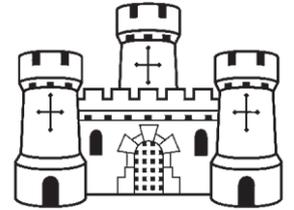


Public Document Pack

Date of meeting Monday, 5th February, 2024
Time 7.00 pm
Venue Astley Room - Castle
Contact Geoff Durham



**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

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

Audit and Standards Committee

AGENDA

PART 1 – OPEN AGENDA

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST**
To receive Declarations of Interest from Members on items included in the agenda
- 3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 6)
To consider the minutes of the previous meeting(s).
- 4 **CORPORATE RISK MANAGEMENT REPORT** (Pages 7 - 16)
- 5 **INTERNAL AUDIT UPDATE QUARTER 3 2023/24** (Pages 17 - 24)
- 6 **FUTURE DELIVERY OF THE INTERNAL AUDIT SERVICE** (Pages 25 - 28)
- 7 **VALUE FOR MONEY AUDIT REPORT** (Pages 29 - 58)
- 8 **WORK PROGRAMME** (Pages 59 - 62)
- 9 **URGENT BUSINESS**
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

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

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

Meeting Quorums :- 16+= 5 Members; 10-15=4 Members; 5-9=3 Members; 5 or less = 2 Members.

SUBSTITUTE MEMBER SCHEME (Section B5, Paragraph 2 of Constitution)

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

Substitute Members:	Panter	Lawley
	Parker	Northcott
	Gorton	Reece
	S Jones	

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

- Identify a Substitute member from the list above who is able to attend on your behalf
- Notify the Chairman of the Committee (at least 24 hours before the meeting is due to take place) NB Only 2 Substitutes per political group are allowed for each meeting and your Chairman will advise you on whether that number has been reached

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

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

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

Agenda Item 3

Audit and Standards Committee - 13/11/23

AUDIT AND STANDARDS COMMITTEE

Monday, 13th November, 2023
Time of Commencement: 7.00 pm

[View the agenda here](#)

[Watch the meeting here](#)

Present: Councillor Paul Waring (Chair)

Councillors: Holland Stubbs
Whieldon Brockie

Apologies: Councillor(s) Burnett-Faulkner and Lewis

Substitutes: Councillor Paul Northcott
Councillor Philip Reece (In place of Councillor Rebekah Lewis)

Officers: Sarah Wilkes Service Director - Finance /
S151 Officer
Clare Potts
Anthony Harold Service Director - Legal &
Governance / Monitoring Officer

Also in attendance: Councillor Stephen Sweeney Deputy Leader of the Council
and Portfolio Holder - Finance,
Town Centres and Growth

1. **APOLOGIES**

2. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

3. **MINUTES OF PREVIOUS MEETING**

Resolved: That the minutes of the meeting held on 28th September 2023 be agreed as an accurate record.

4. **TREASURY MANAGEMENT HALF YEARLY REPORT 2023/24**

The Service Director for Finance (S151 Officer) presented the Treasury Management Half Yearly Report for 2023/24 allowing for the review of the Treasury Management activity for this period.

Cllr Stubbs expressed his appreciation in relation to the quality of the report.

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

[Watch the debate here](#)

5. QUARTER TWO CORPORATE RISK MANAGEMENT REPORT 2023/24

The Service Director for Legal & Governance / Monitoring Officer introduced the Corporate Risk Management Report for Quarter 2 of 2023/24, updating members on the current position in respect of risk management controls and identified corporate risks.

Cllr Stubbs asked why major delays encountered on one of the Town Deal projects in relation to Kildsgrove hadn't been picked up in the report. – While specific risks were not mentioned in the report they had been taken into account to generate the data obtained from the Governance Risk and Control Environment software, including those relating to the project mentioned.

Cllr Stubbs asked that details be provided in the February report.

- Resolved:**
1. That there were currently no risks that were more than 6 months overdue for a review up to end of Q2 2023/24, be noted.
 2. That there had been no risk level increases be noted.
 3. That no changes to the Corporate Risk Register be noted.
 4. That the new risk profile specifically for Newcastle Town Deal be noted.
 5. That the risk in relation to the Sky Building and J2 be noted.
 6. That officers be advised of any individual risk profiles that the Committee would like to scrutinise in more details at its next meeting.
 7. That whilst the likelihood of a risk materialising may be mitigated, the likely impacts may not change, be noted

[Watch the debate here](#)

6. QUARTER TWO INTERNAL AUDIT PROGRESS REPORT 2023/24

The Chief Internal Auditor presented the Internal Audit Update Report covering the period running from 1st July to 30th September 2023.

Cllr Northcott expressed his appreciation of the work provided by officers.

- Resolved:** That the report be considered.

[Watch the debate here](#)

7. WORK PROGRAMME

The Chair pointed out that some items needed to be moved down to the Previous Items sections and that the new auditors KPMG would be invited to the Committee at some point.

Cllr Stubbs asked if an audit report on the Town Centre Deal and Future High Street Funds could be scheduled. – The Service Director for Finance (S151 Officer) responded that this would fall under the Finance and Performance Scrutiny

Committee and that information was currently being provided through the Quarterly Finance and Performance Report.

Resolved: That the work programme be noted.

[Watch the debate here](#)

8. URGENT BUSINESS

There was no Urgent Business.

**Councillor Paul Waring
Chair**

Meeting concluded at 7.24 pm

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

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

05 February 2024

Report Title: Corporate Risk Management Report Quarter 3 2023/24

Submitted by: Corporate Leadership Team

Portfolios: Corporate and Service Improvement, People and Partnerships

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
To update Members on the current position in respect of risk management controls and identified corporate risks.	
<u>Recommendation</u>	
That the Audit & Standards Committee:	
<ol style="list-style-type: none"> 1. Note that there are currently no risks that are more than 6 months overdue for a review up to end of Q3 2023/24. 2. Note that there have been 2 risk level increases. 3. Note no changes to the Corporate Risk Register. 4. Note the Kidsgrove Town Deal Risk Register and current position. 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. 	
<u>Reasons</u>	
To comply with Audit and Risk Management Strategy requirements to report to committee: risk reviews that are more than 6 months overdue; the Corporate Risk Register; and any risks that have been increased in rating to a medium D or high E, or are new risks.	

1. Background

- 1.1 The Council's Risk Management Strategy (RMS) sets out how it identifies, records, manages and reports on risk. It uses the GRACE software (Governance Risk and Control Environment) to monitor and manage all of its risks by creating individual risk profiles which rank risk based on likely occurrence and impact, after applying relevant mitigation measures. The system allows for the creation and monitoring of mitigation action plans and the assignment of risk owners.
- 1.2 The system allows risks to be managed in this way at service and directorate level and, where warranted, corporately through the Corporate Leadership Team and this committee. The RMS describes how risks are escalated and reported through that hierarchy depending on the nature of the risk, and in light of any delays in reviewing risk profiles or applying mitigation measures.
- 1.3 The Council currently reviews its high (red) risks at least monthly and its medium (amber) risks at least quarterly. The RMS and good audit practice requires that amber and red risks are reported to this committee where escalation is required, along with any risk profiles that are overdue for review by 6 months or more. This set of measures was last reported to this Committee on 13 November 2023.
- 1.4 GRACE automatically prompts Risk Owners to review their risk profiles at the required intervals, and will escalate overdue reviews. The review process involves the Council's Risk Champion challenging Risk Owners in respect of the controls, further actions, ratings and emerging risks related to their risk profiles. They are also challenged on the reasons for inclusion or non-inclusion of risks and amendments made to profiles. The Risk Champion has a direct reporting line to the Monitoring Officer and into the Corporate Leadership Team.
- 1.5 Project specific risks are managed to a high level in project specific risk registers, and are reviewed in accordance with the RMS at least monthly. Any specific projects can, where required, also have their risks monitored, maintained and managed in the Project Board meetings, but remain subject to the escalation requirements in the RMS.

2. Issues

- 2.1 There are currently no risk reviews 6 months overdue, up to the end of Q3 2023/24.
- 2.2 During the last quarter (Q3), 2 risks rose in priority to a Medium D or High E.
 - 2.2.1 The first risk is in respect of capacity in Sustainable Environment, where the incidents of staff being asked to assist other areas is increasing, however the staff capacity is decreasing.
 - 2.2.2 The second risk is in relation to Air Quality that sits in the Corporate risk register, and the issue of complying with the Government Directive

Timetable. Various partners involved in managing this risk – some of which are outside of the council's control.

- 2.3 The Corporate Risk Register has been reviewed, and there are no particular changes.
- 2.4 At the last meeting a request was made regarding the risks for the Kidsgrove Town Deal, and the delays being encountered.
 - 2.4.1 Further to the last review however, talks are ongoing with various parties involved in the Kidsgrove Station Project, due to changes by the Coal Authority requiring liability insurance to be obtained BEFORE they will allow a permit for ground investigations to take place.
 - 2.4.2 Their requirements changed after the funding and proposed plans were initially received, and this has affected things moving forward.
 - 2.4.3 Your officers in insurance were approached on 22 December 2023 with the information about the liability requirement. The Council and Jonathan Gullis MP were contacted separately by the DfT and Minister for Transport respectively, stating that it is likely that the Council should be taking on the liability requirements of the Coal Authority.
 - 2.4.4 Liability, as advised by the Council's broker, cannot at this time be in the name of the Council as we do not have an insurable interest. Talks have taken place and are further organised with East Midlands Railway and Network Rail (who own the land), and the DfT are attending a meeting next week to discuss.

3. Recommendation

- 3.1 That Members note that there are currently no risks more than 6 months overdue for a review up to end of Q3 2023/24.
- 3.2 That Members note that there have been 3 risk level increases to either a Medium D or a High E.
- 3.3 That Members note no particular changes in the Corporate Risk register, apart from the risk rating increase as identified at 2.2.3.
- 3.4 That Members note the specific risk profile for the Kidsgrove Town Deal as at end of Q3 2023/24 – Appendix A.
- 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. Key Decision Information

11.1 N/A

12. Earlier Cabinet/Committee Resolutions

12.1 Previous Minutes from Committee meeting held on 13 November 2023.

13. List of Appendices

13.1 Appendix A – Kidsgrove Town Deal.

14. Background Papers

14.1 None.

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Kidsgrove Town Deal

Risk Construction resource appointment

Likelihood	H			
	M			
	L	T	R	G
		L	M	H
	Impact			

Impact Measures

Risk Description

Unable to appointment to appoint suitably qualified and experienced Construction resource to enable delivery of the construction phases

Potential Consequences

Project delay.
Project unable to be delivered.
grant funding lost to Kidsgrove.

Implication

Unable to deliver on TIP objectives.

Risk Owners

Elaine Burgess; Hal Higgins; Brian Meredith

Risk Rating

Medium Amber C

Last Review

29/09/2023

Final Risk Rating

Low Green B

Next Review

27/03/2024

Target Risk Level

Low Green A

Treatment

Tolerate

Path

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

Objectives

Key Controls Identified

Action Plans

Action Plan Description

Action Plan Type

Action Plan Owner

Due for Completion by

Comments

Delivery of Railway station Project

Likelihood	H			
	M			G
	L	T	R	
		L	M	H
	Impact			

Impact Measures

Risk Description Delivery of railway station is delayed by ground issues and / or failure to agree funding with partners.

Potential Consequences Unable to deliver projects as set out in the TIP.
 Delay in project delivery.
 Loss of Government funding Investment in Kidsgrove.
 Reputational damage to the Council.

Implication Financial. Political. Reputation. Environmental.

Risk Owners Elaine Burgess; Brian Meredith

Risk Rating Medium Amber D **Last Review** 21/11/2023

Final Risk Rating Low Green B **Next Review** 19/05/2024

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

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

Objectives

Key Controls Identified

- Legal support
- Project Groups

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
resolution of mining risk issue with EMR and NR	Resolution of mining remediation risk assessment and remediation approach to enable the project to progress.	Ongoing	Elaine Burgess Brian Meredith	31/01/2024	Initial Mining risk assessment report received. Further survey work and a mining remediation plan to be developed. Further development of the MRA and MRMR has been completed. Current need to resolve issues with ground investigations and who takes the long term risk of these. High level discussions under way with DFT, Network Rail and relevant MPs.

Risk Delivery of Shared Services Hub

Likelihood	H			
	M			
	L			R/G
		L	M	H
	Impact			

Impact Measures

Risk Description Unable to deliver SSH as either build conditions aren't viable or operation of th SSH proves not to be viable.

Potential Consequences SSH project not delivered.

Implication Loss of investment to Kidsgrove
lack of service for the local community.

Risk Owners Elaine Burgess; Hal Higgins

Risk Rating Medium Amber C

Last Review 21/11/2023

Final Risk Rating Medium Amber C

Next Review 19/02/2024

Target Risk Level

Treatment Tolerate

Path

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

Objectives

Key Controls Identified

Kidsgrove Town Council resolution to underwrite SSH
secure sufficient income to make the SSH viable.

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Coal Mining Risk	Coal Authority condition on planning permission for the Dales site requires further intrusive ground investigation. potential liability issue for the Council.	Ongoing	Elaine Burgess Hal Higgins	29/12/2023	further advice being sought on consequences of undertaking further intrusive ground investigations. Contingency options being investigated.

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

**Audit and Standards Committee
05 February 2024**

Report Title: Internal Audit Update Quarter 3 2023/24

Submitted by: Chief Internal Auditor

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
To report on the position regarding Internal Audit during the period 1 October to 31 December 2023.	
<u>Recommendation</u>	
That Committee:	
1. Consider the report.	
<u>Reasons</u>	
The role of Internal Audit is to ensure that the Council has assurance that controls are in place and operating effectively across all Council Services and Departments.	

1. Background

- 1.1 The Internal Audit Plan for 2023/24 allows for 276 days of audit work.
- 1.2 This is the third progress report of the current financial year presented to the Committee.
- 1.3 As audit resources are finite, it is important to target these resources at areas considered to be high risk (where risk includes potential impact on the delivery of the council's objectives) and high priority, ahead of medium/low ranked audits. In this way the audit resource will be most efficiently utilised and will produce the greatest benefit. The internal audit plan will be regularly monitored and where necessary revised to take into account both unforeseen and new developments. Any variations or developments; significant matters that jeopardise the delivery of the plan or require changes to the plan will be

reported to the Audit and Standards Committee at the earliest opportunity. Where requests are received to undertake consulting engagements, consideration will be given to their potential to improve the management of risks, to add value and to improve the council's operations.

2. Issues

Audit Reviews

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

Table 1 – Audits Completed in the Quarter Ending December 2023

Audit	Level of Assurance	Number of Recommendations			
		High	Medium	Low	Total
Disabled Facilities Grant 2022/2023	Without Opinion	0	0	0	0
Management of Risk Health Check	Satisfactory (Positive)	0	1	2	3
Contract Management	Good (Positive)	0	0	1	1

2.2 All of the above reviews received either positive opinions or were without opinion.

2.3 Opinions for the above reviews are classified as follows:

2.4 **Table 2 – Opinion Definitions**

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

	Fundamental weaknesses need immediate action to improve the control environment.
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Customer Satisfaction

- 2.5 At the time of reporting, seven surveys had been issued relating to planned and unplanned audit work for 2023/2024. Of these, two responses had so far been received (28.6%). The overall level of satisfaction is currently 9 (out of a maximum score of 10). By comparison, the overall satisfaction level for 2022/2023 was 9.5 (out of a maximum score of 10).

Work-in-Progress

- 2.6 At the end of quarter 3 a number of audit work remains in progress, details are provided in table 4 below.

Table 4 –Audits In Progress at the end of December 2023

Directorate	Audit	Status (Preparation / Fieldwork / Draft / Since issued)
Chief Executives	One Council Programme	Draft
	Human Resources	Fieldwork
	Sundry Debtors	Preparation
	Equality and Diversity	Preparation
	Decision Making	Preparation
Sustainable Environment and Operations	Streetscene	Draft
Growth and Development	Asset Management	Preparation
IT Audit	Civica System	Draft
	Payroll System (joint audit with Stoke-on-Trent City Council)	Fieldwork
	Back-up and Data Recovery	Fieldwork

- 2.7 As internal audit resources are finite, it is important that the audit plan is continually monitored and reviewed with regard to the needs and priorities of the Authority. Consequently, to coordinate the work of internal audit with that of the Authority it is proposed that the 2023/24 planned audit of Communications be deferred, given a service review of this area is currently in progress.
- 2.8 As in the previous quarters, the internal audit team continue to be available to provide advice and guidance to services as required. The annual internal audit plan also remains under regular review to support the production of the annual opinion at the year end.

Number of Recommendations Implemented

- 2.9 At the conclusion of every audit, an audit report is issued to management detailing findings of the audit review together with any recommendations required to be implemented to address any weaknesses identified.
- 2.10 Up to the end of December 2023, 359 recommendations had been made, of which 334 have been implemented, which represents 93%; the target for the implementation of all recommendations is 96% by the end of the financial year. Of the remaining 25 recommendations, 5 have not yet received their due date for completion and 20 are in progress. Appendix A provides further details.
- 2.11 Of the 20 recommendations in progress; 10 relate to audit reports issued in 2023/24; three to reports issued in 2022/23 and seven to reports issued in 2021/2022. The outstanding 2021/22 recommendations relate to reports issued in respect of Business Continuity (Covid-19 National Emergency); Cyber Security; and Safeguarding, for which there were 1, 2 and 4 outstanding recommendations respectively.

3. Recommendation

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

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

7. Equality Impact Assessment

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

8. Financial and Resource Implications

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

9. Major Risks & Mitigation

- 9.1 If key controls are not in place, managers are exposing their systems, processes and activities to the potential abuse from fraud and corruption.
- 9.2 If key controls are not in place, assurance cannot be given that the Services being delivered provide Value for Money for the Council.
- 9.3 If the risks identified are not addressed through the implementation of agreed recommendations, achievement of the Council's objectives will be affected.

10. **UN Sustainable Development Goals (UNSDG)**

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



11. **Key Decision Information**

- 11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

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

13. **List of Appendices**

- 13.1 Appendix A – Outstanding internal audit recommendations.

14. **Background Papers**

- 14.1 Internal Audit Plan 2023/24.

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Summary of Overdue Audit Recommendations at the end of December 2023 (as at 31/12/2023)

Directorate	Total Number of Recommendations	Number of Recommendations Completed	Number of Recommendations Not Completed	Number of Recommendations Not Completed				
				Not Yet Due	Overdue for Implementation*			Total
					High	Medium	Low	
Chief Executives	194	177	17	5	0	11	1	17
Regeneration & Development Services	25	25	0	0	0	0	0	0
Operational Services	81	80	1	0	0	1	0	1
Corporate Reviews	59	52	7	0	0	4	3	7
Total	359	334	25	5	0	16	4	25

* includes recommendations where extensions have been agreed

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NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S
REPORT TO

Audit & Standards Committee
05 February 2024

Report Title: Future Delivery of the Internal Audit Service

Submitted by: Service Director for Finance (S151 Officer)

Portfolios: Corporate & Service Improvement, People & Partnerships and Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>Our current service contract is reaching the end of its term; and therefore, this report provides rationale as to the need for the service and informs the Audit and Standards Committee of the outcome of the tender process regarding the procurement of Internal Audit Service.</p>	
<p><u>Recommendation</u></p> <p>That Committee:</p> <ol style="list-style-type: none"> Note the requirement of an Internal Audit Service. That the Committee notes the outcome of the procurement exercise to tender for an Internal Audit Service and Counter Fraud function provider. 	
<p><u>Reasons</u></p> <p>To continue to provide an Internal Audit Service provision together with fraud detection and prevention.</p> <p>The Accounts and Audit Regulations include the statutory requirement for the provision of an adequate and effective internal audit function. The Public Sector Internal Audit Standards (PSIAS) place a duty on Internal Audit to plan effectively to ensure it contributes to the Council's objectives at strategic and operational levels. Planning also enables Internal Audit to demonstrate that they are making the best use of available resources.</p>	

1. **Background**

1.1 The primary purpose of an Internal Audit service is to provide an independent, objective assurance and consulting service to the organisation; and through the efficient delivery of this service seeks to add value and improve the organisation's operations and controls to effectively deliver the council's Strategic Priorities. Internal Audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

1.2 The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers, whether in-house, shared services or outsourced. Assessment against the Standards provides assurance that the service is being delivered to a satisfactory level and in conformance to the standards.

1.3 In February 2019 the Council entered into a Service Level Agreement with Stoke-on-Trent City Council for the provision of management of the Council's Internal Audit activities, the internal audit team and the provision of the audit plan.

1.4 In addition to the Internal Audit management provision, the Council also entered into a Partnership Agreement with Stoke-on-Trent City Council to provide a full counter fraud service covering all types on non-benefit and corporate fraud, including the detection and investigation as well as work to prevent fraud and share learning coming out of its activities both within the partnership and more broadly.

2. **Issues**

2.1 The 3 year Internal Audit Service Level Agreement came to an end on the 31 March 2023 and required extending for 12 months in order to continue to provide the Internal Audit and Counter Fraud arrangements. This 12 month extension ends on 31 March 2024 and therefore requires re-tendering in order to ensure best value.

3. **Proposal**

3.1 Note the requirement of an Internal Audit Service.

3.2 That the Committee note the results of the procurement exercise to tender for an Internal Audit Service to provide the function.

4. **Reasons for Proposed Solution**

4.1 In conducting a procurement exercise the internal audit service provision will be maintained, the Council will be able to access skilled staff in respect of audit and fraud issues together with evidencing and achieving value for money.

5. **Options Considered**

5.1 The service arrangements with Stoke-on-Trent City Council have been going well however as the Council is in the fourth year of the three year agreement with the option to extend, it is prudent to test the market in order to evidence and achieve best value for money.

5.2 The procurement exercise was completed and had a closing date of 5 December 2023. The Council had a good response and received 6 tender submissions including a submission from the current provider.

5.3 The submission were scored based on 50% quality of service provision and 50% on costs.

5.4 The contract was offered to Staffordshire County Council on 8 January 2024 who will be commencing the service provision from 1 April 2024.

6. **Legal and Statutory Implications**

6.1 The Accounts and Audit (England) Regulations 2015, state that "A relevant authority [the Council] must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." (para 5(1)).

6.2 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements *'for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'*. CIPFA has defined *'proper administration'* in that it should include *'compliance with the statutory requirements for accounting and internal audit'*.

6.3 The activities of Internal Audit are planned in accordance with the Accounts and Audit Regulations which place a duty upon the Chief Internal Auditor to report to members on a regular basis. By acting upon recommendations within internal audit reports, the council is demonstrating its commitment to maintain an adequate and effective system of internal control, as required by these regulations. Satisfactory delivery of the audit plan assists the Service Director for Finance (Section 151 Officer), in discharging her duties under section 151 of the Local Government Act 1972.

6.4 S9EA of the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 permit the discharge of an authority's functions by another authority.

7. **Equality Impact Assessment**

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

8. **Financial and Resource Implications**

8.1 The cost of providing the Internal Audit and Counter Fraud function for 2024/25 is within the budget allocation.

8.2 The allocation of funds will continue to be made as part of the Council's Medium Term Financial Strategy due to the function being statutory in nature.

9. **Major Risks**

9.1 The key risk to be considered by not approving the tender of the Internal Audit Service is that the Council will not be fulfilling its statutory requirement of having an adequate and effective internal audit function as set out on the Accounts and Audit Regulations.

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

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



11. **Key Decision Information**

11.1 The contract value of over £100,000 each makes this a key decision item.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Approval to complete a procurement exercise and award a contract was provided at the Cabinet meeting on the 7 November 2023.

13. **List of Appendices**

13.1 None.

14. **Background Papers**

14.1 None.

Auditor's Annual Report on Newcastle Under Lyme Borough Council

2022/23

January 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	G No significant weaknesses in arrangements identified but we did identify two improvement recommendations relating to capital budgets and the level of retained general fund reserves.	G No significant weaknesses in arrangements identified but three improvement recommendations were identified.	↑
Governance	No risks of significant weakness identified	G No significant weaknesses in arrangements identified but we did identify one improvement recommendation relating to the presentation of strategic risks to Cabinet.	G No significant weaknesses in arrangements identified but three improvement recommendations were identified.	↑
Improving economy, efficiency and effectiveness	Include wording from the Audit Plan where risks were identified	G No significant weaknesses in arrangements identified and our work did not identify any areas where we considered that key or improvement recommendations were required	G No significant weaknesses in arrangements identified but three improvement recommendations were identified.	↑

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- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

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Financial sustainability

The Council continues to demonstrate robust financial management in keeping with what we have reported in prior years. The Council's financial planning and forecasting indicates that it is in a relatively healthy financial position in comparison to many other local government bodies. We think that the Council should consider how the setting and performance monitoring of capital budgets can be made clearer and more transparent, particularly regarding performance against the annual capital budgets and the explanation of any shortfalls. While we are satisfied that the Council is not currently at risk in terms of financial sustainability, we are concerned that the comparative level of general fund reserves is low in comparison to the Council's direct peers and we would urge the Council to undertake its own analysis to make sure that the reasons for this are fully understood.



Governance

Overall, the Council has implemented effective governance arrangements throughout 2022/23 and we have not identified any significant weakness in arrangements. The new management structure has embedded well and the Council is pushing ahead with the delivery of its Corporate Plan. Mature risk management processes are in place although we recommend that the Council strengthens the reporting of Corporate risks to Cabinet. Internal audit have not raised any significant issues and the Council had an overall "Satisfactory" opinion on the system of internal control for 2022/23. The basis for member decision making is supported by effective arrangements. The LGA Peer Review was very positive and we note that the Council is in the process of implementing further governance improvements on the back of this.



Improving economy, efficiency and effectiveness

Overall, the Council has put in place effective arrangements to secure economy, efficiency and effectiveness in its use of resources. We have not identified any areas of significant weakness in arrangements. The revised performance monitoring process is working well and the Council is making good progress in the various capital projects it is undertaking having secured significant amounts of levelling-up funding from government. There remains some further work to complete improvements to the procurement processes regarding compliance monitoring and to ensure that there is sufficient capacity in the team to support the enlarged capital programme.



Financial Statements opinion

We have completed our audit of your financial statements and expect to issue an unqualified audit opinion in February 2024, following the Audit Committee meeting on 5 February 2024. Our findings are set out in further detail on pages 23 to 25.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

We did not issue any advisory notices.

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Page 34 Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

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

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 8 to 20.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in several council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have issued a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at numerous councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Financial sustainability

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We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Performance in 2022/23 - Revenue

The Council has a good track record of delivering its financial plans to budget. At the start of 2022, local government and the wider UK economy was still emerging from the impact of the COVID-19 pandemic. In 2020/21 and 2021/22 the Council's financial position had been supported by additional COVID-19 funding, however by 2022/23 it was returning to a more conventional financial footing. However, early in 2022 global economic conditions led to higher-than-expected inflationary pressures which manifested in several un-foreseen financial pressures including on utility bills and pay cost inflation. Despite these challenges, the Council emerged from 2022/23 in a relatively robust financial position.

In February 2022, the Council approved a general fund revenue budget for the financial year 2022/23 of £15.3m. In line with previous years, the Council was again able to deliver a balanced outturn position in line with budget. Within this position several cost pressures arose, which included:

- Service income shortfalls (sales, fees and charges) of £0.683m which were still affected by the impact of COVID-19.
- The need to fund £0.591m the local government pay award which was over and above the 2.5% that had been provided for in the budget.
- Additional utility costs of £0.542m due to inflation.
- A housing benefit subsidy shortfall of £0.241m relating to cases where the Council had to fund accommodation to people in need but where there with no recourse to public funds.

The Council was able to offset these pressures by using the £0.4m cost of living reserve that had been set aside for the purpose, £0.240m of new homes bonus and several other smaller surpluses including overperformance on treasury management budgets. In addition, pressures arising on the collection fund, notably on NNDR were able to be mitigated by other Collection fund Surpluses and balances. Overall, the Council was able to manage a number of challenging financial pressures on service budget, without resorting to the use of reserves.

Financial Performance to date in 2023/24

In February 2023, the Council set a general fund revenue budget of £16.856m. We note that the Q2 2023/24 position reported to Cabinet in November was forecasting a breakeven forecast outturn position by year end.

Key pressures continue to be driven from similar areas to those experienced in 2022/23:

- Ongoing income shortfalls on sales fees and charges of £0.453m
- Housing benefit shortfall of £0.2m
- Pay inflation cost pressures of £0.400m.

These are currently being offset against the cost-of-living reserve and forecast interest receivable in excess of budget. We have commented on the Council's reserve position on the following pages of this report.

Outturn Position	2022/23
Planned revenue expenditure	£15.269
Actual revenue expenditure	£15.261
Planned capital spend	£33.925m
Actual capital spend	£7.545m
Planned savings target (recurrent/non-recurrent)	£1.313
Actual savings delivered (recurrent/non-recurrent)	£1.313

Financial sustainability (continued)

Financial Performance in 2022/23 and to date – Capital

The Council's Capital Strategy was updated in February 2023 and set the Council's long-term spending and funding plans. The Capital strategy sets out how £84.4m of capital funding will be deployed for the 10-year period between 2023 and 2033. The Council's Treasury management strategy was also updated at this time and the revenue impact of the capital programme is reflected in the Medium-Term Financial Plan. We note that the Council has put in place a comprehensive board governance structure to support the governance of the High Streets and Towns Fund programmes, in addition to the Capital Assets and Commercial Investment Review Group. These bodies ensure that officers, members and partners have sufficient oversight of capital programmes.

The Council approved a capital programme of £37.9m (including £4m rolled forward from 2021/22) in February 2022. Of this, £30.3m related to new schemes, the majority of which related to the initial phases of work to progress Towns Fund deals and Future High Streets schemes for which the Council had received substantial government funding. This was revised down to £33m following a mid-year review.

We note that by the end of Q4 2022/23 only £7.5m had been spent (23%) with £24m rolled forward to 2023/24. While we recognise that economic pressures and challenges in the market affected the progress of capital schemes across the country, the level of deferral reported by the Council is higher than we have generally seen elsewhere. There is a risk that setting capital budgets and then not delivering on them to this degree, even following a mid-year review, undermines the ability of progress on schemes to be effectively and transparently reported to members and the public in a public arena. We also recognise that the scale of capital projects now being planned by the Council as a result of levelling-up and related funding, is of a greater magnitude than in previous years and it is important that the Council's reporting and governance mechanisms evolve to accommodate this. In our 2021/22 report, we recommended that the capital programme delivery arrangements be reviewed. We are satisfied that appropriate governance arrangements have been put in place, however the focus now needs to be on the transparency and accuracy of how progress is reported.

We recommend that capital budgets be more closely aligned to realistic expectations of actual expenditure, and that the reasons for slippage are reported in more detail to facilitate scrutiny by Cabinet and other Committees.

Short and medium-term financial planning

The Council manages its finances beyond the current financial year through its medium-term Financial Strategy. This is reviewed annually alongside the budget setting process and projects funding and expected costs over the next 4 years. The current iteration was published in December 2023 and covers the period 2024/25 to 2028/29 and may be subject to further change following the announcement of the government funding settlement for 2024/25 in December 2023.

The MTFs planning process is comprehensive and makes effective use of key financial assumptions. The process is embedded and had proven to be effective in prior years. The use of assumptions around funding enables the Council to look beyond the funding levels confirmed in the single year funding settlement. It is important to recognise the considerable uncertainty in the financial landscape for local government, with key reforms to business rates and fairer funding arrangements remain in process – these could result in significant changes to the way that the Council will be funded in future. The assumptions are set on the principles of prudence to enable the Council to manage the uncertainty and the MTFs also builds in contingencies, primarily in the form of contributions to reserves and the growth fund. For example, the MTFs assumes that the Council will face a reset of business rate income within the 4-year period resulting in a reduction in the funding that would otherwise have been generated under the current policies. This reflects a sensible approach. Other key assumptions related to the state of the UK economy, with pay and cost inflation continuing to feature, and the MTFs has introduced this in the form of cost pressures. This includes consideration of the cost of borrowing which becomes increasingly important as the Council progresses with its ambitious capital programme. We note that the overall exposure to risk is mitigated by having no legacy borrowing, and the preponderance of government grant funding for the key Towns Fund and Future High Streets programmes. In addition, some larger regeneration projects will be sold when complete with the Council borrowing on a short-term basis (18 months to 2 years) rather than taking on a longer-term commitment.

In the latest iteration of the MTFs, the projected funding gap that emerges from the difference between expected funding and expected costs rises to £6.879m over the period. The gap is expected to be managed through a combination of additional income generated from Council tax and business rates, and other income coupled with efficiency savings. On the basis that the Council has used reasonable assumptions, the funding gap is challenging but it is front loaded with detailed plans and therefore should be able to be managed as long as the Council remains focused on financial performance.

£m	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Projected funding gap	£2.7m	£1.6m	£1.0m	£1.1m	£0.5m	£6.9m

Page 38 Financial sustainability (continued)

Bridging the funding gap and identifying savings

The Council has a good track record of delivering savings and realising additional income over the past few years. The Council's approach is to deliver the savings largely in advance of the budget being set so that they can be taken out at the start of the year. We note that the 2022/23 budget, set in February 2022, included £1.3m of savings that ultimately contributed to the balanced outturn position at year end. This included £0.601m of savings from the One Council transformation programme.

The Council's revised MTFS was approved in February 2023 and included a challenging total savings requirement of £5.874m over the period 2023/24 to 2027/28.

A further £2.103m savings were incorporated into the 2023/24 budget which was set in February 2023. These were clearly set out in the budget paper and had been reviewed by the Finance Assets and Performance Scrutiny Committee in December 2022. The analysis of savings indicates that the majority of 'savings' were in-fact generated from additional income generation (£0.270m) and an increase in Council tax and NNDR (£0.496m). There was also a substantial contribution from grant income, including £0.728m of government grants (including new homes bonus). We note that £0.609m was derived from cost reductions, £0.376m of which was to be derived from the One Council transformation programme – primarily from a restructure of internal support services and a review of staff establishment.

The One Council programme was launched at the start of financial year 2021/22. The transformation is focused on customer experience and modernising internal processes, seeking to build on some of the positive developments regarding the digitisation of services that was accelerated during the COVID-19 pandemic. The programme includes an invest to save element and is backed by an initial one-off investment of £1.2m. The programme is expected to deliver more than £1m of recurrent benefit over three years, with £0.797m delivered by the end of 2022/23 and a further £0.376m to be delivered in 2023/24. The programme has embedded governance arrangements and appears to be delivering the expected outcomes. In addition, the Council has put in place an Efficiency Board chaired by the leader of the Council which reviews and challenges savings proposals as part of the budget setting process.

In our 2021/22 report, we recommended that the delivery of savings, including the progress of the One Council programme, should be presented more transparently in the Councils financial reporting. We are pleased to report that the quarterly finance reports to members do now include an analysis of savings plan progress. We further note that the full £2.103 savings target for 2023/24 was reported as delivered in full in the Q2 finance report to Cabinet issued in November 2023.

In our 2021/22 report, we also recommended that the Council sets out its strategy for developing savings in future years of the MTFS. We are pleased to report that the Council is working towards achieving this. Of the revised projected funding gap of £6.879m by 2028/29 in the latest MTFS, £2.686m has been identified for 2024/25 and a further £2.370 can be closed from increases in the collection fund, leaving £1.822m to be identified from future savings over the life of the MTFS.

Planning finances to support the sustainable delivery of services

The Council plan 2022 to 2026 sets the priorities which the MTFS and budget are designed to support. The MTFS document clearly links back to the Plan and this is set out in the opening paragraphs of the MTFS document. The Council undertakes significant public and stakeholder consultation on both the budget and the Council Plan. This process helps to ensure that the Council can continue to invest in services in line with public priorities. The Council's stable financial position has meant that it has been able to avoid significant reductions to services in recent years and the challenge around prioritisation has been one of where the Council should be investing. The delivery of regeneration projects using the Towns Fund and Future High Streets funding is a core part of the plan and this is reflected through into the Capital budget, the MTFS and the overarching Capital Strategy.

Aligning the finances to support wider strategy

The medium-term financial strategy and budget are aligned to a suite of other strategies. The Council is implementing a new workforce strategy to support the Council Plan and the annual financial planning process is accompanied by a revision to supporting strategies including Capital, Commercial and Treasury Management strategies which are published as separate documents. Overall, the Council can demonstrate a comprehensive suite of supporting strategies that are supported by the MTFS.

Financial sustainability (continued)

Managing risks to financial resilience

We note that the Council sets aside unallocated reserves and reviews these annually in the context of emerging financial risks. We further note that unallocated reserves of £1.91m were set as a forecast balance as at March 2024, which is approximately 12% of the net revenue budget for services in 2023/24 and is significantly in excess of the generally accepted 5% minimum. In addition, the Council has set aside a further £2.4m of reserves into earmarked funds to manage various identified risks. Total forecast reserves as at March 2024 are expected to be £4.3m, reducing from £5,205m as at March 2023 because of specific earmarked amounts being called upon in line with plan.

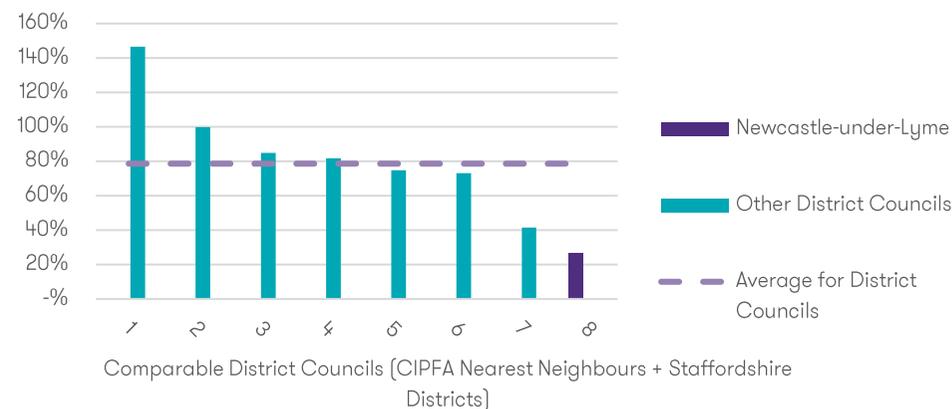
Although the Council’s track record of good financial management and delivery to budget year on year, we have some concern that the current and forecast level of general fund reserves is very low, compared to other similar district councils. We note that with the increased levels of borrowing and expenditure associated with the capital programme, the Council’s risk profile is shifting. In addition, the indications are that the economic conditions and constraints on the funding of public services is set to continue over the medium term.

With this in mind, we undertook some analysis of the Council’s reserve levels in comparison to those of other similar councils – see table adjacent. The benchmark group we selected was based on data from published 2022/23 draft accounts and comprised three other Staffordshire districts (Tamworth, Staffordshire Moorlands and South Staffordshire) and a further four from the CIPFA nearest neighbours set (Lancaster, Erewash, Chesterfield and Amber Valley). The results indicated that the level of available general fund and earmarked reserves as a proportion of the net cost of services for Newcastle Under Lyme Council as at 31 March 2023 was the lowest in the group.

While we are satisfied that the Council does not have a track record of placing significant reliance on reserves and is forecasting a breakeven position in 2023/24, we observe that the Council has fewer resources available to manage unforeseen financial risks than some of its peers. We acknowledge that the Council has had to use reserves to cover costs associated with a local environmental issue (Walley’s Quarry) and also that the Council does not carry external borrowing, and therefore has a lower risk profile than some comparator councils. It is also important to note that in several cases councils in the benchmark group contain social housing services and therefore may not be directly comparable to Newcastle Under Lyme (the selection of the comparator group was limited to those councils who had published draft accounts for 2022/23).

We recommend that the Council undertake its own analysis of its relative level of reserves and considers increasing current levels to move closer to that of its peers. This is particularly important in the context of the enlarged capital programme and the increased financial risk associated with higher levels of borrowing.

General fund and earmarked general fund reserves as a percentage of net cost of services (%)



Conclusion

The Council continues to demonstrate robust financial management in keeping with what we have reported in prior years. The Council’s financial planning and forecasting indicates that it is in a relatively healthy financial position in comparison to many other local government bodies. We think that the Council should consider how the setting and performance monitoring of capital budgets can be made clearer and more transparent, particularly in regard to performance against the annual capital budgets and the explanation of any shortfalls. While we are satisfied that the Council is not currently at risk in terms of financial sustainability, we are concerned that the comparative level of general fund reserves is low in comparison to the Council’s direct peers and we would urge the Council to undertake its own analysis to make sure that the reasons for this are fully understood.

Improvement recommendations

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Improvement Recommendation 1

We recommend that capital budgets be more closely aligned to realistic expectations of actual expenditure, and that the reasons for slippage are reported in more detail to facilitate close-scrutiny by Cabinet and other Committees.

Summary findings

We note that by the end of Q4 2022/23 only £7.5m had been spent (23%) with £24m rolled forward to 2023/24. While we recognise that economic pressures and challenges in the market affected the progress of capital schemes across the country, the level of deferral reported by the Council is higher than we have generally seen elsewhere. There is a risk that setting capital budgets and then not delivering on them to this degree, even following a mid-year review, undermines the ability of progress on schemes to be effectively and transparently reported to members and the public in a public arena.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a potential weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2

We recommend that the Council undertake its own analysis of its relative level of reserves and considers increasing current levels to move closer to that of its peers. This is particularly important in the context of the enlarged capital programme and the increased financial risk associated with higher levels of borrowing.

Summary findings

While we are satisfied that the Council does not have a track record of placing significant reliance on reserves and is forecasting a breakeven position in 2023/24, we observe that the Council has fewer resources available to manage unforeseen financial risks than some of its peers.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a potential weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed



We considered how the Council:

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

Risk management

The Council has put in place a comprehensive and up to date risk management framework. A revised Risk Management Policy Statement and Strategy was implemented in April 2022 and has since been refreshed in April 2023. This document sets out the Council's approach to managing risks and the responsibilities of the Council's officers to support this. Risks are identified at Strategic, Operational, Project and Partnership level.

The Council uses risk profiles contained within the Governance, Risk and Control Environment framework (GRACE) software package, which is used to record, manage and monitor risk. Each risk is RAG rated for likelihood and impact and risks rating are reviewed monthly for high (red) rated risks, quarterly for medium (amber) and 6 monthly for low (green).

All strategic level risks are included in the corporate risk register and reported to the Audit and Standards Committee on a quarterly basis. We note that although this provides member oversight of risk, the strategic risk register is not reviewed and reported regularly to Cabinet in line with best practice. It is important that Cabinet members are fully sighted on strategic risks and we therefore recommend that these are included on the Cabinet agenda at intervals during the year (e.g. quarterly or bi-annually) with a clear description of the mitigating actions that are being taken.

We note that during the year, the Council undertook an exercise to consider Cyber and Data Breach risks and have updated the strategic risk register accordingly, including defining mitigating actions.

Assurance over the effective operation of internal controls

During the year, the Council had in place a well-established Internal Audit and Fraud Investigations service provided by Stoke-on-Trent City Council. This arrangement has continued into 2023/24 via a contract extension, pending a re-procurement exercise. The internal audit service was independently reviewed during the year and was found to be "delivered to a standard that generally conforms with the Public Sector Internal Audit Standards" (PSIAS). This is considered to reflect a high standard of delivery within the peer group.

We note that the internal audit plan and the delivery of audits has now returned to normal following disruption caused by the COVID-19 pandemic. There was some slippage of projects into 2023/24 at the request of services due to resourcing and restructuring issues. However, these deferrals were approved by the Chief Finance Officer and relate to service areas that were not considered to present a high risk although it has extended the period without internal audit coverage by an additional year.

The Head of Internal Audit Opinion for 2022/23 gave an overall 'Satisfactory' assessment of the system of internal control. None of the service areas under review during the year were given a negative assurance opinion, and there were only three with a marginal opinion, relating to Planning Enforcement, Trade Waste Services and Disabled Facilities Grant. We have considered the key findings and in these reports and do not regard them as presenting a significant VfM risk. Our discussion with the Head of Internal audit did not raise any significant concerns arising from work completed since the 2022/23 opinion was issued.

Regarding counter fraud, no significant issues were raised through the proactive work of the counter fraud team or through the Council's confidential reporting or Anti-fraud and Bribery frameworks during the year, or in 2023/24 to date.

We have also reviewed the Council's Annual Governance Statement (AGS) for 2022/23. This reflected the Council's current focus on Information Security and Governance, working with partners, updating of Financial Contract and Procedure Rules, a new digital strategy and the development of a projects register. No significant governance concerns were raised in the AGS or through our discussions with officers.

Governance

Annual budget setting and budgetary control

The Council has embedded an effective budget setting process, the outcome of which has been discussed in the previous section. As part of the annual financial planning cycle, budget baselines, pressures and cases for investment are discussed between finance managers and budget holders in the services. These discussions take place through the management structure and the results are signed off by the relevant service directors and the Chief Finance Officer.

Ownership and accountability for setting budgets and then delivering services in line with budget is considered to be effective. On issues emerging in year, as was the case in 2022/23 with increasing contract and staff cost inflation, the budget holders worked closely with finance business partners to manage the position. The Council has put in place an Efficiency Board chaired by the leader of the Council which reviews and challenges savings proposals as part of the budget setting process.

Budget monitoring arrangements are effective and well embedded. Budget holders receive monthly budget monitoring reports for their services that compare actual costs to budget within the relevant period and budget holders are required to agree forecast outturn for the financial year, based on their expectations, trend analysis and knowledge of future costs arising. A commentary and remedial actions are required to address variances on the forecast outturn on a monthly basis, initially reporting to the service director and then at summary level to senior management team meetings. This information is then compiled on a quarterly basis to provide updates to Finance, Assets and Performance Scrutiny Committee and Cabinet. These reports offer a robust platform to enable challenge and oversight from members and to enable financial management decisions to be approved where necessary. Where a financial decision is required, members are provided with the detail needed to provide a basis for the decision. The financial reports to Cabinet are supplemented by non-financial service performance reports which enable financial performance to be contextualised alongside service outcomes, which reflects good practice.

In our 2021/22 report, we recommended that the Council consider the presentation of its financial reports to members. We are pleased to note that amendments to the financial monitoring report have been considered and they have been updated with additional detail where appropriate.

The Council's financial management processes are clearly set out in the Council's financial regulations and contract procedure rules, which was reviewed and updated in 2023. Overarching responsibilities and delegated authority of senior officers and budget holders are set out in the Council's constitution.

Informed decision making including the Audit Committee

Our high-level review of the information provided to members forming the basis for decisions, indicates that the process being followed is open and transparent, with an appropriate level of detail provided to members. We looked at a selection of decision papers going to Cabinet during 2022/23 and found the arrangements to support decisions to be operating as intended with appropriate clarity and relevant context provided to members, risks highlighted and links to earlier decisions provided. We note that detailed information is available to decision makers on request and supporting governance arrangements such as the Capital Assets and Commercial Investment Review Group were in place to provide additional layers of review and advice to decision makers. The Cabinet meetings and supporting Scrutiny Committees facilitate effective review and challenge of decisions by members with appropriate support from senior officers.

In our 2021/22 report, we recommended that the Council enhance its reporting to members in areas that provide additional perspectives on the effectiveness of governance such as complaints, tender waivers and other areas. This has been committed to by the Council and progress has been made, for example the reporting of tender waivers to the senior management team, but this has yet to be fully incorporated into the quarterly performance monitoring reports to members.

The Council has an effective and well attended Audit and Standards Committee which has met regularly during 2022/23. In our 2021/22 report we recommended that the Council should look to bring in at least two independent members to enhance the Committee's ability to interrogate and scrutinise financial and other reports. The Council has committed to this although we acknowledge that challenges in recruiting suitable individuals has meant that this has not yet been implemented.

We note that in April 2022, the Council implemented a new management structure. This has embedded well. Under the new process senior service directors rotate to provide support to the Chief Executive as part of the corporate team. This is part of a long-term strategy to develop managers into senior roles and is part of a wider strategy to provide resilience and provide better retention.

Page 44 Governance (continued)



Standards and behaviours

We note that during 2022/23 the Council underwent a Corporate Peer Challenge review from the LGA that looked at Local Priorities and Outcomes, Organisational and Place Leadership, Governance and Culture, Financial Planning and Management and the Councils Capacity for improvement. The findings were highly positive, particularly in regard to regional leadership and partnership working, delivering local priorities and in regard to financial management. A number of constructive recommendations were issued, including in regard to capitalising on the ‘once in a lifetime’ opportunity afforded by the regeneration funding that had been obtained. The findings were consistent with a Council that has an embedded culture of strong governance and decision making. An action plan has been developed and good progress is being made on implementing the recommendations.

We are satisfied that the Council has appropriate arrangements to meet the necessary standards and legislative requirements. The Council Constitution is regularly updated and provides the basis for roles and responsibilities as well as setting standards. This is supported by a suite of other documents such as standing financial instructions, counter fraud policies and whistleblowing procedures. Core aspects such as the declaration of members interests and gifts and hospitality also form part of this framework. The Council’s Monitoring Officer had responsibility for overseeing the lawfulness of Council activities, we note that the former Monitoring Officer departed in July 2023 and the Council has put in place interim arrangements pending a full-time appointment.

We have reviewed the Annual Governance Statement (AGS) and the head of internal audit report and held discussion with key officers and we have found no evidence of significant data breaches or non-compliance with standards. We note that the Council measures itself against the CIPFA Good Governance Framework and sets out the results in the AGS.

Conclusion

Overall, the Council has implemented effective governance arrangements throughout 2022/23. The new management structure has embedded well and the Council is pushing ahead with the delivery of its Corporate Plan. Mature risk management processes are in place although we recommend that the Council strengthens the reporting of Corporate risks to Cabinet. Internal audit have not raised any significant issues and the Council had an overall ‘Satisfactory’ opinion on the system of internal control for 2022/23. The basis for member decision making is supported by effective arrangements. The LGA Peer Review was very positive and we note that the Council is in the process of implementing further improvements on the back of this.



Improvement recommendations

Improvement Recommendation 3

It is important that Cabinet members are fully sighted on strategic risks and we therefore recommend that these are included on the Cabinet agenda at intervals during the year (e.g. quarterly or bi-annually) with a clear description of the mitigating actions that are being taken.

Summary findings

All strategic level risks are included in the corporate risk register and reported to the Audit and Standards Committee on a quarterly basis. We note that although this provides member oversight of risk, the strategic risk register is not reviewed and reported regularly to Cabinet in line with best practice. It is important that Cabinet members are fully sighted on strategic risks.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a potential weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed

Page 46 Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- 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
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Council's strategic priorities are set out in the Corporate Plan that covers the period 2022 to 2026. The plan sets out how the priorities will be met with reference to the relevant services and also how progress against these objectives will be measured. This is done by setting the outcomes and Key Performance Indicators (KPIs) that are mapped against each priority.

The key priority areas are:

1. One Council delivering for local people.
2. A successful and sustainable growing borough.
3. Healthy, active and safe communities.
4. Town centres for all.

The fourth priority area places the capital investment in the towns at the heart of the Council's strategy, using the levelling up funding that the Council has been able to secure from central government. The plan is reviewed annually to make sure that it remains relevant and responsive to local needs. The plan provides a framework for Council decision making which helps ensure that resources are deployed in a planned and organised way and enables the Council to be held to account for delivering the plan.

The Council uses the KPIs and outcomes it has defined as the baseline for its performance reporting arrangements. Following a revision of arrangements initiated in the prior year, the performance management framework is now comparable with some of the better examples operating in the local government sector. Quarterly reports are provided to the Scrutiny Committees and to Cabinet. The Financial performance report has been commented on in the financial reporting section above and is of a good standard. The corporate performance report is presented alongside this, which enables financial performance and service outcomes to be considered in tandem, which provides useful context to members and emphasises the important link between what the Council spends and what it achieves in terms of service delivery. The corporate performance report is comprehensive in its coverage of services and provides a clear link back to the priorities set out in the Corporate plan. The reports are visually appealing and highly accessible with good use of charts, tables and graphics, alongside some focused 'smart' narrative to explain mitigations and variances. This includes a summary of actions to be taken if the indicator is off target. We also note that the Council produces an annual report, which summarises performance against the corporate plan. The first of these reports was presented to Cabinet and published in December 2023.

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 note that at Q4 for 2022/23, 80% of the targets were rated as target met for the quarter (excluding 14 contextual indicators which do not reflect direct Council performance). Of the remainder, 5 'amber rated' indicators were off target but were improving and one was off target and had declined since the prior year. The single 'red' rated indicator related to staff-sickness absence under Priority 1, which continues to be a challenge but which the Council is taking action on. Of the 5 amber areas, staff retention, frequency of digital online transactions and council tax collection related to Priority 1 (One Council delivering for local people) and 1 related to priority 4 (Town Centres for All) and related to market occupancy. Overall, the Council is reporting good progress against its corporate priorities for 2022/23.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

The Council has an established transformation programme 'One Council' that is focused on improving service efficiency and outcomes as well as delivering financial benefits to the savings plan. We have commented on the financial elements of this under financial sustainability but the programme is also being used as a vehicle for improving services. Benchmarking is commonly used as part of the evidence base to develop transformation schemes at project level. We note the engagement of consultants to benchmark the Council's services to support the One Council programme. The programme reports progress at intervals to Cabinet. The key areas of focus include the development of One Front Door and Customer Hub, which looks to transform and streamline how the public access services.

The Council has embedded arrangements to learn from other councils. It has a good relationship with other Staffordshire district councils and looks to understand and make use of good practice examples. An example of this has been the development of the performance management framework that has been operating since 2022/23. The Council invited a peer review from the LGA during 2022/23 to learn how it might improve governance. The results of the LGA review were highly encouraging and an action plan is in place to further improve governance (see the governance section above for further details).

Public consultation is handled via the Council's website. This includes regular satisfaction surveys and the data from these is used to inform the corporate performance reporting and service planning. This helps ensure that the views of the public are considered in the Council's decision making.

Cabinet is closely involved in service improvement, particularly where proposals to change services require decision. Examples in the year include the development of a new Temporary Accommodation Policy to address what has become a key financial pressure for the Council. Another key issue on the Cabinet agenda has been the environmental issues associated with Walley's Quarry and the Council's ongoing discussion with central government on resolving this issue. Other examples post 2022/23 year-end include the development of the Environment Strategy and Roadmap to net Zero and progress being made on the Local Plan.

Partnership working

The Council has a good track record of effective partnership working. Partnership working is a key feature of the Council's devolution and levelling up deals, where the programmes are jointly managed with key partners. These arrangements are explored further on the next page.

We note that in February 2022, the Council agreed to join the Staffordshire Leader's board. This forum is designed to consider the strength of the relationship between the nine local authorities and the joint working that was already taking place. It also considered the opportunities that existed for further joint working, and how this might be further enhanced with the support of a county wide devolution deal. This remains an active platform for promoting opportunities for collaboration and joint working in the future. The Council is also an active member of the Staffordshire Community Safety Partnership.

In our 2021/22 report, we recommended that the Council implement a partnerships register to help manage its key relationships. We are pleased to report that the Council have undertaken significant work on this and partners are now identified on the Corporate projects list.

Commissioning and procurement

The Council has put in place a Procurement Strategy which clearly sets out the Council's approach to purchasing goods and services. The Council has a small procurement team whose primary role is to develop procurement strategy and procedures and to support the services. The Council is currently reviewing the capacity of the procurement team in the light of the increase workload from the capital programme and the adoption of new procurement rules and practices in the public sector.

The Council maintains a contracts register, with a simplified version published on the website. Contract management arrangements were reviewed by Internal Audit in November 2023 and were found to be 'Good'.

In our 2021/22 report, we recommended that the Council implemented controls to identify where there had been divergence from the Contract Procedure rules. We also recommended that contract management and procurement processes should be reviewed that should focus on maintaining an up-to-date contracts register on the website and ensuring that the procurement team had sufficient resources to provide effective monitoring. We note that the finance and contract procedure rules have since been revised to make sure that service managers have a clear line of responsibility for managing contracts and are responsible for implementing effective controls.

As noted under Governance above procurement waivers are now reported to the Statutory Officer Group on a regular basis but are not being presented to members, for example, at Audit and Standards Committee. The list of tender Waivers for 2022/23 was obtained and although not excessive, the process would benefit from increased member oversight to ensure that the overall frequency of departures from the procurement process are within acceptable limits (See commentary on prior year recommendations 6 and 8 below).

Page 48 Improving economy, efficiency and effectiveness (continued)

Capital programme – Levelling Up

The Council has been very successful in obtaining government funding to progress the levelling-up agenda in the borough. In 2022/23 these projects were still in a relatively early stage of development although significant progress has been made over the course of 2023 with the first projects reaching completion. The overarching strategy that underpins regeneration is the Council plan and because the investment in regeneration of the borough forms such a large part of the Council's priorities this is a reasonable approach. The devolution deals obtained so far are published on the Council's website and the decision-making process is clear from the public papers and update reports presented to Cabinet throughout 2022/23. The key programmes are:

- Future High Streets – primarily focusing on projects around Newcastle Under Lyme.
- Newcastle Under Lyme Town Deal
- Kidsgrove Town Deal
- Shared Prosperity fund projects.

The Council is also developing business case for round 2 of Levelling up fund which was approved in Jan 2023. Other areas activity includes work in support of the Newcastle Employment and Skills Group.

An established Regeneration team is in place to facilitate the project management of the key capital programmes from a corporate perspective. We note that the programme delivery teams themselves are much wider in terms of membership and include service managers, senior officers and strategic partners in addition to other relevant stakeholders.

The Council has put in place robust and well documented governance arrangements to oversee delivery of the projects in line with DLUHC requirements. For Example, the governance arrangements for the Levelling Up Fund award were presented to Cabinet in September 2023. The arrangements follow similar structures but are configured to comply with the individual requirements of the deals. We reviewed a selection of documents setting out the governance arrangements around the programs and found these to be comprehensive and operating as expected. Each of the four main programs has its own independent Board which provides the key oversight body. The Boards monitor progress and make recommendations to Cabinet. The Boards are supported by documented terms of reference and reporting templates. The Board membership includes senior Council representation (e.g. the Council Leader is on the Newcastle Towns Fund Board and the Deputy Leader sits on Kidsgrove Towns Fund Board). Senior officers and partner representatives also sit on the boards in addition to other relevant stakeholders. Programme risks are being managed through the programme boards.

Regular reports are sent to Cabinet on the progress of each individual project. The Council also issues post implementation review reports which reflects good practice. The first of these was Kidsgrove Sports Centre which went to the October 2022 Cabinet. Performance against the regeneration plans is also reported in summary form through the Council's performance management framework.

Conclusion

Overall, the Council has put in place effective arrangements to secure economy, efficiency and effectiveness in its use of resources. We have not identified any areas of significant weakness in arrangements. The revised performance monitoring process is working well and the Council is making good progress in the various capital projects it is undertaking having secured significant amounts of levelling-up funding from government. There remains some further work to complete improvements to the procurement processes regarding compliance monitoring and to ensure that there is sufficient capacity in the team to support the enlarged capital programme.



Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should consider developing a savings update within the quarterly financial update report which shows planned savings for the year vs actual savings. Savings delivery should be monitored independently of budget monitoring at a corporate level.	Improvement	April 2023	Now done and integrated into finance and performance reports.	Yes	No
2	The Council should consider ensuring saving plans address funding gap in the medium-term and are not overly reliant on non-recurrent funding, focusing on recurrent sustainable measures.	Improvement	April 2023	Further action is required to set out savings plans for the full MTFS period.	Partly	Yes
3	Continuously monitoring and reviewing funding, risk and performance of capital projects for successful delivery.	Improvement	April 2023	Completed – robust arrangements are in place around capital budget monitoring and reporting.	Yes	No
4	The Council should consider presenting financial performance in tabular format, clearly comparing budget to outturn position. The report should be presented to Cabinet by service area or directorate in line with how budgets have been set.	Improvement	April 2023	More detail is now included, however year end recharges have had the effect of distorting quarterly numbers and the finance team have not wanted to confuse members so have not put that level of detail into the reports although the detail is discussed at Committee level.	Yes	No
5	Consider appointment of at least two Independent members to Audit and Standards Committee inline with updated CIPFA guidance.	Improvement	April 2023	This is a work in progress but the Council have accepted the recommendation, acknowledging it is difficult to recruit suitable candidates at the moment.	Partly	Yes

Follow-up of previous recommendations

Page 50

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6 The Council should report the activity levels (occurrence) and performance against targets for complaints, procurement waivers and Freedom of information requests, to Cabinet.	Improvement	April 2023	The Council has committed to reporting tender waivers and complaints as part of its quarterly performance monitoring to Cabinet. While we can see that improvements have been made to the performance report, this does not yet include indicators such as tender waivers although we understand that these are now being reported to the Senior Management Team by Procurement.	Partly	Yes
7 The Council should consider maintaining a partnership's register, referencing how each partnership supports the Council's Priorities and the status and performance of the partnership for monitoring purposes. The register should be regularly reviewed to ensure all key partnerships are included and updated to show the status of the partnership and reasons why, if any for cessation.	Improvement	April 2023	The Council have undertaken significant work on this and partners are now identified on the Corporate projects list. They can be filtered out to see who they are and what actions are being taken.	Yes	No
8 The Council should implement controls to identify dispensations from standard procurement policy.	Improvement	April 2023	The Council have now set up a new system for contract management (revised contract procedure rules). Procurement waivers are now reported to the Statutory Officer Group on a regular basis but are not being presented to members, for example, at Audit and Standards Committee. The list of tender Waivers for 2022/23 was obtained and although not excessive, the process would benefit from increased member oversight to ensure that the overall frequency of departures from the procurement process are within acceptable limits	Partly	Yes
9 The Council should consider evaluating and reviewing contract management and procurement processes and arrangements to ensure these are adequate and sufficient. This includes maintaining an up to date contract register and monitoring the capacity of the procurement and contract management team.	Improvement	April 2023	The Council have now set up a new system for contract management (revised contract procedure rules) and are actively encouraging budget holders to monitor this more. Council has two contract registers one internal with lots of detail and one for website for public consumption. Have found that procurement officer needs more support as new funds for Future High St. and Towns deal and are considering additional procurement support.	Partly	Yes

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income 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 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

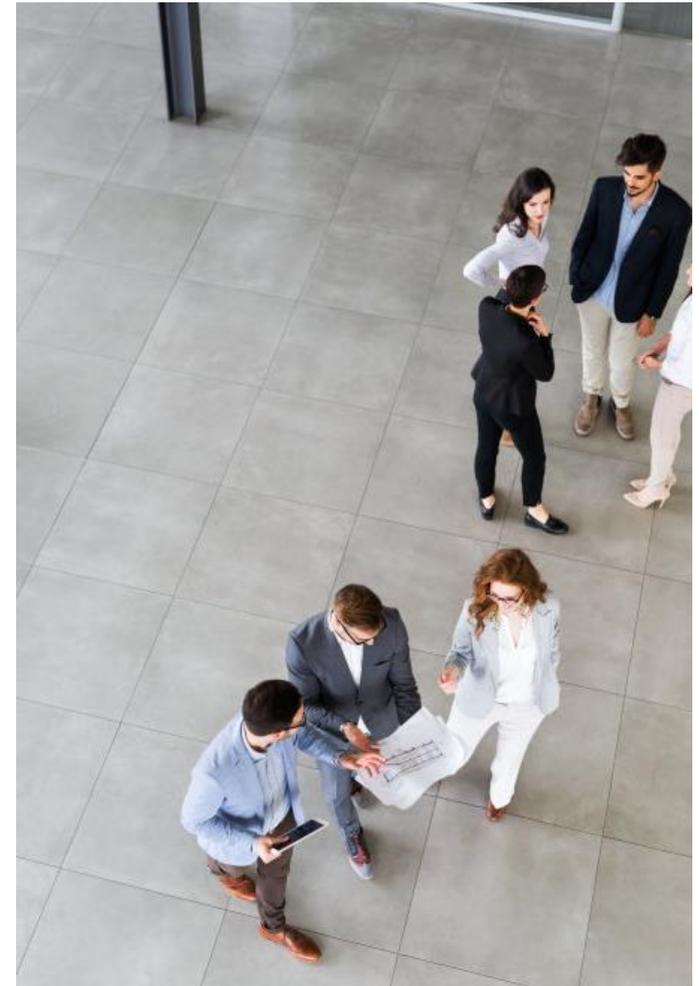
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We expect to issue an unqualified opinion on the Council's financial statements in February 2024.

The full opinion is included in the Council's Annual Report for 2022/23, which can be obtained from the Council's website.

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



Opinion on the financial statements

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Timescale for the audit of the financial statements

The Council's draft 2022/23 financial statements were published on 31 May 2023 in line with the national timetable.

Our 2022/23 Audit Plan was issued in July 2023. The year-end audit of the financial statements commenced in July 2023 and was substantially completed by the end of September 2023. However, the finalisation of the financial statements audit was delayed by the late receipt of IAS 19 assurances from the Staffordshire Pension Fund auditor. Unfortunately, this delay in the pension fund audit prevented us from issuing our audit opinion within the statutory audit deadline.

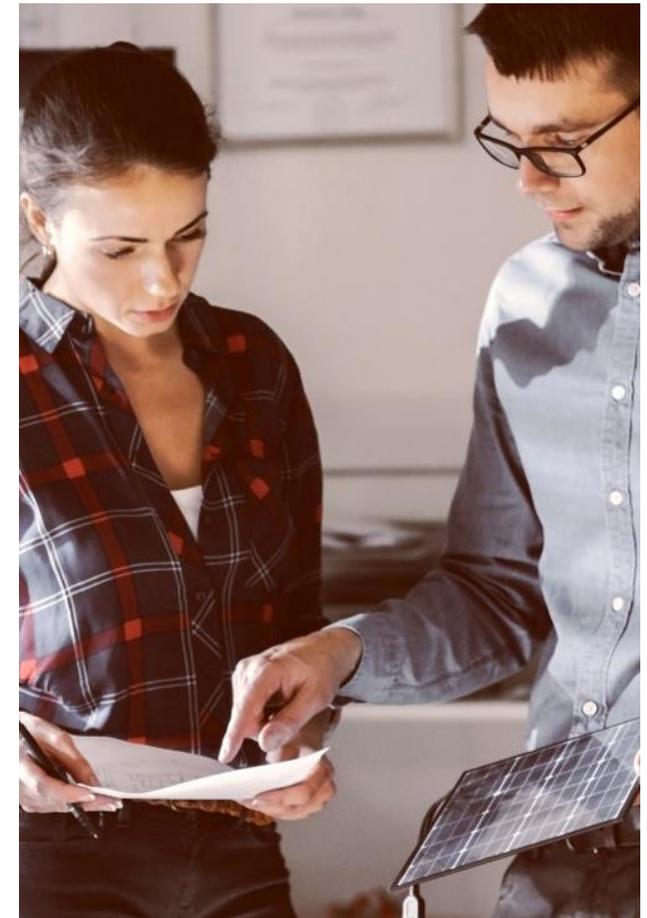
Findings from the audit of the financial statements

We did not identify any adjustments to the financial statements that resulted in adjustments to the Council's Comprehensive Income and Expenditure Statement.

However, we did identify three unadjusted audit adjustments, which in aggregate would have reduced the valuation of land and buildings by £210,000. This is below our audit materiality threshold and therefore management chose not to adjust their estimate.

We have raised one recommendation for management because of our audit work, which related to the provision of a detailed breakdown of collection fund debtors and creditors for audit purposes.

Of the four recommendations raised in prior year, management have addressed three of the issues. The outstanding recommendation relates to the completeness of declarations in the register of interests. We identified 12 members with directorships that had not not disclosed. We continue to recommend that the Council undertakes a completeness review of related parties including ensuring all disclosure returns are received from Councillors and Senior Officers including nil declarations.



Other reporting requirements



Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

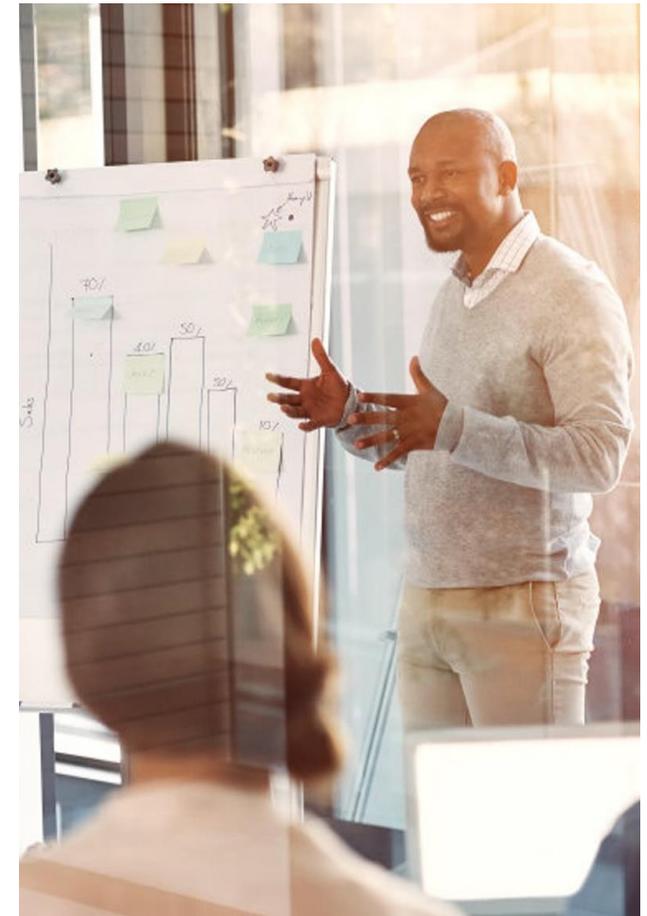
Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 28 September 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council was below the threshold requiring extended audit procedures.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	-
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	-
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	12,13 & 17



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AUDIT & STANDARDS COMMITTEE



Work Programme 2023/24

Chair

Cllr P. Waring

Vice-Chair

Cllr B. Panter

Members

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

Officer Champions

Sarah Wilkes / Anthony Harold

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

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

- ✚ Geoff Durham at geoff.durham@newcastle-staffs.gov.uk or on (01782) 742222
- ✚ Alexandra Bond at alexandra.bond@newcastle-staffs.gov.uk or on (01782) 742211

Planned Items

DATE OF MEETING	ITEM	NOTES
05/02/2024	<ul style="list-style-type: none"> • Q3 Corporate Risk Management Report 2023/24 • Q3 Internal Audit Progress Report 2023/24 • Procurement of Internal Audit Service 2024/25 • Grant Thornton – Value for Money Audit Report 2022/23 	
22/04/2024	<ul style="list-style-type: none"> • Internal Audit Charter 2024/25 • Internal Audit Plan 2024/25 • Corporate Fraud Arrangements 2024/25 • Risk Management Policy & Strategy 2024/25 • Committee Work Plan 2024/25 	

Previous Items

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

	<ul style="list-style-type: none"> • External Audit 	
17/07/2023	<ul style="list-style-type: none"> • Health and Safety Report 2022/23 • Treasury Management Annual Report 2022/23 • Q4 Corporate Risk Management Report 2022/23 • Annual Internal Audit Report and Annual Opinion 	
28/09/2023	<ul style="list-style-type: none"> • Q1 Corporate Risk Management Report 2023/24 • Q1 Internal Audit Progress Report 2023/24 • Audited Statement of Accounts 2022/23 	
13/11/2023	<ul style="list-style-type: none"> • Treasury Management Half Yearly Report 2023/24 • Q2 Corporate Risk Management Report 2023/24 • Q2 Internal Audit progress Report 2023/24 	

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