KPMG

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

DRAFT

Year-ended 31 March 2024

—

24 January 2025

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

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

01

Executive Summary

Executive Summary

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Purpose of the Auditor's Annual Report

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

Our responsibilities

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

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

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

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

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

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

Findings

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

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

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

Public interest reports

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

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

We have not issued a Public Interest Report this year

Judicial review/Declaration by the courts

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

We have not applied to the courts this year

Recommendations

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

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, NULBC must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, NULBC does not need to take any action, however should NULBC provide us with a response, we will include it within this report.

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

We have raised no other recommendations.

Advisory notice

We may issue an advisory notice if we believe that NULBC has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

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

We have not issued an advisory notice this year

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

02

Audit of the financial statements

Audit of the financial statements

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

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

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

Our audit opinion on the financial statements

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

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

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

Audit of the financial statements

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

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

Audit of the financial statements

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

Audit of the financial statements

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

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Value for Money

Value for Money

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Introduction

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

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

Approach

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

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

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

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

Summary of findings

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

Value for Money

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National context

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

Financial performance

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

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

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

Local context

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

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

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

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

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

Financial Sustainability

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

We have considered the following in our work:

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

2023/24 Outturn

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

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

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

2023/24 Reserve Position

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

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

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

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

Financial Sustainability

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

Cost pressure identification

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

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

2023/24 Capital Programme

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

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

2024/25 planning

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

Financial Sustainability (Continued)

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

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

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

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

Future Capital Programme

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

Conclusion

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

MTFS pressures (£000s)				
2024/25	2025/26	2026/27	2027/28	2028/29
2,692	1,557	997	1,092	547

Performance Improvement Observations

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

Governance

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

We have considered the following in our work:

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

Risk Management

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

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

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

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

Budget setting

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

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

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

Governance

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Reporting to budget holders of financial performance

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

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

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

LGA Peer review

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

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

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

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

Governance

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Informed decision making

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

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

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

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

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

Standards and behaviours

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

Standards and behaviours

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

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

Conclusion

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

Improving economy, efficiency and effectiveness

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

We have considered the following in our work:

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

Financial and Performance management

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

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

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

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

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

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

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

Improving economy, efficiency and effectiveness

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Partnership working

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

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

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

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

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

Commissioning and Procurement

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

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

Conclusion

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

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