

AUDIT AND STANDARDS COMMITTEE AGENDA

Tuesday, 16 July 2024 at 4.00 pm in the Saltwell Room - Civic Centre

From the Chief Executive, Dale Owens

Item	Business
1	Apologies for Absence
2	Minutes (Pages 3 - 10) The Committee is asked to approve, as a correct record, the minutes of the meeting held on 18 th June 2024.
3	Declarations of Interest Members of the Committee are invited to declare interests in any agenda items.
4	Annual Report to Cabinet and Council 2023/24 (Pages 11 - 18) Report of the Strategic Director Resources and Digital
5	Corporate Risk Management 2024/25 - Quarter 1 Update (Pages 19 - 24) Report of Strategic Director Resources and Digital
6	Treasury Management Performance 2024/25 - Quarter 1 Update (Pages 25 - 32) Report of Strategic Director Resources and Digital
7	Exclusion of the Press and Public The Committee may wish to exclude the press and public from the meeting during consideration of the exempt agenda in accordance with paragraphs 7 of Schedule 12A to the Local Government Act 1972.
8	Internal Audit plan 2024/25 - Quarterly Report to 30 June 2024 (Pages 33 - 42) Report of Chief Internal Auditor
9	Re-admittance of the Press and Public The Committee is asked to re-admit the press and public to the meeting.
10	Training Programme (Pages 43 - 46) Report of Strategic Director Corporate Services and Governance

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Date and time of next meeting

Tuesday 26th September 2024.

Public Document Pack Agenda Item 2

GATESHEAD METROPOLITAN BOROUGH COUNCIL

AUDIT AND STANDARDS COMMITTEE MEETING

Tuesday, 18 June 2024

PRESENT: Councillor J Simpson (Chair)

Councillor(s): R Mullen, R Beadle, J McElroy, M McNestry,
Mr Stuart Bell (Independent Member) and Ian Dormer
(Independent Member)

APOLOGIES: Councillor(s): H Kelly and C Ord

ASC505 CONSTITUTION

The Constitution of the Committee for municipal year 2024/25 was noted.

ASC506 MINUTES

The minutes were approved as a correct record.

ASC507 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC508 MEMBERS' ASSURANCE STATEMENTS 2023/24

The Committee received a report informing them of the opinion of Members of the Cabinet on the effectiveness of the Council's governance arrangements to feed into the Annual Governance Statement.

Assurance was sought from Councillors who served in the Cabinet during 2023/24, in the form of a self-assessment statement, on the effectiveness of the Council's corporate governance arrangements.

All Cabinet Members considered that governance arrangements are effective.

Based on the evidence identified in the assurance statement from Members of Cabinet, governance arrangements are considered to be effective.

RESOLVED:

- (i) That the information be noted.
- (ii) The Committee noted the assurances of Members of Cabinet and the evidence on oversight and endorsed the opinion that the Council's governance arrangements are effective.

ASC509 MANAGERS' ASSURANCE STATEMENTS 2023/24

The Committee received a report informing them of the assurance which Service Directors have placed on their control systems to feed into the Annual Governance Statement.

The Audit and Standards Committee agreed on 7 March 2024 an assurance framework which would provide evidence for the completion of the Annual Governance Statement, Assurances from senior managers on the effectiveness of controls they have in place are fundamental within the framework.

Service Directors were asked to complete self-assessments which took the form of a questionnaire covering the processes in place to manage their key control and governance processes. This included a requirement to state whether they agreed or disagreed that the processes they had in place provided an effective level of assurance in 18 key areas, with a requirement to detail the evidence to support their assessment.

The Committee sought further clarification on who was classed as a senior manager and also as to why some column on the table showed differing numbers, officers explained that senior managers were Service Director level and that some of the questions asked were not relevant to all managers across the organisation.

RESOLVED:

- (i) That the information be noted
- (ii) That the assurances provided by senior managers be noted

ASC510 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2023/24

The Committee were asked to review the effectiveness of internal audit within the Council for 2023/24.

The Accounts and Audit Regulations 2015 require all authorities to “conduct an annual review of the effectiveness of internal audit for a committee of the body to consider its findings” and that this process should be part of the annual review of the effectiveness of the system of internal control, which results in the production of the Annual Governance Statement.

Best practice highlights that “internal audit”, in this context, includes not only the internal Audit Service but also the Audit and Standards Committee in 2023/24.

The review ensures that the opinion of the Chief Internal Auditor given in the Internal Audit Annual Report, included as a separate report on this agenda, can be relied upon as a key source of evidence in the Annual Governance Statement.

The review of the effectiveness of the system of Internal Audit for 2022/23 has been undertaken by the Council’s Internal Control Group, which includes the Strategic

Directors of Resources & Digital and Corporate Services & Governance. The Committee were advised that the basis of the review was as follows:

- Self-assessment against Public Sector Internal Audit Standards (PSIAS):
- Self-assessment against the CIPFA Statement of the Role of the Head of Internal Audit;
- Reliance placed upon Internal Audit by the Council's external auditor;
- Assessment of the effectiveness of the Audit and Standards Committee; and
- Relevant performance information

Performance monitoring of the work carried out by the Internal Audit Service provides further assurance that the system of Internal Audit is operating effectively and adding value to the Council as a whole. During 2023/24 the following key performance indicators are relevant:

- 99% of audits were completed within budgeted time against a target of 90%
- Productive or chargeable time was recorded at 67% of overall time against an annual target of 70% of overall time
- The average score of the customer satisfaction questionnaires returned is 3.81 out of 4 (95%) against a target of 3.4 (85%)
- The target for implementation of audit recommendations was 100% for high priority recommendations and 90% for medium priority and best practice recommendations. The rate of implementation of all recommendations was 99% with 100% of all medium and high priority recommendations having been implemented.

RESOLVED:

- (i) That the information be noted
- (ii) The Committee considered and endorsed the opinion that the Council's system of internal audit is operating successfully

ASC511 CORPORATE RISK MANAGEMENT ANNUAL REPORT 2023/24

The Committee received a report which outlined the arrangements that exist within the Council for managing risk, the impact that these have had and the plans for further development of risk management arrangements.

The Committee asked when the 'stress test' for business continuity would be implemented into the Corporate Risk Management reports. It had been advised the Council do have individual service and overall Council plans in place that are continually being developed and refreshed, however, there are plans for training opportunities within the Committee to enhance business continuity and risk management.

RESOLVED:

- (i) That the information be noted
- (ii) The Committee noted the Corporate Risk Management Annual Report 2022/23 as shown in Appendix 1 and agreed that the Council has effective

risk management arrangements in place

ASC512 ANNUAL REPORT 2023/24 - TREASURY MANAGEMENT

The Committee received a report requesting to review the proposed Treasury Annual Report prior to consideration by Cabinet.

In line with what the Government defines as best practice and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Council must consider a Treasury Annual Report each year.

The Committee were asked to review the Treasury Annual Report which was attached at Appendices 2, 3 and 4 to ensure that the Council fully complies with the requirements of good financial practice in Treasury Management and submit any comments to Cabinet.

RESOLVED:

- (i) The Committee noted and agreed that the Treasury Annual Report be submitted to Cabinet for approval

ASC513 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED - That the press and public be excluded from the meeting during consideration of the remaining business in accordance with Paragraph 3 of Schedule 12A to the Local Government Act 197

ASC514 ANNUAL COUNTER FRAUD UPDATE 2023/24

The Committee received a report outlining the arrangements that exist within the Council for countering fraud and provided an update on activity undertaken since 1 April 2023 by the Internal Audit and Risk Service in relation to work of the Corporate Fraud Team.

The Committee received details of counter fraud awareness and some of the awareness initiatives carried out in 2022/23 were:

- Participation in a regional Tenancy Fraud Awareness Week in October 2023. A regional press release, Council News article, social media posts and internal communications were issued as part of the campaign.
- A Council News advert has published in November 2023 to raise the profile of the Corporate Fraud team to the public.
- An Employee Bulletin, intranet update, social media posts and article in the Gateshead Now newsletter were issued in November 2023 to raise the profile of the Corporate Fraud team as part of the National Fraud Awareness Week.
- A general fraud awareness Toolbox Talk briefing was produced for the School Catering team to highlight the expectations and responsibilities of employees within the Service.
- The on-line Corporate Induction Programme training course was updated in

March 2024 to cover Counter Fraud to raise awareness of the team, and the expectations and responsibilities of employees.

- Regular alerts and warnings are received from the National Anti-Fraud Network (NAFN) regarding a range of frauds and scams against Council's and schools. All warnings are monitored by the Corporate Fraud Officers and communicated to the related service areas. Relevant warnings are added to the Corporate Fraud section on the internet and staff are alerted via the weekly team brief.

The Committee were advised that the Corporate Fraud Team referrals related to a variety of fraud types and a full breakdown was shown at Appendix A.

The Committee also received an update on the Right to Buy applications for the Year 1st April 2023 to 31st March 2024.

The Committee also received an update on DWP Joint Working, Fraud Case Management system and the National Fraud Initiative.

The Committee requested if this information could be made public to show the Council are completing rigorous checks for right to buy applications, this information will be discussed, and we can work with Communications to advertise this information.

RESOLVED:

- (i) That the information be noted
- (ii) The Committee noted the counter fraud activity undertaken during the year and agreed that the Council has effective counter fraud arrangements in place

ASC515 INTERNAL AUDIT ANNUAL REPORT 2023/24

The Committee received a report informing them about work undertaken by the Internal Audit and Risk Service during 2023/24 and gave an overall assessment of the adequacy of the Council's internal control systems and governance arrangements to inform the Annual Governance Statement and to provide a summary of the main findings.

The Committee were advised that based on evidence arising from the planned internal audit activity during 2023/24, the Council's internal control systems and governance arrangements are considered to be effective.

This opinion is based on all audit activity throughout the year, which has been reported to the Audit and Standards Committee on a quarterly basis and the opinion is based on internal audit work undertaken and completed. A summary of the audit activity for the year was attached to the main report at Appendix A.

RESOLVED:

- (i) That the information be noted

- (ii) The Committee noted the audit opinion that the Council's internal control systems and governance arrangements are considered to be effective

ASC516 RE-ADMITTANCE OF THE PRESS AND PUBLIC

RESOLVED – That the press and public be re-admitted for the remainder of the meeting

ASC517 ANNUAL GOVERNANCE STATEMENT 2023/24

The Committee received a report and were asked to review the evidence of assurances provided on the Council's internal controls, risk management and governance arrangements, and approve the Annual Governance Statement (AGS) 2023/24, which was attached as Appendix A.

The Accounts and Audit Regulations 2015 required Councils to provide an Annual Governance Statement giving an assessment of governance arrangements and their effectiveness. This accompanies the Annual Statement of Accounts and is signed by the Leader of the Council and the Chief Executive.

The Audit and Standards Committee agreed on 7 March 2024 the assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances were required in the following areas:

- Governance arrangements
- Councillors
- Senior Managers
- The system of internal audit
- Risk management arrangements
- Counter Fraud arrangements
- Performance management and data quality
- Views of the external auditor and other external inspectorates
- The legal and regulatory framework
- Financial controls
- Partnership arrangements and governance
- Other source of assurance

The Committee were advised that based on the review of the Council's governance arrangement during 2023/24, including the internal control and risk management environments, the opinion is that the Council's governance arrangements continue to be regarded as fit for purpose.

The Annual Governance Statement therefore reflects this opinion and gives details of the evidence obtained to achieve it, actions taken to improve governance following the previous Annual Governance Statement, and an action plan for the next year.

RESOLVED:

- (i) That the information be noted
- (ii) The Committee approved the Annual Governance Statement to accompany the Statement of Accounts 2023/24

ASC518 DATE AND TIME OF NEXT MEETING

Tuesday 16th July 2024 at 4pm.

Chair.....

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Title of Report: Annual Report to Cabinet and Council: 2023/24

Report of: Darren Collins, Strategic Director, Resources and Digital

Purpose of the Report

1. The Committee's terms of reference require it to submit an annual report to the Cabinet and Council, and further reports and recommendations as it sees fit. The Committee is asked to consider the issues discussed during 2023/24 for inclusion in a report to Cabinet and Council.

Background

2. It is a requirement of the CIPFA Position Statement on Local Authority Audit Committees that they report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.
3. The role, membership and terms of reference of the Audit Committee are set out within the Constitution.
4. Good corporate governance requires independent and effective assurance processes, underpinned by robust risk management arrangements, to be in place to ensure effective financial management and reporting in order to achieve the Council's corporate and service objectives. It is the responsibility of the Audit and Standards Committee to oversee that these arrangements are in place and operating effectively.
5. The Annual Report to Cabinet and Council 2023/24 allows the Audit and Standards Committee to demonstrate the positive impact of its work during the period under consideration to effectively undertake its' role through providing effective challenge across the Council. This includes providing assurance on the Council's arrangements for:
 - Maintaining effective internal control;
 - Risk management; and
 - Reporting on financial and other performance.

Contents of the Report

6. Appendix 1 summarises the business considered by the Committee during the period for inclusion in the report to Cabinet and Council.

7. The matters considered by the Committee demonstrate that it continues to make a significant and continuing contribution to the Council's governance, internal control and risk frameworks during the last twelve-month period.
8. The Audit and Standards Committee has received reports in the following areas:
 - Internal Audit planning, performance and activity;
 - Corporate Risk Management and Resilience activity;
 - Counter Fraud updates;
 - Annual Governance Statement Assurance Framework;
 - The Annual Governance Statement and supporting evidence;
 - Achievement of Going Concern status;
 - Audit Completion Report and Council's Statement of Accounts;
 - Treasury Management Policy & Strategy and mid-year update;
 - Local Code of Governance update;
 - Review of Internal Audit Charter; and
 - Review of Corporate Risk Management Policy
9. Based on the evidence presented during the year and at the meeting of the Committee on 18 June 2024 it was concluded that the Council's system of internal control and governance framework is effective. This was demonstrated through the approval of the Annual Governance Statement for 2023/24, which accompanies the Statement of Accounts.

Recommendation

10. The Committee is asked to consider the activity set out in Appendix 1 for inclusion in the annual to report to Cabinet and Council .

Contents of the Report to Cabinet and Council – 2023/24

1. The areas of activity considered by the Audit and Standards Committee during 2023/24 are set out below.

Internal Audit planning, performance and activity

2. As at 31 March 2024 95% of the Internal Audit Plan was completed, which resulted in 101 audit reports. Of these reports 96 (95%) concluded that systems in place were operating well or satisfactory, with 5 (5%) concluding systems and procedures had significant weaknesses, of which three were in relation to schools.
3. All recommendations are followed-up as part of the Internal Audit process and the Audit and Standards Committee will monitor the outcomes.
4. Based on this evidence arising from Internal Audit activity during 2023/24, the Council's internal control systems and governance and risk management arrangements are considered to be effective.
5. The Internal Audit Service has also co-ordinated the Council's National Fraud Initiative (NFI) work and has supported Council managers with irregularity, e-mail, internet and other disciplinary investigations on an ongoing basis during 2023/24, with regular updates to Audit and Standards Committee.
6. The Audit and Standards Committee also approved the Audit Strategy and Plan and agreed to continue to monitor Internal Audit's progress on a quarterly basis against the 2023/24 Audit Plan.

Corporate Risk Management and Resilience activity

7. The Committee received quarterly reports on the assurance derived from risk management. These reports make Councillors aware of the arrangements that exist within the Council for managing risk, the impact that these have had and the plans for further development of risk management arrangements.

Counter Fraud Updates

8. The Committee received a report every six months updating on activity undertaken in relation to the work of the Corporate Fraud Team summarising performance against the Counter Fraud and Corruption Strategy and the effectiveness of the Strategy. Conclusions also form part of the Annual Governance Statement.

Annual Governance Statement Assurance Framework

9. The Committee received a report providing an overview of the work to be undertaken to produce the Annual Governance Statement (AGS) for 2023/24 which demonstrates the level of assurance that can be given by the Council's control systems and governance arrangements, the Assurance Framework.

10. The Annual Governance Statement for 2023/24 concluded that the Council's system of internal control, risk management and governance framework is effective.
11. The Audit and Standards Committee approved the Annual Governance Statement for 2023/24 at its meeting on 18 June 2024, following a review of the evidence detailed below in paragraphs 12-30, and evidence seen by the Committee during the year.

Cabinet Members

12. Assurance was sought from Members of the Cabinet on the effectiveness they felt could be placed on the Council's corporate governance arrangements. They concluded that effective governance arrangements are in place.

Senior Managers

13. Service Directors completed self-assessment assurance statements detailing the level of assurance obtained from their key control processes. The conclusion of this exercise found that senior managers agreed that effective control systems were in place overall. These statements will be examined as part of the 2024/25 Audit Plan and the outcomes reported to the Audit and Standards Committee in September 2024.

Internal Audit

14. The Internal Audit Service has undertaken audit work throughout the year based on the risk-based audit plan. In addition, the Council has a framework of assurance available to satisfy it that risks have been properly identified and are being managed by controls that are adequately designed and effective in operation. This includes assurance from a variety of sources other than the Internal Audit Service. These other audit systems have been assessed, as part of the Audit Plan.
15. Based on this audit activity the overall opinion of the Chief Internal Auditor for the year 2023/24 was that internal control systems and risk management and governance arrangements are effective.

Risk Management

16. Risk management is embedded in the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Council maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk.
17. The Strategic Director, Resources and Digital reported that risk management arrangements during the year were effective.

Counter Fraud

18. The Council has a zero-tolerance approach to fraud and corruption. A counter fraud communications and awareness plan is in place to enable and evidence communication requirements to Page 14 and raise awareness of the Council's counter fraud arrangements, including the publicising of any proven fraud cases

and media handling. The plan details the key stakeholders and the methods and frequency of any communications during the year. The plan also details how the outcomes of any successful prosecutions would be handled.

19. The Strategic Director, Resources and Digital reported that counter fraud arrangements during the year were effective.

Performance Management and Data Quality

20. The Council has a corporate suite of strategic performance indicator to enable effective monitoring of the Council's strategic approach through which quality of service is measured via strategic outcome indicators. The monitoring of performance takes place at key performance points as identified in the framework including quarterly performance reported to Group Management Teams and Corporate Senior Officer meetings.
21. In addition, performance is also monitored, measured, challenged and scrutinised on a six-monthly basis at Cabinet and respective Overview and Scrutiny Committees. Performance reports to Overview and Scrutiny are published on the Council's website.
22. The Performance Management Framework (PMF) is to be reviewed to ensure it continues to provide optimum information for assisting informed decision making and links to strategic corporate planning and delivery of objectives, and a remodelled Senior Management Group Terms of Reference is planned to further strengthen the framework, governance and oversight of the PMF.
23. Based on evidence arising from the performance management framework process for 2023/24, effective controls are in place.

Views of the External Auditor and other External Inspectors

24. Mazars, the Council's external auditor, issued an unqualified opinion, without modification for the 2022/23 financial statements. No significant weaknesses were reported in relation to the arrangements the Council has in place for securing economy, efficiency and effectiveness in its use of resources.
25. Other external inspectorates' reports have been issued from time to time on management and governance arrangements to the Council.

The Legal and Regulatory Framework

26. Assurance has been obtained from the Strategic Director, Corporate Services and Governance as the Monitoring Officer who has a legal duty to ensure the lawfulness and fairness of decision-making within the Council. The Council has a Constitution in place and compliance with established policies, procedures, laws and regulations is ensured by the requirement to give the Strategic Director, Corporate Services and Governance the opportunity to comment on every report submitted to a decision-making body.

Financial Controls

27. Assurance has been obtained from the Strategic Director, Resources and Digital, who is designated as the responsible officer for the administration of the Council's financial affairs under Section 154 of the Local Government Act 1972, that financial controls are effective. Systems in place include Financial

Regulations, the opportunity to comment on the financial implications of committee reports, monitoring meetings and evidence from internal and external audit.

28. In addition, the Council undertook a self-assessment of compliance with the CIPFA Financial Management Code during 2023/24. The assessment considered seventeen financial management standards grouped into seven sections underpinning the six principles. Following the self-assessment, the Council is considered to be compliant with the Financial Management Code.

Partnership Arrangements & Governance

29. Service Directors review partnerships within their service plans on an annual basis. As partners are key to the delivery of the Council's objectives assurance of their control and governance systems is required. The consensus amongst Service Directors was that all Partnership Arrangements have been established in compliance with the Council's Guide to Partnership Working. In addition, the most recent review of this area by the Internal Audit Service found to be operating well.
30. Based on evidence arising from partnerships for 2023/24, effective controls are in place.

Other Reports

Achievement of Going Concern Status 2022/23

31. The Committee received a report considering the Council's status as a going concern in October 2023.
32. Authorities are required by Section 32 of the Local Government Finance Act 1992 to set a balanced budget. However, financial pressures within the local government sector mean that there continues to be a risk that the Chief Finance Officer (Section 151 officer) may need to consider whether action is required under Section 114 of the 1988 Act, where the Section 151 officer must report, following consultation with the council's monitoring officer, to all authority's members if they believe expenditure is likely to exceed incoming resources in the current or in any future year.
33. The report outlined the assessment of the Council's status as a going concern as this is now considered best practice in the current challenging local government financial climate.
34. Based on the assessment undertaken, the Council's Chief Finance Officer (Section 151 officer) view was that the Council is fully aware of the challenges it faces and is prepared to deliver its services in the future taking account of the future known risks and therefore the Council is a going concern and the Council's Statement of Accounts should be prepared on that basis.

Audit Completion Report and Council's Statement of Accounts

35. The outcome and findings of the audit of the Council's Statement of Accounts 2022/23 by the Council's external auditor, Mazars, along with the audited Statement of Accounts, were reported to the Audit and Standards Committee 30 October 2023. The key message:

- At the time of issuing the report, and subject to satisfactory conclusion of the remaining audit work, Mazars anticipated issuing an unqualified opinion, without modification, on the financial statements. However, this was subject to the conclusion of matters in relation to pensions.
- The auditor's work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements was set out in the report.
- Value for Money – at the time of issuing the report, the auditor anticipated having no significant weaknesses to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
- Whole of Government Accounts (WGA) – the timetable for the Council's submission for 2022/23 had not yet been published. Audit work would commence once such instructions had been received.
- Wider powers – the Local Audit and Accountability Act 2014 requires the auditor to give an elector, or any other representative of the elector, the opportunity to question them about the accounting record of the Council and to consider any objection to the accounts. No question or objections had been received.

Treasury Management Policy & Strategy and Six-Monthly Update

36. In line with CIPFA's Code of Practice on Treasury Management the Annual Treasury Policy and Strategy are reviewed by the Audit and Standards Committee prior to being reported to Cabinet and Council. A quarterly position is also reported through the Audit and Standards Committee to highlight progress on investment performance and borrowing.

Local Code of Governance Update

37. The Council has a local code of governance which was originally presented to the Audit Committee in April 2007. In line with good practice the document should be reviewed regularly, and the Audit and Standards Committee were asked to consider and approve an updated version on 25 April 2024, based on the CIPFA Delivering Good Governance in Local Government: Framework. The Code defines how the Council complies with the principles of good governance laid down by the Independent Commission on Good Governance in Public Services and forms an integral part of the Councils' Annual Governance Statement, which is a legal requirement to demonstrate the level of assurance that can be given by the Council's control systems and governance arrangements.

Review of Internal Audit Charter

38. The Internal Audit Charter is reviewed annually, and the outcome is reported to the Audit and Standards Committee to seek comments and approval in line with Best Practice. The Chief Internal Auditor carried out the annual review and confirmed that it continues to reflect best practice and no amendments were required.

Review of Corporate Risk Management Policy

39. Prior to submission to Cabinet and Council, the Committee considered a review of the Council's Corporate Risk Management Policy. The Policy prescribes a robust risk management framework within which the Council can identify, assess, mitigate and manage the many diverse risks that could inhibit the sustained provision of essential services and the delivery of the Council's corporate objectives. Risk Management is embedded the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls.
40. The Policy was last approved by Council in June 2013, since when it has been subject to periodic reviews and minor amendments to reflect issues such as Council Structural changes, but it has not been fundamentally reviewed in that time.
41. The Policy was reviewed by reference to the ALARM Risk Management Standard, which confirmed it was still broadly fit for purpose, but was amended to ensure it continues to reflect Industry best practice by reference to the most recent version of the ALARM Risk Management Standards, with additional narrative to strengthen references to:
 - Definition of strategic risks
 - Definition of operational risks
 - Project risks
 - Compliance / legal risks
 - Risk assessment procedures
 - Risk ownership / accountability
 - Risk appetite

Title of Report: Corporate Risk Management 2024/25 - Quarter 1 Update

Report of: Darren Collins, Strategic Director, Resources & Digital

Purpose of the Report

1. This report updates the Committee on Corporate Risk Management developments during the period 1 April 2024 to 30 June 2024.

Background

2. Quarterly reporting to those with the responsibility for the oversight of risk management issues complies with the principles of good corporate governance. It is also embodied in the Corporate Risk Management Policy.
3. The report covers progress against the Corporate Risk Management Developmental Objectives for 2024/25, as detailed in the Corporate Risk Management Annual Report 2023/24, and any other risk management issues emerging within the quarter under consideration.

Corporate Risk Management

4. Subject to approval by Council at its meeting on 18 July 2024, the updated Corporate Risk Management Policy will be communicated to all employees. This will include updates to the Risk Management section of the Intranet. Managers and service risk coordinators will also play an important role in communicating the Risk Management Policy, with the support of Corporate Risk Management.

Strategic Risk Management

5. The Corporate Management Team is in the process of reviewing that the strategic risks continue to align with the objectives in the Council's Corporate Plan, to ensure strategic risks are responded to in accordance with the Risk Management Policy, with risks and controls being recorded for inclusion within the Strategic Risk Register.
6. There has been no change to the Strategic Risk Register in the first quarter 2024/25. The current Strategic Risk Register is attached for information at Appendix 1.

Operational Risk Management

7. Operational risks identified within the Council are recorded on the operational risk register. Work continues to ensure operational risk management activity within services continues to align with service objectives and that existing risk assessments are being monitored and reviewed within each of the Council's Strategic Groups.

Business Continuity Management

8. In accordance with the Council's Business Continuity Policy all Services are required to continuously assess the risk of their activities being disrupted and to develop cost effective business continuity plans.
9. All Business Impact Assessments are reviewed bi-annually, with the most recent service reviews undertaken in April and May 2024. This exercise uses the agreed corporate Business Continuity Framework to allow Services to assess which activities might require additional support to strengthen resilience.
10. Business Continuity Plans are revised accordingly to mitigate and, as far as possible, update key personnel and shape the response to any threats to the delivery of key activities with a focus on activity that could not be interrupted for more than 48 hours without critical impact.
11. Quarterly audit and risk reports are provided to Group Management Teams to highlight the critical activities for which services have developed continuity plans.

Corporate Risk and Resilience Group

12. The Corporate Risk and Resilience Group last met 2 July 2024. The following items were considered:
 - Strategic and Operational Risk Registers
 - Emergency Planning, Resilience and Response
 - Northumbria Local Resilience Forum
 - Updates from Groups and Services.

Recommendation

13. It is recommended that the Committee note the report and consider the effectiveness of the Council's risk management arrangements.

SR Ref	Risk	Risk owner	Gross Risk Rating Pre-mitigation	Current risk post mitigation		
				Likelihood	Impact	Risk Rating
1	Failure to address the financial gap in the Council's budget and achieve the target within the Medium-Term Financial Strategy resulting in non-achievement of Council strategic priority of Making Gateshead a Place Where Everyone Thrives.	CMT	Red 16	Moderate 3	High 4	Amber 12
2	Failure to manage demand and expectations could result in the Council not achieving its Thrive agenda.	CMT	Red 16	Moderate 3	Medium 3	Amber 9
3	Failure to safeguard vulnerable children and adults	CMT	Red 16	Unlikely 2	High 4	Amber 8
4	Failure to attract inward investment and deliver sustainable economic growth.	CMT	Amber 12	Moderate 3	Medium 3	Amber 9
5	Non-compliance with statutory requirements resulting in prosecution and subsequent penalties.	CMT	Amber 12	Moderate 3	Medium 3	Amber 9
6	Failure to address workforce planning and resourcing requirements impacting on service delivery.	CMT	Red 16	Moderate 3	Low 2	Green 6
7	Failure to provide a response during a Major incident or business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services or an impact on a community.	CMT	Amber 8	Moderate 3	Low 2	Green 6
8	The implications of EU Exit potentially affecting the availability of Council's resources to deliver services which may impact on communities.	CMT	Red 16	Likely 4	Medium 3	Amber 12
9	The Council is hit by a Cyber-attack that compromises the confidentiality, integrity and availability of information and systems.	CMT	Red 16	Moderate 3	High 4	Amber 12
10	Failure to comply with the housing regulatory standards applicable to Local Authorities.	Sandra Watson, Service Director,	Red 20	Moderate 3	Medium 3	Amber 9

		Housing Compliance				
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Strategic Risk Map

Impact	Extreme (7)				
	High (4)	• (SR3)	• (SR1) • (SR9)		
	Medium (3)		• (SR2) • (SR4) • (SR5) • (SR10)	• (SR8)	
	Low (2)		• (SR6) • (SR7)		
		Unlikely (2)	Moderate (3)	Likely (4)	Almost Certain (5)
Likelihood					

SR	Risk description	Risk owner
1	Failure to address the financial gap in the Council's budget and achieve the target within the Medium-Term Financial Strategy resulting in non-achievement of Council strategic priority of Making Gateshead a Place Where Everyone Thrives.	CMT
2	Failure to manage demand and expectations could result in the Council not achieving its Thrive agenda.	CMT
3	Failure to safeguard vulnerable children and adults	CMT
4	Failure to attract inward investment and deliver sustainable economic growth.	CMT
5	Non-compliance with statutory requirements resulting in prosecution and subsequent penalties.	CMT
6	Failure to address workforce planning and resourcing requirements impacting on service delivery.	CMT
7	Failure to provide a response during a Major incident or business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services or an impact on a community.	CMT
8	The implications of EU Exit potentially affecting the availability of Council's resources to deliver services which may impact on communities.	CMT
9	The Council is hit by a Cyber-attack that compromises the confidentiality, integrity and availability of information and systems.	CMT
10	Failure to comply with the housing regulatory standards applicable to Local Authorities.	Sandra Watson, Service Director, Housing Compliance

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TITLE OF REPORT: Treasury Management Performance – 2024/25 Quarter 1 Review

REPORT OF: Darren Collins – Strategic Director, Resources & Digital

Purpose of the Report

1. The purpose of this report is to review Treasury Management 2024/25 performance for the three months to 30 June 2024, covering investments and borrowing. This is consistent with approved performance management arrangements.

Background

2. The quarterly performance of the Treasury Management Service is reported in line with CIPFA's Code of Practice on Treasury Management and the Council's Treasury Policy Statement and Treasury Strategy (TMSS) which was approved by Council on 19 March 2024.
3. The primary objective of the Treasury Management Strategy is to safeguard the Council's assets with a secondary objective of obtaining an optimum rate of return on investments and minimising the costs of borrowing.
4. The report provides an update on the Treasury Management performance in quarter 1, and an estimate of the projected outturn for net interest.

Summary of Treasury Management Performance 2024/25 Quarter 1

5. The Council's investment policy is regularly monitored and reviewed to ensure it has flexibility to take full advantage of any changes in market conditions which will benefit the Council, whilst maintaining the security of funds.
6. No new borrowing has been taken out to date during 2024/25, interest rates are monitored closely to inform the best timing to take new borrowing to minimise the revenue impact of financing the Council's Capital Programme.
7. Performance in the first three months of the financial year indicates a net General Fund budget saving of £1.177m.
8. Treasury Management Prudential Indicators are monitored throughout the year and the Council is within the limits set for all Treasury Management Prudential Indicators.
9. More detailed Treasury Management performance information is included in Appendix 1.

Recommendation

Committee is requested to note the Treasury Management Performance Review for Quarter 1 2024/25.

Treasury Management Performance Report 2024/25 Quarter 1**Investment Performance**

1. The latest projection at 30 June 2024 of gross investment income for 2024/25 based on interest earned to date and expected interest to March 2025 is £4.838m, compared to an original estimate of £4.746m.
2. This gross investment interest is adjusted to account for £1.059m interest payable to third parties (budget £0.879m), temporary loans of £0.003m (budget £0.037m) and interest receivable of £0.878m from various third parties (budget £0.900m).
3. This gives a projected net interest to the General Fund 204/25 of £5.904m compared to the budget of £5.980m. The £0.076m variance to budget is mainly a result of lower levels of interest forecast due to anticipated reductions in the Bank of England base rate later in the financial year.

The Economy

4. The Bank of England's Monetary Policy Committee have not made any changes to the bank base rate so far in financial year 2024/25 and the rate remains at 5.25%. It is anticipated that base rate increases have peaked at 5.25% and rates are projected to reduce later in the current financial year.

Rate of Return

5. The average rate of return is monitored for each investment type the Council enters into and these are used to calculate an average rate of return for the year to date. The current rate of return is 5.58%, which is an improvement on the original estimate of 4.89%.
6. The quarterly LINK Asset Services Investment Benchmarking report assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across regional Local Authorities. In the most recent report received 2 July 2024 the Council achieved a weighted average rate of return of 5.676% on its investments at Quarter 1 2024/25, which is above both the groups average return and the risk adjusted expectations defined in the Benchmarking Report for our Group.
7. As at 30 June 2024, the funds managed by the Council achieved a rate of return on its investments of 5.58% compared with the benchmark SONIA (Sterling Overnight Index Average) rate of 5.20%. Performance is above the benchmark rate, whilst still adhering to the prudent policy agreed by the Council.
8. The average rate of return is forecast to reduce to 5.22% during the remainder of the financial year as higher interest investments mature, investment balances are projected to remain consistent but below budget and new deposits are placed with slightly lower yielding returns. Interest rates for new investments at 30 June 2024 are around 5.10% to 5.15% for 12 months and 5.15% to 5.25% for 6 months, which

should be sufficient to allow the Council to achieve the budgeted returns from investing cash balances.

Borrowing

14. The total borrowing for the Council and HRA as at 30 June 2024 was £670.667m, which was within the operational borrowing limit of £872.000m. This borrowing is made up of £622.667m Public Works Loans Board (PWLB) loans and £48.000m market loans.
15. The Treasury Strategy estimates for the 2024/25 financial year were based on a total borrowing requirement of £94.189m with £72.131m relating to the GF and £22.058m the HRA. The position at 30 June 2024 had a lower projected borrowing requirement of £39.004m, with £35.240m relating to the GF and £3.764 to the HRA.
16. Due to the current high long-term borrowing rates there has been no borrowing taken in the year to date. The timing of any further borrowing will depend on cash flow requirements to support the capital programme, pending borrowing rates reducing.
17. The Council's average interest rate on borrowing is low, currently 3.57%, and, as such, the Council already benefits from this lower cost of borrowing. Based on information from the Council's treasury advisor, performance continues to see the Council's rate of borrowing compare favourably to other authorities.
18. PWLB Borrowing costs have fluctuated in year, with borrowing rates at end of June at 5.18%. PWLB rates are currently higher than budgeted and will be monitored to ensure any borrowing is taken at the optimum time to minimise the number of long term loans entered into at the current higher level of interest rates.
19. The current forecast for interest payable on borrowing is allocated to the General Fund and the Housing Revenue Account (HRA) as shown in the following table:

	General Fund	HRA
Budget Interest Payable	£14.297m	£12.402m
Forecast Interest Payable	£13.044m	£11.592m
Variance	(£1.253m)	(£0.810m)
Average rate of interest	3.41%	3.77%

Compliance with Treasury and Prudential Limits

20. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the period to 30 June 2024, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2024/25 as demonstrated in Appendix 2.
21. The statutory limit under section 3 (1) of the Local Government Act 2003, which is required to be reported separately, (also known as the Authorised Borrowing Limit for External Debt) was set at £865.000m for 2024/25. The Council's maximum

external debt during the current financial year to date was £670.667m and is within this limit.

22. More details of the Treasury Management Prudential Indicators are set out in Appendix 2 for information.
23. The Council is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years as a minimum and Appendix 3 shows the current position as 30 June 2024.

Summary of Mid-Year Performance

24. The projected net impact of investment and borrowing activity on the revenue budget in 2024/25 is an underspend of £1.987m, comprising £1.177m General Fund underspend and £0.810m HRA overspend.

	General Fund			HRA		
	Estimate	Projected Outturn	Variance	Estimate	Projected Outturn	Variance
	£m	£m	£m	£m	£m	£m
Investments	(5.980)	(5.904)	0.076	0.000	0.000	0.000
Borrowing	14.297	13.044	(1.253)	12.402	11.592	(0.810)
Premia	0.462	0.462	0.000	0.000	0.000	0.000
Net Position	8.779	7.602	(1.177)	12.402	11.592	(0.810)

25. Interest rates for investments will continue to be monitored to allow the council to maintain existing returns from investing cash balances.
26. The balance of external and internal borrowing is generally driven by market conditions. The council will continue to monitor the market to identify any opportunity to repay borrowing earlier than planned, subject to any discounts received.

Maturity Profile of Fixed Rate Borrowing

The following table shows that Gateshead is within the prudential limits set for the maturity profiles of fixed rate borrowing.

Fixed Rate Borrowing				
	Lower	Upper	Actual @ 3 June 2024	Max Actual to date
< 1 yr	0%	16%	1.56%	1.56%
1 – 2 yrs	0%	16%	2.24%	3.09%
2 – 5 yrs	0%	22%	9.34%	9.34%
5 – 10 yrs	0%	23%	10.47%	11.96%
10 – 20 yrs	0%	17%	4.40%	4.40%
20 – 30 yrs	0%	21%	6.79%	6.79%
30 – 40 yrs	0%	46%	35.67%	35.67%
40 – 50 yrs	0%	39%	28.03%	29.52%
50 yrs +	0%	13%	0.00%	0.00%

Maturity Profile of Variable Rate Borrowing

The following table shows that Gateshead is within the prudential limits set for the maturity profiles of variable rate borrowing.

Variable Rate Borrowing				
	Lower	Upper	Actual @ 30 June 2024	Max Actual to date
< 1 yr	0%	18%	1.49%	1.49%
1 – 2 yrs	0%	13%	0.00%	0.00%
2 – 5 yrs	0%	13%	0.00%	0.00%
5 – 10 yrs	0%	13%	0.00%	0.00%
10 – 20 yrs	0%	13%	0.00%	0.00%
20 – 30 yrs	0%	13%	0.00%	0.00%
30 – 40 yrs	0%	13%	0.00%	0.00%
40 – 50 yrs	0%	13%	0.00%	0.00%
50 yrs +	0%	13%	0.00%	0.00%

Operation and Authorised Limits (External Debt)

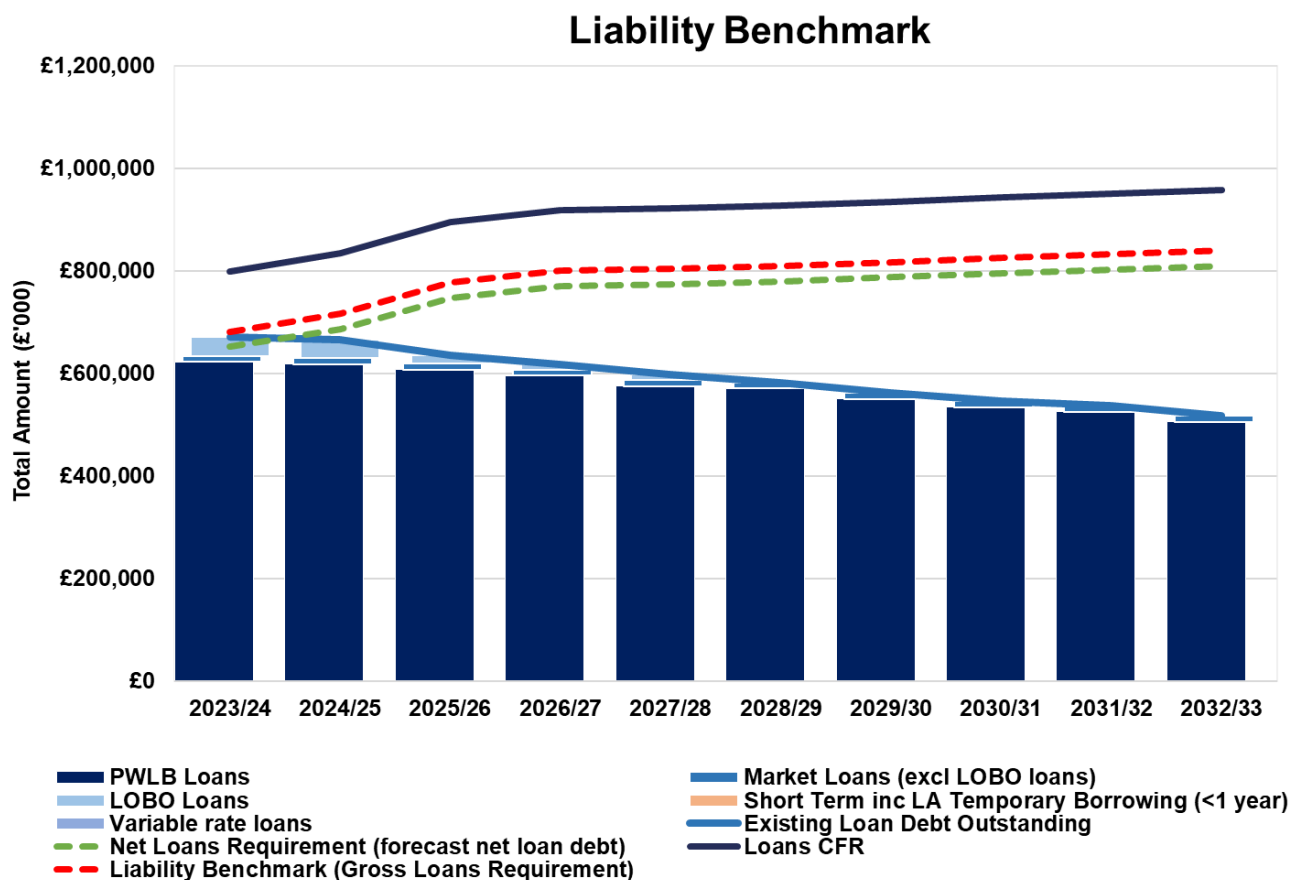
Operational Limit 2024/25	£m 872.000
Authorised Limit 2024/25	865.000
Actual External Debt Outstanding 30 June 2024	670.667
Maximum Debt Outstanding to 30 June 2024	670.667

Non-Specified Investments

As part of the Annual Investment Strategy, the approved limits in respect of non-specified investments have been agreed. The limits and actual performance are detailed below for counterparties with ratings which fall short of the Council's high credit rating. Investments over 364 days are also classed as non-specified.

	Limits 2024/25	Actual Levels 30 June 2024	Maximum to date
Rated Not High	25.00%	0.00%	0.00%
Not Rated	0.00%	0.00%	0.00%
Over 364 days (max of 3 yrs.)	£15m / 20.00%	£0m / 0.00%	£0m / 0.00%

Liability Benchmark



The Liability Benchmark gross loans requirement, subject to using internal borrowing and maintaining a liquidity allowance in Treasury Management investments, indicates external debt is below the benchmark.

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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TITLE OF REPORT: Training Programme

REPORT OF: Mike Barker – Strategic Director Corporate Services and Governance

Purpose of the report

1. This report sets out the proposed training programme for members of the Audit and Standards Committee for the municipal year 2024-2025.

Background

2. Members of the Audit and Standards Committee have an important role in promoting and maintaining high standards of conduct by councillors and in considering the effectiveness of the Council’s audit functions, risk management and internal control functions. Members of the Committee also review and consider financial statements, external auditor’s opinions and treasury management performance.
3. This is a wide ranging and critical role. To ensure this function is undertaken effectively, members of the Committee should be appropriately trained. CIPFA (Chartered Institute of Public Finance and Accountancy) guidance on the role of audit committees recommends training is undertaken help members to understand the key agenda items, and to keep them informed of new developments.
4. It is acknowledged that the training programme has been delayed and this is to be rectified with a programme of regular and wide-ranging sessions which will be open to all members of the Audit and Standards Committee, with some sessions being opened up to the wider membership of the Council.
5. The following topic areas will be covered:

Knowledge Area	Detail of Core Knowledge Required
Organisational Knowledge	<ul style="list-style-type: none"> • An overview of the authority’s governance structures and decision-making processes. • Knowledge of the organisational objectives and major functions of the authority
Audit Committee	<ul style="list-style-type: none"> • An understanding of the audit committee’s role and place within the governance structures.

Role and Functions	<ul style="list-style-type: none"> • Familiarity with the committee's terms of reference and accountability arrangements. • Knowledge of the purpose and role of the audit committee.
Governance / Values of good governance	<ul style="list-style-type: none"> • Knowledge of the seven principles as outlined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). • How the principles of governance are implemented locally as set out in the local code of governance. • Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). • Knowledge of the whistleblowing arrangements in the authority.
Internal Audit	<ul style="list-style-type: none"> • An awareness of the key principles of the PSIAS and the LGAN. • Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. • How the role of the head of internal audit is fulfilled. • Details of the most recent external assessment and level of conformance with the standards. • Internal audit's strategy, plan and most recent annual opinion.
Financial management and financial reporting	<ul style="list-style-type: none"> • Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • An understanding of good financial management practice as set out in the CIPFA Financial Management Code (FM Code) and the level of compliance with it. • Knowledge of how the organisation meets the requirements of the role of the CFO as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) • An overview of the principal financial risks the authority faces.
External audit	<ul style="list-style-type: none"> • Knowledge of the role and functions of the external auditor and who currently undertakes this role. • Knowledge of the key reports and assurances that external audit will provide. • Familiarity with the auditor's most recent plan and the opinion reports. • Knowledge about arrangements for the appointment of auditors and quality management undertaken.
Risk Management	<ul style="list-style-type: none"> • Understanding of the principles of risk management, including how it supports good governance and decision making.

	<ul style="list-style-type: none"> • Knowledge of the risk management policy and strategy of the organisation. • Understanding of risk governance arrangements, including the role of members and of the audit committee. • Knowledge of the current risk maturity of the organisation and any key areas of improvement
Counter Fraud	<ul style="list-style-type: none"> • An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. • Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). • Knowledge of the organisation's arrangements for tackling fraud.
Treasury Management	<ul style="list-style-type: none"> • Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> – regulatory requirements – treasury risks – the organisation's treasury management strategy – the organisation's policies and procedures in relation to treasury management.

Proposals

6. Following agreement at the Audit and Standards Committee on 18 June 2024, training sessions will be held on the same date as the committee meetings are scheduled, taking place immediately after the meeting has concluded. Each session will be approximately 1 hour in duration. The topic to be covered in the training session will reflect agenda items at the following meeting to ensure learning is relevant to the business of the committee.
7. There are two sessions which will fall outside of these proposals:
 - a. Financial Reporting and Reviewing Financial Statements – this session will take place immediately before the committee meeting on 26 September 2024. The statements are on the agenda for that meeting and it will be useful to have the learning fresh in members' minds going into the meeting (rather than take place prior to the summer recess).
 - b. Treasury Management – this session will be undertaken by an external organisation. It will be held on a date separate to a scheduled committee meeting, but prior to the March meeting when Treasury Management will be considered. The meeting

will be held on Teams and will be open to all Councillors to attend. The session is likely to last for 60 – 90 minutes.

8. The following timetable is proposed:

Topic	Knowledge Area	Proposed Delivery Date
Basic Introduction to the Role and Remit of the Committee and Corporate Governance Structures	Organisational Knowledge. Audit Committee Roles and Functions. Governance. Values of Good Governance.	16.7.24
Ethics and Probity	Standards	16.7.24
Financial Reporting and Reviewing Financial Statements	Financial Reporting	26.9.24 – immediately before the A&S meeting
Corporate Risk Management / Business Continuity Planning	Risk Management	5.11.24
Treasury Management	Treasury Management	Separate session – prior to March A&S meeting
Understanding Internal / External Audit	Internal Audit External Audit	4.3.25
Counter Fraud & Corruption	Counter Fraud	29.4.25

Recommendations

9. It is recommended that the Committee note the report and agree the proposed training programme timetable.