

Newcastle-under-Lyme Borough Council

Value for money risk assessment

Year ended 31 March 2025

22 September 2025

Value for money

For 2024/25 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

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

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

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

Risk assessment processes

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

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

Reporting

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

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

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

Financial sustainability

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

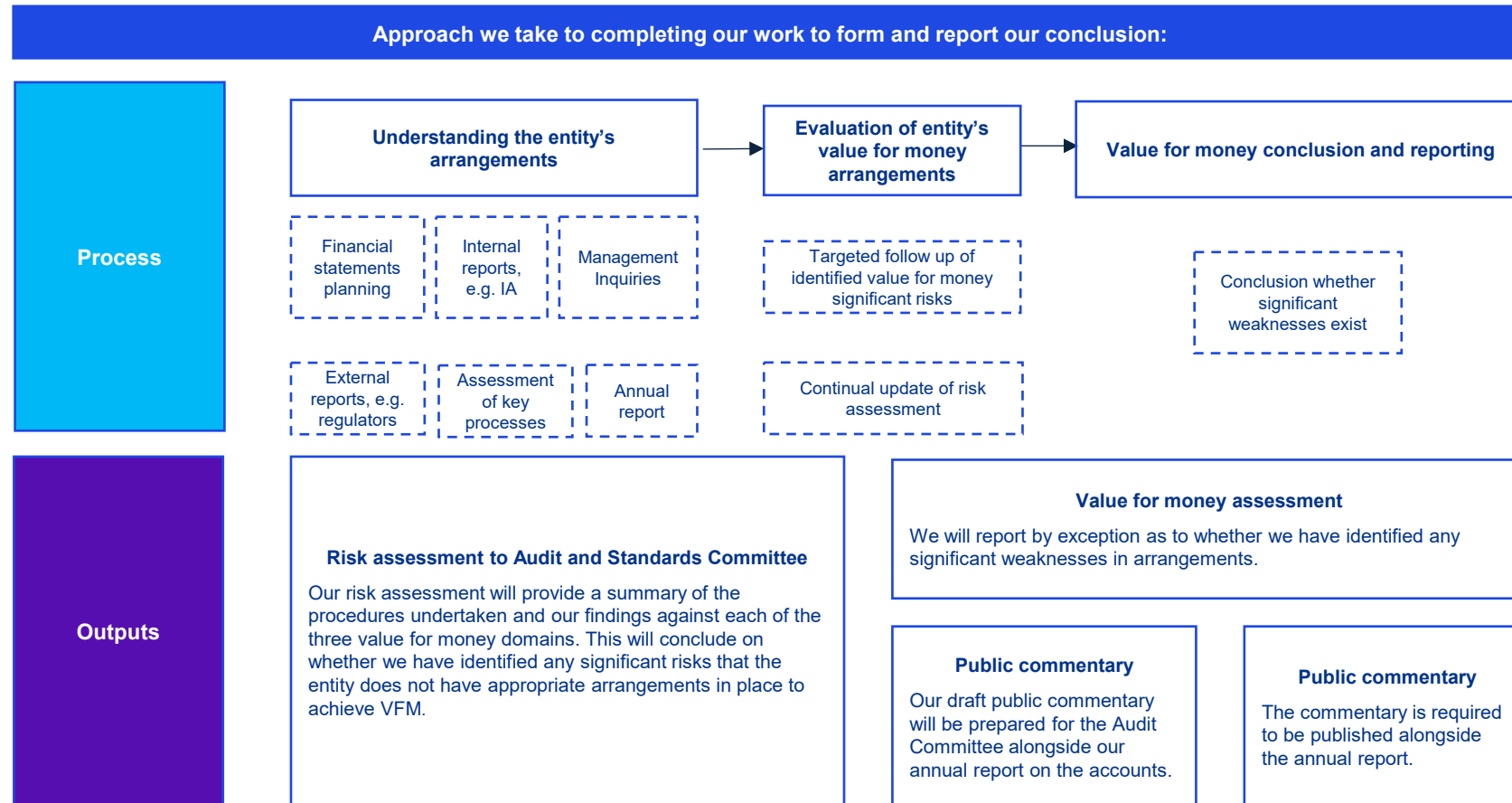
Governance

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

Improving economy, efficiency and effectiveness

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

Value for money



Summary of risk assessment

Summary of risk assessment

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

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

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

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

Value for money arrangements

Financial sustainability

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

- The processes for identifying all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

In February 2024, the Council approved a general fund revenue budget for the financial year 2024/25 of £17.046m. At the year end a positive variance of £20k was achieved. Pressures identified during the year amounting to £1.3m were offset by interest income of £0.8m and savings on borrowing that has not occurred (£0.5m).

Process of identifying cost pressures

Income and cost pressures are reviewed independently by the accounts team and jointly with budget managers on at least a monthly basis. A review of the budget for 2024/25 indicated that the Council was expecting additional expenditure mainly due to the local government pay award, increase in borrowing and other pressures including cost of software licences increases and contracts. The impact of budget pressures have been reflected within the Medium-Term Financial Strategy (MTFS) which covers a 5-year period and will be mitigated through ongoing cost savings.

Once the budget assumptions are agreed, these are presented to Cabinet in the form of a first draft. The draft is then presented to the Finance, Assets and Performance Scrutiny Committee for its comments. This process takes place before and after Central Government's Settlement Figures are announced then final approval is obtained at Full Council. We have seen evidence of this process taking place for 2025/26 financial planning during 2024/25.

Efficiency plan

Savings and funding strategies have been identified to cover the shortfall in both 2024/25 and 2025/26. 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. The Council realised savings of £2.7m in 24/25.

For example, the One Council programme which launched at the start of 2021/22 focused on transforming customer experience and modernising internal processes is now realising recurrent savings of £1.1m each year. This was following a £1.2m initial investment in 2021/22.

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

Managing identified sustainability risks

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

Value for money arrangements

Financial sustainability

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

- The processes for identifying all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

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

For 2025/26, the Council has set the minimum level of unallocated reserves and contingencies at £2.010m to reflect the levels of revenue risk shown in the budget for 2025/26.

Performance for the year 2024/25

The Council maintained general fund balances at a level consistent with 31 March 2024, with a net increase in general fund and earmarked reserves of £310k, primarily driven by transfer into the Walleys Quarry reserve and maintenance contributions. In achieving the £20k surplus, specific pressures materialised during the year included income shortfalls (£0.5m), additional pay award (£0.1m) and expenditure on repairs and renewals (£0.1m), the latter as a result of a delay to updating the existing waste and recycling fleet.

At the beginning of the year, a capital programme with a value of £59.9m was agreed. This included £42.2m of delayed expenditure that was carried forward from 2023/24 when only 21% of the capital budget was spent. This was because of significant inflationary pressures that required projects to be reassessed and value engineered. A mid-year review of the Capital Programme for 2024/25 was undertaken as part of the Efficiency Board and budget setting process. The revised Capital Programme for 2024/25 totalling £51.295m was approved by Cabinet on 3 December 2024. At the year-end, actual expenditure totalled £26.3m, £25.1m below that planned.

Whilst the underspend was significantly less than the prior year (£44m underspend) there continues to be a performance improvement opportunity and management should carry out more robust challenge and monitoring of capital budget to ensure they are both realistic and achievable.

Future Capital Programme

The Capital Programme for 2025/26 to 2027/28 is based on new schemes which total £94.6m continuing the 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 Public Works Loan Board (PWLb) borrowing will be required to fund the capital programme in 2025-26. The capital financing requirement is set to increase to £23.6m by 2027/28.

Risk assessment conclusion

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

Value for money arrangements

Governance

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

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Risk Management

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

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

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

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

Budget setting

The finance team sent out budget pressures and savings request spreadsheets in the summer to budget holders and service directors. Once these were complete the output is discussed at Efficiency Board meetings which is the first stage of challenge. We have seen evidence of an Efficiency Board that took place in September 2024 which was used to explore potential opportunities for savings and cost reductions across the services.

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

In February 2025, the Council approved the latest MTFS, Capital Strategy, Treasury Strategy and the Borough Council's Financial Plan. A general fund revenue budget for the financial year 2025/26 of £19.730m was approved. The MTFS provides for a gap in 2025/26 of £1.890m and a revised gap over the 5-year period of the MTFS of £5.042m.

The biggest medium-term pressure reflected in the MTFS is the business rate reset which is forecast to have a £1.5m impact over the next 3 years. The Council is mitigating the £1.9m in-year (2025/26) pressure through income generation, efficiency schemes and the largest benefit being the introduction of a nationally implemented levy scheme worth £732k annually. The scheme is paid for by producers of materials that are collected and disposed of by local authorities.

Value for money arrangements

Governance

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

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

Reporting to budget holders of financial performance

On a monthly basis, budget holders are provided with financial statements which show an analysis between budgets and actual performance on a month-by-month basis and year-to-date basis. We reviewed sample reports for September (Month 6) 2024 across the services showing a breakdown for budget holders of all expenditure lines during the period with a variance to budget, coupled with example actions agreed at the meetings. The reports provided were at a sufficiently granular level to be appropriately interrogated by budget holders and the respective accountants.

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

A review of minutes of both the Finance, Assets and 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.

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 and Council. In the prior year (September 2023), Cabinet had resolved to appoint Capital & Centric to develop plans and development business cases for York Place, Midway Car Park and Ryecroft. The report presented to Cabinet outlined the challenges the Council faced with respect of growing borrowing and construction costs and articulated the commercial and operational benefits of seeking appointment of a delivery development partner.

In February 2024, Council approved expenditure of up to £2,649,000 to develop the three schemes to the end of RIBA Stage 3, and the submission of the requisite planning applications. This was following consideration at Cabinet on 6th February 2024 and an all-members teams briefing which took place on 5th February 2024.

Value for money arrangements

Governance

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

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

A Pagabo Pre-Development Services Agreement (PDSA) was entered into between Capital & Centric and the Council on 23 April 2024 with a clear scope of services and deliverables. These services were extended on 14 November 2024 to progress the RIBA Stage 4 design and procure a fixed price building contract. Following consideration of stage 4 works, Cabinet (and subsequently Council on 16 April 2025) approved expenditure of £85m to complete the schemes to practical completion.

By using business cases and approvals, the Council is demonstrating decision-making processes in place in line with the Council's constitutional framework. However, given the scale of the capital programme the Council are planning to undertake over the next three years, management will need to ensure the governance arrangements are operating effectively with a particular focus on the partnership arrangement with Capital and Centric.

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 and no specific findings from internal reviews in 24/25 that we have been made aware of.

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

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

Risk assessment conclusion

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

Value for money arrangements

Improving economy, efficiency and effectiveness

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

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

Summary of risk assessment

Financial and Performance management

The Council uses key performance indicators (KPIs) and outcomes to measure the effectiveness of its performance. Quarterly reports are provided to 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 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 Q3 Financial and Performance Review Report submitted by Corporate Leadership Team to the Finance, Assets and Performance Scrutiny Committee in March 2025. The indicators included in the report are those agreed as part of the Council Plan and reflected the priorities for the Borough.

The quarterly reports include an overall summary of performance against each of the four strategic priorities, with a diagram illustrating how each indicator contributes to those priorities. Of the 49 indicators monitored, 20 were contextual with no set target. By Q3 2024/25, 65% were meeting their targets and 30% of off-target measures showed a positive trend compared to the previous financial year. This indicates an overall positive movement in performance.

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

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

In addition, learnings are shared at groups such as the Staffordshire Chief Finance Officers Group and Staffordshire Accountants Group. Management provided a VFM benchmarking report which provide some useful comparison to performance with other district local authorities in England and the West Midlands. The next step will be how to use this benchmarking analysis to inform cost savings and income generation activity that continue to be increasingly important throughout the MTFS period.

Value for money arrangements

Improving economy, efficiency and effectiveness

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

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

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

Partnership working

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

Partnership working is critical to the success of devolution and levelling-up agenda. Significant parts of the Capital Programme include major investment as part of the Future High Streets Fund and Town Deals Fund for both Newcastle and Kidsgrove, all which require effective partnership working and stakeholder engagement.

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). The terms of reference of the Town Deal Boards remain appropriate and in line with DLUHC recommendations. Details of each meeting are publicly available allowing for transparency of decision making. The Council is assigned as the Lead Council and Accountable Body. The existing governance structure in the Council provides the necessary oversight for decision making and financial control.

Regular updates are provided on County-wide projects, such as the Chatterley Valley Project at the Kidsgrove Town Hall Board, of which all agendas and action points are available on the council's website.

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.

Value for money arrangements

Improving economy, efficiency and effectiveness

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

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

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 2025. All the contracts the Council has entered into are recorded within the contract register. The Contract register has details of contract start and expiry dates of the contracts. We are satisfied this register is up-to-date and action has been taken in respect of contracts that expired during the year.

Risk assessment conclusion

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