

***AUDIT COMMITTEE  
Regulatory Committee  
Agenda***

Date Tuesday 5 September 2023

Time 6.00 pm

Venue Crompton Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL

Notes 1. DECLARATIONS OF INTEREST- If a Member requires advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or at least 24 hours in advance of the meeting.

2. CONTACT OFFICER for this agenda is Tel. or email

3. PUBLIC QUESTIONS - Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the contact officer by 12 noon, Thursday, 31 August 2023.

MEMBERSHIP OF THE AUDIT COMMITTEE  
Councillors Akhtar, Al-Hamdani, S. Bashforth, Birch, Davis, Ghafoor, Salamat, Sykes and Woodvine  
Independent Members: Grenville Page

Item No

- 1 Appointment of Vice-Chair  
To appoint a Vice Chair of the Committee for the Municipal Year 2023/24.
- 2 Apologies For Absence
- 3 Minutes of Previous Meeting (Pages 1 - 10)  
The Minutes of the Audit Committee meeting held on 20 July 2023 are attached for approval.
- 4 Urgent Business  
Urgent business, if any, introduced by the Chair
- 5 Declarations of Interest

To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.

6 Public Question Time

To receive Questions from the Public, in accordance with the Council's Constitution.

7 Update on External Audit Matters

Report to follow.

8 Revenue Monitor and Capital Investment Programme 2023/24 Quarter 1 – June 2023 (Pages 11 - 64)

To receive and discuss the Revenue Monitor and Capital Investment Programme 2023/24 Quarter 1 – June 2023.

9 Treasury Management Quarter One Report 2023/24 (Pages 65 - 84)

To receive and discuss the Treasury Management Quarter One Report 2023/24.

10 Compliance with the CIPFA Code of Financial Management

Report to Follow.

11 Oldham Council Loans Policy and amendment to the Terms of Reference for the Audit Committee (Pages 85 - 104)

To receive and discuss the Oldham Council Loans Policy and amendment to the Terms of Reference for the Audit Committee.

12 Annual Report of the Audit Committee to Council (Pages 105 - 112)

To receive and discuss Annual Report of the Audit Committee to Council.

13 Update on General Matters (Pages 113 - 132)

To receive and discuss an update on General Matters.

14 Future Oversight of Council Companies and Partnerships (Pages 133 - 138)

To receive and discuss a report regarding the Future Oversight of Council Companies and Partnerships.

15 Proposed Audit Committee Work Programme for 2023/24 (Pages 139 - 148)

To discuss the Work Programme for 2023-24.

16 Exclusion of Press and Public

That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports

17 Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24

Report to follow.

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**AUDIT COMMITTEE**  
**20/07/2023 at 6.00 pm**

**Present:** Mr. G. Page (Independent Chair)  
Councillors Al-Hamdani, S. Bashforth, Birch, Davis, Ghafoor and Salamat

Also in Attendance:

Anne Ryans – Director of Finance

Jayne Ratcliffe – Director of Adult Social Care

Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

Hayley Eccles – Assistant Director of Adult Social Care

Lee Walsh – Finance Manager (Capital and Treasury)

John Miller – Head of Internal Audit and Counter Fraud

Daniel Watson – Mazars LLP (External Auditors)

Peter Thompson – Constitutional Services

**1 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Akhtar, Sykes and Woodvine.

**2 URGENT BUSINESS**

The Committee was reminded that there was an outstanding issue from the meeting that was held on 8<sup>th</sup> June 2023: 'Appointment of Vice Chair' (minute 1 refers).

Resolved:

That Councillor Akhtar be appointed Vice Chair of the Audit Committee for the remainder of the 2023/24 Municipal Year.

**3 DECLARATIONS OF INTEREST**

There were no declarations of interest received.

**4 PUBLIC QUESTION TIME**

There were no public questions for this meeting of the Committee to consider.

**5 MINUTES**

Resolved:

That the minutes of the meeting of the Audit Committee, held on 27<sup>th</sup> June 2023, be approved as a correct record.

**6 FINAL ACCOUNTS 2021/22 - PROGRESS UPDATE**

The Director of Finance verbally updated the Committee regarding the Council's 2021/22 Accounts. The 2021/22 accounts were unable to be formally signed off due to an outstanding external issue appertaining to the valuation of the Greater Manchester Pension Fund (GMPF). This issue was not unique to Oldham and was affecting the other authorities within the Greater Manchester footprint. However, revised accounts incorporating a change to the valuation of the GMPF as it relates to Oldham Council had recently been forwarded to Mazars LLP, the Council's External Auditor, for their consideration.

The representative from Mazars LLP, who was in attendance at this meeting of the Committee, advised Members, verbally, that there was still some outstanding work that they had to complete, in consultation with the Greater Manchester Pension Fund but he anticipated that a final outcome in relation to this matter would be submitted to the Committee's next scheduled meeting on 5<sup>th</sup> September 2023. It was noted that the Committee had received an interim Audit Completion Report in March and it was expected that the External Auditor would provide a letter to update the position in relation to the GMPF valuation.

Resolved:

1. That the Committee reconfirms its previous decision to grant authority to the Chair, in consultation with the Director of Finance, to approve and 'sign-off' the Council's 2021/22 Accounts, on the condition that the only revision relates to the valuation of the Greater Manchester Pension Fund,
2. An update is presented to Audit Committee's next scheduled meeting on 5<sup>th</sup> September 2023.
3. That the Council's external auditors, Mazars LLP, be requested to write to members of the Committee detailing the updated position in relation to the audit of the Authority's 2021/22 accounts when the accounts are ready for approval.
4. Due to the change in Committee membership, that Members of the Committee are provided with the Audit Completion Report that was presented to the Committee on 28<sup>th</sup> March 2023

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## **REPORT OF THE EXTERNAL AUDITOR - 2022/23 AUDIT STRATEGY MEMORANDUM**

The Committee received a report that had been prepared by the Council's External Auditors, Mazars LLP, which presented the proposed Audit Strategy Memorandum for the financial year 2022/23.

The Audit Strategy Memorandum detailed proposed works to be undertaken by the external audit team on the 2022/23 Statement of Final Accounts including the opinion on the arrangements for securing Value for Money which was to be linked into the future financial resilience of the Council.

The report summarised the audit approach that Mazars were intending to take, highlighting significant audit risks and areas of key judgements and providing the Authority with details of the team that would undertake the work.

The Committee was informed that it was a fundamental requirement that an auditor is, and should be seen to be, independent of its clients, therefore Section 8 of the submitted report also summarised their considerations and conclusions regarding their independence as auditors.

The report highlighted that it was considered that a two-way dialogue between themselves and the Council would be a key factor in ensuring a successful audit. Other mutual responsibilities included sharing information to assist each party in fulfilling their respective responsibilities.

Mazars were undertaking to provide Oldham Council with constructive observations arising from the audit process; and to ensure that they, as External Auditors, gain an understanding of the Council's attitude and views in respect of the internal and external operational, financial, compliance and other risks, which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Resolved:

That the Committee acknowledges and accepts the audit approach that Mazars were intending to take in respect of their work with Oldham Council.

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### **2022/23 FUNDAMENTAL FINANCIAL SYSTEMS AUDIT OUTCOMES AND ACTION PLAN IN RESPECT OF DIRECT PAYMENTS AND COMMUNITY HOME CARE**

The Committee considered a joint report of the Director of Adult Social Care and the Head of Internal Audit and Counter Fraud, which advised Members of the outcome of the 2022/23 Fundamental Financial Systems (FFS) Audit Review of Direct Payments and Community Home care and the agreed actions for the Adult Social Care Service to take forward, to address the recommendations made in that report.

The Community Health and Adults' Social Care Team directly managed two of the Council's financial systems. One of those systems was the Personal Budgets/Direct Payments system.

The Direct Payments and Community Home Care service had received an audit opinion of 'Inadequate' in each of the eight years from 2014/15 to 2021/22. Considering this, the overall opinion for 2022/23 had subsequently been downgraded to Weak.

The report presented to the Committee therefore established the agreed actions for the Adult Social Care Service to take forward to address the recommendations made in the latest 2022/23 FFS Audit Report. Six of the ten recommendation made in 2022/23 had been made in previous audit reports and remained outstanding. Four of these recommendations were high priority recommendations, and two are medium priority.

Resolved:

That a report outlining progress in relation to the agreed actions outlined in the report be presented for Members to consider at the Audit Committee meeting in January 2024.

## UPDATE ON GENERAL MATTERS

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which brought to the attention of Members the following issues:

- a. The outcome of the Best Value Inspection at Thurrock Council following the production of a public report in May 2023 setting out the detailed findings of the Best Value Inspectors. This included recommendations which if accepted, could impact on the work of this Committee in undertaking its governance role.
- b. The initial reported findings of the Best Value Commissioners appointed at Woking Borough Council, and the subsequent issuing by the Council of a Section 114 Notice.
- c. An update on financial issues at other Authorities including Nottingham City Council following the latest report in the public domain highlighting improvements are required in financial administration.
- d. A report produced by the Public Accounts Committee on the timeliness of External Auditors on delivering an audit opinion on the accounts of Local Authorities by the statutory deadline.
- e. The requirements of the Department of Levelling Up, Housing and Communities that Councils ensure that their S151 Officers could satisfy the role of the Accountable Officer in line with the requirements of the Department on the major grant schemes for the Future High Streets Fund, the Towns Fund and the Levelling Up Fund.
- f. The creation of the Office for Local Government (Oflog) as an initiative to improve the oversight of Authority's performance and adherence to Best Value legislation and the announcement by the Department for Levelling Up, Housing and Communities about a consultation on the proposed Best Value Standards and Interventions which will be applied to a Local Authority.

The issues detailed above (a – f), alongside the plans for change aligned to the creation of the Audit Regulation and Governance Authority (ARGA) which were reported to this Committee on 8<sup>th</sup> June 2023, highlighted that there was a potential for significant changes to the future oversight of governance nationally, including the setting up of Oflog.

In addition, after a significant period of stability in the management of Local Government finances by Local Authorities, there were some high-profile cases where, due to poor financial management, four Authorities had become reliant on capitalisation directions from Central Government to enable them to set balanced budgets. As interest rates continued to increase it was possible that other Authorities who had invested large amounts in commercialisation projects compared to their annual revenue budget, would require financial support and therefore issue a future Notice under Section 114(3) of the Local Government Act 1988 (a Section 114 Notice) advising that they were unable to manage their finances within the resources



available to them. Whilst, it was reported, the Audit Committees in the four Authorities could not have prevented past events, they should have acted as an important check and balance in providing challenge.

The events, detailed above, could potentially impact on the work of both the Audit Committee and the Council's four Scrutiny Boards in the future and all relevant information was therefore included in the Committee's report, so that Members were as well briefed as possible on matters pertinent to their role.

Resolved:

That the Committee approves and endorses the approach undertaken by the Assistant Director of Corporate Governance and Strategic Financial Management, in respect of dealing with the issues outlined in the report.

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### **SELF-ASSESSMENT OF THE WORK UNDERTAKEN BY THE AUDIT COMMITTEE DURING 2022/23 COMPARED TO THE CONSTITUTION**

The Committee received a report that had been prepared by the Assistant Director of Corporate Governance and Strategic Financial Management which explained that the first stage of producing the Audit Committee's Annual Report to Council was to undertake a review of the work that had been undertaken during 2022/23 and to assess how it aligned to the Committee's Terms of Reference as set out in the Council's Constitution.

The requirement to produce an Annual Report was set out in updated guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of Audit Committees in 2022. This was highlighted as good practice to Members of the Committee in a recent training session that they received, outlining the roles and responsibilities of the Audit Committee.

The Assistant Director's report therefore set out a summary of the guidance. Firstly, this included setting out the key documents that will influence how Oldham Council's Audit Committee should operate to follow best practice going forward and the Committee was advised that a further report was planned for consideration at the next scheduled meeting on 5<sup>th</sup> September 2023. Secondly, the report explained how the Committee's work during 2022/23 aligned to the Committee's Terms of Reference, as set out in the Council's Constitution.

The self-assessment detailed how during the financial year 2022/23 the Audit Committee reviewed the eight key tasks that had been defined in its Terms of Reference. These were:

1. Approval and oversight of the Financial Statement of Accounts
2. Oversight of the Council's Internal Audit Arrangements
3. Oversight of the Council's Relationship with the External Auditor
4. Review of Finance and Contract Procedure Rules

5. Oversight of Corporate Governance
6. Oversight of Treasury Management
7. Oversight of Risk Management
8. Oversight of Information Governance

Resolved:

That the self-assessment of the work undertaken by the Audit Committee during 2022/23, compared with the agreed Terms of Reference as set out in this report, be endorsed.

11 **TREASURY MANAGEMENT UPDATE QUARTER 1  
MONITORING REPORT**

The Director of Finance reported that this item had been withdrawn from the agenda and would be considered at a future meeting of the Committee.

12 **REVISION TO FINANCE PROCEDURE RULES**

The Committee considered a report of the Director of Finance which explained that there was a requirement to review the Financial Procedure Rules (FPRs) on a regular basis. Such a review had recently been concluded and the consequent revised FPRs were therefore presented for consideration.

If the Audit Committee were content to accept the revisions, the FPRs would subsequently be presented to Council for formal approval. The Audit Committee's Terms of Reference stated that that the Audit Committee should 'review Financial Procedure Rules and Contract Procedure Rules and make recommendations to the Council as to any changes considered necessary to those documents and procedures.'

The Director of Finance reported that officers from the Finance and the Internal Audit Teams had recently undertaken a detailed review of FPRs. This resulted in a range of proposed changes to improve the FPRs so that they better reflected both the current operating arrangements of the Council and best practice.

The existing FPRs had served the Council well and remained fully functional, the document at Appendix 1, of the report, highlighted the proposed changes and the document at Appendix 2 was the amended version that was recommended for approval. The summary of changes was extensive with four general changes and 15 specific changes. Whilst some of the amendments are quite small, they were equally important. It was, however, considered to be essential that the Council's FPRs reflect best practice and were updated to capture recent local and national changes.

Whilst generally content to approve the proposed revisions, Members of the Committee requested three additional changes to the FPRs:

- A slight wording amendment at 1.26 to reflect the correct role of the Audit Committee

- The inclusion of reference to a community asset transfer in relation to the disposal of an asset (paragraph 8.3)
- Specific reference at paragraph 20.7 and 20.9 that offering a loan or any grant must clearly demonstrate how it would support the delivery of Corporate Objectives.

Resolved:

That the Audit Committee approves the revisions to the Financial Procedure Rules (subject to the 3 changes requested by the Committee) and commends the document at Appendix 2 of the report, to Council for formal approval.

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### **AMENDMENTS TO CONTRACT PROCEDURE RULES AND PROPOSED FUTURE REVISIONS**

The Director of Finance presented a report which explained that there was a requirement to review the Contract Procedure Rules (CPRs) on a regular basis. The Committee were advised that such a review had recently concluded and the consequent revised CPRs were presented to Council and approved on 12<sup>th</sup> July 2023.

However, after a further review, the Director of Finance was recommending further revisions as presented in her submitted report. If the Audit Committee were content to accept the revisions, the CPRs would then be presented to Council for formal approval. The Committee were advised that their Terms of Reference stated that the Audit Committee should 'review Financial Procedure Rules and Contract Procedure Rules and make recommendations to the Council as to any changes considered necessary to those documents and procedure.'

The Director of Finance informed the Committee that a recent detailed review of CPRs had been undertaken by officers from the Procurement, Legal, Finance, and the Internal Audit Teams. This review had resulted in a range of proposed changes to improve the CPRs which were agreed so that they reflect both the current operating arrangements of the Council and best practice.

Whilst it would be possible to update the existing CPRs again next year, officers considered it to be prudent to consider a further small number of further revisions which were detailed in the Director of Finance's report.

Members were content to approve the report subject to the inclusion of a new to require that on an annual basis the record of authorised exemptions to CPRs maintained by the Head of the Commercial Procurement Unit, should be reported to the Audit Committee.

Resolved:

1. That the Audit Committee notes the CPRs agreed at full Council, on 12<sup>th</sup> July (detailed at Appendix 1 of the submitted report).

2. That the Audit Committee endorses the proposed revisions to the Contract Procedure Rules (subject to the inclusion of a new paragraph as requested by the Committee) and commends the document (attached at Appendix 2), to a future meeting of the Council for formal approval.
- 3.

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## **2023/24 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**

The Committee considered a report of the Head of Internal Audit and Counter Fraud which summarised work that had been carried out by the Internal Audit team during the first quarter period of 2023/24 1<sup>st</sup> April 2023 to 30<sup>th</sup> June 2023.

The terms of reference for the Audit Committee stated that the Committee shall 'be responsible for oversight of the Council's Internal Audit arrangements' and also that it should 'review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary', therefore the Committee's report provided Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for Q1 the 2023/24 financial year. The report was presented to assist the Committee in discharging its responsibilities.

During this period the team had prioritised the Council's Fundamental Financial Systems (FFS) reviews to provide assurance in respect of the 2022/23 Financial Statements, and the Annual Opinion Report of the Head of Audit and Counter Fraud for 2022/23. In addition, other Audit and Counter Fraud Team activity included:

1. Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information in respect of grants received.
2. Completion of a variety of other planned Audit reviews and reports on Semi-Independence Units, Housing Strategy implementation, Out of Borough Education, and in connection with the pre-contract phases of the North Chadderton High School Extension, Diggle Clock Tower, The Old Library/Museum and Egyptian Room projects.
3. Issuing a briefing note on Postal Voting integrity checks during the election in May 2023.
4. The commencement of audit reviews of Street Lighting and Energy Management Functions.
5. Corporate Counter Fraud activities, which have identified £75,036 of fraud errors and overpayments. The Direct Payments Audit Team (Adults and Children) have continued to deliver significant recovery outcomes which have generated £465,128 and £2,376 (respectively) for the period 1<sup>st</sup> April 2023 to 30<sup>th</sup> June 2023.

Resolved:

That the Committee endorses and supports the audit activities and work detailed in the 2023/24 Internal Audit and Counter Fraud Progress Report.

15 **AUDIT COMMITTEE WORK PROGRAMME FOR 2023/24**

Members considered the Audit Committee's Work Programme for 2023/24.

Resolved:

That the Audit Committee' Work Programme for 2023/24 be approved with the inclusion, in January 2024, of the additional item related to the progress in addressing the key actions identified in the Fundamental Financial Systems audit of Direct Payments and Community Home Care.

16 **EXCLUSION OF PRESS AND PUBLIC**

Resolved:

That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following two items of business on the grounds that they contain exempt information, as defined under paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

17 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2022/23 AND NEW ISSUES FOR 2023/24**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which updated Members on the Annual Governance Statement for 2022/23 and new issues by outlining the progress made to reduce the risk of issues arising for the Council to address, where matters were identified as areas requiring improvement in internal control within the draft Annual Governance Statement for 2022/23 and, secondly by highlighting any new issues which would be considered if the Annual Governance Statement was to be produced as at 30<sup>th</sup> June 2023.

Appendix 1, of the report, detailed, issues that were reported in the 2022/23 Annual Governance Statement and the actions taken so far during the 2023/24 financial year to mitigate these risks. It also gave an opinion on the present risk at the production of the Annual Governance Statement based upon a Red/Amber/Green (RAG) rating.

Appendix 2, of the report detailed new issues that maybe considered for inclusion in the draft 2023/24 Annual Governance Statement should it have been produced before 30<sup>th</sup> June 2023. It also gave an opinion on the present risk at the production of the Annual Governance Statement based upon a RAG rating.

Resolved:

That the Committee endorses and supports the progress made on the issues identified in the 2022/23 Annual Governance

Statement and the potential new issues which could be included in future productions of the Statement.



**Oldham**  
Council

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**UPDATE ON THE RISK MANAGEMENT STRATEGY AND FRAMEWORK AND CORPORATE RISK REGISTER**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which updated Members on the Risk Management Framework, Risk Management Strategy and Corporate Risk Register updated as at the end of June 2023. As the Committee charged with governance it is part of the role of the Audit Committee to scrutinise the Corporate Risk Register, on a regular basis.

The Committee was advised that the Council has an agreed Risk Management Strategy and Framework which was reviewed in early July 2023. Only minor formatting changes were made as part of the review. Risks were linked to the Business Planning process and were refreshed quarterly by services.

Resolved:

That the Committee approves the reviewed Risk Management Strategy, Risk Management Framework and Corporate Risk Register, as detailed in the submitted report.

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**ASSISTANT DIRECTOR OF CORPORATE GOVERNANCE AND STRATEGIC FINANCIAL MANAGEMENT**

The Chair referred to the impending retirement of the Assistant Director of Corporate Governance and Strategic Financial Management, Mr Mark Stenson. On behalf of the Committee the Chair thanked Mr. Stenson for his outstanding contribution to Oldham Council, over many years and expressed best wishes for his forthcoming retirement.

The meeting started at 6.00pm and ended at 8.00pm





## Report to Audit Committee

# Revenue Monitor and Capital Investment Programme 2023/24 Quarter 1 – June 2023

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Andy Cooper, Senior Finance Manager  
Ext. 4925

**5 September 2023**

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### **Purpose of Report**

The report provides the Audit Committee with the opportunity to review the first budget monitoring report for the financial year 2023/24. It is therefore able to consider the key information relating to the forecast revenue budget position and the financial position of the capital programme at 30 June 2023 (Quarter 1), together with the revised capital programme covering the period 2023/24 to 2027/28. The report, which was presented to and approved at the Cabinet meeting of 21 August 2023 is appended as Attachment 1.

### **Executive Summary**

The Audit Committee is presented with the report: Revenue Monitor and Capital Investment Programme 2023/24 Quarter 1 – June 2023 (Attachment 1), enabling the Committee to review the financial position of the Council. The report has been considered and approved at the meeting of Cabinet on 21 August 2023.

The report presents the current forecast revenue outturn position for 2023/24 at Quarter 1 together with the forecast outturn for the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund. The report also outlines the most up to date capital spending forecasts for 2023/24 to 2027/28 for approved schemes.

As this financial monitoring report reflects the financial position at Quarter 1, it can be regarded as an early warning of the potential year-end position if no further action is taken to reduce net expenditure where possible. The management action initiated in 2022/23 across all service areas to review and challenge planned expenditure and to maximise income has had to be continued in 2023/24. Although, the impact of this action has yet to take full effect in the current financial year, it is anticipated that by the year end, the current outturn deficit position should be reduced. This should start to be demonstrated in the update reports which are to be presented to Cabinet, the Governance, Strategy and Resources Scrutiny Board and this Committee at months 6, 8 and 9.

### **Recommendation**

That the Audit Committee considers the financial position of the Council as presented in the attached report.



**Report to Cabinet****Revenue Monitor and Capital  
Investment Programme 2023/24  
Quarter 1 – June 2023**

**Portfolio Holder:** Councillor Abdul Jabbar MBE,  
Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Anne Ryans, Director of Finance  
**Ext. 4902**

**21 August 2023**

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**Reason for Decision**

The report provides Cabinet with an update as at 30 June (Quarter 1) of the Council's 2023/24 forecast revenue budget position (at Annex 1) and the financial position of the capital programme together with the revised capital programme 2023/24 to 2027/28 (at Annex 2), as outlined in section two of the report.

**Executive Summary****Revenue Position**

The forecast outturn position for 2023/24 is a projected deficit variance of £12.104m after allowing for approved and pending transfers to and from reserves.

Unlike 2022/23, when £12.000m of corporate resources were held to offset costs arising from the legacy of the COVID-19 pandemic, the budget for 2023/24 has been prepared so that anticipated COVID legacy costs are consolidated within the mainstream budgets of Children's Social Care and Community Health and Adult Social Care.

An update on the major issues driving the projections is detailed within Annex 1, Section 2.

As this financial monitoring report reflects the financial position at Quarter 1, it can be regarded as an early warning of the potential year- end position if no further action is taken to reduce net expenditure where possible. The management action initiated in 2022/23 across all service areas to review and challenge planned expenditure and to maximise income has had to be continued in 2023/24. Although, the impact of this action has yet to take full effect in the current financial year, it is anticipated that by the year end, the current

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outturn deficit position should be reduced. This should start to be demonstrated in the update reports which are to be presented to Cabinet at months 6, 8 and 9.

Information on the Quarter 1 position of the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund is also outlined in the report.

The 2022/23 DSG outturn was a cumulative surplus of £0.899m; the first time that a surplus has been reported since 2016/17, representing the achievement of a major financial milestone for the Council. Future projections continue to improve with forecast surpluses of £2.517m and £2.765m in 2023/24 and 2024/25 respectively. Action will continue to be taken with the aim of mitigating cost pressures and delivering and maintaining the surplus position.

There are currently no significant issues of concern in relation to the HRA.

The Collection Fund is forecasting an in-year surplus of £1.638m, with the Council's proportion of this surplus being £1.700m. The Collection Fund is a particularly volatile area to forecast with many variables, including the impact of Government Business Rate reliefs, therefore, this area will be closely monitored over the remaining months. Information will be available later in the year to determine if / how a surplus or deficit on the Collection Fund will impact on the 2024/25 Council budget.

### **Capital Position**

The report outlines the most up to date capital spending position for 2023/24 to 2027/28 for approved schemes. The revised capital programme budget for 2023/24 is £103.748m at the close of Quarter 1, a net decrease of £6.557m from the original budget approved at Council on 1 March 2023 of £110.305m. Actual expenditure to 30 June 2023 was £12.405m (11.96% of the forecast outturn).

It is likely that the forecast position will continue to change throughout the year with additional re-profiling into future years.

### **Recommendations**

That Cabinet approves the:

1. Forecast revenue outturn for 2023/24 at Quarter 1 being a £12.104m adverse variance and action being taken to manage expenditure
2. Forecast positions for the Dedicated Schools Grant, Housing Revenue Account and Collection Fund
3. Revised capital programme for 2023/24 and the forecast for the financial years to 2027/28 as at Quarter 1.

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**Revenue Monitor and Capital Investment Programme 2023/24 Quarter 1 – June 2023****1 Background**

- 1.1 The Authority's 2022/23 revenue budget and capital programme was approved by Council on 1 March 2023. Under established budget procedures, all services are required to monitor and review their approved revenue and capital budgets during the financial year. This is reported to Cabinet on a quarterly basis with an additional report at month 8 which is used to inform the budget setting process for the following financial year.
- 1.2 As part of the budget monitoring process, the forecast year-end position for revenue and capital has been prepared by all services as follows:
- a) The revenue forecast is based on a comparison of profiled budgets to the actual position as at the end of Quarter 1 together with known commitments, issues and planned management actions.
  - b) The capital programme forecast has been based on notified revisions to the approved 2023/24 position including the final 2022/23 outturn, new grant notifications and an initial rephasing of the approved capital programme.
- 1.3 As the year progresses the outturn projections will reflect the evolving position and the impact of management actions put in place to mitigate in-year pressures, new developments and changes in the profile of planned expenditure and of course any additional support that the Government may provide.

**2. Current position**

- 2.1 The forecast revenue outturn for 2023/24 is an adverse variance of £12.104m after the application of £7.385m of reserves. Further details of the current revenue budget position and a full description of the forecast can be found in Annex 1. There are three areas which are forecasting pressures at Quarter 1, totalling £14.957m. There are pressures within Community Health and Adult Social Care of £0.518m, Place and Economic Growth of £3.553m and more significantly, Children's Services of £10.886m. Favourable variances totalling £2.853m which are offsetting these pressures are reported in Public Health at £0.250m, Communities at £0.128m, Corporate Services at £0.586m and Capital, Treasury and Technical Accounting at £1.888m.
- 2.2 It should be noted that four of the approved 2023/24 Budget Reductions are classified 'Red' and are forecast not to be delivered, one within Communities, one within Place and Economic Growth and two within Corporate Services all with a combined value of £0.108m which has been factored into the forecasts. In addition, one Budget Reduction within Children's Services is rated 'Amber/Red' and will only deliver £0.020m of the approved £0.060m, therefore, £0.040m has been factored into the forecasts as undeliverable. A further seven Budget Reductions have been rated as 'Amber' with a combined value of £2.252m. These will continue to be monitored throughout the year with the aim of maximising deliverability. At Quarter 1, these have been assumed to deliver and so no impact has been built into the forecasts.

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2.3 The projected net adverse variance is of concern and as a result, management action is required across all service areas to review and challenge planned expenditure and to maximise income to support the financial resilience of the Council. This management action replicates that which was introduced during previous financial years:

- the review and challenge of planned expenditure across all services and the maximisation of income;
- processes to monitor the recruitment of staff to vacant posts and significant items of expenditure; and
- ensuring non-essential expenditure is minimised.

2.4 There remains in 2023/24 a high degree of estimation with regard to emerging cost and demand pressures, particularly within Children's and Adult Social Care, together with the impact of cost of living pressures on pay awards and also increases in interest rates. The forecasting of the likely impact of all these factors on the Council's budget is based on both the actual expenditure and the income position recorded to date but also relies on a series of assumptions. These assumptions will be constantly updated in the light of national and indeed international influences. Future reports will advise of the progress of mitigating factors and management actions to control and reduce the forecast deficit.

2.5 As this financial monitoring report reflects the financial position at Quarter 1, it can be regarded as an early indication of the year end position if continued corrective action is not pursued. Every effort will be made to reduce the forecast variance by the year end to mitigate any potential impact on the 2024/25 budget. Members will be aware that as outlined at the Budget Council meeting on 1 March 2023, the forecast budget reduction requirement for 2024/25 is £10.224m. This assumes all approved budget reductions are delivered and is before any revisions to reflect further increases in demand pressures or higher than anticipated pay awards. If expenditure cannot be controlled in year and there is a consequent increased budget reduction requirement for 2024/25, it is likely that further reserves will have to be used to balance the budget and this will have an impact on the financial resilience of the Council.

2.6 The original capital programme for 2023/24 totalled £110.305m. The revised capital programme as at Quarter 1 taking account of approved carry forwards, approved new funding, new schemes and variations and proposed variations/ re-phasing gives projected revised expenditure of £103.748m. Actual expenditure at Quarter 1 was £12.405m (11.96% of the forecast outturn). Further details of expenditure and schemes within the capital programme can be found in Annex 2.

2.7 The Annual Review of the capital programme is now taking place as usual during the summer months. This is likely to lead to further reprofiling of planned expenditure and the realignment capital resources between schemes. Its findings and recommendations will be reported later in the financial year.

### **3 Options/Alternatives**

3.1 The options that Cabinet might consider in relation to the contents of this report are;

a) to consider the forecast revenue and capital positions presented in the report including proposed changes

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b) to propose alternative forecasts

#### **4 Preferred Option**

4.1 The preferred option is that the Committee considers the forecasts and changes within this report; option (a) at 3.1.

#### **5 Consultation**

5.1 Consultation with the services within the Council and the Director of Finance.

#### **6 Financial Implications**

6.1 The full financial implications are detailed in the report.

#### **7 Legal Services Comments**

7.1 There are no legal issues at this time.

#### **8 Co-operative Agenda**

8.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the co-operative ethos of the Council.

8.2 The revenue budget and capital strategy/ programme have been prepared so that they embrace the Council's co-operative agenda with resources being directed towards projects that enhance the aims, objectives and co-operative ethos of the Council. Ongoing budget monitoring is key to ensuring this objective is met.

#### **9 Human Resources Comments**

9.1 There are no Human Resource implications.

#### **10 Risk Assessments**

10.1 The risk is that the proposed management actions are not achieved in full. Should this be the case then alternatives will be sought and implemented.

#### **11 IT Implications**

11.1 There are no IT implications.

#### **12 Property Implications**

12.1 There are no Property implications.

#### **13 Procurement Implications**

13.1 There are no Procurement implications.

#### **14 Environmental and Health & Safety Implications**

14.1 There are no Environmental and Health and Safety implications.

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## 15 Equality, Community Cohesion and Crime Implications

15.1 There are no Equality, Community Cohesion and Crime implications.

## 16 Implications for Children and Young People

16.1 There are no direct implications for Children and Young People

## 17 Equality Impact Assessment Completed

17.1 An equality impact assessment has been included at Annex 3.

## 18 Key Decision

18.1 Yes

## 19 Key Decision Reference

19.1 FLC-04-23

## 20 Background Papers

20.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Revenue Background Papers are contained in Annex 1 including Appendices 1, 2 and 3

Officer Name: Andy Cooper  
Contact: andy.cooper@oldham.gov.uk

File Ref: Capital Background Papers are contained in Annex 2 including Appendices A to I

Officer Name: Lee Walsh  
Contact No: [lee.walsh@oldham.gov.uk](mailto:lee.walsh@oldham.gov.uk)

## 21 Appendices

**Annex 1 Revenue Budget Monitoring Report 2023/24 Quarter 1 - June 2023**

Appendix 1 Financing of the 2023/24 Revenue Budget at Quarter 1

Appendix 2 Analysis of Grants

Appendix 3 Summary of 2023/24 Budget Reductions and Deliverability

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<b>Annex 2</b>	<b>Capital Investment Programme Report 2023/24 Quarter 1 - June 2023</b>
Appendix A	SUMMARY – Quarter 1 - Community Health & Adult Social Care
Appendix B	SUMMARY – Quarter 1 - Children’s Services
Appendix C	SUMMARY – Quarter 1 - Communities
Appendix D	SUMMARY – Quarter 1 - Place and Economic Growth
Appendix E	SUMMARY – Quarter 1 - Housing Revenue Account (HRA)
Appendix F	SUMMARY – Quarter 1 – Corporate/ Information Technology
Appendix G	SUMMARY – Quarter 1 - Capital, Treasury & Technical Accounting
Appendix H	SUMMARY – Quarter 1 - Funds for Emerging Priorities
Appendix I	SUMMARY – Quarter 1 - Proposed Variations
<b>Annex 3</b>	<b>Equality Impact Assessment- Financial Monitoring 23-24 (Q01)</b>

# REVENUE BUDGET MONITORING REPORT 2023/24

## Quarter 1 - June 2023

### 1 Background

1.1 The Authority's 2023/24 revenue budget was approved by Council on 1 March 2023 at a sum of £287.051m incorporating:

- The use of £4.130m of surplus Collection Fund resources to support the 2023/24 revenue budget;
- Budget Reductions approved in 2021/22 and 2022/23 resulting in a budgetary impact of £3.655m for 2023/24;
- £16.313m of Budget Reductions approved within the 2023/24 budget;
- £12.786m use of corporate and specific reserves with an offsetting transfer to reserves of £1.209m reflecting the requirement, under the Business Rates Retention Pilot scheme, to pay the Greater Manchester Combined Authority a share of Retained Business Rates income; and
- £2.600m of capital receipts in line with the flexibilities agreed by Secretary of State for Levelling Up, Housing and Communities.

1.2 Under established budget procedures all services are required to monitor and review their approved budgets during the financial year. As part of this process, a forecast of the year-end position has been prepared by all services. The forecast is based on a comparison of profiled budgets to the actual position as at the end of Quarter 1 together with known commitments, issues and planned management actions.

1.3 Unlike 2022/23 when £12.000m of corporate resources were held to offset costs arising from the legacy of the COVID-19 pandemic, the budget for 2023/24 has been prepared so that anticipated COVID legacy costs are consolidated within the mainstream budgets of Children's Social Care and Community Health and Adult Social Care.

### 2 Current Position

2.1 The current net revenue budget of £292.316m represents an increase of £5.265m against the originally approved budget of £287.051m. This is due an increase in the utilisation of capital grants of £1.838m reflecting the reporting arrangements when preparing the Statement of Accounts. In addition, a range of un-ringfenced Government grants totalling £3.427m have been received since the Budget was approved. Table 1 shows the movement in funding. A full funding analysis can be found at Appendix 1.



**Table 1 – Movement in Funding**

Movement in Funding	£000
Capital Grants	(1,838)
Family Hubs and Start for Life Programme Grant	(1,444)
Rough Sleeping Drug & Alcohol Treatment Grant	(708)
Business Rates Top-up Grant – an allocation arising from the notification of Public Health Grant funding	(577)
Substance Misuse Treatment and Recovery Funding Grant	(497)
Individual Placement and Support Grant	(156)
Extended Rights to Free Travel Grant	(45)
<b>Net Movement in Funding</b>	<b>(5,265)</b>

2.2 The current position for 2023/24 at Quarter 1 is a projected adverse variance of £12.104m, a forecast of the year-end position has been prepared by all services. The table below shows the year-end forecast position against budget for each Portfolio.

**Table 2 – Summary Forecast Revenue Outturn**

	Budget	Forecast	In Year Use of Transfer To/ (From) Reserves	Variance Quarter 1
	£000	£000	£000	£000
Community Health and Adult Social Care	77,455	81,032	(3,059)	518
Children's Services	69,382	80,656	(388)	10,886
Public Health	25,425	26,553	(1,378)	(250)
Communities	6,707	7,722	(1,143)	(128)
Place and Economic Growth	59,823	64,292	(916)	3,553
Corporate Services	28,826	28,513	(274)	(586)
Capital, Treasury and Technical Accounting	24,698	23,037	(227)	(1,888)
<b>NET EXPENDITURE</b>	<b>292,316</b>	<b>311,805</b>	<b>(7,385)</b>	<b>12,104</b>
<b>FINANCED BY:</b>				
Collection Fund Surplus	(4,130)	(4,130)	-	-
General Use of Reserves	(12,786)	(12,786)	-	-
Transfer to Earmarked Reserves - Business Rates Retention Pilot Gain	1,209	1,209	-	-
Other Financing	(276,609)	(276,609)	-	-
<b>TOTAL FINANCING</b>	<b>(292,316)</b>	<b>(292,316)</b>	<b>-</b>	<b>-</b>
<b>NET FORECAST VARIANCE</b>	<b>-</b>	<b>19,489</b>	<b>(7,385)</b>	<b>12,104</b>

2.3 The forecast outturn to the end of the year, after a predicted and proposed (net) in-year transfer from reserves totalling £7.385m is an adverse variance of £12.104m, section 8 provides more detail about the approved and planned use of reserves at Quarter 1.

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2.4 There are significant variances contained within the projected net overspend. There are currently three areas which are forecasting pressures at Quarter 1;

- Children's Services is forecasting a pressure of £10.886m, the most significant contributing factor to the adverse variance;
- Place and Economic Growth is forecasting a pressure of £3.553m; and
- Community Health and Adult Social Care is forecasting a pressure of £0.518m.

Favourable variances totalling £2.853m which are offsetting these pressures are reported in Public Health at £0.250m, Communities at £0.128m, Corporate Services at £0.587m and Capital, Treasury and Technical Accounting at £1.888m.

More information on these variances is provided in summary in the following paragraphs and in detail in Section 3.

2.5 Community Health and Adult Social Care (CHASC) is reporting a net adverse variance of £0.518m, after a £3.059m use of reserves. The adverse variance is due to an additional temporary team of Social Workers deployed to undertake emergency Care Act assessments together with operational pressures within the Learning Disability and Mental Health services.

2.6 Children's Services is forecasting a net adverse variance of £10.886m, after a £0.388m use of reserves. The main pressure is within Children's Social Care (CSC) which is showing an overspend of £10.820m. The adverse variance within CSC is in the main due to an increased demand for social care placements with many complex cases plus additional costs relating to the use of agency workers to reflect the increase in demand for services and hence case numbers. Education, Skills and Early Years is reporting an overspend of £0.066m and Preventative Services is showing a balanced position.

2.7 Public Health is forecasting an underspend of £0.250m after a net £1.378m use of reserves primarily related to the use of the Contain Outbreak Management Fund grant which was brought forward from 2022/23.

2.8 Communities is showing an underspend of £0.128m after utilising £1.143m of reserves.

2.9 The Place and Economic Growth Portfolio is forecasting an adverse variance of £3.553m net of a £0.916m use of reserves, in the main due to pressures within the Waste Management, Estates and Property Management and Strategic Housing services.

2.10 The Corporate Services Portfolio is forecast to underspend by £0.586m after the utilisation of £0.274m use of reserves. There are minor pressures totalling £0.247m HR and Organisational Development (£0.156m), Commissioning and Procurement (£0.089m) and Legal Services (£0.002m). The pressures are offset by favourable variances totalling £0.833m relating to; Chief Executive, Management and Executive Office (£0.063m), Finance (£0.442m), Communications and Research (£0.014m) and Customer, Digital and Transformation (£0.314m).

2.11 Capital, Treasury and Technical Accounting is showing a favourable variance of £1.888m.

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- 2.12 A more detailed analysis of the financial performance, the major variances and contributing factors can be found by Portfolio in Section 3.
- 2.13 The approved budget for 2023/24 included centrally held resources to fund the final pay award (£6.113m), contractual and general inflationary pressures (£2.520m) and the cost-of-living crisis (£1.790m). Reserves have also been set aside to fund any additional pressures over and above these sums. The approved budgetary funding is being utilised as follows:
- Funding for **pay awards** of £6.113m is to be retained centrally and reallocated to service budgets to reflect the costs of the pay award once agreed. There is a dedicated reserve that, together with any remaining balance of the inflationary pressures budget, will be used to fund the full impact of the pay award.
  - Funding for **inflationary pressures** including energy and contractual inflation has been allocated directly to services where appropriate leaving a balance of £2.520m to address additional cost pressures through the year. Any balance, as advised above, will be used to fund the pay awards in service budgets. The £2.520m budget is forecast as being fully spent.
  - The funding for **cost of living crisis** will be allocated to service budgets as required. The £1.790m budget is forecast to be fully spent.
- 2.14 It is important to note that four of the 2023/24 approved Budget Reductions, one within Communities (see section 3.4.5), one within Place and Economic Growth (see section 3.5.5) and two within Corporate Services (see section 3.6.10) with a combined value of £0.108m are currently forecast not to be achieved and are therefore rated 'Red - Will not/ is not expected be delivered in full' and have been factored into the forecast position.
- 2.15 There is currently one Budget Reduction with a value of £0.060m within Children's Services rated 'Amber/Red - Being closely monitored in year with elements expected not to be delivered'. It is expected that £0.040m will not be achieved and this has been factored into the forecast position.
- 2.16 In addition, there are a further seven Budget Reductions, two within Place and Economic Growth (see sections 3.5.5), three within Corporate Services (see section 3.6.10), one within Children's Services (see section 3.2.14) and one within Public Health (see section 3.3.5) with a combined value of £2.252m rated 'Amber - Being closely monitored but expected to deliver'. These will continue to be monitored for the remainder of the year with the aim of maximising deliverability. At Quarter 1, these have been assumed to deliver and so no impact has been built into the financial forecast. A schedule and assessment of all the 2023/24 Budget Reductions is attached as Appendix 3.
- 2.17 As this financial monitoring report reflects the financial position at Quarter 1, it can be regarded as an early warning of the position if no corrective action is taken.
- 2.18 In view of the projected adverse variance, it is important to ensure that measures are taken to address the overspending, namely:
- management actions across all service areas to review and challenge planned expenditure and to maximise income;
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- processes to monitor the recruitment of staff to vacant posts and significant items of expenditure; and
- ensuring non-essential expenditure is minimised.

2.19 The effectiveness of management action and corporate procedures will continue to be closely monitored by Management Teams right up to the end of the financial year.

### 3 Portfolio Summaries

#### 3.1 Community Health and Adult Social Care

3.1.1 The Portfolio provides social care support to adults and carers across Oldham with a key aim of integrating and aligning the work with health partners to achieve greater efficiency in service delivery and better outcomes for the resident or patient. This covers both the commissioning and the provision of services. The following table shows the forecast position for the Portfolio at Quarter 1.

**Table 3 – Community Health and Adult Social Care- Forecast Outturn**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Clusters	3,016	3,013	(66)	(69)
Commissioning	17,656	18,385	(1,500)	129
Community Business Services	1,392	1,584	(251)	(59)
Community Health & Social Care	27,388	27,383	-	(5)
Director Adult Social Care	2,148	2,385	(242)	(5)
Learning Disability	15,650	16,887	(1,000)	237
Mental Health	9,192	9,481	-	289
Safeguarding	1,013	1,014	-	1
<b>Total Forecast Net Expenditure</b>	<b>77,455</b>	<b>81,032</b>	<b>(3,059)</b>	<b>518</b>

#### Summary

3.1.2 The Portfolio has a projected overspend of £0.518m and incorporates the use of reserves of £3.059m.

3.1.3 The minimum NHS contribution to the Better Care Fund (BCF) has increased by 5.66% with a total allocation of £13.638m for 2023/24. The BCF Plan has been agreed and submitted and contained within the Plan is the Local Authority Discharge Funding allocation of £1.568m. The Council is awaiting notification about the Integrated Care Board element of Discharge Funding and therefore no assumption to any potential additional share has been built into the budget at this stage.

#### Clusters

3.1.4 The Cluster service area is reporting an under spend of £0.069m. Employee budgets report an underspend of £0.190m due to vacant Social Worker posts. The position also

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includes £0.066m of earmarked reserves projected to be drawn down for temporary staff employed on the Review Team to facilitate delivery of the budget reduction proposal of £1.255m.

#### Commissioning

- 3.1.5 The Commissioning service is reporting an overspend of £0.129m. An expected cost of £0.215m is for a temporary team of Social Workers deployed to undertake emergency Care Act assessments, this is offset by a favourable variance of £0.086m which relates entirely to vacant posts following a service restructure. Current vacant posts are assumed to be recruited to in month 4. Although not within the first quarter of the year, Members will be aware that Cabinet, at its meeting on 17 July 2023, approved action to stabilise the adult social care market within Oldham leading to the acquisition (out of administration) of a Care Home by a wholly owned Council company. It is expected that costs associated with the day to day operation of the home will be financed by the use of reserves in the first year but that any costs incurred will be less than the cost of finding alternative accommodation for residents of the Care Home.

#### Community Business Services

- 3.1.6 Community Business Services is forecasting an underspend of £0.059m, of which £0.073m relates to savings from vacant posts offset by an underachievement of income on Client Finance administration fees of £0.014m. The Reform and Improvement programme forms part of this Service Area and is fully funded from reserves with an expected drawdown in 2023/24 of £0.251m. An update report is currently being produced outlining the programme priorities and statutory reforms and will be presented to Management Board for consideration

#### Community Health and Social Care

- 3.1.7 The service is reporting a small underspend of £0.005m. Employee budgets are projecting to underspend by £0.026m with community care budgets, mainly within the Physical Support cohort, reporting a pressure of £0.014m due to an overspend on Direct Payments and an underachievement in Residential and Short Stay income contributions of £0.007m.

#### Director of Adult Social Care (DASS)

- 3.1.8 The DASS underspend of £0.005m is due to a vacant post within the Principal Social Worker Team and additional grant income of £0.019m for Adult Social Care data collections. The Oldham Place Based Lead has commissioned work to undertake a strategic analysis of the Borough's capacity and demand totalling £0.242m. This will be financed by one-off earmarked reserves.

#### Learning Disability

- 3.1.9 The Learning Disability service is forecasting an adverse variance of £0.237m after the use of £1.000m of one-off earmarked reserves to support highly complex packages of

care. Overspends are reported within Residential Care provision (£0.067m), Short Stay (£0.050m), Respite Care (£0.025m) and Shared Lives (£0.050m) combined with a projected under recovery of income of £0.045m from Direct Payment recipients.

#### Mental Health

3.1.10 The Mental Health service is projecting an overspend of £0.289m. Employee budgets are expected to underspend by £0.136m due to vacant posts offsetting an underachievement of Residential and Nursing income of £0.108m. Community care budgets, in particular Direct Payments, are forecast to overspend by £0.317m, predominantly due to three back-dated payments previously held in dispute and expected to be settled to ASC in month 4.

#### Safeguarding

3.1.11 Safeguarding is reporting a minor adverse variance of £0.001m with favourable variances within the Safeguarding Team of £0.029m and Safeguarding Board £0.009m counteracting a £0.039m overspend in the MASH Team.

#### Achievement of Budget Reductions

3.1.12 The Portfolio has approved Budget Reductions of £3.574m in 2023/24 all of which are rated 'Green - Has / is expected to be fully delivered'. To Quarter 1, £1.284m has been delivered with the remaining on track by the end of the financial year.

3.1.13 New Government grant funding, the Market Sustainability and Improvement Fund was notified to the Council on 27 July 2023. Of a national allocation of £365m in 2023/24, the Council has been awarded £1.707m. This is to support tangible improvement in Adult Social Care capacity. The impact of this grant has not been included in this monitoring report as the Council is still preparing the detailed delivery plan which needs to be agreed by Government.

### 3.2 Children's Services

3.2.1 The following table shows the forecast position after the approved and planned use of reserves for the Portfolio at Quarter 1.

**Table 4 – Children's Services**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Children's Social Care	54,397	65,367	(150)	10,820
Education, Skills & Early Years	11,436	11,592	(90)	66
Preventative Services	3,588	3,736	(148)	-
Schools	(39)	(39)	-	-
<b>Total Forecast Net Expenditure</b>	<b>69,382</b>	<b>80,656</b>	<b>(388)</b>	<b>10,886</b>



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## Summary

- 3.2.2 The Portfolio has a projected overspend of £10.886m at Quarter 1 and incorporates the use of reserves totalling £0.388m. The principal underlying reasons are detailed in the following paragraphs.

### Children's Social Care

- 3.2.3 This Directorate is projecting a £10.820m overspend at Quarter 1 and incorporates the use of reserves totalling £0.150m. The principal underlying reasons are detailed below.

#### Children in Care

- 3.2.4 The area is forecasting a pressure of £8.047m. There is a net pressure, after incorporating the application of Continuing Health Care funding of £6.302m relating to placements for Children Looked After within high-cost external residential packages with a further pressure against external semi-independent placements at £1.804m. These variances are partly being offset by a net £0.059m in relation to a number of minor variances across the remainder of the service.

### Children's Fieldwork and Family Support

- 3.2.5 The area is forecasting a pressure of £3.123m. This is due to a net overspend of £2.550m on staffing costs, provisions of short breaks for children with disabilities at £0.308m, No Recourse to Public Funds (£0.067m), Assistance to Families of £0.063m and other small adverse variances totalling £0.133m.

### Children's Safeguarding

- 3.2.6 The area is reporting a favourable variance of £0.350m due to delays in recruiting to established posts.

- 3.2.7 Against a backdrop of increased demand nationally and particularly in the North West, factors such as poverty, deprivation, the legacy of the pandemic, and cost of living crisis continue to have a significant impact on the ability of children and young people in Oldham to enjoy a happy, healthy, and safe childhood. The main pressures that have carried forward into 2023/24 and which are driving the current financial position are the number and cost of children placed out of borough and the continued reliance on agency staff to address additional demand and also to help maintain a fully established workforce. The hourly rates paid to staff engaged in this manner have significantly increased in the last two years. Disappointingly, the projected overspend is despite the significant additional funding of £14.700m that has been invested in the service for the current financial year; £11.800m intended to stabilise the financial position with further one-off, net investment of £2.900m funded from reserves to pump prime a number of invest to save initiatives aimed at improving services but also delivering budget reductions over the period to 2028/29.

- 3.2.8 Whilst it is acknowledged that demand cannot be wholly controlled, Senior Management is dedicated to addressing the issues affecting the service. The Children's Transformation

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Programme (CTP) has been set up in order to drive forward the operational changes required and to facilitate delivery of the invest to save initiatives. Governance of the programme is through the CTP board, chaired by the Managing Director of Children and Young People. The programme consists of six strands of activity, as outlined below:

- Placement Sufficiency;
- Workforce;
- Early Intervention and Prevention;
- Children and Young People's Mental Health;
- Speech, Language and Communication; and
- SEND Improvement.

3.2.9 The overall impact of the transformation programme will be monitored throughout this financial year and into the future, however, it is important to note that should the current level of overspending remain unaddressed and continue throughout the rest of this financial year, it will have a budgetary implication for 2024/25 and beyond as well as reduce the financial resilience of the Council.

#### Education, Skills and Early Years

3.2.10 The area is reporting a £0.066m pressure at Quarter 1 and incorporates the use of reserves totalling £0.090m.

3.2.11 The main factor producing the adverse variance is within Learning Services where the Music Service is showing a pressure of £0.079m, Study Support is forecast to overspend by £0.016m and Central Education is forecasting a pressure of £0.040m. These pressures are partially being offset by underspends within the service of £0.069m.

3.2.12 There is a potential pressure in relation to Home to School Transport. However, the scale of this is unknown at this point of the financial year but will be re-evaluated once transport routes for the new academic year are finalised.

#### Preventative Services

3.2.13 The area is incorporating the use of reserves totalling £0.148m which brings the area to a balanced budget at Quarter 1.

#### Achievement of Budget Reductions

3.2.14 Budget Reductions for the Portfolio in 2023/24 total £1.131m of which £0.701m are rated 'Green – Has / is expected to be fully delivered'. One Budget Reduction with a value of £0.372m is currently rated 'Amber – Being closely monitored but expected to deliver'. The Budget Reduction 'School Support Services - Academisation' is rated as 'Amber/Red – off track and will only deliver part of the saving.' The full value of the option is £0.060m with only £0.020m expected to deliver with the remaining £0.040m contributing to the adverse variance within Education, Skills and Early Years.



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### 3.3 Public Health

3.3.1 The following table shows the forecast position after the approved and planned use of reserves for the Portfolio at Quarter 1.

**Table 5 – Public Health**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Public Health (Client and Delivery)	5,783	5,749	(40)	(74)
Heritage, Libraries and Arts	19,642	20,804	(1,338)	(176)
<b>Total Forecast Net Expenditure</b>	<b>25,425</b>	<b>26,553</b>	<b>(1,378)</b>	<b>(250)</b>

#### Summary

3.3.2 The Portfolio has a projected underspend of £0.250m and incorporates the use of reserves of £1.378m. The principal underlying reasons are detailed below.

3.3.3 Public Health (Client and Delivery) is showing an underspend of £0.074m which is wholly due to slippage on staffing costs. Use of reserves is in the main the continued use of the Contain Outbreak Management Fund first received in 2021/22. It has been possible to carry forward this grant into 2023/24 and in this regard, the Council has submitted a plan to Government outlining how it expects to utilise the resource in this financial year to comply with the eligibility requirements. The additional expenditure would not be incurred without the availability of this grant funding,

3.3.4 The Heritage, Libraries and Arts Service is reporting a favourable variance of £0.176m at Quarter 1, which relates to an overachievement of income within the Library Service and Oldham Theatre Workshop.

#### Achievement of Budget Reductions

3.3.5 Budget Reductions for the Portfolio in 2023/24 total £0.520m of which three are rated 'Green – Has / is expected to be fully delivered' and have been fully achieved at Quarter 1. One budget reduction - Young People's Substance Misuse & Sexual Health Service with a value of £0.075m is rated 'Amber – being closely monitored but expected to deliver'. The service is confident that if this can't be delivered as originally intended then it will be met from alternative savings within the service, therefore there is no anticipated impact on the financial forecast.

### 3.4 Communities

3.4.1 The following table shows the forecast position after the approved and planned use of reserves for the Portfolio at Quarter 1.

**Table 6 - Communities**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Community Services	2,688	3,213	(775)	(250)
Leisure and Youth Services Client	4,019	4,509	(368)	122
<b>Total Forecast Net Expenditure</b>	<b>6,707</b>	<b>7,722</b>	<b>(1,143)</b>	<b>(128)</b>

### Summary

3.4.2 The Portfolio has a projected underspend of £0.128m and incorporates a net use of reserves totalling £1.143m.

#### Community Services

3.4.3 The area is reporting an underspend of £0.250m which relates to vacancies within the District Partnerships Team.

#### Leisure and Youth Services Client

3.4.4 The area is reporting an adverse variance of £0.122m at Quarter 1. In the main, this is due to an underachievement of income within Outdoor Education and the School Swimming Service.

#### Achievement of Budget Reductions

3.4.5 Budget Reductions for the Portfolio in 2023/24 total £0.084m of which two budget reductions are rated 'Green – on track and will be delivered'. One further budget reduction – School Swimming Service with a value of £0.010m is rated 'Red – Off track and will not deliver' as negotiations with Oldham Community Leisure Ltd have not concluded favourably.

### 3.5 Place and Economic Growth

3.5.1 The following table shows the forecast position after the approved and planned use of reserves for the Portfolio at Quarter 1.

**Table 7 – Place and Economic Growth**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Environmental Services	56,140	56,537	54	451
Economy	3,683	7,755	(970)	3,102
<b>Total Forecast Net Expenditure</b>	<b>59,823</b>	<b>64,292</b>	<b>(916)</b>	<b>3,553</b>

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## Summary

3.5.2 The Portfolio has a projected overspend of £3.553m and incorporates a net use of reserves totalling £0.916m. The principal underlying reasons are detailed below.

### Environmental Services

3.5.3 The area is forecasting an overspend of £0.451m and after incorporating a transfer to reserves of £0.054m. The main reasons for the adverse variance are detailed below:

- There is an estimated pressure against the Waste Management Service of £0.365m. This is due to a general increase in service demand and pressures against the Bulky Waste contract totalling £0.739m which are being partially offset by an increase in income for the Trade Waste service of £0.374m;
- The Highways Service is expected to overspend by £0.356m which is due the utilisation of agency staff and an increase in the cost of materials.
- The Public Protection service is projecting an underspend of £0.168m principally as a result of vacant posts within the establishment. However, the service is planning to recruit to the vacant posts during the course of the year;
- The Street Lighting service is expecting to underspend by £0.078m due to expected deductions from the PFI contract which is separate from the Variable Lighting Strategy Budget Reduction; and
- The Environmental Management Service is expected to underspend by £0.024m, being a combination of pressures on supplies and services and vehicle costs totalling £0.328m, offset by vacant posts (£0.117m) and additional income in the Cemeteries and Crematoria service (£0.187m).

### Economy

3.5.4 The area is forecasting an overspend of £3.102m after a £0.970m transfer from reserves. The main reasons are detailed below:

- The Estates and Property Management Services are currently expected to overspend by £1.270m due to pressures against repairs and maintenance (£0.892m), Business Rates (£0.103m) and security budgets (£0.275m);
- Strategic Housing is projecting a £1.600m overspend due to demand pressures for temporary accommodation totalling £1.960m which is being offset by the use of reserves of £0.170m. There are further offsetting underspends on professional fees and staffing budgets of £0.190m
- The Planning Service is showing an underachievement of Planning Fee income of £0.215m. The total Planning service income budget for 2023/24 is £0.994m;

- Facilities Management is projecting a minor overspend of £0.015m;
- The Town Centre and Markets Service area is expected be in line with budget following the approval of additional resources of £0.542m within the budget setting process to support the revenue costs identified for the relocation of Tommyfield Market into the Town Square Shopping Centre; and
- The Creating a Better Place service is expected to be in line with budget after application of £0.800m of reserves. Grant funding opportunities to reduce the reliance on reserves are being investigated by the service.

#### Achievement of Budget Reductions

3.5.5 Budget Reductions for the Portfolio in 2023/24 total £2.493m of which £0.868m are rated 'Green – Has / is expected to be fully delivered'. There are two Budget Reductions with a combined value of £1.600m rated 'Amber – Being closely monitored but expected to deliver'. One Budget Reduction of £0.025m, Reshape Bonfire Event has been rated red 'Will not/ is not expected be delivered in full.

### 3.6 Corporate Services

3.6.1 The following table shows the forecast position after the approved and planned use of reserves for the Portfolio at Quarter 1.

**Table 8 – Corporate Services**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Chief Executive, Management and Executive Office	4,787	4,734	(10)	(63)
Commissioning and Procurement	557	646	-	89
Finance	7,172	6,730	-	(442)
Legal Services	3,768	3,770	-	2
Communications and Research	997	1,029	(46)	(14)
Customer, Digital and Transformation	7,344	7,160	(130)	(314)
Strategy and Performance	961	999	(38)	-
HR & Organisational Development	3,239	3,445	(50)	156
<b>Total Forecast Net Expenditure</b>	<b>28,826</b>	<b>28,513</b>	<b>(274)</b>	<b>(586)</b>

#### Summary

3.6.2 The Portfolio has a projected underspend of £0.587m and incorporates the use of reserves totalling £0.274m. The principal underlying reasons are detailed below.

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## Chief Executive, Management and Executive Office

- 3.6.3 The area is reporting an underspend of £0.063m which in the main relates to a pressure on professional fees being offset by vacant posts and reduced pension costs.

## Commissioning and Procurement

- 3.6.4 The Division is reporting an overspend of £0.089m at Quarter 1. The service is continuing to experience difficulties in recruiting to permanent posts, this is resulting in a pressure of £0.520m due to the necessity of having to retain interims. This is being offset by vacant posts of £0.446m. The service is also reporting a pressure of £0.053m against the Early Payment scheme, with a corresponding favourable variance of £0.038m against non-pay budgets.

## Finance

- 3.6.5 The Division is reporting an underspend of £0.442m at Quarter 1. The Finance Division has a number of vacant posts, underspends on non-pay budgets and increased income for staff time spent on European grant funded projects.

## Legal Services

- 3.6.6 The service is reporting a minor overspend of £0.002m at month 3. There are staffing pressures in Legal Services due to staff absences which have led to the use of agency staff and there continues to be a pressure in relation to schools buy back income. This has been offset by increased income in Registrars and additional grant income received for the Election.

## Communications and Research

- 3.6.7 The service is recording an underspend of £0.014m, primarily as a result of vacant posts.

## Customer, Digital and Transformation

- 3.6.8 The Division is reporting an underspend of £0.314m at Quarter 1. There are vacant posts across the Division which is offset in part by agency costs in ICT and Customer Services (£0.505m). There are pressures relating to income receivable from the NHS and payments of third-party ICT costs which includes the non-achievement of budget reductions COR-BR1-621 & 622. This has been offset in part from increased fees charged to capital projects.

## Human Resources (HR) and Organisational Development

- 3.6.9 The Division is reporting an overspend of £0.156m. There is an underspend of £0.368m against vacant posts which is offsetting an income pressure of £0.349m in relation to schools buy back and funding from the NHS which ceased in 2022/23. In addition, there is a pressure of £0.175m against non-pay which includes staff experience costs.

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## Achievement of Budget Reductions

3.6.10 Budget Reductions for the Portfolio in 2023/24 total £0.870m of which nine totalling £0.592m are rated 'Green – on track and will be delivered' and have been fully achieved at Quarter 1. Three budget reductions are currently rated 'Amber – Being closely monitored but expected to deliver', the total value of these options is £0.205m. The service is profiling deliverability of these options in the final two Quarters of the financial year. A further two budget reductions are rated 'Red – will not / is not expected to deliver' which are detailed below:

- MS Licences migration to Cheaper Licences for some staff; £0.050m not currently being achieved; and
- MS Licences Improved Starter / Leaver Process of £0.023m, not currently being achieved.

3.6.11 Therefore, a total of £0.073m of budget reductions across the Division are currently not expected to be achieved in the financial year.

### 3.7 Capital, Treasury and Technical Accounting

3.7.1 The following table shows the forecast position for the Portfolio at Quarter 1.

**Table 9 – Capital, Treasury and Technical Accounting**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Capital, Treasury and Technical Accounting	23,348	21,687	(227)	(1,888)
Corporate and Democratic Core	1,003	1,003	-	-
Parish Councils – Precepts and Grant Payment	347	347	-	-
<b>Total Forecast Net Expenditure</b>	<b>24,698</b>	<b>23,037</b>	<b>(227)</b>	<b>(1,888)</b>

#### Summary

##### Capital, Treasury and Technical Accounting

3.7.2 The Portfolio holds the budgets associated with the Council's Treasury Management activities including interest payable on borrowing and interest receivable on investments and is reporting an underspend of £1.888m at Quarter 1.

3.7.3 There are favourable variances of £1.443m due to higher levels of interest receipts on external investments with further favourable variances of £0.107m against cash collections, bank charges and professional fees.

3.7.4 The Housing Benefit service is projecting a favourable variance of £0.594m at Quarter 1. This is based upon the Department for Work and Pensions Statement of Local Authority

claimed Entitlement to Housing Benefit Subsidy Form for the financial year ending March 2024. There will be an opportunity to revise this after the production of the mid-year estimates which are due at the end of August 2023.

3.7.5 The Procurement Framework income target is showing an in-year pressure of £0.256m. However, this will continue to be monitored throughout the year.

3.7.6 Additional income of £2.837m has been received from the Greater Manchester Combined Authority (GMCA), this being the Council's share of a £27.000m GM wide waste reserve refund. This has been transferred to Earmarked Reserves to support the future financial resilience of the Council.

#### Achievement of Budget Reductions

3.7.7 Budget Reductions for the Portfolio in 2023/24 total £11.295m, all of which are rated 'Green – Has / is expected to be fully delivered.

## 4 Other Grants and Contributions Received by the Council

4.1 The Council has received a number of specific grants from the Government or other organisations which have been ringfenced to Portfolios to be utilised on certain defined activities. At Quarter 1, excluding the DSG as outlined in Section 5.1, Portfolios are forecasting a total of £105.712m of ringfenced grants to be used for specific purposes which have been either new notifications for 2023/24 or grants received in prior years where terms and conditions allow for usage in the current and potentially future years. The table below shows the total grants forecast by Portfolios up to Quarter 1.

**Table 10 – Grants Ringfenced to Portfolios**

Portfolio	Govt. Grants	Other Grants	Forecast 2023/24
	£000	£000	£000
Community Health and Adult Social Care	(4,537)	(15,097)	(19,634)
Children's Services	(16,042)	(12)	(16,054)
Public Health	(1,803)		(1,803)
Communities	(227)	(620)	(847)
Place and Economic Growth	(4,070)		(4,070)
Corporate Services	(5,625)	(276)	(5,901)
Capital, Treasury and Technical Accounting	(38,603)		(38,603)
<b>Total Ringfenced Grants include within the Net Revenue Budget</b>	<b>(70,908)</b>	<b>(16,005)</b>	<b>(86,913)</b>
Housing Revenue Account	(18,799)		(18,799)
<b>Total</b>	<b>(89,707)</b>	<b>(16,005)</b>	<b>(105,712)</b>



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- 4.2 As highlighted in the table above, grants (excluding COMF and the DSG) received in previous years and carried forward into 2023/24 and new allocations for 2023/24, total £105.712m; of this sum, £86.913m is within the Net Revenue Budget and £18.799m within the Housing Revenue Account. Dependant on the terms and conditions of the individual grant, some of the above income could be carried forward into 2024/25 to be utilised in future financial years.
- 4.3 Of the £86.913m of General Fund allocations, the largest single category carries a value of £38.603m and relates to Housing Benefit Subsidy Grant which is included within the Capital, Treasury and Technical Accounting Portfolio, comprising £33.511m for Rent Allowances and £5.093m for Rent Rebates. In addition, £15.097m relates to the Better Care Fund Grant which is awarded by NHS England and distributed by Integrated Care Boards which is included within the Community Health and Adult Social Care net revenue budget. A further £13.262m relates to PFI Credits received to support unitary charge payments across the Council's four General Fund PFI schemes. A further two PFI schemes, with grant totalling £18.799m operate within in the Housing Revenue Account.
- 4.4 A total of 43 additional Government Grants are included in the forecasts for 2023/24 totalling £89.707m; £70.908m is within the Revenue Budget and £18.799m relates to the Housing Revenue Account PFI Credits. A further 5 grants have been awarded from other sources and classed as 'other grants' totalling £16.005m.
- 4.5 Twenty nine of the grants have an individual value which is greater than £0.150m and total £104.281m. The remaining £1.431m relates to 19 grants with individual values less than £0.150m. A full list of these grants can be found at Appendix 2.

## **5 Schools**

- 5.1 The Council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) which is provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School and Early Years Finance (England) Regulations 2022. The Schools' Budget includes elements for a range of educational services provided on an Authority wide basis and for the Individual Schools Budget which is divided into a budget share for each maintained school. The total estimated Oldham funding allocation for 2023/24 is £321.458m, £179.362m after excluding the recoupment for academies and post 16 further education (FE) provision and is split across the four funding blocks that comprise the DSG as follows:
- Schools - £240.592m (£113.220m after excluding the recoupment for academies)
  - High Needs - £58.470m (£43.746m after excluding the recoupment for academies and Post 16)
  - Early Years - £19.935m
  - Central Schools Services - £2.461m
- 5.2 For a number of years there was a considerable financial pressure on the DSG, particularly in the High Needs Block which had been in a deficit position since 2016/17. This was historically due to expenditure exceeding the High Needs budget available each
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year and is after approved transfers between the Schools and High Needs Blocks of £8.296m between 2016/17 and 2021/22. As shown in the table below, the High Needs Block Deficit, if taken as a stand-alone element without the transfers, was £11.508m at the start of 2023/24. Notwithstanding the emergence of the reducing deficit, there remain operational pressures which the serviced are working to address, these include:

- Increasing high needs population, such as special school places, resourced provision and post 16 Further Education provision;
- Increasing number of Education Health Care Plans (EHCP) requiring high needs top up funding within mainstream schools;
- Cost of providing local Pupil Referral Unit capacity to ensure that the Local Authority fulfils its statutory role;
- High cost of external placements.

5.3 In the first quarter of 2023/24 the High Needs Block is currently forecasting an in year surplus of £2.057m. Excluding the cumulative support from the Schools Block this reduces the forecast cumulative deficit forecast to £9.451m as at 31 March 2024. The deficit is offset by cumulative virements and savings from the Schools (£8.296m) and Early Years Blocks (£3.672m) to leave a net forecast, cumulative High Needs Block surplus outturn of £2.517m (as illustrated in the table below).

**Table 11 – DSG High Needs Block**

<b>DSG High Needs Block</b>	<b>2023/24</b>
<b>Deficit Brought Forward 01/04/2023</b>	<b>11,508</b>
<b>2023/24</b>	
Original High Needs Budget Allocation	(58,470)
Estimated Expenditure	56,413
<b>Projected in Year (Surplus)</b>	<b>(2,057)</b>
<b>Cumulative Net Deficit to be Carried Forward</b>	<b>9,451</b>
Offset by;	
- Virement from Schools Block- 2016/17 to 2021/22	(8,296)
- Savings in Schools and Early Years Block and Central Schools Services Block - 2015/16 to 2023/24	(3,672)
<b>Projected High Needs Block (Surplus) 31/03/2024</b>	<b>(2,517)</b>

### **Overall DSG Position and Recovery Plan**

5.4 The DSG had been in a deficit position since 2016/17 and Oldham was supported by the Education and Skills Funding Agency (ESFA) in its monitoring and management of the DSG. As a consequence, the Council has been required to agree a DSG Financial Recovery Plan to demonstrate how, at least a balanced position could be achieved. The plan was first submitted to the Department for Education (DfE) in 2019. The financial elements of the Recovery Plan have been continuously updated to take account of estimated additional cost pressures, formal notifications of additional funding and the

agreed funding methodology including the transfer of DSG funding between the Schools and the High Needs Funding Blocks that has been undertaken in prior years.

- 5.5 The Schools Forum is regularly updated on the status of the Recovery Plan and it remains an appropriate and effective means of monitoring the DSG position. The last meeting of the Schools Forum on 14 June 2023 received an update in relation to the DSG outturn and Recovery Plan, which had again been updated to take account of the most recent funding announcements, the latest expenditure predictions and their impact on the projections from the current financial year through to 2024/25.
- 5.6 The table below shows the latest Recovery Plan as at June 2023, as agreed with the Schools Forum. First and foremost, it shows that the DSG deficit of £2.773m at the end of 2021/22 had become a surplus of £0.899m at the end of 2022/23. The achievement of a surplus for the first time since 2016/17 represents a major financial milestone for the Council. In year forecast surpluses of £1.618m and £0.248m in the current and following financial years deliver cumulative surpluses of £2.517m and £2.765m in each of 2023/24 and 2024/25 respectively. The sustained and improving position will be further assisted by the work undertaken as part of the DBV programme referred to earlier. The School Forum will be provided with a further update at the meeting scheduled for 27 September 2023.

**Table 12 – Overall DSG Position**

	2022/23 £k	2023/24 £k	2024/25 £k
<b>Opening Balance brought forward – Deficit/ (Surplus)</b>	<b>2,773</b>	<b>(899)</b>	<b>(2,517)</b>
Estimated Additional Pressures	2,904	6,278	7,449
2022/23 High Needs Block Increase	(4,852)	(4,852)	(4,852)
Additional High Needs Funding (announced December 2021)	(1,756)	(1,756)	(1,756)
Additional High Needs Funding (announced December 2022)		(2,178)	(2,178)
Reverse Indicative Transfer (initially planned but not required for 2022/23)	1,124		
Estimated change additional funding including Special Free School	(1,092)		
Estimated adjustment for Special Free School funding		252	252
Additional High Needs Funding 2023/24 - 6.7%		(4,294)	(4,294)
Estimated Additional High Needs Funding 2024/25 - 3%			(1,601)
Reduced High Needs Budgets (central) funded from General Fund		(446)	(446)
Contribution to Central Education Support Services including HI/VI Services		200	200
High Needs Funding (announced December 2022)- still to be allocated		2,178	2,178
Service Improvements Development Fund (SIDF)		2,150	4,800
SIDF one-off funding to support the Special Sector		850	
<b>In Year (Surplus)</b>	<b>(3,672)</b>	<b>(1,618)</b>	<b>(248)</b>
<b>Current Net Forecast (Surplus)</b>	<b>(899)</b>	<b>(2,517)</b>	<b>(2,765)</b>
Previously Reported Net Forecast (Surplus)	(514)	(2,438)	(2,701)

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## Delivering Best Value (DBV) in SEND

5.7 Launched in the autumn of 2022, Oldham was selected as one of the Local Authorities invited to take part in Wave 2 of the Delivering Best Value in SEND programme. With the aim of putting Local Authorities on a more sustainable footing so that they are better placed to respond to the forthcoming SEND Review reforms. The Department for Education (DfE) has provided external consultancy advice to enable participants to plan and agree improvements and a change programme. Core funding of £1.000m will be made available to the Authority on successful submission of a grant application, to the DfE. The Authority has participated in a series of workshops and undertaken a comprehensive stakeholder case review and evaluation to identify and develop solutions for the areas of highest need and most likely return/ benefit for inclusion in the grant /application. The application was submitted on 17 July 2023 with a focus on the following areas:

- Early identification and intervention to reduce EHCPs;
- Development of mainstream provision to create an alternative to special schools;
- Updating the resource allocation system;
- Post 16 pathways to ensure better progression;
- Developing and targeting support for;
  - autism
  - speech, language and communication needs
  - social, emotional and mental health

5.8 By taking part in this initiative and it is expected that it will assist the Council sustain DSG financial position and reduce the financial pressure within the High Needs Block.

## 6 Housing Revenue Account (HRA)

6.1 The current HRA position is presented in Table 13 and compares the initially approved HRA position to the current estimated outturn. The actual closing balance for 2022/23 at £22.584m was £0.305m higher than the final estimate of £22.279m.

6.2 The original HRA forecast for 2023/24 was for a planned in-year decrease in balances of £1.427m arising from:

- The Council choosing not to implement rental increases of up to the maximum allowable of 11.1% for 2023/24. Instead, a much lower increase at just 5% was agreed leading to a call on balances; and
- A budgeted contribution of £1.000m to the capital programme.

6.3 The current forecast is for an in-year deficit against budget of £1.547m, a net adverse movement against HRA balances of £0.120m, attributable to higher than anticipated utility costs. The projected year end HRA balance of £21.037m, represents a net £0.185m favourable movement compared to the original budget.

**Table 13 - Housing Revenue Account Forecast Position**

HRA Income & Expenditure Account	Original Budget £000	Latest 2023/24 Forecast £000	Variance to Budget £000
HRA Balances Brought forward from 2022/23	(22,279)	(22,584)	(305)
(Surplus)/ Deficit on HRA Services for 2023/24	1,427	1,547	120
<b>HRA Surplus Balances Carried Forward</b>	<b>(20,852)</b>	<b>(21,037)</b>	<b>(185)</b>

## 7 Collection Fund

7.1 The tables below show the forecast outturn position for the Collection Fund (the technical account within which Council Tax and Business Rates (National Non-Domestic Rates (NDR)) are managed) and the forecast position in relation to the share of balances between the Council and the Greater Manchester Combined Authority precepting Authorities.

**Table 14 - Collection Fund Forecast Position**

Collection Fund Balance	Council Tax £000	NDR £000	Total £000
Balance Brought Forward	410	(4,127)	(3,717)
Release of estimated surplus carried forward from 2022/23	(48)	(4,131)	(4,179)
<b>Prior Year Balance Brought Forward</b>	<b>458</b>	<b>4</b>	<b>462</b>
(Surplus) /Deficit for the Year	74	(2,174)	(2,100)
<b>Net (Surplus)/Deficit Carried Forward</b>	<b>532</b>	<b>(2,170)</b>	<b>(1,638)</b>

**Table 15 - Collection Fund – 2023/24 Share of Balances; Forecast Position**

Collection Fund Balance	Council Tax £000	NDR £000	Total £000
Share - Oldham Council	448	(2,148)	(1,700)
Share – Greater Manchester Combined Authority - Mayoral Police and Crime Commissioner	58	-	58
Share – Greater Manchester Combined Authority - Mayoral General Precept (including Fire and Rescue Services)	26	(22)	4
<b>Total Deficit/(Surplus)</b>	<b>532</b>	<b>(2,170)</b>	<b>(1,638)</b>

7.2 Council Tax and Business Rates are a significant source of funding for Council services. However, income from these areas can be volatile. The 2023/24 financial year is no different with the on-going impact of the cost of living crisis having an impact on Council Tax collection. As such, the financial position of the Collection Fund is under constant review.

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- 7.3 The Business Rates surplus brought forward from 2022/23 was due in part to collection rates returning to pre-pandemic levels and as can be seen, this healthy position continues into 2023/24.
- 7.4 The Greater Manchester 100% Business Rates Retention Pilot has continued into 2023/24. Any financial benefits arising from membership within the pilot scheme will continue to be monitored, any beneficial financial resource will be used if possible to support the Council's budget.
- 7.5 As highlighted in Table 14 and 15 above, current year end Collection Fund projections are showing an overall surplus of £1.638m, with the Council's proportion of this surplus being £1.700m. As advised previously, the Collection Fund is a particularly volatile area to forecast with many variables, including the impact of Government Business Rate reliefs, therefore, this area will be closely monitored over the remaining months. Information will be available later in the year to determine if/ how a surplus or deficit on the Collection Fund will impact on the 2024/25 Council budget.

## **8 Use of Reserves**

- 8.1 Members will recall that at the Council budget meeting of 1 March 2023, it was agreed that Earmarked Reserves of £12.786m would be used to support the 2023/24 revenue budget and a further £3.932m of Earmarked Reserves were proposed to be utilised to support the 2024/25 revenue budget. The Earmarked Reserves to be utilised in 2023/24 and 2024/25 were to be met by fully utilising the specific Balancing Budget reserve of £16.718m.
- 8.2 In addition, there is an offsetting transfer to reserves of £1.209m reflecting the requirement, under the Business Rates Retention Pilot scheme, to pay the Greater Manchester Combined Authority a share of Retained Business Rates income.
- 8.3 As previously mentioned at paragraph 3.7.6, the Council has received £2.837m this year from GMCA, being the share of a £27.000m GM wide refund of reserves from the GM Waste Disposal Service. This unbudgeted income has been transferred to Earmarked Reserves to support the financial resilience of the Council.
- 8.4 At the beginning of 2023/24, reserves balances totalled £87.099m comprising of Earmarked Reserves of £79.130m and Revenue Grant Reserves of £7.968m.
- 8.5 Supplementary to the above transfers to and from reserves, the Quarter 1 position incorporates additional Portfolio/corporate use of reserves with a total (net) value of £10.223m, therefore the budget as a whole currently relies upon the application of a net £21.800m of reserves. The resultant impact, incorporating the additional £2.837m waste reserve refund is for an estimated combined closing value of £68.135m, comprising £61.653m of Earmarked Reserves and £6.482m of Revenue Grant Reserves, as illustrated in the table below. It is however anticipated that this position will change as the year progresses. Should the current adverse variance of £12.104m need to be addressed by the use of earmarked reserves at the year end the £68.135m will reduce to £56.031m.

**Table 16 – Reserves Summary**

	<b>Earmarked Reserves £000</b>	<b>Revenue Grant Reserves £000</b>	<b>Total Reserves £000</b>
<b>Opening Balance as at 1 April 2023</b>	<b>(79,130)</b>	<b>(7,968)</b>	<b>(87,099)</b>
Reserves applied to balance the Budget	12,786	-	12,786
Transfer to Earmarked Reserves - Business Rates Retention Pilot Gain	(1,209)	-	(1,209)
<b>In Year Balance</b>	<b>(67,553)</b>	<b>(7,968)</b>	<b>(75,522)</b>
<b>Portfolio Transfers from Reserve</b>			
Community Health and Adult Social Care	3,059	-	3,059
Children's Services	240	148	388
Public Health	40	1,338	1,378
Communities	1,143	-	1,143
Place and Economic Growth	970	-	970
Corporate Services	274	-	274
Capital, Treasury and Technical Accounting	3,064	-	3,064
<b>Total Portfolio Transfers from Reserve</b>	<b>8,791</b>	<b>1,486</b>	<b>10,277</b>
<b>Portfolio Transfers to Reserves</b>			
Community Health and Adult Social Care	-	-	-
Children's Services	-	-	-
Public Health	-	-	-
Communities	-	-	-
Place and Economic Growth	(54)	-	(54)
Corporate Services	-	-	-
Capital, Treasury and Technical Accounting	-	-	-
<b>Total Portfolio Transfers to Reserve</b>	<b>(54)</b>	<b>-</b>	<b>(54)</b>
<b>Total Portfolio Use of Reserves</b>	<b>8,737</b>	<b>1,486</b>	<b>10,223</b>
<b>Return of Waste Disposal Reserve (GMCA)</b>	<b>(2,837)</b>	<b>-</b>	<b>(2,837)</b>
<b>Closing Balance as at Quarter 1</b>	<b>(61,653)</b>	<b>(6,482)</b>	<b>(68,135)</b>



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- 8.6 In line with the Council's reserves policy, the recommended use of reserves to fund spend during the year have been initially approved by the appropriate officers prior to consideration by Cabinet. However, as there is a need to minimise the use of reserves in order to support the financial resilience of the Council, only those reserves supporting essential business will be utilised this year.
- 8.7 The availability of reserves is a demonstration of the financial resilience of the Council and as such the reserves must be carefully managed. However, the use of reserves is also a means by which the Council can support the 2023/24 and future years budget setting processes and Medium-Term Financial Strategy. In addition to use in the current financial year, as part of the 2023/24 Budget setting process agreed by Council on 1 March 2023, Members approved a commitment of a further £3.932m of reserves for 2024/25. The continued reduction in the level of available reserves, will, however, reduce the financial resilience of the Council.

## **9 Flexible Use of Capital Receipts**

- 9.1 Members will recall that at the Council meeting of 1 March 2023, it was approved that up to £2.600m of capital receipts would be used to underpin the revenue budget in line with the flexibilities agreed by Secretary of State for Housing, Communities and Local Government in March 2016. In April 2022, guidance on the flexible use of capital receipts was updated by the Department for Levelling Up, Housing and Communities which extended the flexibility that has been in place since 2016. This allows the freedom to continue up to 2024/25 to help Authorities plan for the long-term.
- 9.2 A number of schemes in support of the transformation programme which meet the qualifying expenditure requirements as detailed within the statutory guidance issued by the DLUHC have been identified and are itemised within the approved 2023/24 Capital Programme. The contribution to the Flexible Use of Capital Receipts is the first call on any receipts generated by the Council and processes are in place to monitor progress throughout the year. Annex 2 to this report which sets out the Capital Programme position confirms that receipts totalling £2.587m have been received to date. This is currently slightly below the amount required to underpin the revenue budget requirement of £2.600m, however, further receipts are anticipated during the remainder of the financial year.

## **10 Conclusion**

- 10.1 At the start of 2023/24 there still remains uncertainty about the financial position created by the lasting impact of COVID-19. This is not simply the on-going effects of the pandemic but its continued impact on the demand for both Adults and Children's Social Care, the cost of care and in relation to the pressures being felt by certain areas of the provider market. In addition, the cost pressures in relation to utilities and fuel, the impact of cost of living crisis, the potential impact on pay awards and also interest rates continue to be of concern in 2023/24. The forecasting of the likely impact of all these factors on the Council's budget has been based on both the actual expenditure and the income impact recorded but also relies on a series of assumptions which will be reviewed and updated as the financial year progresses.



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- 10.2 The current projected position, after adjustment for the use of reserves is an overspend of £12.104m. The financial pressure in Children's Social Care is especially concerning as there was significant additional funding included in the 2023/24 budget to stabilise Children's Services. Whilst the Council has previously faced in-year financial pressures during the first quarter of the year, this is the most severe (excluding pressures generated by the COVID-19 pandemic which were subsequently addressed by the receipt of Government grant support).
- 10.3 The pressure caused by failure to deliver or uncertainty about the delivery of Budget Reductions, as outlined in sections 2.14 to 2.16 is also of concern. However, there is time for the reductions to be delivered and/ or mitigations to be put in place, particularly in respect of the 7 options, with a value of £2.252m currently rated as 'Amber- Being closely monitored but expected to be delivered'
- 10.4 The reserves position is important in the context of financial resilience. Whilst the year started with relatively healthy balances of earmarked reserves (£79.130m) and Revenue Grants Reserves (£7.968m), as advised in this report, net earmarked reserves of £17.477m and net Revenue Grant reserves of £1.486m are forecast to be called into support the 2023/24 budget, after which there is an anticipated combined reserves balance of £68.135m. With a potential additional call of £12.104m to offset the current forecast deficit and an already approved use of £3.932m of reserves to balance the 2024/25 budget, the actual availability in 2024/25 could reduce to £52.099m. At this level of utilisation, it is vitally important to minimise the future use of reserves in year to maintain financial resilience of the Council.
- 10.5 In view of the projected adverse variance, it is important to ensure that measures are taken to address the overspending, namely:
- management actions across all service areas to review and challenge planned expenditure and to maximise income;
  - processes to monitor the recruitment of staff to vacant posts and significant items of expenditure; and
  - ensuring non-essential expenditure is minimised.
- In effect this is a continuation of actions that were initiated last year (and previous years), however, the variance at month 3 is much more significant than that at the same point in 2022/23. It is therefore essential that this approach is rigorously applied and where possible, any transformation programme projects linked to savings are accelerated
- 10.6 The effectiveness of management action and corporate procedures will continue to be closely monitored by Management Teams right up to the end of the financial year. Management action should ease the overall financial pressures but the impact of such action has not been included in the forecast as it has yet to be demonstrated.
- 10.7 The Council has already begun its preparation for budget setting for 2024/25. Members will recall that the forecast budget gap for 2024/25 presented at Budget Council on 1 March 2023 was £10.224m. This assumed all approved budget reductions are delivered and is before any revisions to reflect further increases in demand pressures or higher
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than anticipated pay awards. If the financial pressures experienced in 2023/24 continue into 2024/25 and there is a consequent increased budget reduction requirement for 2024/25, it is likely that further reserves will have to be used to balance the budget and this will have an impact on the financial resilience of the Council.

## Appendix 1

FINANCING OF THE 2023/24 BUDGET	Original Budget	Additions to Quarter 3	Revised Budget
	£000	£000	£000
<b>Net Expenditure Budget</b>	<b>(260,686)</b>		<b>(260,686)</b>
<b>Financed by:</b>			
Business Rates Top-up Grant	(46,016)	(577)	(46,593)
Grant in Lieu of Business Rates	(25,987)		(25,987)
Social Care Support Grant	(21,454)		(21,454)
Improved Better Care Fund Grant	(11,188)		(11,188)
2022/23 Services Grant	(2,620)		(2,620)
Housing Benefit Administration Grant	(810)		(810)
New Homes Bonus Grant	(252)		(252)
Revenue and Benefits Service New Burdens Grant	(11)		(11)
Capital Grants		(1,838)	(1,838)
Family Hubs and Start for Life Programme Grant		(1,444)	(1,444)
Rough Sleeping Drug & Alcohol Treatment Grant		(708)	(708)
Supplementary Substance Misuse Treatment and Recovery Funding Grant		(497)	(497)
Individual Placement and Support Grant		(156)	(156)
Extended Rights to Free Travel Grant		(45)	(45)
<b>Total Government Grant Funding</b>	<b>(108,338)</b>	<b>(5,265)</b>	<b>(113,603)</b>
Council Tax Income - General (Including parish precepts)	(94,449)		(94,449)
Council Tax Income - Adult Social Care Precept	(14,874)		(14,874)
Council Tax Surplus	(4,130)		(4,130)
Retained Business Rates	(53,683)		(53,683)
<b>Total Locally Generated Income</b>	<b>(167,136)</b>	-	<b>(167,136)</b>
<b>Total Grant and Income</b>	<b>(275,474)</b>	<b>(5,265)</b>	<b>(280,739)</b>
Use of General Earmarked Reserves	(12,786)		(12,786)
Transfer to Earmarked Reserves - Business Rates Retention Pilot Gain	1,209		1,209
<b>Total Use of Reserves</b>	<b>(11,577)</b>	-	<b>(11,577)</b>
<b>Total Financing</b>	<b>(287,051)</b>	<b>(5,265)</b>	<b>(292,316)</b>

<b>Appendix 2- Analysis of Grants</b>		
<b>Grant Name</b>	<b>Grant Type</b>	<b>Forecast £000</b>
<b>Community Health and Adult Social Care</b>		
Better Care Fund	Other	(15,097)
Adult Social Care Discharge Fund	Govt.	(1,568)
ASC Data Collection Grant	Govt.	(19)
Changing Futures in GM	Govt.	(322)
Market Sustainability and Fair Cost of Care Fund	Govt.	(2,628)
<b>Sub Total</b>		<b>(19,634)</b>
<b>Children's Services</b>		
PFI Credits (2 contracts)	Govt. (x2)	(8,988)
Skills Funding Agency Adult Education Grant	Govt.	(2,805)
Holiday Activities and Food Grant	Govt.	(1,480)
Domestic Abuse Grant	Govt. (x2)	(762)
Unaccompanied Asylum-Seeking Children (UASC) Grant	Govt.	(536)
Youth Justice Board Grant	Govt.	(496)
Former UASC - Care Leavers Grant	Govt.	(287)
Staying Put Grant	Govt.	(201)
Balance: Grants less than £0.150m	Govt. (x6) Other (x1)	(500)
<b>Sub-Total</b>		<b>(16,054)</b>
<b>Public Health</b>		
PFI Credits	Govt.	(1,803)
<b>Sub -Total</b>		<b>(1,803)</b>
<b>Communities</b>		
Community Safety Grant	Other	(480)
Serious Violence Grant	Govt.	(150)
Balance: Grants less than £0.150m	Govt. (x2) Other (x1)	(217)
<b>Sub-Total</b>		<b>(847)</b>
<b>Place and Economic Growth</b>		
PFI Credits	Govt.	(2,471)
Homelessness Prevention Grant	Govt.	(578)
A Bed Every Night (ABEN) Grant	Govt.	(273)
Community Accommodation Services - Tier 3 Grant	Govt.	(247)
Balance: Other Government Grants less than £0.150m	Govt. (x5)	(501)
<b>Sub-Total</b>		<b>(4,070)</b>
<b>Corporate Services</b>		
Household Support Fund Grant	Govt.	(4,839)
Council Tax Rebate Grant	Govt.	(573)
European Regional Development Fund Grant	Other	(276)
Balance: Other Government Grants less than £0.150m	Govt. (x4)	(213)
<b>Sub-Total</b>		<b>(5,901)</b>
<b>Capital and Treasury</b>		
Housing Benefit Subsidy Grant - Rent Allowances	Govt.	(33,511)
Housing Benefit Subsidy Grant - Rent Rebates	Govt.	(5,093)
<b>Sub-Total</b>		<b>(38,603)</b>
<b>Total Ringfenced Grants include within the Net Revenue Budget</b>		<b>(86,913)</b>
<b>Housing Revenue Account</b>		
PFI Credits (2 contracts)	Govt. (x2)	(18,799)
<b>Total</b>		<b>(105,712)</b>

**Appendix 3 - Summary of 2023/24 Budget Reductions**

	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
Green	Has / is expected to be fully delivered	(17,549)	(17,549)	0
Amber	Being closely monitored but expected to deliver (no impact of Financial Forecast)	(2,252)	(2,252)	0
Amber/Red	Being closely monitored in year with elements expected not to be delivered (Financial	(60)	(20)	40
Red	Will not/ is not expected be delivered in full (Financial Forecast updated)	(108)	0	108
		(19,969)	(19,821)	148

Reference	Proposal Name	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
<b>Community Health and Adult Social Care</b>					
CSA-BR1-435	Residential Enablement Redesign (Medlock Court)	Green	(400)	(400)	0
ASC-BR1-548	Smarter Ways of Working	Green	(119)	(119)	0
ASC-BR1-552	Review Care and Support Plans	Green	(1,255)	(1,255)	0
ASC-BR1-601	Adult Social Care - Direct Payments	Green	(1,300)	(1,300)	0
ASC-BR1-602	Adult Social Care - Target Operating Model	Green	(500)	(500)	0
	<b>Total</b>		(3,574)	(3,574)	0

Reference	Proposal Name	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
<b>Childrens Services</b>					
CHS-BR1-445	Early Help Remodelling	Green	(300)	(300)	0
CHS-BR1-441	Special Educational Needs & Disability (SEND) Education Provision	Amber	(372)	(372)	0
CHS-BR1-536	Oldham Learning reduced de-delegated funding	Green	(45)	(45)	0
CHS-BR1-543	Delete Post - Social Worker in Permanence	Green	(46)	(46)	0
CHS-BR1-547	Savings on Targeted Youth Lot 3	Green	(23)	(23)	0
CHS-BR1-603	Learning Services – School Improvement and Support, Virtual School	Green	(51)	(51)	0
CHS-BR1-604	Re-alignment of SEND Central Services & Support	Green	(200)	(200)	0
CHS-BR1-605	School Support Services - Academisation	Amber/Red	(60)	(20)	40
PEG-BR1-608	Employment & Enterprise - Economic Growth (Get Oldham Working)	Green	(36)	(36)	0
	<b>Total</b>		(1,133)	(1,093)	40

Reference	Proposal Name	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
<b>Public Health</b>					
PHT-BR1-612	Sexual Health	Green	(18)	(18)	0
PHT-BR1-613	NHS Health Checks	Green	(27)	(27)	0
PHT-BR1-614	Public Health Budget	Green	(400)	(400)	0
PHT-BR1-615	Young People's Substance Misuse & Sexual Health Service	Amber	(75)	(75)	0
	<b>Total</b>		(520)	(520)	0

Reference	Proposal Name	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
<b>Communities</b>					
COM-BR1-616	Reduction in Councillor Ward budgets	Green	(60)	(60)	0
COM-BR1-618	School Swimming Service	Red	(10)	0.0	10
COM-BR1-619	OCL Sports Development School Coaching Service	Green	(14)	(14)	0
	<b>Total</b>		(84)	(74)	10

Reference	Proposal Name	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
<b>Place and Economic Growth</b>					
PPL-BR1-401	Creating a Better Place - Projects & Assets	Amber	(800)	(800)	0
PPL-BR1-508	Increase External Customer Base - Trade Waste	Green	(10)	(10)	0
PPL-BR1-510	Public Protection Restructures - Env. Health & First Response	Green	(50)	(50)	0
PPL-BR1-504	Visit Oldham, Training Budget and Oldham Enterprise Trust	Green	(48)	(48)	0
PPL-BR1-505	Corporate Landlord and Facilities Management	Green	(100)	(100)	0
PEG-BR1-606	Capitalisation of Transport officers	Green	(80)	(80)	0
PEG-BR1-607	Increase Capitalisation of staff time on regeneration projects	Green	(79)	(79)	0
PEG-BR1-609	Employment & Enterprise - Economic Growth (Investment)	Green	(37)	(37)	0
PEG-BR1-635	Reshape Bonfire Event	Red	(25)	0.0	25
PEG-BR1-636	Don't Trash Oldham Betterment Programme	Green	(112)	(112)	0
PEG-BR1-638	Increase Fees in Cemeteries and Crematoria Service	Green	(228)	(228)	0
PEG-BR1-639	Increase Fees for Community Pitch Hire	Green	(4)	(4)	0
PEG-BR1-641	Income Generation – Trade Waste	Green	(120)	(120)	0
PEG-BR1-642	Variable Lighting Strategy	Amber	(800)	(800)	0
	<b>Total</b>		<b>(2,493)</b>	<b>(2,468)</b>	<b>25</b>

Reference	Proposal Name	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
<b>Corporate Services</b>					
CEX-BR1-517	Finance Service - Unity Contract	Green	(73)	(73)	0
PPL-BR1-512	Information and Communications Technology (ICT)	Green	(15)	(15)	0
COR-BR1-610	Resource review of Research and Engagement	Green	(22)	(22)	0
COR-BR1-611	Realignment of Executive Assistants	Green	(17)	(17)	0
COR-BR1-617	Cease the Provision of a Meal prior to Council Meetings	Green	(10)	(10)	0
COR-BR1-620	HR and Organisational Development Service Restructure	Amber	(100)	(100)	0
COR-BR1-621	MS Licences migration to cheaper licences for some staff	Red	(50)	0.0	50
COR-BR1-622	MS Licences Improved Starter / Leaver Process	Red	(23)	0.0	23
COR-BR1-624	Reduction in Customer and Digital Experience	Green	(43)	(43)	0
COR-BR1-626	Review of CDTT Operating Model including ICT	Amber	(80)	(80)	0
COR-BR1-627	CDTT operating model review and implementation of Transformation changes	Green	(145)	(145)	0
COR-BR1-628	Democratic Services Review	Green	(85)	(85)	0
COR-BR1-631	Finance Service Restructure	Green	(182)	(182)	0
COR-BR1-634	Procurement - Reduction in non-pay budgets	Amber	(25)	(25)	0
	<b>Total</b>		<b>(870)</b>	<b>(797)</b>	<b>73</b>

Reference	Proposal Name	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
<b>Capital and Treasury</b>					
COR-BR1-629	Reprofiling of the Minimum Revenue Provision	Green	(4,800)	(4,800)	0
COR-BR1-630	Service Inflation	Green	(6,350)	(6,350)	0
COR-BR1-633	PFI Insurance rebate/reduction in professional fees	Green	(145)	(145)	0
	<b>Total</b>		<b>(11,295)</b>	<b>(11,295)</b>	<b>0</b>
	<b>Grand Total</b>		<b>(19,969)</b>	<b>(19,821)</b>	<b>148</b>

## CAPITAL INVESTMENT PROGRAMME REPORT 2023/24

### Quarter 1 – June 2023

#### 1 Background

- 1.1 The original capital programme for 2023/24 reflected the priorities outlined in the capital strategy as approved at Cabinet on 13 February 2023 and confirmed at the Council meeting on 1 March 2023.
- 1.2 The outturn position as at 31 March 2023 and the position at the end of Month 3 (June 2023) is highlighted in this report.
- 1.3 For the remainder of the financial year, the programme will continue to be monitored and revised to take account of any new developments and changes in the profile of planned expenditure.

#### Current Position

- 2.1 Table 1 below shows the capital programme for 2023/24 and a further four years to 2027/28, and reflects the priorities outlined in the capital strategy as approved at Cabinet on 13 February 2023 and confirmed at the Council meeting on the 1 March 2023.

**Table 1 – 2023/28 Capital Strategy**

Directorate Budget	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Community Health and Adult Social Care	3,023	2,643	846	400		6,912
Children's Services	10,258	4,850	1,691	1,500	1,500	19,799
Communities	400	100	-	-	-	500
Place and Economic Growth	83,936	81,101	27,309	36,507	3,054	231,907
Housing Revenue Account (HRA)	1,000	500	95	-	-	1,595
Corporate/Information Technology (IT)	5,958	3,960	2,650	2,150	-	14,718
Capital, Treasury & Technical Accounting	4,238	2,738	234	10,120	-	17,330
Funding for Emerging Priorities	1,492	12,486	13,836	4,885	-	32,699
<b>Total Expenditure</b>	<b>110,305</b>	<b>108,378</b>	<b>46,661</b>	<b>55,562</b>	<b>4,554</b>	<b>325,460</b>

(subject to rounding – tolerance +/- £1k)

Funding	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Grant & Other Contributions	(40,549)	(42,458)	(6,483)	(5,554)	(3,054)	(98,098)
Prudential Borrowing	(61,186)	(62,556)	(39,028)	(49,038)	(1,500)	(213,308)
Revenue Contributions	(1,000)	(500)	(95)	-	-	(1,595)
Capital Receipts	(7,569)	(2,865)	(1,056)	(970)	-	(12,460)
<b>Grand Total</b>	<b>(110,305)</b>	<b>(108,378)</b>	<b>(46,661)</b>	<b>(55,562)</b>	<b>(4,554)</b>	<b>(325,460)</b>

(subject to rounding – tolerance +/- £1k)



2.2 Following the 2022/23 Month 9 report which was approved at Cabinet on 20 March 2023, the 2023/24 Capital Programme was revised to reflect anticipated reprofiling. Forecast expenditure therefore increased to £119.292m. Taking into account the 2022/23 months 10-12 approved movements of £8.964m and the outturn adjustment of £5.324m there is a revised budget of £122.931m, as presented below.

2.3 Following a detailed review of the capital programme in June 2023, it is suggested that a further £19.183m of planned expenditure is reprofiled into future financial years. Further detail about the movements is contained in Appendix F. Assuming all the movements are approved it would leave a revised budget of £103.748m for 2023/24 based on the latest information as at 30 June 2023.

**Table 2 – 2023/24 Capital Programme**

Directorate	2023/24 as at M09 2022/23 (restated) £000	Other Approved Budget changes after M09 £000	2022/23 Outturn Adjustment £000	Revised Budget 2023/24 £000	Proposed Virement/ Rephase £000	Revised Budget (M03) £000
Community Health and Adult Social Care	3,023	299	(43)	3,279		3,279
Children's Services	11,058	7	(1,473)	9,592	(2,937)	6,655
Communities	542	11	37	590		590
Place and Economic growth	91,146	8,500	(2,751)	96,895	(14,617)	82,278
Housing Revenue Account	1,000	-	-	1,000		1,000
Corporate/Information Technology	6,792	155	(473)	6,474	(1,640)	4,834
Capital Treasury & Technical Accounting	4,238	-	(66)	4,172	11	4,183
Funding for Emerging Priorities	1,492	(8)	(555)	929		929
<b>Overall Total</b>	<b>119,292</b>	<b>8,964</b>	<b>(5,324)</b>	<b>122,931</b>	<b>(19,183)</b>	<b>103,748</b>

2.4 Given that this is the position as at Quarter 1 and in view of the current challenges being faced including the pressure caused by the economic position, there must remain an element of uncertainty about the forecast position: that said the forecasts are based on the latest and most up to date information. A further breakdown of Table 2 on a service by service area basis is shown at Appendices A to H and the detailed breakdown of proposed virement/rephasing, both expenditure and financing, is shown in Appendix I.

2.5 Actual expenditure to 30 June 2023 was £12.405m (11.96% of the proposed forecast outturn). This spending profile is higher than in previous years (2022/23: 8.62%). The position will be kept under review and budgets will be managed in accordance with forecasts.

## Re-profiling of the Capital Programme

- 2.6 The revised capital programme for 2023/24 to 2027/28, considering all the above amendments in arriving at the revised forecast position, is shown in Table 3 together with the projected financing profile.

**Table 3 – 2023/4 to 2027/28 Current Capital Programme**

Directorate Budget	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	TOTAL £000
Community Health and Adult Social Care	3,279	2,643	320	400	-	<b>6,642</b>
Children's Services	6,655	3,730	4,058	3,182	1,500	<b>19,125</b>
Communities	590	100	-	-	-	<b>690</b>
Place and Economic Growth	82,278	88,977	34,551	33,954	3,054	<b>242,814</b>
Housing Revenue Account (HRA)	1,000	500	95	-	-	<b>1,595</b>
Corporate/Information Technology (IT)	4,834	4,564	2,840	2,834	1,027	<b>16,099</b>
Capital, Treasury & Technical Accounting	4,183	2,738	234	10,137	-	<b>17,292</b>
Funding for Emerging Priorities	929	8,118	13,836	4,884	-	<b>27,767</b>
<b>Grand Total</b>	<b>103,748</b>	<b>111,370</b>	<b>55,934</b>	<b>55,391</b>	<b>5,581</b>	<b>332,024</b>

(subject to rounding – tolerance +/- £1k)

Funding	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	TOTAL £000
Grant & Other Contributions	(39,962)	(50,140)	(10,469)	(4,602)	(3,054)	<b>(108,227)</b>
Prudential Borrowing	(54,427)	(57,433)	(43,966)	(49,913)	(2,527)	<b>(208,266)</b>
Revenue Contributions	(1,063)	(500)	(95)	-	-	<b>(1,658)</b>
Capital Receipts	(8,296)	(3,298)	(1,404)	(875)	-	<b>(13,873)</b>
<b>Grand Total</b>	<b>(103,748)</b>	<b>(111,370)</b>	<b>(55,934)</b>	<b>(55,391)</b>	<b>(5,581)</b>	<b>(332,024)</b>

(subject to rounding – tolerance +/- £1k)

- 2.7 Following the approval of the Capital Strategy in March 2023, a number of year-end adjustments and new approvals have taken place. This leaves the revised 2023/24-2027/28 capital programme at £332.024m, an increase of £6.564m, which is broken down in the table below.

**Table 4 – Capital Programme Movement**

Expenditure movement	£000s
Net rephase from 2022/23	4,030
New Grant funded schemes	2,534
<b>Total Expenditure Increase</b>	<b>6,564</b>

(subject to rounding – tolerance +/- £1k)

- 2.8 Although not within the first quarter of the year, Members will be aware that Cabinet, at its meeting on 17 July 2023, approved action to stabilise the adult social care market within Oldham leading to the acquisition (out of administration) of a Care Home by a wholly owned Council company. Current expenditure has been incorporated within the forecast position.

- 2.9 The revised Funding for Emerging Priorities for 2023/24 to 2027/28, taking into account all the above amendments is shown at Table 5.

**Table 5 - Provision for Emerging Priorities**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Provision for Emerging Priorities	929	8,118	13,836	4,884	-	27,767

Compared to the allocation set out in the approved Capital Strategy there has been a reduction in available resources of £4.932m following the approval of additional funding for Alexandra Park Depot, the Spindles Refurbishment, Diggle Clock Tower and Replacement of Litter Bins schemes at the end of 2022/2023.

### Capital Receipts

- 2.10 The capital programme requires the availability of £8.296m of capital receipts in 2023/24 for financing purposes. This includes £2.600m to support transformational activity in the General Fund using the flexibility allowed by Government.

The total net usable capital receipts currently received in year is £2.587m, the first call being the £2.600m outlined above (which as can be seen is almost fully covered).

- 2.11 The capital receipts position as at 30 June 2023 is as follows:

**Table 6 – Capital Receipts 2023/24**

	£000	£000
Capital Receipts Financing Requirement		8,296
Usable Capital Receipt b/fwd.	-	
Actual received to date	(2,587)	
Further anticipated capital receipt in year	(2,917)	
<b>Further Required in 2023/24</b>		<b>2,792</b>

(subject to rounding – tolerance +/- £1k)

- 2.12 Given the significant amount of capital receipts needed to finance the capital programme in this and future years it is imperative that the capital receipts/disposal schedule is adhered to. This is monitored at the monthly capital receipts meeting and will be subject to on-going review throughout the year. It is of course recognised that the ongoing economic instability with increasing interest rates and the impact on borrowing costs, coupled with the increase cost of living will continue to impact on business/economic activities making capital disposals more challenging.
- 2.13 The Capital Strategy and Capital Programme 2023/28 incorporates an expectation of the level of receipts that is anticipated in each of the respective years and therefore an estimate as to the resultant level of over or under programming in order to present a balanced budget. As can be seen below, the most recent review has produced a forecast which is below the financing projections included in Table 3. Should the currently estimated position prevail then the position would be as illustrated in the table below:

**Table 7 – Capital Receipts 2023/24 to 2027/28**

<b>Capital Receipts</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Capital Receipts Carried Forward	-	2,792	(887)	517	1,392
Estimated Capital Receipts	(2,917)	(6,977)	-	-	-
Received in year	(2,587)				
<b>Total Receipts</b>	<b>(5,504)</b>	<b>(4,185)</b>	<b>(887)</b>	<b>517</b>	<b>1,392</b>
Capital Receipts Financing Requirement	8,296	3,298	1,404	875	-
<b>Over/(Under) programming</b>	<b>2,792</b>	<b>(887)</b>	<b>517</b>	<b>1,392</b>	<b>1,392</b>

(subject to rounding – tolerance +/- £1k)

- 2.14 Although the capital receipts forecast is currently lower than the required amount, given that this is the month 3 position and there is the opportunity for the forecast to improve, at this stage it is considered appropriate to retain the original forecast and review this during the course of the current year. The consequence should the level of capital receipts fall is either, a corresponding increase in the level of prudential borrowing and hence an impact on the revenue budget, or a reduction in the overall capital programme.

### **Annual Review of the Capital Programme**

- 2.15 In accordance with previous practice, there is once again a review of the capital programme over the summer months (the Summer Review). This is examining any further opportunities to reallocate, decommission or reprofile resources. It will also include an in-depth analysis of capital receipts to support a revised forecast.

## **3 Conclusion**

- 3.1 Whilst the current projected position is showing the outturn to match the budget, a detailed review of the capital programme (the Annual Review) is being undertaken to establish if there are any surplus resources that can be realigned or any further re-profiling required. It is therefore likely that there will be some further rephrasing across all years to reflect developments relating to individual projects/schemes.
- 3.2 The capital programme is being continually monitored and is reported to Members on a regular basis.

## **4 Appendices**

- 4.1 Appendix A - SUMMARY – Qtr 1 - Community Health and Adult Social Care  
 Appendix B - SUMMARY – Qtr 1 - Children’s Service  
 Appendix C - SUMMARY – Qtr 1 - Communities  
 Appendix D - SUMMARY – Qtr 1 - Place and Economic Growth  
 Appendix E - SUMMARY – Qtr 1 - Housing Revenue Account (HRA)  
 Appendix F - SUMMARY – Qtr 1 - Corporate/Information Technology  
 Appendix G - SUMMARY – Qtr 1 - Capital Treasury and Technical Accounting  
 Appendix H - SUMMARY – Qtr 1 - Funding for Emerging Priorities  
 Appendix I – SUMMARY – Qtr 1 – Proposed Changes

**SUMMARY – Quarter 1 (June 2023) - Community Health and Adult Social Care**

**APPENDIX A**

Service area	Original Budget £000	Approved Changes /Virements £000	2022/23 Rephasing/ Acceleration £000	Revised Budget 2023/24 £000	Proposed Virement £000	Revised Budget (M3) £000	Forecast £000	Year End Variance £000
Adult Services	3,023	299	(43)	3,279	-	3,279	3,279	-
<b>Community Health and Adult Social Care Total</b>	<b>3,023</b>	<b>299</b>	<b>(43)</b>	<b>3,279</b>	<b>-</b>	<b>3,279</b>	<b>3,279</b>	<b>-</b>

(subject to rounding – tolerance +/- £1k)

**SUMMARY – Quarter 1 (June 2023) – Children’s Service**

**APPENDIX B**

Service area	Original Budget £000	Approved Changes /Virements £000	2022/23 Rephasing/ Acceleration £000	Revised Budget 2023/24 £000	Proposed Virement £000	Revised Budget (M3) £000	Forecast £000	Year End Variance £000
Children, Young People and Families (CYPF)	-	-	174	174	-	174	174	-
Schools - General Provision	4,266	421	(104)	4,583	(2,937)	1,646	1,646	-
Schools – Primary	1,250	273	545	2,068	-	2,068	2,068	-
Schools – Secondary	4,724	113	(2,086)	2,751	-	2,751	2,751	-
Schools – Special	18	0	(2)	16	-	16	16	-
Schools New Build	-	0	-	-	-	-	-	-
<b>Children’s Service Total</b>	<b>10,258</b>	<b>807</b>	<b>(1,473)</b>	<b>9,592</b>	<b>(2,937)</b>	<b>6,655</b>	<b>6,655</b>	<b>-</b>

(subject to rounding – tolerance +/- £1k)

**SUMMARY – Quarter 1 (June 2023) – Communities**

**APPENDIX C**

Service area	Original Budget £000	Approved Changes /Virements £000	2022/23 Rephasing/ Acceleration £000	Revised Budget 2023/24 £000	Proposed Virement £000	Revised Budget (M3) £000	Forecast £000	Year End Variance £000
Local Investment Fund	400	153	37	590	-	590	590	-
<b>Communities Total</b>	<b>400</b>	<b>153</b>	<b>37</b>	<b>590</b>	<b>-</b>	<b>590</b>	<b>590</b>	<b>-</b>

(subject to rounding – tolerance +/- £1k)

**SUMMARY – Quarter 1 (June 2023) – Place and Economic Growth**

**APPENDIX D**

Page 56

Service area	Original Budget £000	Approved Changes /Virements £000	2022/23 Rephasing/ Acceleration £000	Revised Budget 2023/24 £000	Proposed Virement £000	Revised Budget (M3) £000	Forecast £000	Year End Variance £000
Asset Mgt - Asset Management	7,419	1,807	(93)	9,133	-	9,133	9,133	-
Asset Mgt - Education Premises	1,749	857	15	2,621	-	2,621	2,621	-
Boroughwide Developments	24,455	2,988	(2,897)	24,546	(5,453)	19,093	19,093	-
Development	-	-	11	11	(11)	-	-	-
Boroughwide Projects	-	233	-	233	-	233	233	-
Cemeteries and Crematorium	37	9	-	46	-	46	46	-
Countryside	100	25	66	191	-	191	191	-
Parks	35	311	34	380	-	380	380	-
Playing Fields & Facilities	-	-	2	2	-	2	2	-
Parks & Playing Fields	-	13	-	13	-	13	13	-
Private Housing - HMRF	150	50	49	249	-	249	249	-
Private Housing - Non-HMRF	-	85	63	148	-	148	148	-
Public Realm	50	75	-	125	-	125	125	-
Strategic Acquisitions	2,000	250	(9)	2,241	(1,241)	1,000	1,000	-
Town Centre Developments	33,888	5,464	(1,908)	37,444	(6,000)	31,444	31,444	-
Accident Reduction	198	181	776	1,155	464	1,619	1,619	-
Bridges & Structures	4,589	427	1,351	6,367	(663)	5,704	5,704	-
Fleet Management	298	-	451	749	-	749	749	-
Highway Major Works/Drainage schemes	7,659	1,609	(423)	8,845	(1,667)	7,178	7,178	-
Minor Works	781	481	(71)	1,191	94	1,285	1,285	-
Miscellaneous	528	846	(168)	1,206	(141)	1,065	1,065	-
Street Lighting	-	1,807	-	9,133	-	-	-	-
<b>Place and Economic Growth Total</b>	<b>83,936</b>	<b>15,710</b>	<b>(2,751)</b>	<b>96,895</b>	<b>(14,617)</b>	<b>82,278</b>	<b>82,278</b>	<b>-</b>

(subject to rounding – tolerance +/- £1k)

**SUMMARY – Quarter 1 (June 2023) - Housing Revenue Account (HRA)****APPENDIX E**

Service area	Original Budget £000	Approved Changes /Virements £000	2022/23 Rephasing/ Acceleration £000	Revised Budget 2023/24 £000	Proposed Virement £000	Revised Budget (M3) £000	Forecast £000	Year End Variance £000
Housing Revenue Account	1,000	-	-	1,000	-	1,000	1,000	-
<b>HRA Total</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>	<b>-</b>

(subject to rounding – tolerance +/- £1k)

**SUMMARY – Quarter 1 (June 2023) – Corporate/Information Technology (IT)****APPENDIX F**

Service area	Original Budget £000	Approved Changes /Virements £000	2022/23 Rephasing/ Acceleration £000	Revised Budget 2023/24 £000	Proposed Virement £000	Revised Budget (M3) £000	Forecast £000	Year End Variance £000
Information Technology	5,958	989	(473)	6,474	(1,640)	4,834	4,834	-
<b>Information Technology Total</b>	<b>5,958</b>	<b>989</b>	<b>(473)</b>	<b>6,474</b>	<b>(1,640)</b>	<b>4,834</b>	<b>4,834</b>	<b>-</b>

(subject to rounding – tolerance +/- £1k)

**SUMMARY – Quarter 1 (June 2023) – Capital Treasury and Technical Accounting****APPENDIX G**

Service area	Original Budget £000	Approved Changes /Virements £000	2022/23 Rephasing/ Acceleration £000	Revised Budget 2023/24 £000	Proposed Virement £000	Revised Budget (M3) £000	Forecast £000	Year End Variance £000
Cross Cutting /Corporate	4,238	-	(66)	4,172	11	4,183	4,183	-
<b>Capital Treasury and Technical Accounting Total</b>	<b>4,238</b>	<b>-</b>	<b>(66)</b>	<b>4,172</b>	<b>11</b>	<b>4,183</b>	<b>4,183</b>	<b>-</b>

(subject to rounding – tolerance +/- £1k)



**SUMMARY – Quarter 1 (June 2023) - Funding for Emerging Priorities****APPENDIX H**

<b>Service area</b>	<b>Original Budget £000</b>	<b>Approved Changes /Virements £000</b>	<b>2022/23 Rephasing/ Acceleration £000</b>	<b>Revised Budget 2023/24 £000</b>	<b>Proposed Virement £000</b>	<b>Revised Budget (M3) £000</b>	<b>Forecast £000</b>	<b>Year End Variance £000</b>
Funding for Emerging Priorities	1,492	(8)	(555)	929	-	929	929	-
<b>Funding for Emerging Priorities Total</b>	<b>1,492</b>	<b>(8)</b>	<b>(555)</b>	<b>929</b>	<b>-</b>	<b>929</b>	<b>929</b>	<b>-</b>

(subject to rounding – tolerance +/- £1k)

**SUMMARY – Quarter 1 (June 2023) Proposed Changes**

**APPENDIX I**

<b>EXPENDITURE BUDGETS TO BE REPROFILED AS AT 30 JUNE 2023</b>		<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
<b>Children's Services</b>							
Education Basic Need General Provision		(295)	-	368	295	-	368
School Places- Greenfield Primary- temporary classroom & playing fields block		(368)	-	-	-	-	(368)
SEND - Special Provision Capital Fund (SPCF) General Provision 2018-2021		(2,274)	(1,112)	2,000	1,387	-	-
<b>Children's Services Total</b>		<b>(2,937)</b>	<b>(1,112)</b>	<b>2,368</b>	<b>1,682</b>	<b>-</b>	<b>-</b>
<b>Place and Economic Growth</b>							
2021/22 HIP Schemes Amber		(53)	-	-	-	-	(53)
2022/23 – Highway Maintenance Schemes (Red)		35	-	-	-	-	35
2023/24 Highway Maintenance Schemes		1,337	-	-	-	-	1,337
A62 Huddersfield Road, Scouthead (Near Doctor Lane)		20	-	-	-	-	20
A669 Oldham Road, Grasscroft Pedestrian Safety Improvements		(25)	25	-	-	-	-
The Causeway Bridge, The Causeway off Gateway Crescent		(47)	-	-	-	-	(47)
Union Street West Footbridge		(47)	47	-	-	-	-
Denshaw Bridge, Delph Road		(24)	100	-	-	-	76
Laurel Avenue Bridge		17	375	-	-	-	392
Shaws Lane Footbridge		27	-	-	-	-	27
Street Bridge Road Bridge		38	350	-	-	-	388
Bridge Work - King Street Roundabout Footbridge		(76)	76	-	-	-	-
Capital Programme Management		(20)	20	-	-	-	-
Chew Valley Road		40	-	-	-	-	40
Church Road, Shaw - Highway Improvements		19	-	-	-	-	19
DFT ATF - School Streets		121	-	-	-	-	121
DFT ATF T2 Oldham Town Centre - Lees - Grotton Linear Park		6	-	-	-	-	6
DFT ATF T2 Wellington Street		(31)	-	-	-	-	(31)
DFT CF Waterloo & Wellington Bridges		(600)	600	-	-	-	-

<b>Place and Economic Growth cont'd</b>						
Disabled Access Improvements	30	-	-	-	-	<b>30</b>
Disabled Bays	16	-	-	-	-	<b>16</b>
Eastern Gateway Improvements (Prince's Gate)	(121)	121	-	-	-	-
Featherstall Road Roundabout (Signalisation and Provision of Pedestrian Facilities)	(2)	-	-	-	-	<b>(2)</b>
Footway Improvements	100	-	-	-	-	<b>100</b>
Green Shoots (Rhodes Bank)	(2,005)	2,005	-	-	-	-
Higher Turf lane	35	-	-	-	-	<b>35</b>
Honeywell Lane	40	-	-	-	-	<b>40</b>
Hunt Lane Railway Bridge	(4)	224	-	-	-	<b>220</b>
Integrated Minor highways & Traffic Management Schemes	80	-	-	-	-	<b>80</b>
Jubilee Park (Town Centre)	(1,000)	1,000	-	-	-	-
Leisure Review - Boroughwide Sports Provision	-	-	-	(16)	-	<b>(16)</b>
Manchester Street Viaduct refurbishment	(273)	273	-	-	-	-
Chadderton Pedestrian & Cycle Access Improvements	(75)	75	-	-	-	-
Park Bridge NCN 626 to Ashton	(10)	10	-	-	-	-
Park Road NCN 626 to Town Centre	(437)	437	-	-	-	-
Royton Town Centre Connection	(557)	557	-	-	-	-
Minor Drainage Works	50	-	-	-	-	<b>50</b>
Minor Structures Works	125	95	-	-	-	<b>220</b>
Northern Roots	(2,798)	-	2,798	-	-	-
Obligations under Sec 39 Road Traffic Act	70	-	-	-	-	<b>70</b>
Oldham Magistrates Court	(11)	-	-	-	-	<b>(11)</b>
Oldham Town Centre - Rock Street_Lord Street	(1,195)	1,195	-	-	-	-
Oldham Town Centre- Cheapside/West Street	(224)	152	72	-	-	-
Preliminary assessment and design of priority structures	75	-	-	-	-	<b>75</b>
Principal Bridge Inspections	49	-	-	-	-	<b>49</b>
Public Rights of Way (PRoW) Improvements	25	-	-	-	-	<b>25</b>
River Irk Bridge	26	74	-	-	-	<b>100</b>
Safety Barrier Enhancement (Boroughwide)	80	-	-	-	-	<b>80</b>

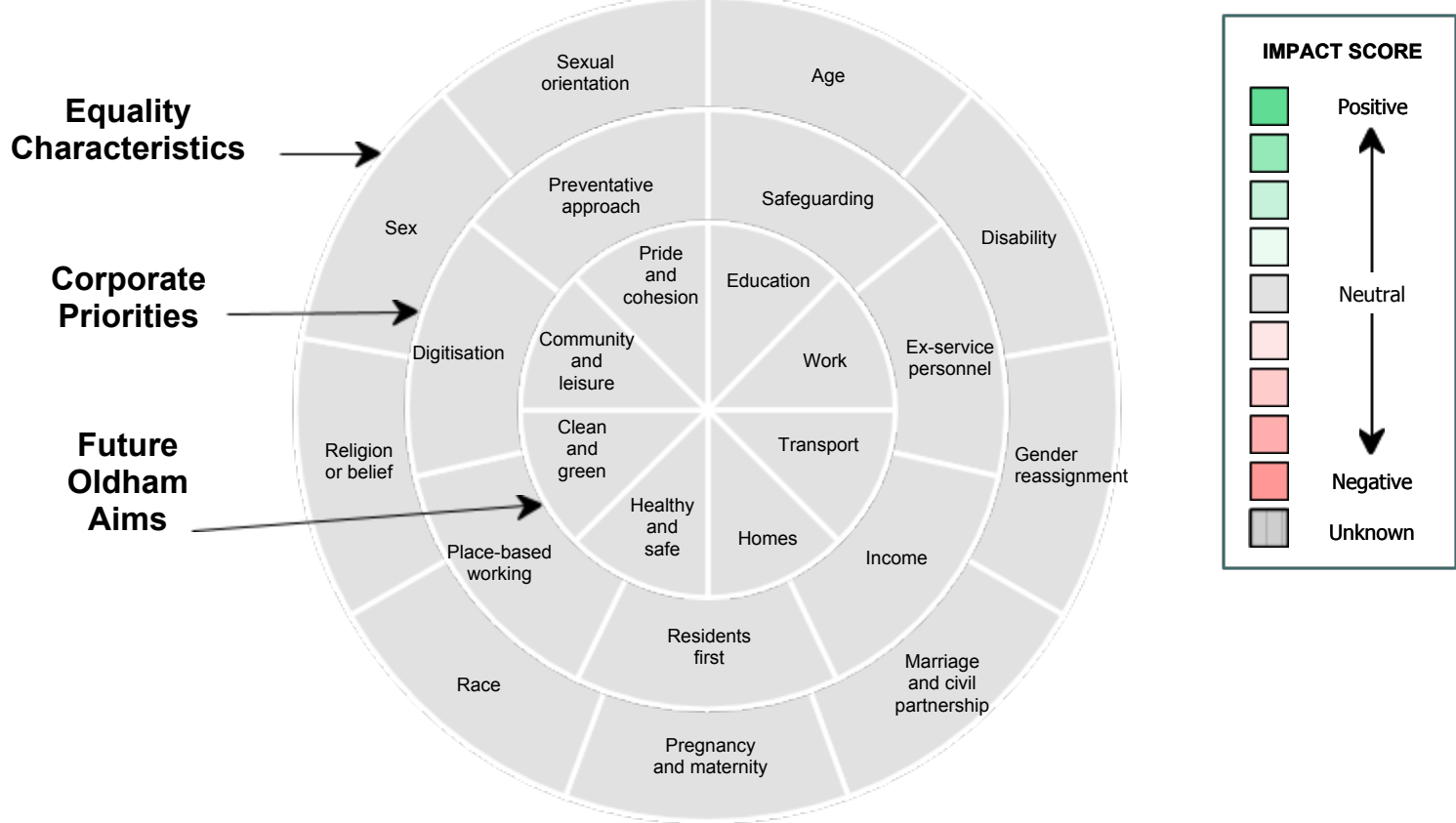
<b>Place and Economic Growth cont'd</b>						
Spindles Redevelopment	(5,000)	-	5,000	-	-	-
St Marys Primary, Greenfield - School Safety Zone	7	-	-	-	-	7
Strategic Acquisitions- General Provision	(1,241)	-	1,241	-	-	-
Tame Bridge	(9)	229	-	-	-	220
Traffic calming of 20mph, Uppermill, Dobcross	170	-	-	-	-	170
Transport Investment	(672)	(371)	(371)	(2,500)	-	(3,915)
Width Restriction, Wrigley Head, Failsworth	(49)	49	-	-	-	-
Wrigley Head Solar Farm	(650)	650	-	-	-	-
<b>Place Total</b>	<b>(14,617)</b>	<b>8,367</b>	<b>8,739</b>	<b>(2,516)</b>		<b>(27)</b>
<b>Corporate/Information Technology</b>						
Application Portfolio Management Line of Business Systems	30	-	-	-	-	30
Digital Communities Business Insight Performance, Strategy & Policy Foundations	(341)	(600)	(600)	(500)	-	(2,041)
Digital Leadership Business Support HR/OD Foundations	(100)	(50)	150	-	-	-
Digital Services Customer Experience	(1,377)	(109)	(500)	(350)	527	(1,809)
Technology Roadmap Digital and Technology Foundations	(106)					(106)
Data - Theme 3	254	909	950	1,534	500	4,147
<b>Corporate/Information Technology Total</b>	<b>(1,641)</b>	<b>150</b>	<b>-</b>	<b>683</b>	<b>1,027</b>	<b>220</b>
<b>Capital, Treasury and Technical Accounting</b>						
Provision for CPOs	11	-	-	16	-	27
<b>Capital, Treasury and Technical Accounting Total</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>27</b>
<b>Grand Total</b>	<b>(19,183)</b>	<b>7,404</b>	<b>11,107</b>	<b>(135)</b>	<b>1,027</b>	<b>220</b>

(subject to rounding – tolerance +/- £1k)

<b>FINANCING BUDGETS TO BE REPROFILED AS AT 30 JUNE 2023</b>		<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Grant & Other Contributions		11,159	(7,845)	(4,499)	965	-	(220)
Prudential Borrowing		7,028	1,069	(6,241)	(829)	(1,027)	-
Revenue Contributions		-	-	-	-	-	-
Capital Receipts		996	(629)	(368)	-	-	-
<b>Grand Total</b>		<b>19,183</b>	<b>(7,404)</b>	<b>(11,107)</b>	<b>135</b>	<b>(1,027)</b>	<b>(220)</b>

(subject to rounding – tolerance +/- £1k)

Annex 3- EIA: Financial Monitoring 23/24 (Q01)



Annex 3- EIA: Financial Monitoring 23/24 (Q01)				
	Impact	Likelihood	Duration	Comment
<b>Equality Characteristics</b>				
Age	Neutral	Possible	Short Term	The report considers the 2023/24 financial position of the Council at Quarter 1 (30 June 2023) and as such, in isolation has no direct impact on Equality
Disability	Neutral	Possible	Short Term	As Above
Gender reassignment	Neutral	Possible	Short Term	As Above
Marriage and civil partnership	Neutral	Possible	Short Term	As Above
Pregnancy and maternity	Neutral	Possible	Short Term	As Above
Race	Neutral	Possible	Short Term	As Above
Religion or belief	Neutral	Possible	Short Term	As Above
Sex	Neutral	Possible	Short Term	As Above
Sexual orientation	Neutral	Possible	Short Term	As Above
<b>Corporate Priorities</b>				
Safeguarding	Neutral	Possible	Short Term	The report considers the 2023/24 financial position of the Council at Quarter 1 (30 June 2023) and as such, in isolation has no direct impact on Corporate Priorities
Ex-service personnel	Neutral	Possible	Short Term	As Above
Income	Neutral	Possible	Short Term	As Above
Residents first	Neutral	Possible	Short Term	As Above
Place-based working	Neutral	Possible	Short Term	As Above
Digitisation	Neutral	Possible	Short Term	As Above
Preventative approach	Neutral	Possible	Short Term	As Above
<b>Future Oldham Aims</b>				
Education	Neutral	Possible	Short Term	The report considers the 2023/24 financial position of the Council at Quarter 1 (30 June 2023) and as such, in isolation has no direct impact on Future Oldham Aims
Work	Neutral	Possible	Short Term	As Above
Transport	Neutral	Possible	Short Term	As Above
Homes	Neutral	Possible	Short Term	As Above
Healthy and safe	Neutral	Possible	Short Term	As Above
Clean and green	Neutral	Possible	Short Term	As Above
Community and leisure	Neutral	Possible	Short Term	As Above
Pride and cohesion	Neutral	Possible	Short Term	As Above

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## Report to Audit Committee

# Treasury Management Quarter One Report 2023/24

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Lee Walsh, Finance Manager (Capital & Treasury)  
**Ext.** 6608

**5 September 2023**

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### Reason for Decision

This report advises the Audit Committee of the performance of the Treasury Management function of the Council for the first quarter of 2023/24 and provides a comparison of performance against the 2023/24 Treasury Management Strategy and Prudential Indicators.

### Executive Summary

The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. This report therefore sets out the key Treasury Management issues for Members' information and review and outlines:

- An economic update for the first quarter of 2023/24;
- A review and updates of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;
- Treasury Performance for the Quarter;
- Treasury Management Prudential Indicators;

The report is presented to the Audit Committee to enable it to have the opportunity to review and scrutinise the Quarter One Treasury Management report prior to its presentation to Cabinet and Council.

## **Recommendation**

That the Audit Committee, considers and comments upon the Treasury Management Quarter One report and the Treasury Management activity and projected outturn and after such consideration, commends the report to Cabinet.

## 1 Background

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested with low-risk counterparties, providing adequate liquidity initially before considering optimising investment returns.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 As a consequence, treasury management is defined as:
- “The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.4 Members of the Audit Committee will recall that with effect from the start of 2023/24, following a competitive tendering process, the Council changed its treasury management advisors from The Link Group, Treasury Solutions to Arlingclose Ltd. The format of the treasury management reports has therefore changed in line with the advice received from Arlingclose Ltd.

## 2 Current Position

### 2.1 Requirements of the Treasury Management Code of Practice

- 2.1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (Revised 2021) (the CIPFA Code) which requires the Authority to produce a quarterly treasury management update report; a requirement in the 2021 Code which is mandatory from 1 April 2023.
- 2.1.2 This report provides an additional update to that previously received by Members to reflect the new requirement in the 2021 Code of quarterly reporting on treasury management prudential indicators. The treasury and prudential indicators are also incorporated at Appendix 1 to this report.
- 2.1.3 The Council's treasury management strategy for 2023/24 was approved at a meeting on 1 March 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's Treasury Management Strategy.
- 2.1.4 This Quarter One report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:
- An economic update for the first quarter of 2023/24;
  - A review and updates of the Council's current treasury management position;
  - Council Borrowing;
  - Treasury Investment Activity;

- Treasury Performance for the Quarter;
- Treasury Management Prudential Indicators;

## 2.2 External Environment Quarter One 2023/24

### Economic Background

- 2.2.1 From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture.
- 2.2.2 The UK situation was not welcome news for the Bank of England. Gross Domestic Product (GDP) growth was weak, confirmed at 0.1% in quarter 1 (Q1), although more recent monthly GDP data has been somewhat better. The housing market had stalled, consumer demand was weak but seemingly recovering despite higher interest rates, and labour demand remained strong, with repercussions for wage growth which is accelerating.
- 2.2.3 April data showed the unemployment rate increased to 3.8% (3mth/year) while the employment rate rose to 76.0%. Pay growth was 6.5% for total pay (including bonuses) and 7.2% for regular pay, the largest growth rate of the latter outside of the COVID pandemic. Once adjusted for inflation, however, growth in total pay and regular pay remained negative.
- 2.2.4 Inflation fell from its peak of 11.1% reached in October 2022, but the annual headline Consumer Price Index (CPI) inflation rate in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.
- 2.2.5 After a sharp rise in interest rate expectations, with clearly serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee (MPC) reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.
- 2.2.6 Interest rate expectations priced in further hikes in policy rates. Arlingclose, the Council's treasury adviser, revised its forecast to predict a further 0.5% of monetary tightening to take the Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting interest rates above 6%.
- 2.2.7 With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months at higher rates at the end of their fixed rate period, there has been a lagged effect of the follow through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and therefore, despite the GfK (Nuremberg Society for Consumer Research) measure of consumer confidence rising to -24 in June, it is likely that confidence will be negatively affected at some point. The manufacturing sector contracted during the quarter according to survey data, which will eventually impact into services, whose expansion is slowing.
- 2.2.8 Despite the US Federal Reserve (Fed) increasing its key interest rate from 5.00% to 5.25% over the period, activity in the region continued to defy monetary tightening, particularly in labour markets which have so far appeared robust, supporting the Fed's assertions of two more rate hikes after it paused in June. Annual US inflation continued to ease, falling from 4.9% in April to 4.0% in May, the lowest level since March 2021. US GDP growth at 2% annualised in the first calendar quarter of 2023 was also significantly stronger than expected against the initial estimate of 1.3%.
- 2.2.9 In the Euro Zone, the picture was somewhat different. The European Central Bank (ECB)

maintained its hawkish tone and increased its key deposit, main refinancing, and marginal lending interest rates to 3.50%, 4.00% and 4.25% respectively. There were signs of weakening activity, particularly in Germany whose manufacturing sector has been impacted by high energy prices and weaker global demand. However, inflation remained sticky; annual headline CPI fell to 5.5% in June while annual core inflation rose to 5.4% from 5.3%, which means the ECB is unlikely to stop monetary tightening.

### Financial Markets

- 2.2.10 Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate.
- 2.2.11 Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%. The Sterling Overnight Rate (SONIA) averaged 4.37% over the quarter.

### Credit Review

- 2.2.12 Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank and the purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March, Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days.
- 2.2.13 Over the period, Standard and Poors (S&P) upgraded the NatWest Group and related entities to A+ (except NatWest Markets which was upgraded to A), revised the UK sovereign outlook to stable from negative, and upgraded both Barclays Bank PLC and Barclays Bank UK PLC to A+.
- 2.2.14 Fitch put the US sovereign rating on Rating Watch Negative following increased political partisanship which at the time was hindering the latest resolution to raising the debt ceiling. It also upgraded the outlook on the United Overseas Bank to stable, the outlook on the Clydesdale Bank to positive, and the outlook on Bank of Montreal to stable.
- 2.2.15 Moody's withdrew Guildford BC's rating (who chose not to continue being rated) and affirmed the Aaa rating of the European Investment Bank.
- 2.2.16 Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

## **2.3 The Oldham Council Treasury Position**

- 2.3.1 On 31 March 2023, the Authority had net borrowing of £90.216m arising from its revenue and capital income and expenditure. This had fallen to £80.480m by the end of Quarter 1.
- 2.3.2 The actual and planned level of capital expenditure are the drivers of borrowing for capital purposes. Appendix 1 shows the actual level of capital expenditure at the end of 2022/23 and includes the Quarter 1 forecast for 2023/24, 2024/25 and 2025/26. It also shows the financing including the level of prudential borrowing.
- 2.3.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

**Table 1 - Balance Sheet Summary**

	31 March 2023 Actual £'000	31 March 2024 Forecast £'000
General Fund CFR	465,723	493,124
HRA CFR	-	-
<b>Total CFR</b>	<b>465,723</b>	<b>493,124</b>
Less: Other debt liabilities PFI	204,339	193,787
<b>Borrowing CFR</b>	<b>261,384</b>	<b>299,337</b>
External borrowing	160,996	185,996
<b>Internal borrowing</b>	<b>100,388</b>	<b>113,341</b>
Less: Usable Balance Sheet Resources	(154,194)	(145,453)
Less: Working capital	(25,713)	(25,713)
<b>Net Investments</b>	<b>(79,519)</b>	<b>(57,825)</b>

- 2.3.4 Table 1 shows the forecast CFR for 2023/24 is £493.124m, an increase of £27.401m compared to £465.723m at the end of 2022/23, but a reduction compared to the CFR of £503.278m approved in the 2023/24 Treasury Management Strategy at the 2023/24 Budget Council meeting. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes is forecast at £299.337m an increase of £37.953m compared to the position at the end of 2022/23.
- 2.3.5 The table clearly highlights that the Council borrowing is well below the CFR and the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy has been prudent in recent years as investment returns have been low and counterparty risk is still an issue that needs to be considered. This along with raising interest rates for external debt means that the Council will continue to analyse and assess the market to determine the optimum time to externally borrow.
- 2.3.6 The treasury management position as at 30 June 2023 and the change over the quarter is shown in Table 2 below.

**Table 2 - Treasury Management Summary**

Borrowing/Investments	31 March 2023 Balance £'000	Movement £'000	30 June 2023 Balance £'000	30 June 2023 Average Rate %
Long-term borrowing				
- Public Works Loan Board	35,241	-	35,241	2.81%
- Lender Option Borrowing Option	85,500	-	85,500	4.33%
- Other	40,001	-	40,001	4.03%
Short-term borrowing	254	-	254	-
<b>Total Borrowing</b>	<b>160,996</b>	<b>-</b>	<b>160,996</b>	<b>-</b>
Long-term investments	15,000	-	15,000	4.25%
Short-term investments	20,000	(12,000)	8,000	4.28%
Cash and cash equivalents	35,780	21,700	57,480	4.35%
<b>Total Investments</b>	<b>70,780</b>	<b>9,700</b>	<b>80,480</b>	
<b>Net Borrowing (total borrowing less total investments)</b>	<b>90,216</b>		<b>80,516</b>	

As can be seen in the table above, borrowing has remained the same in the first three months of the year. However, borrowing is likely to increase during the year in line with planned capital expenditure. Overall, the level of investments have increased £9.700m since the end of 2022/23 due to the cash position of the Council.

## 2.4 **Borrowing**

- 2.4.1 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.
- 2.4.2 Public Works Loan Board (PWLB) loans are no longer available to Local Authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 2.4.3 Oldham Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council, and it has no plans to do so in future.
- 2.4.4 The chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 2.4.5 There has been a substantial rise in the cost of both short and long-term borrowing over the last 18 months. In this reporting period (Q1), the Bank Rate rose from 4.25% at the beginning of April to 5.0% at the end of the first quarter and was also significantly higher than its level of 1.25% at the end of June 2022.
- 2.4.6 Gilt yields have faced upward pressure since early April following signs that UK growth has been more resilient and inflation stickier than expected. Consequently, PWLB borrowing rates continued to rise over the quarter. On 30 June, the PWLB certainty rates for maturity loans were 5.25% for 10 year loans, 5.36% for 20-year loans and 4.95% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 2.4.7 As at 30 June Oldham Council held £160.996m of loans. There has been no new borrowing undertaken in the first three months of the year so no movement from the position 31 March 2023, as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30 June (borrowing position) are summarised in Table 3 below.



**Table 3 - Borrowing Position**

Borrowing Sources	31 March 2023 Balance £'000	Movement £'000	30 June 2023 Balance £'000	30 June 2023 Weighted Average Rate %	30 June 2023 Weighted Average Maturity (years)
Public Works Loan Board	35,241	-	35,241	2.81%	18.12
Banks (LOBO)	85,500	-	85,500	4.33%	43.43
Banks (fixed-term)	40,000	-	40,000	4.03%	46.05
Local Bonds (long-term)	1	-	1	1.00%	-
Local Bonds (short-term)	22	-	22	0.00%	-
Local Charitable Trusts (short-term)	231	-	231	1.94%	1
<b>Total Borrowing</b>	<b>160,996</b>	<b>-</b>	<b>160,996</b>		

### LOBO Loans

- 2.4.8 Oldham Council continues to hold £85.500m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms or to repay the loan at no additional cost.
- 2.4.9 With market interest rates having risen, the probability of LOBOs being called has been higher than in the recent past. A total of £25.000m of LOBO loans had annual/semi-annual call option dates during the April-June quarter, however no lender exercised their option.
- 2.4.10 Currently Oldham Council has £40.500m LOBO loans with call dates during the remaining nine months of this financial year. Of this sum, £30.500m is held with Dexia Finance, and the remaining £10.000m split with two other providers, Danske Bank and KA Finanz. At the time of writing no call options have been exercised.
- 2.4.11 Council officers have liaised with treasury management advisors, Arlingclose, over the likelihood of the options being exercised for LOBO's within the loan portfolio. If the option is exercised the Authority plans to repay the loan at no additional cost. If required, the Authority will repay the LOBO loans with available cash or by borrowing from alternative sources or the PWLB, always providing that overall savings can be demonstrated.

## **2.5 Treasury Investment Activity**

- 2.5.1 CIPFA published a revised the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 2.5.2 At 30 June, the Council held £80.480m invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first quarter of 2022/23, the Authority's investment balances ranged between £70.870m and £80.480m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

**Table 4 - Treasury Investment Position**

Investment Placements	31 March 2023 Balance £'000	Movement £'000	30 June 2023 Balance £'000	30 June 2023 Income Return %
Banks & building societies (unsecured)	10,000	(10,000)	-	4.06%
Government (incl. Local Authorities)	10,000	(2,000)	8,000	4.35%
Money Market Funds	35,780	21,700	57,480	4.35%
Property Pooled Fund	15,000	-	15,000	4.25%
<b>Total investments</b>	<b>70,780</b>	<b>9,700</b>	<b>80,480</b>	

- 2.5.3 Both the CIPFA Code and Government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 2.5.4 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.
- 2.5.5 Bank Rate increased by 0.75%, from 4.25% at the beginning of April to 5% by the end of June, with the prospect of further increases to come. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. Money Market Rates for the quarter were between 4.04% and 4.80%.
- 2.5.6 The Council in previous years has invested £15.000m in the Churches, Charities & Local Authorities (CCLA) pooled property fund. As this is a longer-term investment and there has been no change in the value held over the quarter.
- 2.5.7 UK property markets continued to struggle as higher interest rates and bond yields and higher funding costs weighed on the sector. There was some improvement in May, building on signs of returning investor interest and transactional activity in calendar Q1 and a perception that the downturn in commercial real estate may be bottoming out. This has helped support capital values and rental income. The additional move upwards in yields in late May/June and the prospect of sluggish economic growth however constrain the outlook.
- 2.5.8 The combination of the above had a no effect on the combined value of the Authority's property funds since March 2023. Income returns remained broadly consistent at 4.25%.
- 2.5.9 The change in the Authority's funds' capital values and income return over the 3-month period is shown in Table 4.
- 2.5.10 The Authority has budgeted income from these investments in 2023/24. Income received for the period up to 30 June was £0.156m.
- 2.5.11 The Council's investments have no defined maturity date, but are available for withdrawal after a notice period, but their performance and continued suitability in meeting the Councils medium- to long-term investment objectives are regularly reviewed. Strategic fund

investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

### Statutory Override

2.5.12 In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31 March 2025, but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council will discuss with Arlingclose the implications for the investment strategy and what the future implications will be. Any future Treasury Management Strategies will be revised accordingly.

## 2.6 Treasury Team Performance

2.6.1 The Treasury Team measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in Table 5 below.

**Table 5 – Treasury Team Performance**

	Budgeted Performance Rates / Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	Actual Return %
Budgeted Investment Rates	4.400%		4.504%
Overnight SONIA	4.379%	4.598%	4.504%

2.6.2 The budgeted investment rate of 4.40% above included within the annual strategy for 2023/24 was based on the average rate over the full financial year as expectations were for a number of interest rate rises to take place during 2023/24. The actual rate achieved in the first quarter exceeds this budgeted rate.

2.6.3 Previously the benchmark return was measured on the London Interbank Bid Rate (LIBID) which was a forward-looking interest rate. The Bank of England replaced LIBID with SONIA in December 2021. SONIA is calculated differently to LIBID in that it is a backward looking rate, based on actual results. In a rapidly increasing interest rate environment SONIA can increase quicker than the existing portfolio of investments. This can be shown above as the actual return is slightly lower than the benchmark.

2.6.4 The Director of Finance reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 6 below.

**Table 6 - Investment Limits**

Investment Limit	Maximum during Q1 2023/24 £'000	Actual Position at 30 June 2023 £'000	Maximum Allowable in 2023/24 £'000	Compliance Yes/No
Any single organisation, except the UK Government	10,000	5,000	30,000	Yes
Any group of organisations under the same ownership	10,000	-	20,000	Yes
Any group of pooled funds under the same management	15,000	15,000	15,000	Yes
Unsecured investments with building societies	-	-	20,000	Yes
Money Market Funds	66,330	57,840	80,000	Yes
Strategic Pooled Funds	15,000	15,000	15,000	Yes

2.6.5 Compliance with the Operational Boundary and Authorised Limit for external debt is demonstrated in Table 8 below.

**Table 7 – Operational Boundary and Authorised Limit**

Borrowing /Limits	Actual Position at 30 June 2023 £'000	2023/24 Operational Boundary £'000	2023/24 Authorised Limit £'000	Compliance Yes/No
Borrowing	160,996	312,000	332,000	Yes
PFI and Finance Leases	193,787	196,500	201,500	Yes
<b>Total Gross Borrowing / Limit</b>	<b>354,782</b>	<b>508,500</b>	<b>533,500</b>	Yes

2.6.6 The Operational Boundary represents the expected borrowing position for the Council for the year and was set at £508.500m.

2.6.7 The Authorised Limit is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003 and for 2023/24 was set at £533.500m. Once this has been set, the Council does not have the power to borrow above this level although it can be revised if required.

2.6.8 Since the Operational Boundary is a management tool for in-year monitoring it is not significant if the Operational Boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. No breaches have occurred, and it is not anticipated that there will be any breaches in 2023/24.

## 2.7 Treasury Management Prudential Indicators

2.7.1 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

## Liability Benchmark

- 2.7.2 This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing that the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10.000m, the level required to manage day-to-day cash flow.

**Table 8 - Liability Benchmark**

<b>Liability Benchmark Measurement</b>	<b>31 March 2023 Actual £'000</b>	<b>31 March 2024 Forecast £'000</b>	<b>31 March 2025 Forecast £'000</b>	<b>31 March 2026 Forecast £'000</b>
Loans CFR	262,800	313,800	363,400	387,100
Less: Balance sheet resources	181,254	157,700	157,700	157,700
<b>Net loans requirement</b>	<b>81,546</b>	<b>156,100</b>	<b>205,700</b>	<b>229,400</b>
Plus: Liquidity allowance	10,000	10,000	10,000	10,000
<b>Liability benchmark</b>	<b>91,546</b>	<b>166,100</b>	<b>215,700</b>	<b>239,400</b>
<b>Existing /forecast borrowing</b>	<b>160,996</b>	<b>166,996</b>	<b>215,796</b>	<b>239,396</b>

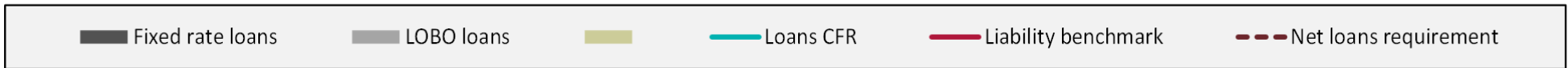
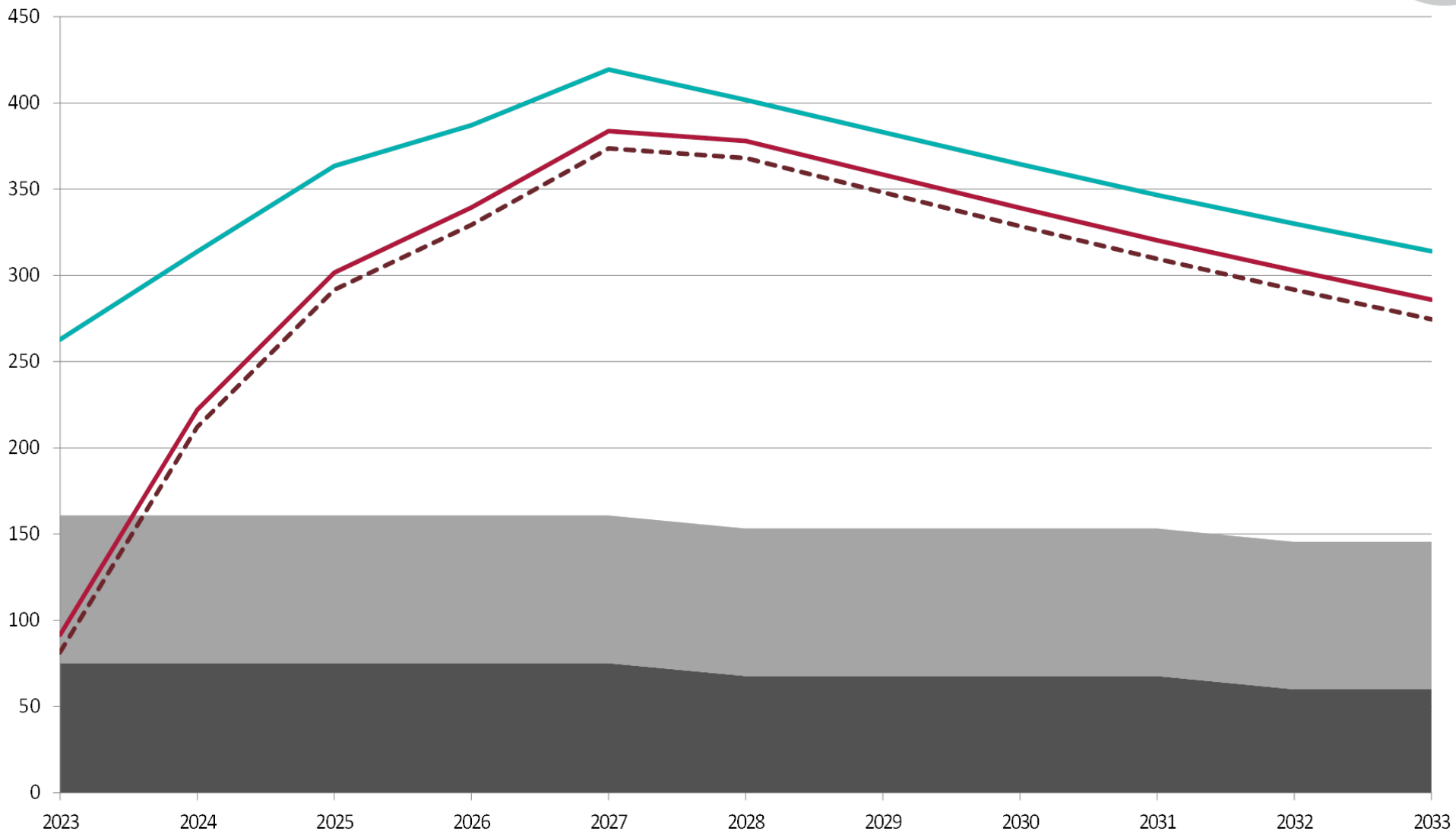
- 2.7.3 As demonstrated by the liability benchmark in the table above, the Council expects to be a long-term borrower to finance the expected capital spend. There could be timing differences between when the Council externally borrows compared to when the expenditure is required due to the nature of capital works, but new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.
- 2.7.4 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing. Minimum Revenue Provision on new capital expenditure is forecast based on a 25 year asset life. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing

# Liability Benchmark - Oldham MBC



£m

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2.7.5 Table 9 below sets out the maturity structure of borrowing at the end of the first quarter of 2023/24 compared to the upper and lower limits set in the Treasury Management Strategy for 2023/24.

**Table 9 - Maturity Structure of Borrowing**

Borrowing Timeframe	Upper Limit	Lower Limit	30 June 2023 Actual	Compliance Yes/No
Under 12 months	40%	0%	34.53%	Yes
12 months and within 24 months	40%	0%	3.11%	Yes
24 months and within 5 years	40%	0%	20.22%	Yes
5 years and within 10 years	40%	0%	4.82%	Yes
10 years to 20 years	50%	0%	3.11%	Yes
20 years to 30 years	50%	0%	3.11%	Yes
30 years to 40 years	50%	0%	3.11%	Yes
40 years to 50 years	50%	0%	15.55%	Yes
50 years to 60 years	50%	0%	12.44%	Yes

2.7.6 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. In the case of LOBO loans, the next option date has been used as the measure to determine if it is potentially repayable.

Long-term Treasury Management Investments

2.7.7 The purpose of the Long-Term Treasury Management indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are set out in the table below.

**Table 10- Limit / Actual Investments exceeding one year**

Limit /Actual Investments Exceeding One Year	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£50m	£50m	£50m	£50m
Actual principal invested beyond year end	£15m	-	-	-
Compliance – Yes/No?	Yes	N/A	N/A	N/A

2.7.8 Long-term investments with no fixed maturity date include strategic pooled funds. For the Council, this is currently the CCLA Property Fund. Long term investments exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term investments.

**2.8 Other Key Issues**

2.8.1 The Council has a number of Lender Option Borrower Option (LOBO) loans that have a call date during the summer months. The lender has the option to increase the interest rate when each loan reaches its call date. As the Council is now operating in a rising interest rate environment, there may be opportunities to repay the Council's historical LOBO borrowing. The Council will investigate all opportunities and will ensure any repayments create revenue savings.



### **3 Options/Alternatives**

- 3.1 In order that the Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management the Audit Committee has no option other than to consider and approve the contents of the report. Therefore, no options/alternatives have been presented.

### **4 Preferred Option**

- 4.1 The preferred option is that the contents of the report are agreed and recommended to Cabinet for approval.

### **5 Consultation**

- 5.1 There has been consultation with the Council's, Treasury Management Advisors, Arlingclose in the production of this report.
- 5.2 The presentation of the Treasury Management Quarter One Report to the Audit Committee for detailed scrutiny on 5 September 2023 will be in compliance with the requirements of the CIPFA Code of Practice. The report will then be presented to Cabinet and then subsequently Council for approval.

### **6 Financial Implications**

- 6.1 All included within the report.

### **7 Legal Services Comments**

- 7.1 None.

### **8 Co-operative Agenda**

- 8.1 The Council ensures that any Treasury Management decisions comply as far as possible with the ethos of the Co-operative Council.

### **9 Human Resources Comments**

- 9.1 None.

### **10 Risk Assessments**

- 10.1 There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Council has established good practice in relation to treasury management which has previously been acknowledged in both Internal and the External Auditors' reports presented to the Audit Committee.

### **11 IT Implications**

- 11.1 None.

### **12 Property Implications**

- 12.1 None.

**13 Procurement Implications**

13.1 None.

**14 Environmental and Health & Safety Implications**

14.1 None.

**15 Equality, community cohesion and crime implications**

15.1 None.

**16 Equality Impact Assessment Completed?**

16.1 No.

**17 Key Decision**

17.1 Yes

**18 Key Decision Reference**

18.1 FLC 14-23

**19 Background Papers**

19.1 The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.

File Ref: Background papers are contained with Appendix 1  
Officer Name: Lee Walsh/Talei Whitmore  
Contact No: 0161 770 6608 / 4424

**20 Appendix 1 - Prudential and Treasury Indicators**

## Appendix 1 - Prudential and Treasury Indicators

The following tables shows a summary of the prudential indicators for Quarter 1 2023/24.

### Capital Expenditure

Capital Expenditure/Financing	2022/23 Actual £'000	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000
<b>Expenditure</b>				
General Fund services	58,577	102,748	110,870	55,839
HRA	210	1,000	500	95
<b>Total Capital Expenditure</b>	<b>58,787</b>	<b>103,748</b>	<b>111,370</b>	<b>55,934</b>
<b>Financing</b>				
Grants & Contributions	(32,411)	(39,962)	(50,140)	(10,469)
Prudential Borrowing	(16,868)	(54,428)	(57,433)	(43,966)
Revenue	(237)	(1,063)	(500)	(95)
Capital Receipts	(9,271)	(8,295)	(3,297)	(1,404)
<b>Total Financing</b>	<b>(58,787)</b>	<b>(103,748)</b>	<b>(111,370)</b>	<b>(55,934)</b>

### Capital Financing Requirement (CFR)

Capital Financing Requirement	31 March 2023 Actual £'000	31 March 2024 Forecast £'000	31 March 2025 Budget £'000	31 March 2026 Budget £'000
General Fund Services	465,723	493,124	530,488	541,248
<b>Total CFR</b>	<b>465,723</b>	<b>493,124</b>	<b>530,488</b>	<b>541,248</b>

### Gross Borrowing and the Capital Financing Requirement

Gross Borrowing /CFR	31 March 2023 Actual £'000	31 March 2024 Forecast £'000	31 March 2025 Budget £'000	31 March 2026 Budget £'000	Debt at 30 June 2023 £'000
Gross Borrowing (incl. PFI & leases)	365,335	379,782	418,481	421,398	354,782
Capital Financing Requirement	465,723	493,124	530,488	541,248	-

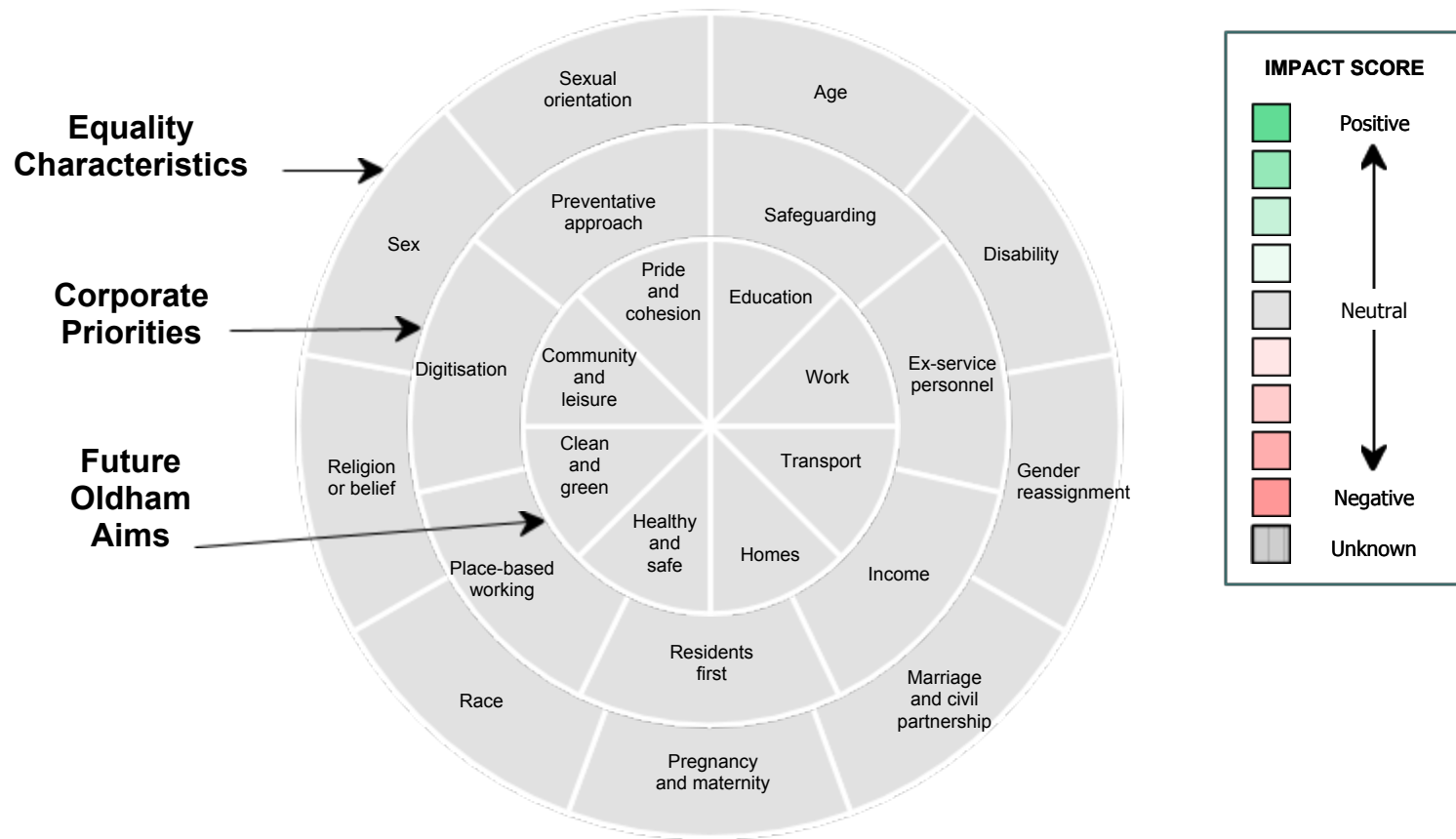
## Debt and the Authorised Limit and Operational Boundary

Debt	Debt at 30 June 2023	2023/24 1 Quarter Estimate Operational Boundary	2023/24 1 Quarter Estimate Authorised Limit	Compliance? Yes/No
	£'000	£'000	£'000	
Borrowing	160,996	332,000	312,000	Yes
PFI and Finance Leases	193,787	201,500	196,500	Yes
<b>Total Debt</b>	<b>354,782</b>	<b>533,500</b>	<b>508,500</b>	

## Proportion of Financing Costs to Net Revenue Stream

Financing Cost/Net Revenue Stream	2022/23 Actual £'000	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000
Financing costs (£m)	24,124	32,609	38,417	40,953
Proportion of net revenue stream	8.81%	11.91%	14.03%	14.95%

Treasury Management - Quarter 1 2023/24



Treasury Management Quarter 1 2023/24				
	Impact	Likelihood	Duration	Comment
<b>Equality Characteristics</b>				
Age	Neutral	Possible	Short Term	The report considers the performance of the Treasury Management function (within Finance) for the 2022/23 financial year and as such, in isolation has no direct impact on Equality
Disability	Neutral	Possible	Short Term	As Above
Gender reassignment	Neutral	Possible	Short Term	As Above
Marriage and civil partnership	Neutral	Possible	Short Term	As Above
Pregnancy and maternity	Neutral	Possible	Short Term	As Above
Race	Neutral	Possible	Short Term	As Above
Religion or belief	Neutral	Possible	Short Term	As Above
Sex	Neutral	Possible	Short Term	As Above
Sexual orientation	Neutral	Possible	Short Term	As Above
<b>Corporate Priorities</b>				
Safeguarding	Neutral	Possible	Short Term	The report considers the performance of the Treasury Management function (within Finance) for the 2022/23 financial year and as such, in isolation has no direct impact on Corporate Priorities
Ex-service personnel	Neutral	Possible	Short Term	As Above
Income	Neutral	Possible	Short Term	As Above
Residents first	Neutral	Possible	Short Term	As Above
Place-based working	Neutral	Possible	Short Term	As Above
Digitisation	Neutral	Possible	Short Term	As Above
Preventative approach	Neutral	Possible	Short Term	As Above
<b>Future Oldham Aims</b>				
Education	Neutral	Possible	Short Term	The report considers the performance of the Treasury Management function (within Finance) for the 2022/23 financial year and as such, in isolation has no direct impact on Future Oldham Aims
Work	Neutral	Possible	Short Term	As Above
Transport	Neutral	Possible	Short Term	As Above
Homes	Neutral	Possible	Short Term	As Above
Healthy and safe	Neutral	Possible	Short Term	As Above
Clean and green	Neutral	Possible	Short Term	As Above
Community and leisure	Neutral	Possible	Short Term	As Above
Pride and cohesion	Neutral	Possible	Short Term	As Above

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## Report to Audit Committee

# Oldham Council Loans Policy and amendment to the Terms of Reference for the Audit Committee

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Anne Ryans, Director of Finance

**Contact:** [anne.ryans@oldham.gov.uk](mailto:anne.ryans@oldham.gov.uk)

**5 September 2023**

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### Reason for Decision

There is a requirement for the Audit Committee to consider and comment upon the proposed Loans Policy of Oldham Council.

It is also considered appropriate to amend the current Audit Committee Terms of Reference as discussed at the last Committee meeting on 20 July 2023 to replace reference to the Standards Committee with Scrutiny Boards.

These issues align to the Audit Committee's Terms of Reference which state that:

***4.4.2 The Audit Committee shall undertake the following activities in respect of corporate governance:***

***c) assess the effectiveness of the authority's corporate governance arrangements***

### Executive Summary

The Council has had an internal procedure setting out the process to be followed in relation to the provision of financial support to organisations who share the Council's Co-operative values. It is considered appropriate to refresh this procedure as the Council's Loan Policy.

Attached at Appendix 1 is the recommended Loans Policy for review by this Committee and subject to agreement it will be presented to Cabinet for formal approval. This refresh is timely given events at other Authorities whereby the granting of loans which have



subsequently not been repaid, has had an impact on their financial resilience. Subject to comments, this Policy will be considered at a future meeting of Cabinet.

At the last meeting of this Committee, Members considered a report on how the Committee had discharged its duties in 2022/23 in accordance with its Terms of Reference as set out in the Constitution. During the scrutiny process, it was suggested that within the Terms of Reference, the wording at 4.4.2(d)(iv) be amended so the Audit Committee liaises with the Scrutiny Boards rather than the Standards Committee. Attached at Appendix 2 is the revised Terms of Reference which are tracked for Members information.

### **Recommendations**

That the Audit Committee:

- a) Comments upon the proposed Loans Policy for Oldham Council.
- b) Endorses the proposed change in the Terms of Reference as set out in this report to Council.

**1 Background**

- 1.1 The Council has had an internal procedure setting out the process to be followed in relation to the provision of financial support to organisations who share the Council's Co-operative values. It is considered appropriate to refresh this procedure as the Council's Loans Policy as presented in Appendix 1.
- 1.2 At the last meeting of this Committee, Members considered a report which set out how the Committee had discharged its duties in 2022/23 in accordance with its Terms of Reference as set out in the Constitution. During the scrutiny process it was suggested that within the Terms of Reference, the wording at 4.4.2(d)(iv) be amended so the Audit Committee liaises with the Scrutiny Boards rather than the Standards Committee. Appendix 2 details the proposed changes.

**2 Loans Policy and Terms of Reference**

- 2.1 The proposed Loans Policy is attached at Appendix 1 to this report. It sets out the general principles which will apply when considering the giving of a loan, guidance on the due diligence to be undertaken with an Appendix detailing the alternative types of support the Council will consider prior to determining that the provision of a loan is the appropriate course of action, and a further Appendix setting out an assurance checklist that must be followed before recommending the giving of a loan.
- 2.2 This Policy has been reviewed and refreshed to reflect current best practice, hence its presentation to the Audit Committee for consideration.
- 2.3 There is one recommended change to the Audit Committees Terms of Reference as detailed in Appendix 2. This is presented for approval as at the last meeting of this Committee, Members considered a report on how the Committee had discharged its duties in accordance with its Terms of Reference as set out in the Constitution. During the scrutiny process, it was suggested that within the Terms of Reference, the wording at 4.4.2(d)(iv) be amended so the Audit Committee liaises with the Scrutiny Boards rather than the Standards Committee.

**3 Options/Alternatives**

- 3.1 There are three options as follows:
- a) Accept the proposed Loans Policy and change to the Terms of Reference.
  - b) Reject the Loans Policy and change to the Terms of Reference.
  - c) Propose an alternative approach to the Loans Policy and Terms of Reference.

**4 Preferred Option**

- 4.1 Option (a) at 3.1 is the preferred option, that the proposed Loans Policy and change to the Terms of Reference and are accepted.

**5 Consultation**

- 5.1 There has been internal Council consultation on the Loans Policy and Terms of Reference with officers from the Finance and Internal Audit Teams.

## **6 Financial Implications**

6.1 There are no specific financial implications arising from this report.

## **7 Legal Services Comments**

7.1 There are no direct legal implications arising from the report.

## **8 Co-operative Agenda**

8.1 The suggested Loans Policy and amended Terms of Reference have been prepared to support the Council in its delivery of the cooperative agenda.

## **9 Human Resources Comments**

9.1 There are no specific human resources implications arising from the report.

## **10 Risk Assessments**

10.1 The Council is required to review its Loans Policy on a regular basis to ensure that they reflect current best practice and revised working arrangements within the Council as well as regulatory and legislative changes.

## **11 IT Implications**

11.1 There are no specific IT implications arising from the report.

## **12 Property Implications**

12.1 There are no specific property implications arising from the report.

## **13 Procurement Implications**

13.1 There are no specific procurement implications arising from the report.

## **14 Environmental and Health & Safety Implications**

14.1 There are no Environmental and Health & Safety Implications arising from the report.

## **15 Equality, community cohesion and crime implications**

15.1 There are no specific equality, community cohesion and crime implications arising from the report.

## **16 Equality Impact Assessment Completed?**

16.1 N/A.

## **17 Key Decision**

17.1 No.

**18 Key Decision Reference**

18.1 N/A

**19 Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background Papers are contained in Appendices 1 and 2  
Officer Name: Anne Ryans  
Contact No: 0161 770 4902

**20 Appendices**

20.1 Appendix 1: Proposed Loans Policy

20.2 Appendix 2: Amendment to Section 4.2.2 of the Audit Committee Terms of Reference

## **OLDHAM COUNCIL**

# **Loans Policy to provide financial support to organisations who share the Council's Co-operative Values**

**2023**

## GENERAL PRINCIPLES

There is evidence of an increasing demand for the Council to consider entering into arrangements whereby it is giving financial support to external organisations, primarily for the purpose of promoting and facilitating the delivery of supporting its co-operative values as detailed in the Corporate Plan.

In order that there is clarity for all parties the key principles which the Council will follow in considering / approving a financial support arrangement are set out below:

- 1) Establishing why direct financial support rather than an alternative method of support is considered appropriate. Alternative options are set out at Appendix 1 of this Policy.
- 2) The Council must be satisfied that:
  - a) It has the appropriate legal powers to provide the financial support – appropriate legal opinion may be sought if considered necessary;
  - b) Providing the financial support is consistent with its co-operative values as presented in the corporate plan and thereby its corporate aims and objectives and in particular its co-operative ambition;
  - c) It is ethical, demonstrates the achievement of social value as well as value for money in the context of an appropriate benefit to the citizens of Oldham;
  - d) Appropriate consultation has taken place and decision making procedures have been followed;
  - e) The organisation receiving the financial support can demonstrate that it has the financial capacity to repay the Council;
  - f) The financial support is consistent with the Council's Treasury Management Strategy;
  - g) The individual financial support is consistent with the risk appetite of the Council;
  - h) It supports key policies such as the Net Zero Agenda and Fair Taxation;
  - i) There are resources available that can be utilised to provide the financial support/loan without significant detriment to the Council.
- 3) A benefits assessment will be undertaken to identify how the awarding of the financial support contributes to the achievement of the Council's co-operative ambition (including social value). The assessment will consider:

- How the support contributes to the achievement of co-operative and corporate priorities;
  - The impact on each of the priorities relative to the value of the support;
  - How measurable are the outcomes of the support.
- 4) The maximum period of the support will be considered in the context of the individual application but in most circumstances will not exceed 10 years.
  - 5) Before approval of any financial support, the Council will expect to review the development / stabilisation plans of the organisation requesting the support, giving full justification for the support and why an approach has been made to the Council for support.
  - 6) The Council will undertake a full due diligence exercise in relation to the organisation to which support is to be made. This exercise may be undertaken by Council officers or a suitable organisation/professional advisor may be engaged to facilitate an independent external review (see section on due diligence for further information). The applicant organisation and all key advisors/ regulators will be expected to co-operate fully with this exercise.
  - 7) In order to protect the Council in the event of a default, the financial support will be secured by a first charge over assets of the organisation receiving the financial support /loan. The Council will generally place a charge on the existing assets of the organisation to the value of at least 110% of the support; however this will be reviewed on a case by case basis. Without having first sought agreement of the Council, the organisation cannot agree to use these assets to secure additional financial support from a third party once the Council has agreed to provide financial support/ a loan.
  - 8) The Council will enter into an appropriate commercial contract with Terms and Conditions as agreed by the Director of Legal Services which sets the Council's detailed requirements in agreeing the financial support thereby as far as possible mitigating future financial or reputational risk to the Council. This will include detailed recovery arrangements in the event of a default on the repayment of the financial support, minimising any risk to the Council but also ensuring that the recipient is given a fair and reasonable chance to sort out its financial affairs so that the agreement / contract can continue. The recovery arrangements will ultimately require the organisation to repay the full amount and associated penalties in the event of a default, or the Council to take control of assets to the value of any outstanding debt.
  - 9) All risks will be professionally evaluated and a risk mitigation strategy drawn up before the formal agreement is signed.
  - 10) On approval of the financial support the recipient organisation will be required to provide:



- a) In advance of each financial year, a 5 year strategic plan including financial information that will outline the financial health of the organisation and any anticipated improvements in financial resilience and stability with a detailed updated business plan setting out the plan for the coming financial year.
  - b) Quarterly financial management accounts within 30 days of the quarter end to provide an early warning of a change to its financial or business plan and risk levels. This may be reported to the Councils Audit Committee to provide an additional level of scrutiny.
  - c) Audited accounts and the auditor's management letter within 3 months of the financial year end.
  - d) An annual certificate confirming the use of the financial support/loan provided by the Council and that the use of the financial support/ loan is compatible with the original purpose.
  - e) Such additional information as the Council sees fit regarding the financial standing and operation of the business in accordance with perceived risk including the opportunity to meet with officers of the organisation as appropriate.
- 11) In line with Subsidy Control requirements, the financial support must be offered at an interest rate to ensure it complies with legislation. The interest rate charged for the financial support / loan will usually be as a minimum at the Public Works Loan Board rate plus a reasonable administration fee/margin to ensure the Council recovers its costs. However, in certain circumstances a mark-up will be applicable, which will be calculated by reference to any due diligence undertaken.
- 12) Using information available, and that provided by the recipient of the financial support / loan, the repayment will be monitored by the Councils Treasury Management Team and the regular Treasury Management reports to the Councils Audit Committee, Cabinet and Council will include relevant information on the usage of the financial support / loan and a risk update.
- 13) There will be appropriate exit arrangements for the Council and financial support recipient in the event of a material change in the situation of either party. These will be clearly specified in the commercial legal agreement and will be prepared so they will not result in a financial detriment to the Council unless it considers it appropriate and fair.
- 14) The Director of Finance will consider the risk of default on these loans at the year-end and only charge to the revenue account a proportion of the repayment deemed insecure.

- 15) Approval for such financial support cumulatively in excess of £400,000 and any subsequent variation will be via a Cabinet report.

Appendix 2 provides a detailed checklist for officers to utilise when appraising an organisation's financial support/ loan request.

Whilst the compliance with the requirements set out above should not be problematic for most commercial organisations, the Council does recognise that some small voluntary / charitable / community organisations seeking assistance from the Council may find it difficult or too costly to provide some of the information, for example, a fully comprehensive 5 year strategic business plan. In such circumstances, on a case by case basis, the Council will consider relaxing some of its requirements but still having regard to minimising the financial risk to the Council. The individual requirements will therefore be agreed in relation to the value of the financial support and the type of organisation that has made the application.

In addition, there may be opportunities for the Council to support the citizens of Oldham by financial support arrangements with a third party lender, in a similar manner to the existing national programme that is in operation for the Local Authority Mortgage Scheme. The Council will undertake a detailed review of such proposals, ensure that the operating arrangements minimise risk to the Council but are in the best interests of Oldham. Approval of such initiatives would also be by means of a Cabinet report.

**It should be noted that this procedure is not intended to apply to the awarding of home improvement loans.**

## **DUE DILIGENCE**

In undertaking a due diligence exercise to inform decision making about the awarding of financial support, the review will examine matters including:

- 1) Any other applications for financial assistance by an organisation that have been made / refused and the circumstances of any refusal.
- 2) Business plans / development plans setting out the aspirations of the organisation, including investment plans. In particular consideration will be given to:
  - Financial targets and budget setting;
  - Planned new developments and borrowing;
  - Medium to long term cash flow projections;
  - How the organisation will maintain financial viability over the short, medium and long term;
  - The viability of key partners;
  - Financial guarantees from key controlling entities;
  - Any security provided in respect of the loan.
- 3) Governance and management arrangements of the organisation to ensure that:
  - There are effective controls and procedures that are fully documented and evidence of how the controls and procedures are monitored and the level of compliance;
  - There are effective financial systems in place with evidence of monitoring processes and compliance;
  - There is effective and robust business and financial planning that is reported to the appropriate decision making bodies (this will consider how use is made of appropriate assumptions, projections and risk reviews);
  - There is effective monitoring of financial performance and organisational progress;
  - There is an effective risk management strategy in place and this is regularly reviewed and reported via management arrangements;
  - Any identified corrective action is planned, monitored and reviewed to ensure effectiveness;
  - Treasury management activities are carried out in accordance with the approved scheme of delegation and treasury policies;
  - Ethical policies are in place and that these are consistent with the Councils ethical stance;
  - The business structure of the organisation clearly identifies the ultimate owner;

- Discussions with the key regulators of the organisation such as the External Auditor if appropriate and that any recommended actions are initiated and delivered.
- 4) Information about the track record of the organisation in the context of any previous financial support and repayment performance.
  - 5) Any evidence of money laundering and Disclosure and Barring Service (DBS) checks on key personnel.
  - 6) Previous years' business plans / developments and the performance of the organisation in relation to set targets, the reasons for any non-performance, remedial steps taken to get the organisation back on track and the success or otherwise of these remedial actions.
  - 7) The management accounts and bank statements for the current year and previous two years.
  - 8) The annual accounts for at least the past 3 financial years, focussing on key financial ratios (to be specified in the context of the specific loan application) and the financial health of the balance sheet.
  - 9) The on-going financial viability of the organisation reviewing:
    - The balance sheet;
    - Treasury management indicators;
    - Cash flow forecasts;
    - Prospects for maintenance of the current business and growth; and
    - The resilience of the organisation to possible implications of significant change e.g. legislative change.
  - 10) Details of any covenants or restrictions on the applicants assets.
  - 11) The valuation (as appropriate) of the assets of the organisation. The Council will therefore require access to records and the opportunity to meet with officers of the organisation requiring financial support in order to gain appropriate material for the due diligence exercise.

**This list is not intended to be exhaustive as there may be a range of different types of organisations and potential circumstances in which the Council may be asked to consider providing financial support.**

## Appendix 1 – Alternative Types of Support

The Council will have considered supporting an applicant organisation by the following means before determining that providing financial support in the context of promoting the Council's Co-operative values is the appropriate course of action.

Type of Support	Detail	Advantages	Disadvantages
Soft loan	A recipient organisation paying below the market rate for a loan. This must be considered in the context of Subsidy Control rules.	The recipient organisation pays below the market rate of interest, therefore receiving additional support.	Loss of income to the Council.  Needs careful review to ensure that Subsidy Control rules are not breached.
Deferred repayment loans	A recipient organisation delays repayment of a loan for an agreed period of time.	The recipient defers making capital repayments, thereby receiving additional support in the early stages of the project being funded, when funds are often at their tightest.	Adverse impact on the Council's cash flow.  There is increased financial exposure for the Council, as the sums advanced are outstanding for a longer term.
Grant	The payment of a grant that does not have to be repaid.	Grants are simpler than loans as there is no on-going administration, and given that they do not need to be repaid, the due diligence process could be reduced.  More attractive for the recipients, as there is no requirement to repay capital or interest.	More expensive for the Council, as no interest or capital repayments are received. There is also no opportunity to recycle funds to help other organisations.  This option needs careful review to ensure that Subsidy Control rules are not breached.
Taking an equity stake	The taking of an equity stake in an organisation thus	Allows the Council to share in the potential	The Council will have more exposure to losses if the recipient

	allowing the Council to take a share in the potential growth of the organisation (and being exposed to risk in the event of business losses).	growth of the organisation, and receive returns via future dividends.	organisation fails, as other creditors are likely to have preference.  The Council's would have to take action to protect itself against its own liability to losses.
Guarantees	The provision of a financial guarantee which would expose the Council to the potential risk of the guarantee being called.	May enable organisations to access other sources of funding, without the Council having to use any funds.	Potential exposure to the guarantee being called in if the organisation fails so appropriate resources in the event of such failure need to be available  Needs review to understand the legality of the arrangement.
Support in Kind	Provision of for example serviced office space, support from staff.	Potentially inexpensive if utilising existing space resources / capacity at the Council, e.g. providing serviced office space.  Supports employment in the Borough.	May not be what an organisation requires.  Existing organisations in particular are unlikely to require additional office accommodation. Potentially more suitable for new start-ups, but these organisations are unlikely to have a proven track record, and so are riskier to support.
Payments in advance of normal payment cycles in exceptional circumstances	The advancing of the regular payment cycle for goods/ services to assist with cash flow issues and maintain continuity of service.	A short term and quicker process to ensure continuity of service	Loss of cashflow to the Council.  The support maybe a short term solution that defers the financial issue with the supplier. The risk that payment made be made for services that are not delivered.

## Appendix 2 – Detailed Assurance Checklist

Assurance	Test	Result
Legality – Subsidy Control	Council Legal Team/ Procurement and Finance to review the Subsidy Control risk and produce a note on how the loan does not breach Subsidy Control.	Move forward through the Due Diligence process if there is no breach.
Corporate Plan	Officers should review the needs of the organisation requesting the financial support/ loan and how the loan will be spent to the five elements of the Council's Corporate Plan – <ul style="list-style-type: none"> <li>• Healthy, safe and well supported residents.</li> <li>• A great start and skills for life</li> <li>• Better jobs and dynamic businesses.</li> <li>• Quality houses for everyone.</li> <li>• A clean and green future.</li> </ul>	Move forward through the Due Diligence process if one or more of the three elements of the Corporate Plan are being addressed. Higher weighting should be given to co-operative elements.
Best Value	Officers should review the needs of the organisation requesting the loan and how the loan will be spent to ensure Best Value in the context of the Council's Corporate Plan and both for any on-going revenue support and/or any initial capital investment.	Move forward through the Due Diligence process if Best Value has been demonstrated for both any revenue support and/or capital investment.
Financial Resilience	Officers should financially appraise the organisation's Business Plan for the investment. <ul style="list-style-type: none"> <li>• How will the investment be repaid?</li> <li>• Can the organisation afford the repayment over the agreed term? Are there any concerns that the organisation will default on payments or request a longer repayment term?</li> <li>• Are there any pressure points in the Business Plan and how are they to be addressed?</li> <li>• Do the organisations accounts for the past three years highlight any issues?</li> <li>• Does the organisation have a corporate risk register? Are there any areas of concern?</li> <li>• Does the organisation have a Treasury Management</li> </ul>	Move forward through the Due Diligence process if financial resilience has been proved.



	<p>Strategy? If yes, is this aligned to the Council's Strategy?</p> <ul style="list-style-type: none"> <li>• What are the organisation's cash flow projections for the next three years? This must include any project for which financial support/loan is sought and must be included within the Business Plan and the Organisation as a whole.</li> <li>• How does the organisation report their financial performance to their Board? Is there sufficient governance and challenge to officers?</li> <li>• What percentage of the total capital investment of the project is being funded via the Council loan?</li> <li>• What is the percentage of this project's income compared to the whole organisation?</li> </ul>	
Views of Regulators	Officers should review where appropriate the views of key regulators such as the External Auditors, key inspectors of the quality of services provided and industry bodies responsible for oversight to ensure the information provided by the body is consistent with their opinion.	Move forward through the Due Diligence process if financial resilience has been proved

4.4.1 The Audit Committee will undertake the following Council (or 'non-executive') function as defined in Schedule 1 to the Local Authorities (Functions and Responsibilities) Regulations 2000 (as amended) –

a) Duty to approve the authority's statement of accounts, income and expenditure and balance sheet, or record of payments and receipts (as the case may be).

4.4.2 The Audit Committee shall, having regard to the CIPFA 'audit committee' guidance. In this regard it will:–

a) be responsible for oversight of the Council's Internal Audit arrangements and will;

(i) approve the Internal Audit Charter, the Annual Audit Plan and performance criteria for the Internal Audit Service;

(ii) review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary;

(iii) review and agree any improvements to the effectiveness of the antifraud and corruption arrangements throughout the authority;

(iv) consider the annual report from the Chief Internal Auditor;

(v) review the activities, processes and procedures of the Council having regard to the demonstration of an economic, efficient and effective use of resources and the delivery of Value for Money to Council Tax payers; and

(vi) review the effectiveness of the system of Internal Audit on an annual basis as per statutory requirements and the outcome of the review of compliance with Public Sector Internal Audit Standards.

(vii) Oversee the implementation of any recommended improvements where appropriate

b) be responsible for oversight of the Council's relationship with the External

Auditor, including consideration of

- (i) the External Audit Plan of Work;
- (ii) the external auditor's Audit Completion Report;
- (iii) relevant reports issued by the External Auditor (with the exception of Public Interest reports and Statutory Recommendation reports made under Section 24 Schedule 7 of the Local Audit and Accountability Act 2014); and
- (iv) issues arising from the audit of the Annual Statement of Accounts.
- (v) Independent reviews undertaken by the Financial Reporting Council

c) review Financial Procedure Rules and Contract Procedure Rules and make recommendations to the Council as to any changes considered necessary to those documents and procedures.

d) undertake the following activities in respect of corporate governance –

- (i) approve the local code of corporate governance;
- (ii) assess the effectiveness of the authority's corporate governance arrangements;

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(iii) review the Annual Governance Statement and the progress made by the Council to address issues identified as risks when the financial statements are prepared;

(iv) liaise, as necessary, with the [Scrutiny Boards](#) on any matter(s) relating to the [effective operation of the Council](#);

(v) review Partnership and Project Governance within the Council;

(vi) monitor compliance with data protection legislation;

(vii) review the annual Treasury Management Strategy and policies and procedures and make recommendations to the responsible body; and

(viii) review Treasury Management reports and make recommendations to the responsible body including update/changes to procedures.

4.4.3 The Audit Committee shall undertake the following activities in respect of Risk

Management –

- a) assess the effectiveness of the Authority's Risk Management arrangements;
- b) review progress on the implementation of Risk Management arrangements throughout the authority; and
- c) consider the Corporate Risk Register on a regular basis to review the level of risk being faced by the Authority, review the progress made by the Council to address the risks identified to minimize the financial, operational and reputational impact to the Council
- d) consider the adequacy of resources available to manage the financial impact of a failure in risk management.

4.4.4 The Audit Committee shall undertake the following activities in respect of Information Governance.

- a. Assess the effectiveness of Information Governance policies and procedures
- b. Receive updates on key issues from the Council's Senior Information Risk Owner

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## Report to Audit Committee

# Annual Report of the Audit Committee to Council

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

**5 September 2023**

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### Purpose of Report

Attached to this report is the proposed Annual Report of the Audit Committee to be submitted to a future meeting of full Council.

### Executive Summary

It is considered good practice for the Audit Committee to submit an annual report to full Council. The attached Appendix 1 details the annual report which it is proposed, subject to comment from this Committee, to present to a future meeting (currently planned for 1 November 2023) of full Council.

The report will be presented by the Director of Finance.

### Recommendations

That Members of the Audit Committee comment on the proposed Annual Report and endorse its submission to a future meeting of the Council

## Appendix 1

### Report to Council

## Annual Report of the Audit Committee to Council

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Anne Ryans, Director of Finance

**Contact:** [anne.ryans@oldham.gov.uk](mailto:anne.ryans@oldham.gov.uk)

**1 November 2023**

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### Reason for Decision

The Council's Audit Committee is a key component of this Authority's governance framework. Its function is to provide an independent review and assurance role to support good governance and sound public financial management. This report has been prepared for full Council to advise of the work undertaken by the Committee in the financial year 2022/23 and for Council to note the views of the Committees on internal control.

### Executive Summary

To discharge its role, the Audit Committee met on eight separate occasions during the municipal year 2022/23 undertaking the work detailed in Section 2 of this report. During 2022/23 it was also possible to recruit an independent chair to the Audit Committee who commenced the role on 1 March 2023.

The Committee's work programme was built around its responsibilities for corporate governance, internal audit, external audit, risk management, fraud and corruption, Treasury Management, and the review of the annual Statement of Accounts. This report summarises the work undertaken by key programme area for the financial year 2022/23

This report is to inform Members of the work of the Audit Committee in the previous financial year and to note the observations of the Committee on the standard of corporate

governance, internal control, the production of the Statement of Accounts, risk management, information governance and internal audit in 2022/23.

**Recommendation**

That Council accepts the Annual Report of the Audit Committee.



**1 Background**

- 1.1 The Council's Audit Committee is a key component of this Authority's governance framework. Its function is to provide an independent review and assurance role to support good governance and sound public financial management.
- 1.2 The purpose of the Committee is to provide, to those charged with governance, independent assurance on the adequacy of the internal control environment / governance processes, integrity of financial reporting and adequacy of the risk and information management framework.
- 1.3 To discharge its role, the Audit Committee met on eight separate occasions during the municipal year 2022/23 undertaking the work detailed in Section 2 of this report. During 2022/23 it was also possible to recruit an independent chair to the Audit Committee who commenced in the role on 1 March 2023.

**2 Work Programme in 2022/23**

- 2.1 The Committee's work programme was built around its responsibilities for corporate governance, internal audit, external audit, risk management, fraud and corruption, Treasury Management, Information Governance, and the review of the annual Statement of Accounts.
- 2.2 The paragraphs below outline the work undertaken in each of the key areas of responsibility.

**Statement of Accounts**

- 2.2.1 The Council produced its draft Statement of Accounts for the financial year 2021/22 in advance of the statutory deadline for submission to the External Auditor and the accounts were considered by the Audit Committee at its meeting on 21 June 2022. Whilst not a statutory requirement for the Audit Committee to review the draft Statement of Accounts it is considered good practice that appropriate scrutiny occurs at this stage. It provides Members with the opportunity to ask detailed questions and seek assurances before the accounts are finalised.
- 2.2.2 To support the review of the Accounts, the 9 June 2022 meeting considered the responses of the Director of Finance to key questions asked by the External Auditor, on the preparing of the accounts and the control environment. At this same meeting, the Committee agreed its own response to the External Auditor on this matter.
- 2.2.3 The challenges of local public audit within local government have been well documented in the press and subject to review by both the Public Accounts Committee and the Department of Levelling Up, Housing and Communities Select Committee. The approval of the 2021/22 accounts could not be concluded in 2022/23. The initial reason for this was the audit could not be concluded until a statutory override was in place in relation to the valuation of infrastructure assets. The statutory instrument was not enacted until 25 December 2022, and so the audit opinion could not be achieved by the statutory deadline of 30 November 2022.
- 2.2.4 Whilst the infrastructure asset issue was being resolved from an audit perspective, an added issue which delayed the audit opinion was linked into the triennial valuation of the

Greater Manchester Pension Fund which, for Oldham, had a material impact. As such it was not possible for the Committee to approve the accounts which will now be approved in the financial year 2023/24. The Committee received updates on the progress of the audit at every subsequent meeting in 2022/23 and this has continued into 2023/24.

### **Audit Completion Report**

- 2.2.5 At its meeting on 28 March 2023 the Audit Committee considered the Draft Audit Completion Report produced by the External Auditor to the Council (Mazars LLP) which set out the draft findings of the 2021/22 audit of the draft Statement of Accounts (only the pensions issue detailed in paragraph 2.2.4 remained outstanding). Overall, the findings of the External Auditor continue to be positive including the value for money judgement as per previous financial years, reflecting the good practice adopted by Oldham in preparing its accounts and in its stewardship of public funds.

### **Reserves Policy**

- 2.2.6 Linked into the approval of the Final Accounts and the ongoing financial resilience of the Council, the Audit Committee reviewed the proposed Reserves Policy at its meeting on 21 June 2022 alongside the draft Statement of Accounts. The Audit Committee considered that the Reserves Policy was appropriate based upon the 2021/22 Accounts.

### **Annual Governance Statement and Local Code of Corporate Governance**

- 2.2.7 The main purpose of the Annual Governance Statement (AGS) is to provide the necessary assurance that a reliable framework is in place for the financial year that aligns to the Statement of Accounts. A separate report on the Annual Governance Statement for 2021/22 was presented alongside the draft Statement of Accounts at the meeting on 21 June 2022. Throughout the municipal year regular updates were submitted to the Committee outlining the progress made on the key issues for improvement that had been identified and whether there were further issues to inform the production of the AGS for 2022/23. The Annual Governance Statement complies with the framework set out in the Chartered Institute of Public Finance and Society of Local Authority Chief Executives (CIPFA/SOLACE) guidance. The conclusion supported by the work of the External Auditor was that the statement meets the requirement set out in the CIPFA/SOLACE guidance.
- 2.2.8 The Committee also reviewed the Local Code of Corporate Governance at its meeting on 9 June 2022. It is considered good practice to review the Code as a minimum every two years.

### **Partnership Governance**

- 2.2.9 An emerging challenge for all Councils to consider is whether they have appropriate oversight from a governance perspective over the partnerships in which they have a financial and operational interest. There have been several matters reported in the public domain which has highlighted that in other public bodies those charged with the provision of this oversight have not fully understood the risk. The Audit Committee therefore considered reports on 21 July 2022 and 29 November 2022 on the wider risks from all entities in which the Council had an interest. The view was that at present there were no significant concerns about the partnerships operated by the Council
- 2.2.10 The Audit Committee at its meeting on 1 November 2022 considered a report outlining the potential risks which could arise as the Northern Roots (Oldham) Charitable Company continued to develop. The Committee recognised that as the Company expanded it had the

potential to change the Council's current risk profile on partnerships. Going forward the Committee recognises the need to provide appropriate oversight in this area and the need to work with the scrutiny function to provide oversight.

### **Internal Audit and Annual Report of the Chief Internal Auditor**

- 2.2.11 The Internal Audit service was provided in-house during 2022/22 with specialist support from Salford City Council for computer audit. The Committee received regular updates on the progress against the Internal Audit Plan and an update to the Audit Charter at its meetings on 9 June 2022 and on 28 March 2023. At its meeting on 21 July 2022, it reviewed the system of internal audit for the financial year 2021/22 in line with good practice. In accordance with expected professional standards, which requires a review of the Internal Audit Service every five years, CIPFA were commissioned to undertake an External Quality Assurance review which was completed in March 2023. This reviewed whether Internal Audit Practices adopted by the Service in Oldham conformed with the requirements of the Public Sector Internal Audit Standard. The outcome, which was reported in the municipal year 2023/24 was that the Service "Generally Conforms to the Standard". As such the work undertaken by internal audit is in line with best practice as "Generally Conforms to the Standard" is the highest rating.
- 2.2.12 At the meeting which considered the draft Statement of Accounts on 21 June 2022, the Audit Committee considered the Annual Report of the Head of Audit. This highlighted that the overall control environment was adequate. The report did however highlight the challenges associated with the internal control environment in Adult Social Care and Payroll Processing.

### **Treasury Management**

- 2.2.13 Recent corporate failings of other local authorities reported in the public domain have identified the importance of appropriate independent scrutiny of Treasury Management which is therefore a key task of the Audit Committee. The meetings of the Audit Committee were timetabled so that it could provide this scrutiny before key Treasury Management reports were approved by Cabinet and subsequently by Council.

### **Senior Information Risk Owner (SIRO)/ Information Governance**

- 2.2.14 Another key role in the Governance Framework is the SIRO who considers the Council's risks in relation to information governance and when information is disclosed, often inadvertently, to an individual who has no right to access that data. This role is undertaken by the Director of Finance who submits a half yearly report to the Audit Committee detailing breaches. The Council is one of a small minority of Council's that prepare such a report, which is considered best practice.

### **Risk Management**

- 2.2.15 The Audit Committee reviewed the Council's risk management arrangements during the year. Effective risk management can have a major impact on the successful achievement of the objectives, policies, and strategies of the Authority. In particular, the Audit Committee concentrated on reviewing the Corporate Risk Register. No significant concerns were highlighted from the review.

## **3 Opinion**

- 3.1 There are two options as follows:

- a) Accept the Annual Report of the Audit Committee.
- b) Reject the Annual Report of the Audit Committee and request an alternative style of report.

#### **4 Preferred Option**

- 4.1 Option (a) at 3.1 is the preferred option, that the proposed Annual Report of the Audit Committee is accepted by Council.

#### **5 Consultation**

- 5.1 There has been consultation with the Audit Committee on the preparation of this report.

#### **6 Financial Implications**

- 6.1 There are no specific financial implications arising from this report.

#### **7 Legal Services Comments**

- 7.1 There are no direct legal implications arising from the report.

#### **8 Co-operative Agenda**

- 8.1 The Annual Report of the Audit Committee has been prepared to support the Council in its delivery of the cooperative agenda.

#### **9 Human Resources Comments**

- 9.1 There are no specific human resources implications.

#### **10 Risk Assessments**

- 10.1 The Council is required to prepare an Annual Report on the operation of its Audit Committee. The report does not identify any specific risks to identify to full Council.

#### **11 IT Implications**

- 11.1 There are no specific IT implications.

#### **12 Property Implications**

- 12.1 There are no specific property implications.

#### **13 Procurement Implications**

- 13.1 There are no specific procurement implications.

#### **14 Environmental and Health & Safety Implications**

- 14.1 There are no specific Environmental and Health & Safety Implications.

#### **15 Equality, community cohesion and crime implications**

- 15.1 There is no specific equality, community cohesion and crime implications.

**16 Equality Impact Assessment Completed?**

16.1 N/A.

**17 Key Decision**

17.1 No.

**18 Key Decision Reference**

18.1 N/A

**19 Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Report to the Audit Committee of 20 July 2023  
Self-Assessment of the work undertaken by the Audit Committee during the 2022/23 compared to the Constitution 2023/24 (link below)

<http://decisionrecording.oldham.gov.uk/documents/s139970/5.%20Self%20Assessment%20of%20the%20work%20undertaken%20by%20the%20AC%20during%202022-23%20compared%20to%20the%20constitution.pdf>

Officer Name: Anne Ryans  
Contact: anne.ryans@oldham.gov.uk

**20 Appendices**

20.1 N/A



## Report to Audit Committee

## Update on General Matters

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans - Director of Finance

**Report Author:** Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

**Email:** mark.stenson@oldham.gov.uk

**5 September 2023**

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### Reason for Decision

It is considered appropriate to bring to Member's attention the following:

- a) An update on financial issues at other Local Authorities including Thurrock, Woking, Liverpool and Northumberland Councils, and several individual Councils who have highlighted the risk of issuing notices under Section 114(3) of the Local Government Finance Act 1988 (Section 114 Notices) following the latest reports in the public domain indicating their finances are under severe pressure following the initial reporting of their projected outturn for 2023/24.
- b) An update on the work currently being undertaken by the Department of Levelling Up, Housing and Communities Select Committee with regard to a review of Financial Reporting and audit in Local Authorities.
- c) The report submitted to the Governance, Scrutiny and Resources Board on the Assurance Process for Grant Funded programmes, specifically the Future High Streets Fund, the Town Deals Fund and the Levelling Up Fund. The report also presents a proposed way forward for improving liaison between the Scrutiny Function and the Audit Committee with regard to ensuring the appropriate oversight of these capital grant programmes.
- d) A suggestion that the Audit Committee set aside a specific date outside of its normal meeting cycle and undertake a Self-Assessment against the checklist of good practice as detailed in the Chartered Institute of Public Finance publication produced on the effective operation of Audit Committees in Local Government.

- 
- e) An update on the issuing by the Councils External Auditor (on 7 August 2023) of the 2020/21 Audit Certificate for the Oldham Statement of Accounts following the publication of the Whole of Government Accounts for 2020/21 on 27 July 2023. No further External Audit work was required on these accounts. The report also provides an update on the progress of the audit of the 2021/22 and 2022/23 accounts.

### **Executive Summary**

This report sets out five key matters which have the potential to impact on the future work of this Committee in undertaking its governance role within the Council. These are covered in detail at Section 2 of the report.

### **Recommendation**

That Members:

- i) Agree to undertake a specific workshop to assess compliance with recommended practice on the operation of an Audit Committee
- ii) Note the issue of the 2020/21 Audit Certificate
- iii) Consider and comment on the matters other detailed in this report.

**Update on General Matters****1 Background**

- 1.1 There are five items detailed in this report which need to be brought to the attention of the Audit Committee. These are:
- a) An update on matters affecting certain other Local Authorities including Thurrock, Woking and Northumberland Councils, and several individual Councils who have highlighted the risk of issuing notices under Section 114(3) of the Local Government Finance Act 1988 (Section 114 Notices) following the latest reports in the public domain indicating their finances are under severe pressure following the initial reporting of their projected outturn for 2023/24.
  - b) An update on the work currently being undertaken by the Department of Levelling Up, Housing and Communities (DLUHC) Select Committee with regard to a review of Financial Reporting and Audit in Local Authorities.
  - c) The report submitted to the Governance, Scrutiny and Resources Board on the Assurance Process for Grant Funded programmes, specifically the Future High Streets Fund, Town Deals Fund and the Levelling Up Fund. The report also presents a proposed way forward for improving liaison between the Scrutiny Function and the Audit Committee with regard to ensuring the appropriate oversight of these capital grant programmes
  - d) A suggestion that the Audit Committee set aside a specific date outside of its normal meeting cycle and undertake a Self-Assessment against the checklist of good practice as detailed in the Chartered Institute of Public Finance publication produced on the effective operation of Audit Committees in Local Government.
  - e) An update on the issuing by the Councils External Auditor (on 7 August 2023) of the 2020/21 Audit Certificate for the Oldham Statement of Accounts following the publication of the Whole of Government Accounts for 2020/21 on 27 July 2023. No further external audit work was required on these accounts. The report also provides an update on the audit of the 2021/22 and 2022/23 accounts.
- 1.2 The first item relates to financial administration and / or financial resilience in several Local Authorities which have been widely reported in the public domain. One theme which is beginning to emerge is that several Local Authorities are now reporting significant in year financial pressures in 2023/24 and if these are not reduced in year, there is a risk general reserves will be exhausted in the next 12 months. This has resulted in the Section 151 Officer at these Authorities highlighting there is a risk they will be required to issue a Section 114 Notice in the future. Increasingly the pressures are resulting from general service demand rather than losses from commercial investments.
- 1.3 The second item is an update to that previously provided to the Committee on 8 June 2023 on the current enquiry being undertaken by the DLUHC Select Committee on Financial Reporting and Audit in Local Authorities. The Committee has had further evidence sessions and has now completed its information gathering. In advance of the report, informal information is emerging on the likely timescale by which audit opinions will be given.



- 
- 1.4 The third item is to highlight to the Committee the report submitted to the Governance, Strategy and Resources Scrutiny Board outlining the expected Assurance Framework, including appropriate scrutiny, of key DLUHC grant funded programmes. It also provides information on the developing liaison between the Audit Committee and the Chairs of the Scrutiny Boards so that programmes of work can be aligned where appropriate.
  - 1.5 One task the Audit Committee should undertake is a self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) publication which sets out the best practice for a Local Authority Audit Committee. This report sets out a suggestion that the Committee set aside a date outside the normal meeting cycle to undertake this task.
  - 1.6 On 27 July the National Audit Office published the Whole of Government Accounts for the financial year 2020/21. This has enabled the Council's External Auditor to finally issue the audit certificate for 2020/21 (on 7 August 2023). The report also provides an update on the progress of the audit of both the 2021/22 and 2022/23 accounts.

## **2 Key Matters for the Committee to consider**

### **Thurrock Council**

- 2.1 The situation at Thurrock Council and the implications of the investment strategy it embarked upon including the findings of the Best Value Review have been reported to previous meetings of the Audit Committee. The impact of the investment strategy was the subject of a national television broadcast on 31 July 2023. The report highlighted that the risks of Thurrock's investments in Solar Farms was not fully understood by the Council. The programme highlighted the impact of an Authority having to issue a Section 114 Notice with Council Tax having to be increased by 10% for 2023/24 and expenditure being curtailed, such as the reductions in small value grant support to community groups.

### **Woking Borough Council**

- 2.2 The impacts of the Council undertaking its borrowing strategy are becoming clearer following the issue of the Section 114 Notice. The Authority has published an Improvement and Recovery Plan with a target of becoming one of the most improved Council's in the country. This is to be achieved by reducing Council costs by 25% and selling some Council assets. Staff have also been consulted upon about a restructure which will focus on statutory and critical services. A gateway process at the Council has identified potential staff savings of £4m and a further £4m of service savings.

### **Liverpool City Council**

- 2.3 The latest report to highlight weaknesses in the procurement processes at Liverpool City Council has been produced by the Internal Audit Service. This report highlighted a few areas whereby contract management was assessed as poor. One key theme which resulted in the appointment of the Best Value Inspectors at this Authority was weaknesses in procurement and contract management processes. The report advised that implementing change at the City Council was progressing more slowly than anticipated and thus the Council would require the continuation of oversight by Inspectors.

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## **Northumberland County Council**

- 2.4 Following the Section 151 Officer issuing a Section 114 Notice in May 2022, an independent review undertaken by an experienced former Chief Executive was commissioned. The findings of this review were reported to the Council's Audit Committee on 26 July 2023. It made 23 recommendations for future implementation. Interestingly there are some similarities in the recommendations made by the Best Value Inspectors appointed at Thurrock regarding better scrutiny and liaison amongst the key Statutory Officers (it is anticipated that these recommendations will be incorporated in the future amendment of Accounts and Audit Regulations). It is planned that a review of the 23 recommendations will be undertaken by the Director of Finance to assess whether any Oldham processes need improving.
- 2.5 The Section 151 Officer at Northumberland County Council is following up on their Section 114 notice and has undertaken a review of 8 historic severance payments made to staff since 2017. This has found that 6 of the payments were not in accordance with due process. This has been reported to the Council's Audit Committee.

## **Other Local Authorities**

- 2.6 On 3 August 2023, Bournemouth, Christchurch, and Poole Council was issued a Best Value Notice by the Department for Levelling Up, Housing and Communities (DLUHC). In June 2022, the Secretary of State for DLUHC intervened and was not supportive of the Council's proposal to create a Special Purpose Vehicle to which it was planning to sell Council owned Beach Huts for £54m. This intervention was informed by challenge from the External Auditor (now seen as good practice in consultations on developing the future of Local Audit). On 2 September 2022 it was then agreed that DLUHC would in principle assist the Council with up to £20m of financial support (a borrowing approval), provided the Council produced a full financial plan for 2023/24 and agreed a non-statutory External Audit assurance report on governance and finance. In response to the issues identified in the review required by DLUHC, a non-statutory Best Value Notice has been issued.
- 2.7 There have been two reports in the public domain relating to Birmingham City Council. The first relates to the implementation of a new financial ledger which has gone off track. According to the reports in the public domain, it could cost the City Council £100m to implement the new system. The second relates to further costs in relation to implementing Equal Pay settlements. The City Council is estimating it will incur significant additional costs which will impact on its future financial resilience.
- 2.8 Hastings Borough Council has reported in the public domain that it is at risk of issuing a Section 114 Notice due to the financial pressures arising from providing temporary accommodation for asylum seekers. Should Hastings issue a Section 114 Notice, it will differ from those already issued in that it will not be linked into poor investment decisions or technical accounting matters.
- 2.9 In addition, in the last month, Kent, Kirklees, Medway, Bradford and Middlesborough Councils have all reported on the estimated outturn for the financial year 2023/24 and estimated a significant overspend, which if not addressed, places them at risk of having to issue a future Section 114 Notice, as their general reserves and balances cannot absorb the actual level of overspend
- 2.10 The impact on Authorities who have made either commercial investment and / or set up wholly owned companies without understanding the implications of financial commitments/ parental guarantees but have not issued a Section 114 notice to-date, has now been reported in the public domain. A recent example is Mid Devon District

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Council who set up a wholly owned housing company (3 Rivers Developments Limited) in 2017. The company's aim was to build more affordable and social housing in addition to generating additional income to offset reductions in Central Government funding. The Council has now agreed to what it describes as a "soft closure" which will close the company and liquidate the company assets once developments underway are completed. Overall, the company has undertaken 5 projects and the Council had advanced the company £21.3m in loans. To finance the "soft closure", the Council has provided £5.3m to cover losses in its accounts for the 2021/22 and 2022/23 financial years.

### **An Update on Financial Reporting and Audit in Local Authorities**

- 2.11 There have been a further three separate evidence gathering sessions by the DLUHC Select Committee as part of its ongoing review into Financial Reporting and Audit in Local Authorities. These were on 5 June 2023, 26 June 2023, and 17 July 2023 and involved a selection of key regulators including the National Audit Office, those responsible for setting the standards applicable to the preparation of the Local Authority Accounts, experienced Section 151 Officers, experienced Members, and the Minister within DLUHC responsible for Local Government. The key development is that the Government has accepted the need to clear the backlog of outstanding audit opinions and have a reset. Further guidance on this is expected to be issued.
- 2.12 The Select Committee is not planning any further evidence gathering sessions so the report of its findings can be expected in the next Parliamentary session. Several recommendations are likely and when the report is produced its findings and the implications for Oldham will be reported to this Committee.

### **Place, Economic Growth and Environment Scrutiny Board**

- 2.13 At the Audit Committee meeting on the 20 July 2023, Members received a report detailing the Assurance Framework issued by DLUHC for Regeneration Capital Grants (Future High Streets Fund, Towns Deals Fund and Levelling Up Fund) making the Director of Finance the first line of defence to ensure due process is followed in the administration of these grants. The Framework also set out the expectation that the grant programmes of Future High Streets Fund, Town Deals Fund and Levelling Up Fund would be scrutinised twice in a financial year. A report has been prepared for the Place, Economic Growth and Environment Scrutiny Board setting out the Framework with the expectation that a detailed review will be undertaken twice a year to ensure compliance with the requirements of the Assurance Framework. This assures the Audit Committee that the Scrutiny Board will undertake the required Assurance work expected under the Framework within its current work plan (the report is included as Appendix 1).

### **Self-Assessment by the Audit Committee against Best Practice**

- 2.14 CIPFA has produced a publication on Audit Committees which includes a checklist setting out the suggested areas an Audit Committee should review and how it needs to operate. Now that the Committee has met on a few occasions throughout this municipal year, the suggested way forward is for the Committee to undertake a specific workshop facilitated by key officers from the Finance Service at a convenient future date and this will facilitate and assess of current practice against Best Practice as set out in the Audit Committee Publication.

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**2020/21 Audit Certificate and Update on the Progress of the Audit of the 2021/22 and 2022/23 accounts**

- 2.15 On 27 September 2023, His Majesty's Treasury issued the Whole of Government Accounts for the financial year 2020/21. Therefore, there has been no requirement for the External Auditor to undertake any further work on the Council's 2020/21 accounts. On 7 August 2023, the final Audit Certificate was issued (attached as Appendix 2). Interestingly the Scale Fee set by Public Sector Audit Appointments included an allowance for further audit work to be undertaken and no additional work was required. As such, this needs to be borne in mind when the fees to be paid for the 2020/21 external audit are finalised.
- 2.16 The audit of the matters pertaining to the Greater Manchester Pension Fund which is the one issue outstanding relating to the audit of the 2021/22 Statement of Accounts has still not been concluded. As such these accounts cannot be finalised before this meeting of the Audit Committee.
- 2.17 The audit of the 2022/23 Statement of Accounts is ongoing. The statutory deadline for completion of the audit is 30 September 2023 and whether this deadline will be met will be dependent on the completion of the audit of the 2021/22 accounts.

**3 Options/Alternatives**

3.1 Members can either:

- a) accept all the recommendations of this report
- b) accept some of the recommendations in this report
- c) suggest an alternative approach to undertaking the Audit Committee self-assessment of best practice.

**4 Preferred Option**

- 4.1 The preferred option is set out at 3.1 (a) that Members accept all the recommendations in the report.

**5 Consultation**

- 5.1 There has been consultation within the Finance Directorate.

**6 Financial Implications**

- 6.1 N/A.

**7 Legal Services Comments**

- 7.1 N/A.

**8 Cooperative Agenda**

- 8.1 N/A.

**9 Human Resources Comments**

- 9.1 N/A.

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10 **Risk Assessments**

10.1 N/A.

11 **IT Implications**

11.1 N/A.

12 **Property Implications**

12.1 N/A.

13 **Procurement Implications**

13.1 N/A.

14 **Environmental and Health & Safety Implications**

14.1 N/A.

15 **Equality, community cohesion and crime implications**

15.1 N/A.

16 **Equality Impact Assessment Completed?**

16.1 None.

17 **Key Decision**

17.1 N/A.

18 **Forward Plan Reference**

18.1 N/A.

19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Report to the Place, Economic Growth and Environment  
Scrutiny Board  
2020/21 Audit Certificate

Officer Name: Mark Stenson  
Contact: mark.stenson@oldham.gov.uk

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20    **Appendices**

20.1    Appendix 1 - Report to the Place, Economic Growth and Environment Scrutiny Board  
          – Assurance Framework on Grant Funded Programmes

          Appendix 2 - Audit Completion Certificate issued to the Members of Oldham  
          Metropolitan Borough Council for the year ended 31 March 2021



**Report to the Place, Economic Growth and Environment Scrutiny Board.**

## **Assurance Framework on Grant Funded Programmes**

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans - Director of Finance

**Report Author:** Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

**Email:** mark.stenson@oldham.gov.uk

**31 August 2023**

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### **Reason for Report**

The Council has been successful in obtaining capital grant funding from three sources administered by the Department of Levelling Up, Housing and Communities (DLUHC). These grant funding streams are detailed below:

- Future High Street Funds; expected grant related expenditure to be completed by 31 March 2024;
- Town Deals Fund; expected grant related expenditure to be completed by 31 March 2025 (the Future High Streets Fund and Town Deals Fund are collectively known as the Towns Fund); and
- Levelling Up Fund; expected grant related expenditure to be completed by 31 March 2025.

In addition, it is expected that there will be a further opportunity to bid for a further programme of Levelling Up Funding which has the potential to attract a further £20m in capital grant funding to the Council

This report outlines the review expected from the scrutiny function in respect of the guidance issued by DLUHC on overseeing these grant programmes.

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## Executive Summary

The Permanent Secretary at DLUHC is the Accountable Officer for any grant spend on the Future High Streets Fund, Town Deals Fund and Levelling Up Fund. It has been reported in the Local Government financial press that the oversight of grant funds including those linked into Levelling Up were subject to enhanced scrutiny by His Majesty's Treasury.

On 16 June 2023 DLUHC issued guidance (Levelling Up Funds Local Authority Assurance Framework) which clarified the oversight that DLUHC expects regarding the grant schemes. It sets out a common approach as to how DLUHC will assure the use of the funds in scope (from an Oldham perspective these are as detailed above, the Levelling Up Fund, Town Deal Funds and Future High Street Funds (the latter two are collectively known as Towns Fund)).

The Framework sets standards in line with the principles of Managing Public Money (MPM) with regard to regularity, propriety and securing value for money. It provides DLUHC, His Majesty's Government (HMG) and more widely stakeholders and the public with the necessary assurances that grant recipients have the policies and procedures in place to ensure the robust stewardship of public money.

The key points from the guidance in relation to Oldham are:

- In accordance with the Cabinet Office Government Functional Standards, the Assurance Framework provides for 3 separate and defined levels of assurance referred to as the three lines of defence;
- The first line of defence should be delivered at an operational management level. This is specified as the Chief Finance Officer. In Oldham this is the Director of Finance. This officer has the responsibility for the delivery of HMG investment, through the agreed projects, with propriety, regularity and value for money;
- When signing the assurance letter and statement of grant usage the Chief Finance Officer will be required to provide written confirmation that they have actively undertaken all necessary checks to ensure proper administration regarding the funding programme, particularly with regard to financial administration and transparency of governance;
- The second line of defence will be independent of the first line of defence and will be undertaken by DLUHC. It will require Local Authorities to engage with and provide supporting information in response to further assurance activity undertaken by DLUHC and other Government departments;
- The third line of defence will be undertaken by an independent audit or an independent body to secure an "objective opinion on the effectiveness of governance, risk management and internal controls".

The guidance implies that these grant funded projects are reviewed in line with the Council's arrangements for scrutiny. Should the Council be selected for a more detailed



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review as set out in the second/ third line of defence then the level of scrutiny undertaken will be reviewed.

For the financial year 2023/24 it is suggested that two reports be submitted by Officers to this Scrutiny Board. This report setting out the Assurance Framework and a further report to the meeting on 19 March 2024 setting out progress in relation to each of the funding streams/capital expenditure programmes in line with the basis upon which the funding has been approved, i.e based on forecast outcomes, milestones and financial profiles.

For the municipal year 2024/25 it is recommended that a further 2 reports outlining the progress on the oversight of these grant programmes are included in the workplan of this Committee.

### **Recommendation**

That the Place, Economic Growth and Environment Scrutiny Board:

- 1) Notes their responsibility to undertake scrutiny on the detailed grant programmes
- 2) Considers the incorporation of a review on progress on the Future High Streets Fund, Town Deals Fund and Levelling Up Fund twice in a municipal year.

**1 Grant Programmes Assurance Framework**

- 1.1 On 16 June 2023 DLUHC issued guidance (Levelling Up Funds Local Authority Assurance Framework) which clarified the oversight DLUHC expects regarding the grant schemes falling within the remit of Levelling Up. It sets out a common approach to how DLUHC will assure the use of the funds in scope (from an Oldham perspective these are the Levelling Up Fund, Town Deals Fund and Future High Street Fund).
- 1.2 The Framework sets standards in line with the principles of Managing Public Money (MPM) with regard to regularity, propriety and securing value for money. It provides DLUHC, His Majesty's Government (HMG) and more widely stakeholders and the public with the necessary assurances that grant recipients have the policies and procedures in place to ensure the robust stewardship of public money.
- 1.3 This guidance expands the previous assurance regime implemented by DLUHC whereby the Chief Financial Officer was required to certify a statement of estimated grant usage twice per annum. It follows a reported challenge to DLUHC from HM Treasury about its processes on the administration of capital grants for which it has departmental responsibility.
- 1.4 As advised above, there are three capital grant programmes for which this Scrutiny Board may be expected to provide oversight under this Assurance Framework. These are:
- Future High Street Funds (FHSF); expected grant related expenditure to be completed by 31 March 2024;
  - Town Deals Fund (TDF); expected grant related expenditure to be completed by 31 March 2025 (the FHSF and the TDF are collectively known as the Towns Fund); and
  - Levelling Up Fund; expected grant related expenditure to be completed by 31 March 2025.

In addition, it is expected that there will be a further opportunity to bid for a further programme of Levelling Up Funding which has the potential to attract a further £20m in capital grant funding to the Council. As Oldham Council is a priority 1 area in terms of bidding it will have a reasonable chance of securing funding subject to it identifying appropriate schemes.

- 1.5 It is important to note that when grant funding has been awarded for the Future High Streets Fund and Levelling Up Fund, there is a requirement for a Local Authority to agree a Memorandum of Understanding (MOU) with DLUHC setting out what is expected of grant recipients with regard to issues such as:
- Eligible expenditure;
  - Reporting;
  - Accountability and assurance;
  - Monitoring and evaluation;
  - Branding and communication; and
  - Performance management.

The Council has signed such MOU's.

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- 1.6 Whilst the FHSF element of the Towns Fund is subject to a Memorandum of Understanding between DLUHC and the Council, the Town Deal is an agreement in principle between Government, the Accountable Body (the Council) and the Town Deal Board, confirmed in a Heads of Terms (HoT). The HoT is signed by the Chair of the Town Deal Board, the accountable body (the Council) and the Minister for Levelling UP. DLUHC therefore provides funding to Oldham through the Council to the Town Deal Board. As such the responsibility of the Council as Accountable Body is clear.

## **2 Assurance Framework**

### **Principles of the Assurance Framework**

- 2.1 A key element of the Central Government Assurance Framework is the role of the Accountable Officer. For DLUHC this is the Permanent Secretary who for each of the grant funding regimes is required to sign an Assurance Statement. To discharge this requirement “The Levelling Up Funds Local Authority Assurance Framework” (to which a link is provided as Appendix 1 to this report) has been developed. The guidance acknowledges the principles of the Framework.
- 2.2 The key points from the guidance in relation to Oldham are:
- In accordance with the Cabinet Office Government Functional Standards, the Assurance Framework provides for 3 separate and defined levels of assurance referred to as the 3 lines of defence;
  - The first line of defence should be delivered at an operational management level. This is specified to be the Chief Finance Officer who for Oldham is the Director of Finance. This officer has the responsibility for His Majesty’s Government (HMG) investment, through the agreed projects, with propriety, regularity, and value for money, particularly with regard to financial administration and transparency of governance. When signing the assurance letter and statement of grant usage the Chief Finance Officer will be required to provide written confirmation, they have undertaken all necessary checks to ensure proper administration regarding the funding programme;
  - The second line of defence will be independent of the first line of defence and will be undertaken by DLUHC. It will require Local Authorities to engage with and provide supporting information in response to further assurance activity undertaken by DLUHC and other Government departments;
  - The third line of defence will be undertaken by an independent audit, or an independent body provided via Central Government to secure an “objective opinion on the effectiveness of governance, risk management and internal controls”.
- 2.3 The guidance implies that these grant funded projects are reviewed in line with the Council’s arrangements for scrutiny. Should the Council be selected for a more detailed review as set out in the second line of defence, then the level and effectiveness of scrutiny undertaken will be reviewed.
- 2.4 For the financial year 2023/24 it is suggested that two reports be submitted by Officers to this Scrutiny Board. This report setting out the responsibilities expected via the Assurance Framework with a further report to the meeting on 19 March 2024 setting out the progress on delivering the three funding streams/capital expenditure programmes in line with the basis upon which the funding has been approved, i.e. based on forecast outcomes, milestones and financial profiles.

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- 2.5 In respect of the municipal year 2024/25 it is recommended that a further 2 reports outlining the progress on the oversight of these grant programmes are included in the future workplan.

### **First Line of Defence**

- 2.6 The Chief Financial Officer is the first line of defence and DLUHC will expect this Officer via the completion of the assurance letter and statement of grant usage, to provide written confirmation that they have undertaken all the necessary checks to ensure proper administration of the financial affairs of the funding programme.
- 2.7 The statement of grant usage is to be completed on an annual basis and has the requirements detailed below:
- Details of the checks that the Chief Finance Officer (or deputy) has taken to assure themselves that the Local Authority has in place the processes that ensure proper administration of its financial affairs relating to these grant funds .
  - Provision of responses to the required questions addressing the governance and transparency for grant management including procurement, conflict of interest, subsidy control/ state aid, counter fraud, and risk management.
- 2.8 The Chief Financial Officer will also complete an assurance letter which is addressed to the Permanent Secretary in their role as DLUHC Accounting Officer. In this letter the Chief Financial Officer must express an opinion on whether the individual grant programmes are being properly administered, and if not, provide information on their concerns with how the risks/ issues are to be resolved.

### **Proposed Assurance to be applied by the Director of Finance**

- 2.9 To provide the assurance, it is proposed that the Director of Finance relies on the following for the financial year 2023/24 and future financial years:
- A report to the Place, Economic Growth and Environment Scrutiny Board on 19 March 2024 by the Executive Director for Place and Economic Growth on the progress made on the three grant programmes as outlined in this report. This will include the comments of the Director of Finance as the first line of defence. In future financial years it is envisaged this officer will produce two of these reports which will include the comments of the Director of Finance.
  - The integration of this guidance into the programme management arrangements overseen by the Place and Economic Growth Portfolio aligned to the operation of the Creating a Better Place Programme Board.
  - Appropriately published Electronic Decision Recording System Reports outlining the key decisions undertaken on project management to ensure they are taken in accordance with the Council's decision-making framework.
  - Finance and Contract Procedure Rules which are subject to regular updating and regular reviews to ensure that these are complied with;
  - An up to date suite of Counter Fraud Policies which are subject to appropriate review by the Audit Committee.
  - A targeted programme of internal audit work on the 3 grant funded programmes. The outcomes of any audit work will be reported to the Audit Committee as part of

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the routine reports. A summary of the findings will also be reported to this Committee on 19 March 2024 by the Executive Director for Place and Economic Growth and in the year-end report to this Scrutiny Committee for the municipal year 2024/25.

- A detailed analysis of the Subsidy Control implications for each project within the 3 capital grant programmes. This analysis should be completed by the project officers from the Place and Economic Growth Portfolio, Legal Services and the Procurement and Finance Teams.
- Regular reports to the Audit Committee including the regular updates provided on the issues either already identified or to be identified within the Annual Governance Statement. At present the potential risks to the capital programme and grant funding regime delivery have been identified as specific risks. This is due to increased costs and/ or the requirement to reprofile schemes and resulting in challenges to delivery within grant funding timelines;
- Oversight of this Scrutiny Board of the programme management arrangements in place for the Future High Streets Fund, Town Deals Fund and Levelling Up Fund capital grants regimes.

### **Second Line of Defence**

- 2.10 The second line of defence will be undertaken by the Assurance and Compliance Team within DLUHC. It is important to note that the DLUHC is quite heavily reliant on the first line of defence, i.e., the information provided by the Chief Finance Officer and hence the robustness of the operational and management arrangements of a Local Authority.
- 2.11 DLUHC will take a risk based approach to the second line of defence with deep dives being undertaken based on a suite of risk factors and random sampling. Sample based deep dives will be undertaken using a random selection tool and will be established on an annual basis.
- 2.12 In addition to random sampling the determination of a need for a deep dive will involve the consideration of a series of risk triggers as detailed below for each separate capital grant programme:
- Any concerns of Chief Financial Officer highlighted via the Assurance Letter and Statement of Grant Usage;
  - Evidence that financial performance is not in line with the previous performance returns (note returns have to be submitted on a 6 monthly basis);
  - Concern that delivery performance is at risk based on the deliverability review undertaken twice a year;
  - Area led intelligence based on local relationships with DLUHC officials;
  - The External Auditor's annual report which is based upon the Authority's last certified published accounts as published on the website;
  - Assurance intelligence based on the shared intelligence of the various DLUHC teams overseeing the capital funding programmes.

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2.13 One key measure in determining whether to take a more detailed review will be if financial performance. Where the spend is either 40% below or above the quarterly threshold submitted for two quarters in succession a more detailed review is likely from DLUHC.

2.14 A deep dive review will involve an examination of:

- Key documentation such as the Terms of Reference, Programme Management Arrangements including agendas, oversight by Scrutiny Boards/Committees and risk policy.
- Counter Fraud oversight including managing conflicts of interest;
- Compliance with the Authority's own decision making framework which will include procurement protocols;
- Compliance with State Aid and Subsidy Control requirements.

2.15 It will involve the Local Authority providing evidence as requested and key meetings involving officers which will include the Director of Finance.

### **Third Line of Defence**

2.16 The third line of defence is an independent review to secure an "objective opinion on the effectiveness of governance, risk management and internal controls". This will be undertaken by the Government Internal Audit Agency (GIAA) and will take the form of a review of the activity completed by DLUHC as the second line of defence. The GIAA will provide notice of their planned review and set out the scope and information required at the time.

### **Assurance for Members**

2.17 The Council already has many of the requirements in place to provide assurance should it be requested by the second line of defence. The approach outlined in this report will give Members assurance about the robustness of the first line of defence. At Member level it will require appropriate liaison between the Audit Committee and Scrutiny Board to ensure the appropriate oversight of the capital grant programmes is undertaken.

## **3 Options/Alternatives**

3.1 The Place, Economic Growth and Environment Scrutiny Board can:

- a) Undertake Scrutiny of the Grant Programmes for the Future High Streets Fund, Towns Fund and Levelling Up Fund by considering two reports per annum. This requirement has been included in the proposed work programme detailed elsewhere on the agenda.
- b) Choose not to undertake scrutiny twice a year of the 3 capital grant funded regimes, preferring to rely on reporting by exception should there be a challenge with regard to compliance with the DLUHC Assurance Framework.

## **4 Preferred Option**

4.1 The preferred option is Option set out at 3.1(a) so that this Scrutiny Board to considers matters on the 3 capital grant programmes twice in a Municipal Year.

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## 5 **Consultation**

5.1 N/A.

## 6 **Financial Implications**

6.1 The choice of the External Auditor's annual report as one key feature of the second line of defence is interesting given the well reported backlogs in External Auditors completing Local Authority audits and hence providing an opinion on accounts. There is at least one Local Authority which does not have its accounts certified for 2015/16.

6.2 This report sets out how it is proposed to support the undertaking of the first line of defence which is a responsibility of the Director of Finance. It will involve regular reports to both the Scrutiny Board and the Audit Committee with appropriate regular reviews of key policies to ensure they remain up to date.

6.3 The approach set out in the DLUHC Assurance Framework seems sensible. It is important to note that it has been introduced retrospectively and there is therefore a need to ensure future decisions balance the need to implement the schemes (some of which are complex) in line with the guidance in an extremely challenging timescale.

6.4 The risk to the Council should any of the 3 capital grant funding regimes covered by the DLUHC Assurance Framework go off track, is a potential loss of grant and increased requirement for Council resources to complete the schemes. There is also a reputational risk. The discipline required by the regular reporting of the grant funding regimes and reporting in relation to the Assurance Framework should provide an early warning if there are any perceived risks.

(Anne Ryans Director of Finance)

## 7 **Legal Services Comments**

7.1 N/A.

## 8 **Cooperative Agenda**

8.1 N/A.

## 9 **Human Resources Comments**

9.1 N/A.

## 10 **Risk Assessments**

10.1 The Annual Governance Statement to support the 2022/23 Draft Statement of Accounts alludes to the perceived risks on these capital grant funding programmes relating to the ability of the Council to deliver the projects in the required timescale. It is important that this risk is managed to prevent any loss of grant or additional cost to the Council.

(Mark Stenson)

## 11 **IT Implications**

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11.1 N/A.

12 **Property Implications**

12.1 N/A.

13 **Procurement Implications**

13.1 N/A.

14 **Environmental and Health & Safety Implications**

14.1 N/A.

15 **Equality, community cohesion and crime implications**

15.1 N/A.

16 **Equality Impact Assessment Completed?**

16.1 None.

17 **Key Decision**

17.1 N/A.

18 **Forward Plan Reference**

18.1 N/A.

19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Levelling Up Funds Local Authority Assurance Framework published by DLUHC on 16 June 2023 (DLUHC website)  
Officer Name: Mark Stenson  
Contact: mark.stenson@oldham.gov.uk

20 **Appendices**

20.1 Appendix 1; Link to the Levelling Up Funds Local Authority Assurance Framework

<https://www.gov.uk/government/publications/levelling-up-funds-local-authority-assurance-framework>



## **Audit Completion Certificate issued to the members of Oldham Metropolitan Borough Council for the year ended 31 March 2021**

In our auditor's report dated 30 September 2021, we explained that the audit could not be formally concluded until we had;

- completed our work the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This work has now been completed.

No matters have come to our attention since 30 September 2021 that would have a material impact on the financial statements on which we gave our unqualified opinion.

### **The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in this respect.

### **Certificate**

We certify that we have completed the audit of Oldham Metropolitan Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

*Karen Murray*

Karen Murray  
Key Audit Partner

For and on behalf of Mazars LLP

One St Peter's Square  
Manchester  
M3 3DE

7 August 2023



## Report to Audit Committee

# Future Oversight of Council Companies and Partnerships

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans - Director of Finance

**Report Author:** Mark Stenson – Assistant Director of Finance for Corporate Governance and Strategic Financial Management

**5 September 2023**

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### Reason for Decision

This report sets out a proposed process for the Audit Committee to review key Council Companies and partnerships for the remainder of the financial year 2023/24 and future financial years.

### Executive Summary

The previous methodology adopted by the Audit Committee to review the risks associated with partnership working was by the consideration on a regular basis of the Partnership Dashboard Report developed by the Finance Service. When this was presented to the Audit Committee meeting on 8 June 2023, the Committee requested that a review of the format of the report be undertaken.

Prior to the commencement of this Finance Service review, Local Partnerships (an organisation jointly owned by the Local Government Association, HM Treasury and the Welsh Government) produced a refreshed publication “Local Authority Company Review Guidance”. This is a toolkit for undertaking strategic and governance reviews of wholly or partly owned Council commercial entities. At Section 9 of this publication is what could be described as a Self-Assessment Checklist which identifies a comprehensive list of pertinent questions for the Council to consider. This can be utilised to review Council partnership working arrangements as well as companies.

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In order to improve the oversight of Council partnerships by this Committee and the potential risks of such to the Council, it is proposed that the Finance Service undertake a review of each of the partnerships in which the Council has a financial interest in and report the findings back to the January meeting. Upon the receipt of this report the Committee can assess how the matter is discussed with the Scrutiny Board Chairs to ensure the future oversight of partnerships by the Council is as robust as possible.

### **Recommendations**

That Members endorse the approach to reviewing Council companies and partnership arrangements detailed in this report and request that the findings of the exercise to be undertaken by the Finance Service is presented to a future meeting of the Committee.

**Future Oversight of Council Companies and Partnerships****1 Background**

- 1.1 The risks of a Council not having appropriate oversight of company's and / or partnerships in which it has a shareholding have become clear over the past two years. This failure, if it results in unforeseen financial loss, can seriously impact on the long term financial resilience of the Council. In some cases, the unforeseen losses caused by the financial failures of Council companies and partnerships have contributed to the issuing by Section 151 Officers of Notices under Section 114(3) of the Local Government Finance Act 1988 (a Section 114 Notice).
- 1.2 The previous methodology adopted by the Audit Committee to review the risks associated with partnerships working was by the consideration of a regular basis of the Partnership Dashboard Report developed by the Finance Service. When this was presented to the Audit Committee meeting on 8 June 2023, the Committee requested that a review of the format of this report be undertaken.

**2 Current Partnership Risk within Oldham Council**

- 2.1 Previous reports to the Audit Committee have identified that at present there is minimal risk to the financial resilience of the Council from its companies and partnership working. The reports have identified that this risk profile could change over time as companies and partnerships set up to deliver Council supported initiatives develop their operations. As such, the request made by the Audit Committee at its meeting on 8 June 2023 that there is a review of the information to be provided to the Committee represents good governance.
- 2.2 In addition to supporting the Audit Committee in undertaking its role, such an exercise will also inform the work of the Shareholder Committee, set up as a Cabinet-Sub Committee and the Scrutiny Boards who have an interest in effective oversight of partnerships and partnership working.

**3. Local Authority Company Review Guidance**

- 3.1 Prior to the publication by Local Partnerships of the refreshed publication "Local Authority Company Review Guidance" the methodology used to review companies and partnership working was a self-assessment of risk prepared by key officers. The publication which has the sections detailed below provides a structured way for the risks to be reviewed. The key sections are:

- Foreword
- Introduction
- Council Governance Arrangements
- Entity Governance Arrangements
- Alternative Delivery Models
- Standard Documents Required for a Review
- Key Reference Documents
- Summary of Evidence
- Case Studies
- Further Evidence

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3.2 The publication sets out that the skills required to operate a company are different from a Local Authority. It recognises that governance arrangements are critical to hold companies to account and to protect the interests of taxpayers. The summary of evidence it is suggested the Finance Service undertakes covers the following areas:

- Council Governance Arrangements
- Entity Governance Arrangements
- Alternative Delivery Models
- The standard documents required for a review
- A guidance checklist for Elected Members including the audit and scrutiny committees
- Key reference documents
- Summary of Evidence (The self-assessment checklist)

3.3 In this regard, the Audit Committee Members may wish to ask:

- Does the Committee have assurance on the adequacy of risk management, internal controls and governance processes associated with the company?
- Does the Committee have regular oversight of the company's financial affairs and how it impacts on the Council?
- Is the Committee satisfied that any recommendations from external or internal audit reviews have been implemented?
- Has the Committee ensured that any relevant risks relating to the company are included in the corporate risk register?

3.4 Whilst the Guidance document has been prepared specifically in relation to Council owned companies, the principles can be adapted for other partnership arrangements.

#### **4 Options/Alternatives**

4.1 The options the Committee can consider are:

- a) Endorse the suggested way forward as set out in this report
- b) Suggest an alternative approach

#### **5 Preferred Option**

5.1 The preferred option is the option at 4.1 (a) that the Committee endorses the way forward as set out in this report.

#### **6 Consultation**

6.1 N/A.

#### **7 Financial Implications**

7.1 N/A.

#### **8 Legal Services Comments**

8.1 N/A.

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9	<b>Cooperative Agenda</b>
9.1	N/A.
10	<b>Human Resources Comments</b>
10.1	N/A.
11	<b>Risk Assessments</b>
11.1	N/A
12	<b>IT Implications</b>
12.1	N/A.
13	<b>Property Implications</b>
13.1	N/A.
14	<b>Procurement Implications</b>
14.1	N/A.
15	<b>Environmental and Health &amp; Safety Implications</b>
15.1	N/A.
16	<b>Equality, community cohesion and crime implications</b>
16.1	N/A.
17	<b>Equality Impact Assessment Completed?</b>
17.1	None.
18	<b>Key Decision</b>
18.1	N/A.
19	<b>Forward Plan Reference</b>
19.1	N/A.
20	<b>Background Papers</b>
20.1	The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:  File Ref: <a href="#">Local Authority Company Review Guidance – Link to the document <u>Local authority company review guidance 2023 edition - Local Partnerships</u></a>

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Officer Name: Mark Stenson, Assistant Director Corporate Governance and  
Strategic Financial Management  
Contact: mark.stenson@oldham.gov.uk

21 **Appendices**

21.1 None.

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## Report to Audit Committee

# Proposed Audit Committee Work Programme for 2023/24

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

**5 September 2023**

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### Purpose of Report

Attached to this report is the proposed Audit Committee Work Programme for the remainder of 2023/24.

### Executive Summary

The proposed Audit Committee Work Programme for 2023/24 is subject to regular review by the Committee. Attached is the suggested programme of work for the remainder of the municipal year.

The report will be presented by the Director of Finance.

### Recommendations

That Members of the Audit Committee endorse the proposed Audit Committee Work Programme for 2023/24.



**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
<b>Thursday 8 June 2023 at 6.00 pm</b>	Audit Committee Chair – Charged with Governance, Management Processes and Arrangements.	The draft response of the Audit Committee Chair to provide key assurances to support the Audit Process which are then discussed by the Committee.
	Director of Finance – Charged with Governance, Management Processes and Arrangements.	The draft response of the Director of Finance to provide key assurances to support the Audit Process which are then discussed by the Committee.
	Update on Key Developments within the remit of the Committee.	This report provides an update on matters pertinent to this Committee including an update on the final accounts, developments linked into the future oversight of local audit and planned training for the Committee.
	Local Code of Corporate Governance	This is an update to the previously agreed Local Code of Corporate Governance.
	Internal Audit and Counter Fraud Progress Report on 2022/23	An update report on the progress made by the Internal Audit Service.
	Proposed Audit Committee Work Programme for 2023/24	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts which are not yet closed.
	Private Report; Partnership Risk Dashboard	This is the regular report produced for the Committee to assess the ongoing risk to the Council from its key partnerships.
	Private Report, Senior Information Risk Owner Update	An update report by the Senior Information Risk Owner of key developments in Information Governance impacting on Oldham Council.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
<b>Tuesday 27 June 2023 at 6.00 pm</b>	Update on External Audit Matters	An update if required, on national developments linked into the on-going developments and consultations on the provision of external audit to Local Government Bodies.
	2022/23 Annual Report to Audit Committee	This is the Annual Report of the Chief Internal Auditor on the overall Internal Control Environment of the Council for the financial year 2022/23.
	Draft 2022/23 Annual Statement of Accounts	This is the report to the Audit Committee on the draft Statement of Accounts which also details the outturn for the financial year 2022/23.
	Draft Annual Governance Statement for 2022/23	The detailed review of the Draft Annual Governance Statement by the Audit Committee in advance of the Statement of Final Accounts.
	Reserves Policy for 2022/23 to 2023/24	This is the annual update to the Reserves Policy considering the provisional out-turn for the financial year 2022/23.
	Treasury Management Review 2022/23	The annual review of Treasury Management for 2022/23 by the Audit Committee.
	Feedback on the Chartered Institute of Public Finance and Accountancy (CIPFA) Review of the Internal Audit Service	This is the feedback to the Committee of the review undertaken of the Internal Audit Service and whether its working practices comply with International Auditing Standards.
	Private Report; Update on the Corporate Risk Register	A report on the Corporate Risk Register as at 31 March 2023.
<b>Thursday 20 July 2023, 6.00pm.</b>	Audit Strategy Memorandum	This report sets out the proposed approach from the External Auditor to audit the 2022/23 Statement of Final Accounts.
	Internal Control Matters for Adult Social Care	This is the report to Committee on Internal Control Matters within the Adult Social Care Service.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Update on General Matters	A report detailing the feedback from Best Value Inspectors at failing Authorities, a key report produced by the Public Accounts Committee, the requirement placed on the Accountable Officer for key capital grant programmes and the creation of the Office for Local Government.
	Self-Assessment of the work undertaken by the Audit Committee during 2022/23 compared to the Constitution.	The first stage in the production of an Annual Report which is a requirement of recently issued guidance on best practice for Audit Committees is to undertake an assessment of how the responsibilities set out in the Terms of Reference have been discharged.
Page 142	Proposed Revisions to Finance Procedure Rules	This report sets out some proposed revisions to the Finance Procedure Rules which are to be recommended to Council.
	Amendments to Contract Procedure Rules and Proposed Future Revisions.	This report sets out the changes to the Contract Procedure Rules as reported to Council on 12 July 2023 and some further revisions proposed by the Director of Finance.
	Internal Audit Progress Report	A report on the progress made against the agreed Internal Audit Plan.
	Proposed Audit Committee Work Programme for the Municipal Year 2023/24	A report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts which are not yet closed.
	Private Report; Update on the Risk Management Strategy and Framework and the Corporate Risk Register for 2023/24	A report on the Risk Management Strategy and Framework and the Corporate Risk Register as at 30 June 2023.
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
<b>Tuesday 5 September 2023, 6.00 pm</b>	Update on External Audit Matters	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Revenue Monitor and Capital Investment Programme 2023/24 Quarter 1 – June 2023	As requested by the Audit Committee reports detailing the in-year financial position including the projected outturn as also reported to Cabinet and the Scrutiny Board.
	Treasury Management Update Quarter 1 Monitoring Report	A new requirement for the financial year 2023/24 is for a Treasury Management update report to be produced on a quarterly basis. As the role of the Committee is to scrutinise treasury management arrangements and then make recommendations to Cabinet, then this report is on the agenda to facilitate consideration by Cabinet in September.
Page 143	Compliance with the CIPFA Code of Financial Management	This report details the assessment within Oldham Council on how it complies with the CIPFA Code of Financial Management with appropriate recommendations for improvement.
	Oldham Council Loans Policy and amendment to the Terms of Reference for the Audit Committee	This report is to inform the Audit Committee of the proposed Loans Policy to be adopted by the Council. It is also proposed to recommend a small change to the Audit Committees Terms of Reference.
	The draft Annual Report of the Audit Committee	This report is in line with the best practice issued by CIPFA in respect of operating an Audit Committee.
	Update on General Matters	This will update the Committee on current matters of interest.
	Future Oversight of Council Companies and Partnerships	This report sets out a proposed process for the Audit Committee to review key Council Companies and Partnerships during 2023/24.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Proposed Audit Committee Work Programme for 2023/24	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the 2023/24 Statement of Accounts.
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
<b>Tuesday 31 October 2023, 6.00pm</b>	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
Page 144	Revised 2021/22 Audit Completion Report	This report details the revised Audit Completion report on completion of the audit.
	2022/23 Statement of Final Accounts	This report provides an update on the 2022/23 draft Statement of Accounts and associated issues arising from the external audit.
	Treasury Management Mid-Year Review 2023/24	The planned scrutiny of the 2023/24 Treasury Management Mid-Year review before submission to Cabinet in November.
	Update on General Matters	This is an update on regulatory developments to inform the Audit Committee in support of its Governance role.
	Internal Audit Progress Report 2023/24	This is the routine report on the progress made against the agreed audit and counter fraud plan detailing any control weaknesses identified.
	Updated Audit Committee Work Programme for 2023/24	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the 2023/24 Statement of Final Accounts.
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters to be highlighted to the Audit Committee.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Private Report; Update on the Corporate Risk Register	This sets out the position as of 30 September 2023 in relation to matters included on the Corporate Risk Register.
	Private Report; Senior Information Risk Owner update	This updates the Audit Committee on the key matters relating to data protection and information security breaches
<b>Monday 15 January 2024, 6.00 pm</b>	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of the Committee.
	External Audit of Teachers' Pensions Agency Return 2022/23	This report considers the feedback following the external audit of the Teachers' Pension Agency return.
	Revenue Monitor and Capital Investment Programme 2023/24 Quarter 2 – September 2023	The second formal report on the expected financial outturn for the financial year 2023/24.
	Treasury Management Strategy Statement 2023/24	This report sets out the proposed Treasury Management Strategy for 2024/25 to support the Corporate Objectives of the Council.
	Internal Control Matters; Payroll	This is the report to Committee on Internal Control Matters within the administration of payroll.
	Internal Control Matters: Adult Social Care	This is the report to Committee on Internal Control Matters within the Adult Social Care Service – a follow up to the report presented to the Committee on 20 July 2023.
	Audit and Counter Fraud Progress Report including significant issues highlighted on internal control	This is the routine report on the progress made against the agreed Audit and Counter Fraud plan detailing any control weaknesses identified.
	Proposed Audit Committee Work Programme for the remainder of 2023/24 and the 2024/25 financial year	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the 2023/24 Statement of Accounts.

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**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters to be highlighted to the Audit Committee.
	Private Report; Review of Council Owned Companies and Partnerships	This is the outcome of the review of the Councils working arrangements with Council owned companies and partnerships compared to best practice.
	Private Report; Update on the Corporate Risk Register	This sets out the position as of 31 December 2023 in relation to matters included on the Corporate Risk Register.
<b>Tuesday 6 March 2024, 6.00pm</b> Page 146	2022/23 Annual Statement of Accounts – Update (if required)	Update on the progress of the audit of the 2022/23 accounts and related matters.
	2023/24 Final Accounts – Proposed Accounting Policies and Critical Judgements	In line with best practice, approval is sought for the significant accounting policies and critical judgements to be adopted in preparation for the completion of the 2023/24 Statement of Accounts.
	Housing Benefit Subsidy Audit 2022/23	This report considers the feedback on the external audit of the Housing Benefit Subsidy Grant claim.
	Financial and Capital Monitor Report for month 9	The final formal report on the expected budget outturn for the financial year 2023/24.
	Internal Audit Charter 2024/25	An updated Internal Audit Charter for the financial year 2024/25.
	Update on General Matters	This is an update on regulatory developments to inform the Audit Committee in support of its Governance role.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Report on the use of exemptions to Contract Procedure Rules and direct award of contracts during the financial year 2023/24	Reporting on these issues was requested by the Audit Committee when it considered the revisions to the Contract Procedure Rules and Financial Procedure Rules at its meeting on 20 July 2023
	Proposed Audit Committee Work Programme for the remainder of 2023/24 and the future 2024/25 financial year	This report detailing the proposed work programme for the remainder of 2023/24 including actions required to support the approval of the Statement of Accounts and setting out the future plan of work for 2024/25.
	Private Report; 2024/25 Internal Audit and Counter Fraud Plan	The proposed plan of work for the financial year 2024/25 to enable review by the Committee.
	Private Report; Update on the Corporate Risk Register	An update on the Corporate Risk Register as of 31 December 2023 to include issues during the period to March 2024.
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters to be highlighted to the Audit Committee.

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