

Oldham Borough Council



**Extraordinary
Council Meeting
Wednesday 1 March 2017**

OLDHAM BOROUGH COUNCIL

To: ALL MEMBERS OF OLDHAM BOROUGH COUNCIL,
CIVIC CENTRE, OLDHAM

Tuesday, 21 February 2017

You are hereby summoned to attend an Extraordinary meeting of the Council which will be held on Wednesday 1 March 2017 at 6.00 pm in the Council Chamber, Civic Centre, for the following purposes:

- 1 To receive apologies for absence
- 2 To receive declarations of interest in any matter to be determined at the meeting
- 3 Appointment of External Auditor from the Financial Year 2018/19 (Pages 1 - 12)
- 4 Appointment of Local Returning Officer at Combined Authority Mayoral Elections (Pages 13 - 14)
- 5 Results of the Failsworth East By-election (Pages 15 - 16)



Carolyn Wilkins
Chief Executive

PROCEDURE FOR NOTICE OF MOTIONS
NO AMENDMENT

MOTION – Mover of the Motion to MOVE



MOTION – Secunder of the Motion to SECOND – May reserve right to speak



DEBATE ON THE MOTION: Include Timings



MOVER of Motion – Right of Reply



VOTE – For/Against/Abstain



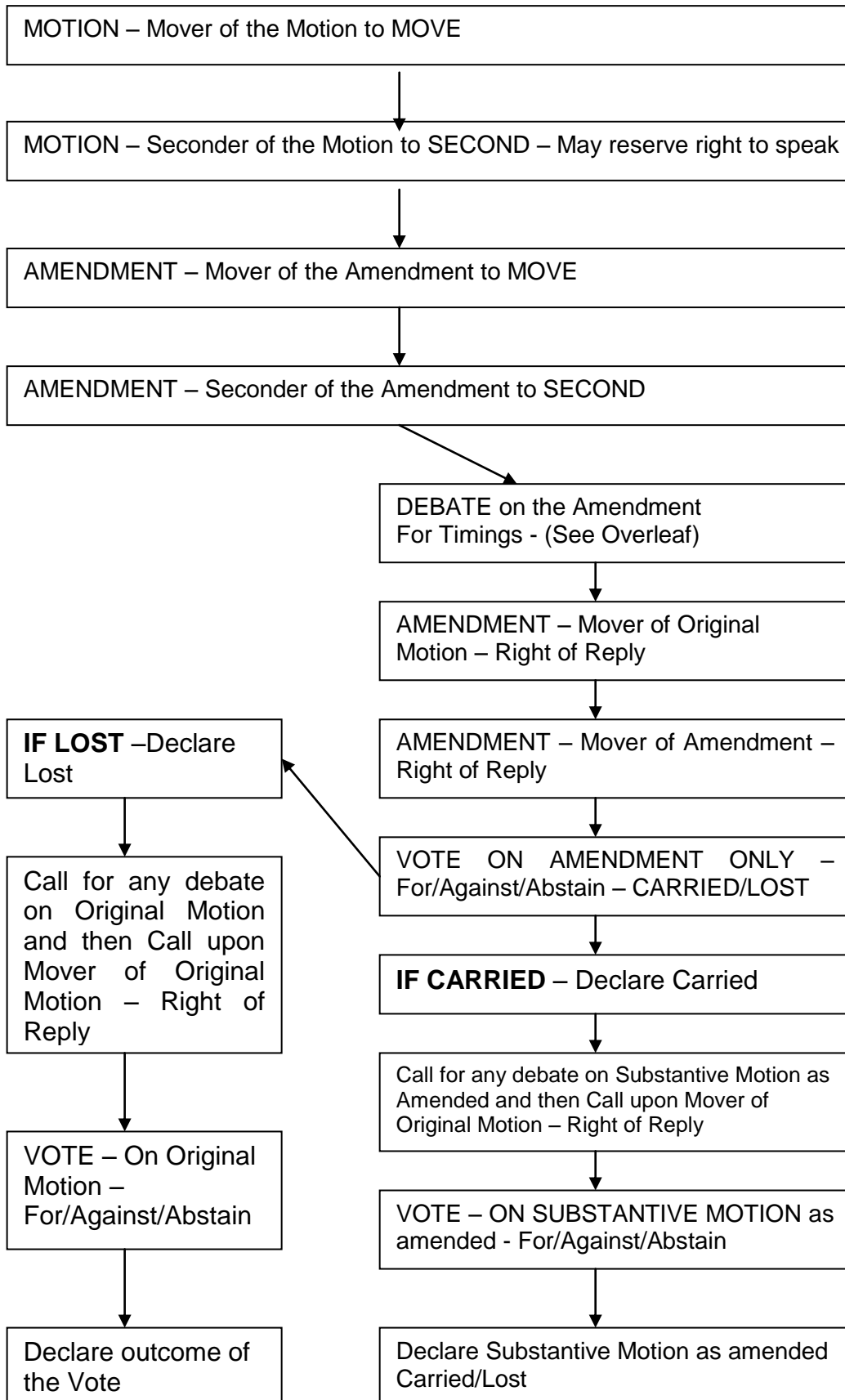
Declare outcome of the VOTE

RULE ON TIMINGS

(a) No Member shall speak longer than four minutes on any **Motion or Amendment**, or by way of question, observation or reply, unless by consent of the Members of the Council present, he/she is allowed an extension, in which case only one extension of 30 seconds shall be allowed.

(b) A Member replying to more than question will have up to six minutes to reply to each question with an extension of 30 seconds

WITH AMENDMENT



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Oldham
Council

Report to Council

Appointment of External Auditor from the Financial Year 2018/19

Portfolio Holder: Councillor Jabbar, Cabinet Member, Finance and HR

Officer Contact: Mark Stenson – Head of Corporate Governance

Report Author: Mark Stenson – Head of Corporate Governance
Ext. 4783

1 March 2017

Reason for Decision

The purpose of this report is for the Authority to agree to the appointment of the Council's external auditors from the financial year 2018/19 as part of a joint procurement exercise overseen by Public Sector Audit Appointments (PSAA) to:

- a) Undertake the external audit of the Statement of Financial Accounts.
- b) Audit the Housing Benefit Subsidy Claim.

Executive Summary

The Local Audit and Accountability Act 2014 at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year”. The current external audit contracts were organised by the Audit Commission (AC) prior to its close and the option under this arrangement to extend for a further financial year 2017/18 was agreed by its successor body, PSAA, following a determination by the Secretary of State for Communities and Local Government. This was agreed by full Council on 14 December 2017. The PSAA also acts as an Agent for the Department of Work and Pensions in appointing an external auditor to audit the Housing Benefit Subsidy grant.

If the Council wishes PSAA to assist in the appointment of the Council's external auditor for the financial years from 2018/19, the Council must formally advise PSAA by 9 March 2017. This is a deadline imposed by the PSAA. Given the advantages that using the PSAA process provides, Council is therefore recommended to agree to the Authority's inclusion within the PSAA joint procurement exercise.

Recommendation

That Council agrees to PSAA undertaking the procurement of its external auditor from 2018/19.

Appointment of External Auditor from the Financial Year 2018/19.**1 Background**

- 1.1 The Local Audit and Accountability Act 2014 at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year”.
- 1.2 One important consideration for the procurement method to be chosen is that there is only going to be a limited market for organisations who will be in a position to supply external audit services no matter which procurement route outlined in the options section of this report is adopted. The expected bidders will be the current providers of external audit to local government plus another couple of the larger accountancy firms who could enter the market and demonstrate the appropriate experience.

2. Current Position

- 2.1 The Local Audit and Accountability Act 2014 confirmed the abolition of the Audit Commission (AC) and the transitional arrangement where the contracts for external audit including the audit of the Housing Benefit Subsidy grant would be managed by its successor body, Public Sector Audit Appointments (PSAA).
- 2.2 These contracts had the facility to be extended until the end of the financial year 2017/18 at the discretion of the Secretary of State. In this regard, the Secretary of State exercised his discretion for the appointment of the external auditor for the Statement of Accounts and the auditor for Housing Benefit Subsidy grant for 2017/18. The current external audit fees are based on discounted rates offered by firms in return for a substantial market share. The present contracts cover both local authorities and the National Health Service. The scope of the audit is specified by the National Audit Office who prepare and maintain a Code of Practice.
- 2.3 Any appointment of an external auditor from the financial year 2017/18 needed the formal agreement of the Council. A report was presented to and agreed by Council at its meeting of 14 December 2016. All future appointments from the financial year 2018/19 also need the approval of Council.
- 2.4 The current external auditor to the Council is Grant Thornton UK LLP. When the current contract ends on the 31 March 2018 the Council has the option to agree the appointment of its own local auditor after a procurement exercise. A further option is to adopt an arrangement which is similar to that currently offered by PSAA. In this regard PSAA would arrange and manage the contract on behalf of the Council. However, in order to determine the size of the contract that will be let and to allow sufficient time to facilitate the process, the PSAA has asked local authorities that wish to opt into this national arrangement, to make a formal Council decision and advise the PSAA by a non-negotiable deadline of 9 March 2017.

3 Options/Alternatives

- 3.1 There are three procurement options that could be considered by the Council as detailed below.

3.2 Procurement by PSAA

The advantages of utilising the procurement arrangement to be overseen by the PSAA are:

- The tender process is undertaken by a third party resulting in no additional one-off costs to the Council, such as setting up an Independent Auditor Panel (with Independent Members) to recommend an appointment to the Council.
- The majority of Councils both nationally and in the North West including Greater Manchester are expected to opt into this route to procure their auditors.
- The feasibility of a joint Greater Manchester (GM) appointment process has been the subject of extensive discussion which has informed the conclusion that the PSAA option is the preferred approach. The participation in any regional GM procurement is likely to be very limited.
- When the Audit Commission let the contracts after its abolition was announced, in value terms the North West was the largest contract area. As such the North West contract is expected to be the most attractive to the external bidders.
- It is a safe procurement method which guarantees the appointment of an external auditor in the timescale and within a price range of the Council's budget.

The disadvantages of utilising the procurement to be overseen by the PSAA are:

- It is a one size fits all approach so it will not be an individually tailored bid for Oldham.
- The use of the PSAA as the preferred form of procurement needs to be agreed by full Council before 9 March 2017.

3.3 Regional Procurement at a Greater Manchester Level

The advantages of utilising a regional procurement are:

- The tender documents can be better tailored for Greater Manchester and Oldham requirements.

The disadvantages of utilising a regional procurement are:

- A lead Authority will need to be identified for the procurement and there will be an upfront cost and individual costs to all tenderers.
- Limited appetite for participation by other Councils.
- No economies of scale from a North West contract so greater uncertainty about the price to be paid compared to budget.
- The appointment of an Independent Auditor Panel to oversee the procurement will not be easy from a practical sense.

3.4 **Procurement Overseen by Oldham Council**

The advantages of utilising a Council led procurement are:

- The tender documents can be better tailored for Oldham requirements.

The disadvantages of utilising a Council led procurement are:

- Internal resources will need to be identified for the procurement which will have an upfront cost to it and individual costs to all tenderers.
- Potentially limited range of suitable organisations interested in submitting a tender for a small contract.
- No economies of scale from a North West contract so greater uncertainty about the price to be paid compared to budget.
- The appointment of an Independent Auditor Panel to oversee the procurement will not be easy from a practical sense.

4 **Preferred Option**

- 4.1 The preferred option is that Council opts into the procurement arrangement offered by PSAA.

5 **Consultation**

- 5.1 Detailed consultation has taken place amongst the Treasurers of the ten Greater Manchester Authorities and this has recently concluded. The recommendation to opt into the PSAA procurement process results from this consultation exercise.

6 **Financial Implications**

- 6.1 The Audit Fee is budgeted for on an annual basis. The estimated costs for 2017/18 are:
- External Audit £135.6k
 - Housing Benefit Grant £13.4k

The appointment of an external auditor is essential and supports the role of the Chief Finance Officer. (Anne Ryans)

7 **Legal Services Comments**

- 7.1 The Council must appoint an external auditor from the financial year 2018/19. (Paul Entwistle)

8 **Cooperative Agenda**

- 8.1 N/A.

9 **Human Resources Comments**

- 9.1 N/A.

10 **Risk Assessments**

10.1 The Council must appoint an auditor for the financial year 2018/19 to comply with the Local Audit and Accountability Act. (Mark Stenson)

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 N/A.

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: Background papers are included in Appendix 1
Officer Name: Mark Stenson
Contact No: Extension 4783

20 **Appendices**

20.1 Appendix 1 – Letter – Invitation to opt into the national scheme for auditor appointments.

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27 October 2016

Email: appointingperson@psaa.co.uk

Carolyn Wilkins
Oldham Metropolitan Borough Council
Civic Centre
West Street Oldham
OL1 1UG

Copied to: Anne Ryans, Acting Borough Treasurer, Oldham Metropolitan Borough Council
Paul Entwistle, Borough Solicitor, Oldham Metropolitan Borough Council

Dear Ms Wilkins

Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at appointingperson@psaa.co.uk.

Yours sincerely



Jon Hayes, Chief Officer

Appointing an external auditor

Information on the national scheme

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

High quality audits

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

Procurement strategy

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

Auditor appointments and independence

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Fee scales

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

Timetable

In summary, we expect the timetable for the new arrangements to be:

- Invitation to opt in issued 27 October 2016
- Closing date for receipt of notices to opt in 9 March 2017
- Contract notice published 20 February 2017
- Award audit contracts By end of June 2017
- Consult on and make auditor appointments By end of December 2017
- Consult on and publish scale fees By end of March 2018

Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: appointingperson@psaa.co.uk.

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

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Report to COUNCIL

Appointment of Local Returning Officer at Combined Authority Mayoral Elections

Report Author: Paul Entwistle, Director of Legal Services
Ext. 4822

1 March 2017

Reason for Decision

The Combined Authority (Mayoral Elections) Order 2017 formally requires that each constituent Council shall appoint an Officer of the Council to be the Local Returning Officer for the election of a Combined Authority Mayor.

Recommendations

The Council is requested to appoint the Chief Executive, Carolyn Wilkins, as the Returning Officer for the Council at Combined Authority Mayoral elections.

Appointment of Local Returning Office at Combined Authority Mayoral Elections

1 Background

- 1.1 Under Section 35 (1) of the Representation of the People Act 1983, Councils are required to appoint an Officer to be the Returning Officer for local elections.
- 1.2 In the version of the Combined Authority (Mayoral Elections) Order 2017 circulated prior to the draft Order being formally laid before Parliament, the Returning Officer at local elections was automatically the Returning Officer at Combined Authority Mayoral elections.
- 1.3 In the final legislation which became law on 31 January 2017, Section 35 of the Representation of the People Act 1983 has been modified by paragraph 1 (5) of Schedule 2 of the 2017 Order, so as to provide that a separate Returning Officer appointment should be made for the Combined Authority Mayoral Election.
- 1.4 It is therefore requested that a specific appointment of a Returning Officer for the Council at Combined Authority Mayoral elections is made.

2 Background Papers

- 2.1 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:

The Combined Authority (Mayoral Elections) Order 2017 Statutory Instrument



Report to COUNCIL

The Result of the Failsworth East By-Election and Review of the Composition of Political Groups

Portfolio Holder: Councillor J Stretton, Leader of the Council

Officer Contact: Paul Entwistle, Director of Legal Services

Report Author: Elizabeth Drogan, Head of Constitutional Services
Ext. 4705

1st March 2017

Reason for Decision

For Elected Members to note the outcome of the Failsworth East By-Election on the 16th February 2017 and to note the composition of the political groups.

Recommendations

The Council are requested to:

1. Note the result of the By-Election.
2. Note the composition of the political groups as outlined in the report.

1 Local By-Election Results

- 1.1 A local By-Election took place on 16th February 2017 and the following was elected to serve as Member of the Council as shown:

Ward	Turnout	Councillor
Failsworth East	18.3%	Paul Jean Jacques

Councillor Paul Jean Jacques is a member of the Labour Group on the Council.

2 Political Groups

- 2.1 Subsequent to the results of the Local By-Election on 16th February 2017, the Council is asked to note the composition of the political groups as notified under Regulation 8(1) of the Local Government (Committees and Political Groups) Regulations 1980.
- i. The Labour Group – 46 members
 - ii. The Liberal Democrat Group – 9 members
 - iii. The Conservative Group – 2 members
 - iv. UKIP – 1 Member
 - v. Independent – 2 Members
- 2.2 The allocation of Committees and Sub-Committees has been reviewed and no change to the proportionality is required as a result of this.