Efficiency plan

Savings and funding strategies were identified to cover the shortfall in both 2023/24 and 2024/25. Over recent years, the Council has achieved the savings targets it has set itself, primarily through increasing the tax base and additional government grants, rather than through cost reductions.

A review of minutes of both the Finance, Assets & Performance Scrutiny and Council confirmed councillors present at the meeting queried the adverse variances observed relating to housing benefits subsidy and temporary accommodations, pay awards and benchmarking information against other authorities. Savings are reported alongside the quarterly reporting.

Managing identified sustainability risks

Looking ahead, the Council is confident that it will continue to be able to achieve agreed budgets without the unplanned need to use reserves or contingencies.

KPMG

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for identifying all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Whilst reserve levels are at a lower level than peers, the Council has completed a full risk assessment that is fully costed to determine the minimum level of reserves that are required. This demonstrates robust risk management processes are operating at the Council and links the Council's Balance and Reserve Strategy to the requirements of the MTFS. However, it is important to acknowledge that the low level of reserves means there is limited headroom for unforeseen pressures that may arise during the year.

For 2024/25, the Council has set the minimum level of unallocated reserves and contingencies at £2.257m. This is to reflect the levels of revenue risk shown in the budget for 2024/25 and is an increase of £0.347m compared to 2023/24. The increase will be funded from additional settlement monies (£0.100m) and from a VAT refund (£0.247m).

Performance for the year 2023/24

The Council managed to maintain general fund balances at a level consistent with 31 March 2023, compared to significant reduction during 2022/23 which saw earmarked reserves reduce by £5.7m (driven by a reduction in Business rates reserve of £5m). It should be noted that however the balance of the Business Rates reserve was inflated for 2021/22 and 2022/23 due to s31 grants received to cover the cost of business rate reliefs in 2022/23.

At the beginning of the year, a capital programme with a value of £54.4m was agreed. This included £24m of delayed expenditure that was carried forward from 2022/23 when only 23% of the capital budget was spent. This was because of significant inflationary pressures that required projects to be reassessed and value engineered. During the year, the capital programme was revised to £55.9m, reflecting changes to projects, the flexible use of capital receipts and to include expenditure that was fully funded from the Shared Prosperity Fund. At the year-end, actual expenditure totalled £11.630m, £44.3m below that planned.

We have included a performance improvement observation with respect of this of the above, suggesting management carry out more robust challenge of capital budgets.

Future Capital Programme

The Capital Programme for 2024/25 to 2026/27 is based on new schemes which total £41.269m including major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove. External borrowing is currently very low at the Council, however Prudential borrowing will be required to fund the capital programme in 2025-26.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Risk Management

The Council determines and continuously assesses the nature and extent of the principal risks that it is exposed to by recording risks identified within its Governance Risk and Control Environment (GRACE) system. Each recorded risk is linked to a Strategic Objective in the Council's 2022 to 2026 Strategic Plan. The risks are either graded as low, medium or high risk based on the likelihood and impact on the Council should they materialise.

The risks and related risk scores were discussed at Corporate Leadership Team (CLT) meetings throughout the year and the risks scores were agreed and subsequently presented to the Audit and Standards Committee (ASC).

We have reviewed the Risk Management Strategy and confirmed all identified risks were assigned to risk owners who are responsible for monitoring and reporting them to the Corporate Leadership Team where constant monitoring of the risks recorded within the GRACE systems is conducted. Also, the Risk Management Policy makes room for identifying what strategies have been put in place to reduce impact and/or likelihood of the risk.

The ASC monitors and reviews the effectiveness of the Council's risk management systems and processes on a quarterly basis. We reviewed minutes of ASC and noted that the updated Risk Management Strategy was presented to and adopted by the Committee, and that there is evidence of the ASC challenging the scoring and grading of risks.

Budget setting

The finance team sent out budget pressures and savings request spreadsheets in the summer to budget holders and service directors. Once these were complete the output is discussed at Efficiency Board meetings which is the first stage of challenge. We have seen evidence of an Efficiency Board that took place in September 2023 which was used to explore potential opportunities for savings and cost reductions across the services.

Once the budget assumptions are agreed, they are presented to Cabinet in the form of the first draft. They are then presented to the Finance, Assets and Performance Scrutiny Committee for their comments. This process takes place before and after Central Government’s Settlement Figures are announced then final approval is obtained at Full Council.

In February 2024, the Council approved the latest MTFS, Capital Strategy, Treasury Strategy and the Borough Council's Financial Plan. A general fund revenue budget for the financial year 2024/25 of £16.857m was approved.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Reporting to budget holders of financial performance

On a monthly basis, budget holders are provided with financial statements which show an analysis between budgets and actual performance on a month-by-month basis and year-to-date basis. We reviewed sample reports for February (Month 11) 2024 across the Regeneration, Neighbourhood and Sustainable Environment services showing a breakdown for budget holders of all expenditure lines during the period with a variance to budget, coupled with example actions agreed at the meetings. The reports provided were at a sufficiently granular level to be appropriately interrogated by budget holders and the respective accountants.

Regular meetings are held with budget holders to discuss variances and expectations for dealing with future challenges. The service directors also meet on a weekly basis with business managers to discuss financial and operational performance. Quarterly finance reports are then presented to both the Finance, Assets & Performance Scrutiny and the Council. The reports cover the income and expenditure over the period and non-financial performance indicators showing how services are delivering on their key targets.

A review of minutes of both the Finance, Assets & Performance Scrutiny and Council confirmed councillors present at the meeting queried the adverse variances observed relating to housing benefits subsidy and temporary accommodations, pay awards and benchmarking information against other authorities. Savings are reported alongside the quarterly reporting.

LGA Peer review

The Council underwent a Corporate Peer Challenge review from the LGA in 2022/23 that looked at Local Priorities and Outcomes, Organisational and Place Leadership, Governance and Culture, Financial Planning and Management and the Council's Capacity for Improvement.

The findings of the review were positive and provided commentary on the strong leadership, partnership working and financial position of the Council. A number of recommendations and observations were identified which were followed up in 2023/24. The progress review, which took place on 30th January 2024, focused on each of the recommendations identified in March 2023.

The peer team acknowledged the good progress the Council had made against the recommendations and asserting the Council was maintaining its 'strong and impressive approach to partnership working'.

Informed decision making

The Council continued to provide appropriate oversight of the key programmes in place to deliver the wider regeneration across the Borough. There are four independent boards in place who provide oversight of the four key programmes which are – Future High Street, Newcastle Under Lyme Town deal, Kidsgrove Town Deal and Shared prosperity fund projects.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

The regeneration team supports the management of the key capital decision-making, and the delivery teams comprise a wide range of stakeholders include senior officers and managers but also external partners.

We have seen evidence of key decision-making taking place at Cabinet, for example awarding the demolition contracts for York Place and contract award for the new multi-storey car park. At the June 2023 Cabinet meeting it was agreed the Council would enter a contract with Morgan Sindall for the construction of the Castle multi-storey car park for a sum of no more than £12m. The contractor had already been appointed as Design and Build Contractors in December 2021 following a procurement exercise using the Pagabo framework.

Following the award of the demolition of York Place, the Cabinet resolved to appoint Capital and Centric to develop plans and development business cases for York Place and Midway Car Park sites at a cost not exceeding £256,500. The report presented to Cabinet outlined the challenges the Council faces with respect of growing borrowing and construction costs and articulated the commercial and operational benefits of seeking appointment of a delivery development partner.

By using business cases and approvals, the Council can demonstrate that it has appropriate decision-making processes in place in line with the Council's constitutional framework.

Standards and behaviours

There are various processes and controls in place to review the Council's compliance with regulatory requirements. This includes regular audits (formal and informal) such as Code of Corporate Governance Compliance audit carried out by the internal audit in 2023/24, effective scrutiny committees and an effective complaints management process. There were no relevant complaints reported by the Local Government and Social Care Ombudsman or other regulatory bodies.

We have reviewed the Annual Governance Statement (AGS) and the Head of Internal Audit report and noted no significant findings or areas of non-compliance. The Code of Corporate Governance adopted demonstrates the Council is committed to ensuring the principles of good governance and the Audit and Standards Committee monitors the system of internal control through the completion of a self-assessment against CIPFA's checklist on 'Measuring the effectiveness of the Audit Committee'.

There is a Code of Conduct in place for Members and separately for officers (which is part of the Constitution) alongside a whistleblowing policy which is available on the Councils' website. This is supplemented by regular member and officer training, with oversight sitting with the Council's Monitoring officer.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with governance.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Financial and Performance management

The Council uses key performance indicators (KPIs) and outcomes to measure the effectiveness of its performance. Quarterly reports are provided the Scrutiny Committee and to Cabinet. The corporate performance report is presented alongside the financial performance report. Through our review of the committee minutes we were able to see evidence of member challenge over this report and queries to officers.

There are clear linkages between the performance and indicators and the corporate priorities which form part of the Corporate Plan (2022/2026). The Council also produces an Annual Report which summarises performance against the corporate plan. The first Annual Report (2022/23) was presented to Cabinet and published in January 2024. The Council's Annual report for 2023/24 was received at Cabinet in September 2024 to allow for more timely reflections on the previous year and forming a key part of the Council's governance and assurance framework.

We have reviewed the March 2024 Financial and Performance Review Report submitted by Corporate Leadership Team to the Finance, Assets and Performance Scrutiny Committee. The indicators included in the report are those agreed as part of the Council Plan and reflected the priorities for the Borough.

Within the quarterly reports, an overall summary is provided. Alongside this sits a summary of performance against each of the four priorities which includes a diagram showing how each indicator contributes to that priority. We noted that as at Q3 of 2023/24, a total of 45 indicators were monitored, 16 of these indicators were contextual and had no set target. 67% of the indicators met their targets by Q3.

The Council compares performance trends against the previous year and where performance has improved or deteriorated, commentary and actions have been included.

Through our inquiries with management, we note the Council benchmarks costs against other relevant organisations (nearest neighbours) and external data using CIPFA benchmarking functionality. The LG Futures Financial Benchmarking – Key Financial Indicators report is reviewed to compare the Council's financial resilience to all English district local authorities.

In addition, learnings are shared at groups such as the Staffordshire Chief Officers Group and Staffordshire Accountants Group. Management recognise the need to carry out effective benchmarking analysis to inform cost savings and income generation activity will become increasingly important throughout the MTFS period.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Through our service line inquiries, we were provided with an example of operational benchmark data from Association for Public Service Excellence (APSE) who provide performance data for refuse collection which the Council. Service directors can use this data to challenge their own service performance to refresh their target performance.

Partnership working

The Council participates in a wide range of partnership arrangements. Some are formal partnerships regulated by an agreement between the partners and some are informal in nature. One example of a formal partnership is the administration of the Business Improvement District (BID) scheme for Newcastle town centre. Businesses within the BID area pay a supplementary business rate, collected by the Council and use the BID Board to promote the economic wellbeing and development of the town centre. Since its incorporation in 2015, the BID, with the support of local business owners, stakeholder and key partners has invested more than £4.5m into projects which include street cleaning, animating public spaces and boosting skills and training.

Partnership working is critical to the success of devolution and levelling-up agenda. The Capital Programme for 2024/25 to 2026/27 is based on new schemes which total £41.269m including major investment as part of the Future High Streets Fund and Town Deals Fund for both Newcastle and Kidsgrove.

The Council has put in place robust and well documented governance arrangements to oversee the delivery of projects in line with Department for Levelling Up, Housing and Communities (DLUHC). We have been presented with the terms of reference of the Town Deal Boards and confirm they are fit for purpose and in line with DLUHC recommendations. Details of each meeting are publicly available allowing for transparency of decision making. The Council is assigned as the Lead Council and Accountable Body. The existing governance structure in the Council provides the necessary oversight for decision making and financial control.

One of the more significant investments is the £3.5m funding for the Chatterley Valley West Project. The Town Deal Board had to submit a business case to the government to ensure that the project represented good value for money and could be delivered on time. This was subsequently approved. The Town Deal contribution is funding part of a larger project that will open-up a site for a major development which will provide around 1700 high quality jobs for local people. £2.8m of the funding was paid during the 2023/24 financial year

Regular updates are provided on the Chatterley Valley Project at the Kidsgrove Town Hall Board, of which all agendas and action points are available on the council’s website. Key decisions continue to flow through to Cabinet in line with the agreed governance framework, for example the procurement of a joint venture development partner in September 2023.

KPMG

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Commissioning and Procurement

The Council has a Contract and Procurement Strategy which sets out the Borough Council's vision for procurement and priorities for the next three years to 2025, incorporating the latest government procurement legislation and initiatives, and the Council’s priorities, aims and objectives and is a statement of the procurement commitments of the Borough Council.

The Council has a small procurement team however service directors are satisfied that it supports service needs. We have reviewed the Council's contract register for year ended 31 March 2024. All the contracts the Council has entered into are recorded within the contract register. The Contract register has details of contract start and expiry dates of the contracts. We are satisfied this register is up-to-date and action has been taken in respect of contracts that expired during the year.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness.

AUDIT & STANDARDS COMMITTEE

Work Programme 2024/25

Chair	Cllr P. Waring
Vice-Chair	Cllr G. Burnett-Faulkner
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
03/02/2025	• Q3 Corporate Risk Management Report 2024/25 • Q3 Internal Audit Progress Report 2024/25 • External Audit Findings Report 2023/24	
07/04/2025	• Internal Audit Charter 2025/26 • Internal Audit Plan 2025/26 • Corporate Fraud Arrangements 2025/26 • Risk Management Policy & Strategy 2025/26 • External Audit Plan 2024/25 - KPMG	
27/05/2025	• Proposed Accounting Policies 2024/25 • Draft Statement of Accounts 2024/25 • Annual Governance Statement 2024/25	
14/07/2025	• Annual Internal Audit Report and Opinion 2023/24 • Treasury Management Annual Report 2023/24 • Q4 Corporate Risk Management Report 2023/24	
29/09/2025	• Q1 Corporate Risk Management Report 2025/26 • Q1 Internal Audit Progress Report 2025/26 • Health and Safety Report 2024/25 • Audited Statement of Accounts 2024/25	
10/11/2025	• Treasury Management Half Yearly Report 2025/26 • Q2 Corporate Risk Management Report 2025/26 • Q2 Internal Audit progress Report 2025/26	
02/02/2026	• Q3 Corporate Risk Management Report 2024/25	

DATE OF MEETING	ITEM	NOTES
	• Q3 Internal Audit Progress Report 2024/25 • External Audit Findings Report 2023/24	
27/04/2026	• Internal Audit Charter 2026/27 • Internal Audit Plan 2026/27 • Corporate Fraud Arrangements 2026/27 • Risk Management Policy & Strategy 2026/27 • External Audit Plan 2025/26 - KPMG	
26/05/2026	• Proposed Accounting Policies 2025/26 • Draft Statement of Accounts 2025/26 • Annual Governance Statement 2025/26 • Q4 Finance and Performance Report 2025/26	

Previous Items

DATE OF MEETING	ITEM	NOTES
17/04/2023	• Internal Audit Charter 2023/24 • Internal Audit Plan 2023/24 • Corporate Fraud Arrangements 2023/24 • Committee Work Plan 2023/24 • Risk Management Policy & Strategy 2023/24 • External Audit	
30/05/2023	• Proposed Accounting Policies • Annual Governance Statement • Draft Statement of Accounts 2022/23	

	• Revised Finance and Contract Procedure Rules	
17/07/2023	• 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	• Q1 Corporate Risk Management Report 2023/24 • Q1 Internal Audit Progress Report 2023/24 • Audited Statement of Accounts 2022/23	
13/11/2023	• Treasury Management Half Yearly Report 2023/24 • Q2 Corporate Risk Management Report 2023/24 • Q2 Internal Audit progress Report 2023/24	
05/02/2024	• Q3 Corporate Risk Management Report 2023/24 • Q3 Internal Audit Progress Report 2023/24 • Procurement of Internal Audit Service 2024/25 • Grant Thornton – Value for Money Audit Report 2022/23	
22/04/2024	• Internal Audit Charter 2024/25 • Internal Audit Plan 2024/25 • Corporate Fraud Arrangements 2024/25 • Risk Management Policy & Strategy 2024/25 • External Audit Plan 2023-24 • Committee Work Plan 2024/25	
28/05/2024	• External Audit Report 2022-23 • Accounting Policies 2023-24 • Annual Governance Statement 2023-24 • Statements of Accounts 2023-24	

15/07/2024	• Treasury Management Annual Report 2023/24 • Q4 Corporate Risk Management Report 2023/24 • Annual Internal Audit Report and Opinion 2023/24 • Committee Work Plan 2024/25	
30/09/2024	• Q1 Corporate Risk Management Report 2024/25 • Q1 Internal Audit Progress Report 2024/25 • Health and Safety Report 2023/24 • Audited Statement of Accounts 2023/24 • Committee Work Plan 2024/25	
04/11/2024	• Treasury Management Half Yearly Report 2024/25 • Q2 Corporate Risk Management Report 2024/25 • Q2 Internal Audit progress Report 2024/25 • Committee Work Plan 2024/25	

Last updated on 24th January 2025

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