

AUDIT COMMITTEE Regulatory Committee Agenda

Date Tuesday 1st November 2022

Time 6.00 pm

Venue Council Chamber, Civic Centre, West Street, Oldham, OL1 1NL

Notes 1. DECLARATIONS OF INTEREST- If a Member requires any 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 Constitutional Services team in advance of the meeting.

2. CONTACT details for this Agenda are available from the Constitutional Services team – telephone 0161 770 5151, or email constitutional.services@oldham.gov.uk

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 Constitutional Services team by 12.00 noon on Thursday, 27th October 2022.

4. FILMING - The Council, members of the public and the press may record / film / photograph or broadcast this meeting when the public and the press are not lawfully excluded. Any member of the public who attends a meeting and objects to being filmed should advise the Constitutional Services Officer who will instruct that they are not included in the filming.

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https://www.oldham.gov.uk/homepage/1449/attending_council_meetings

MEMBERSHIP OF THE AUDIT COMMITTEE IS AS FOLLOWS:
Councillors Ahmad, Alyas, C. Gloster, Islam, Salamat, Arnott, Ball, Hulme and Iqbal

Item No

- 1 Apologies For Absence
- 2 Urgent Business
Urgent business, if any, introduced by the Chair
- 3 Declarations of Interest
To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.
- 4 Public Question Time
To receive Questions from the Public, in accordance with the Council's Constitution.
- 5 Minutes of Previous Meeting (Pages 1 - 4)
The Minutes of the meeting of the Audit Committee held on 8th September 2022, are attached for approval.
- 6 External Audit Progress Report (Pages 5 - 16)
- 7 2021/2022 Annual Statement of Accounts (Pages 17 - 22)
- 8 Treasury Management Mid-Year Review 2022/23 (Pages 23 - 42)
- 9 Update on General Matters (Pages 43 - 50)
- 10 Annual Governance Statement 2021/2022 (Pages 51 - 78)
- 11 2022/2023 Internal Audit and Counter Fraud Progress Report (Pages 79 - 90)
- 12 Updated Audit Committee Work Programme 2022/23 (Pages 91 - 98)
- 13 Exclusion of the 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 three items of business on the grounds that they contain exempt information under paragraph(s) 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.
- 14 Appointment of External Auditor 2023/24 - 2027/28 (Pages 99 - 104)
- 15 Potential Risks to the Council Linked into Northern Roots (Oldham) Limited (Pages 105 - 114)
- 16 Update on the Annual Governance Statement for 2021/22 and New Issues for 2022/23 (Pages 115 - 130)



Oldham
Council

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AUDIT COMMITTEE
08/09/2022 at 6.00 pm

Present: Councillors Ahmad, Alyas, C. Gloster, Salamat and Ball

Also in Attendance:

Anne Ryans – Director of Finance/Section 151 Officer

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

John Miller - Head of Audit and Counter Fraud

Victoria Gallacher – Head of Insurance and Information Management

Karen Murray – Mazars LLP (External Auditors)

Peter Thompson – Constitutional Services

1 **APPOINTMENT OF CHAIR**

In the absence of the Vice Chair the Committee was asked to nominate a Member to Chair the meeting.

Resolved:

That Councillor Ahmad be appointed Chair for the duration of the meeting.

Councillor Ahmad in the Chair.

2 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Arnott, Iqbal and Islam.

3 **URGENT BUSINESS**

There were no items of urgent business received.

4 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

5 **PUBLIC QUESTION TIME**

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

6 **MINUTES**

Resolved:

That the Minutes of the meeting of the Audit Committee, held 21st July 2022, be approved as a correct record.

7 **EXTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report of the Council's external auditors, Mazars LLP, which detailed the progress that had been made on the external audit of the draft Statement of Final Accounts for 2021/22 and other matters that the External Auditor felt appropriate to highlight.

The final responsibility of the external auditors in respect of the 2020/21 financial year related to the Council's whole of

government accounts (WGA) return. The auditors were still awaiting the National Audit Office to clarify whether any further work was required to be carried out on the Council's WGA return. With regard to the 2021/22 audit, Mazars had commenced their audit of the Council's draft financial statements in June 2022. Their original timetable was to complete our testing by the end of August 2022, although that timetable had been the subject of some delays.

There were specific audit risks in the 2021/22 financial statements which were not been present in previous year's statements, for example: The transactions involving the Council's interest in 'Meridian' had resulted in the Council consolidating 'Meridian' into their Group financial statements for the first time, and there were related accounting and reporting consequences from the transactions; the accounting treatment of the transfer of Saddleworth School from the Department for Education to the Council, which was a material transaction that required specific audit procedures; the Council's subsidiary, Miocare, had changed its accounting year end to 31st March, impacting on the Council's Group accounts consolidation adjustments. In addition, there were some delays in obtaining supporting evidence, primarily from third parties that were outside the direct control of the Council, and responses to some audit queries, largely from the wider organisation. This had meant that the audit was not yet completed. The external auditors hoped to complete their audit work during September 2022, so as to report their audit findings to the next scheduled Audit Committee meeting, on 1st November 2022.

Resolved:
That the report be noted.

8

2021/22 ANNUAL STATEMENT OF ACCOUNTS

The Committee considered a report of the Director of Finance that presented an update on the Council's Statement of Accounts for the financial year 2021/22. The report highlighted the current progress of the audit of the 2021/22 accounts by Mazars LLP. It also advised of the developments regarding the preparation and review of the Whole of Government Accounts for both 2020/21 and 2021/22 and provided an update on the Chartered Institute of Public Finance and Accountancy (CIFPA) consultation on Infrastructure Assets.

The Council was required to prepare a Statement of Accounts for each financial year in accordance with statutory timelines and accounting Codes of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts were subject to scrutiny and approval by the Council's Audit Committee.

The Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31st May 2022. For 2021/22, as in previous years, Authorities were required to publish the dates of their public inspection period, providing a public notice on their websites, including when the public inspection period

commenced. Oldham Council had published such a notice and advised that the public inspection period ran from 1st June 2022 to 14th July 2022. No questions or challenges were received during the inspection period.

In line with good practice, the draft Statement of Accounts was issued to Audit Committee members. The presentation of the draft Statement of Accounts provided Audit Committee Members with the opportunity to review the Council's year-end financial position before they are required to formally approve the accounts. The Statement of Accounts were presented, with a covering report outlining key issues, to the Audit Committee to consider at its meeting held 21st June 2022. This had given members of the Audit Committee the opportunity to consider the key issues and ask Council officers and the External Auditor's representative any relevant questions. All matters raised were addressed at the meeting to the satisfaction of the Committee. An update on the progress of the audit of the accounts and other related issues was presented to the Audit Committee's meeting on 21st July 2022.

The legislation required that following the conclusion of a 30-working day period of public inspection the Council would be able, subject to audit, to submit the Statement of Accounts for consideration and approval to Committee or by Members meeting as a whole. For Oldham, the body designated to receive the accounts is the Audit Committee. As outlined in section 2 of the report, the audit is still in progress and an update was provided elsewhere on the agenda by the External Auditor (see minute 7 above).

Resolved:

1. That the report be noted
2. That an additional meeting of the Committee be convened, if necessary, to approve the finalised Annual Statement of Accounts.

9

UPDATE ON FINANCIAL ADMINISTRATION

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, the purpose of which was to update Members on key matters both nationally and locally impacting on Audit and Governance.

The key matters covered in this report were issues of Financial Administration at the following Authorities/ organisations: Nottingham City Council, The London Borough of Croydon, Slough Borough Council, Northumberland County Council, Thurrock Council, Liverpool City Council, Sandwell Metropolitan Council, Luton Borough Council, Lancashire County Council, Northwest Community Bank and Together Energy. The report also advised of recent communications from the Department for Levelling Up, Housing and Communities (DLUHC) about the future use of capital receipts and the engagement of consultants for the purposes of interpreting Government policy. It also details other areas of potential interest which could result in

further reports which are critical of financial administration for the Authorities detailed above.



The Committee were advised that there were some Council investments, made by the authorities, detailed in the report, where there had been losses that have either become apparent or where there is a risk of future losses not yet recognised in their financial statements. The situation at the London Borough of Croydon around their investment in the wholly owned company "Brick by Brick" and the Slough Borough Council investment in partnerships had previously been reported to this Committee so were not repeated in this report.

The Committee requested that arrangements be made by the Council to formalise investments to ensure that the actions of the Director of Finance/Section 151 Officer are safeguarded from any unnecessary risks.

Resolved:
That the report be noted.

The meeting at this point was adjourned as confirmation was received that Her Majesty Queen Elizabeth II had died. All outstanding business in respect of agenda items 9 - 14 inclusive were noted, as follows:

- 9 Internal Audit and Counter Fraud Progress Report 2022/23
- 10 Proposed Audit Committee Work Programme for 2022/23
- 11 Exclusion of the Press and Public
- 12 Update on the Annual Governance Statement for 2021/22 and New Issues
- 13 Update on the Corporate Risk Register for 2022/23
- 14 Potential Risks to the Council Linked into Northern Roots (Oldham) Limited

Members and Officers present observed a moment's silence as a mark of respect.

The meeting started at 6.00pm and ended at 6.35pm



Report to Audit Committee

External Audit Progress Report

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance/ MAZARS LLP

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management / MAZARS LLP

Email: mark.stenson@oldham.gov.uk

1 November 2022

Reason for Decision

To present to the Audit Committee, the Audit Progress Report for this Committee (attached at Appendix One) produced by our External Auditor Mazars LLP.

Executive Summary

The report presents to the Council the key information that the External Auditor feels appropriate to bring to your attention. It links into the 2021/22 Annual Statement of Accounts Update considered elsewhere on the agenda.

Recommendation

It is recommended that the Audit Committee notes the Audit Progress Report produced by Mazars LLP.

Appendix 1

Audit Progress Report

Oldham Metropolitan Borough Council

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October 2022



1. Audit Progress
2. National Publications

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01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

2020/21 audit

Our final remaining responsibility in respect of the 2020/21 financial year relates to the Council's whole of government accounts (WGA) return. We are still awaiting the National Audit Office to clarify whether they require any work to be carried out on the Council's WGA return.

2021/22 financial statements audit

Our audit has progressed steadily. Although we have yet to complete all of our work on the Council's draft financial statements, we are reaching the completion of our audit fieldwork. We have held regular discussions with the Director of Finance and the finance team through the audit, and we are grateful for their continued support.

As reported in to the previous Committee there are new transactions and balances in the financial statements this year which mean we have needed to undertake additional audit procedures. There are also issues identified as a result of audit queries which have impacted on the financial statements. As a result, we expect there will be some adjustments to the draft accounts before we can issue our audit report and opinion.

The significant adjustments are likely to be:

- Net pension liability – the net liability included pension assets based on actual Pension Fund investment assets at 31 December 2021 with an estimate of the January to March 2022 return on assets. Our information from the Pension Fund indicated that the estimate might be materially understated and following discussions with the Council's finance team they obtained an updated actuarial report based on the actual value of investment assets at 31 March 2022. This increased the pension assets, and reduced the net pension liability, by £15m.
- Valuation of the Council's investment in Manchester Airport – following audit queries from Mazars valuation team, the Council received an updated valuation of its shares in Manchester Airport. The Council's experts revised their valuation, reducing the valuation at 31 March 2022 by £15m to £23m. This adjustment also impacts on the previous two years' valuations.
- Group accounts – the Council consolidated its subsidiary company, Meridian, into its draft group financial statements. Following audit queries the Council has obtained a valuation of the assets in the subsidiary company. Based on this revised valuation, the Council has concluded the subsidiary financial information is not material to the Council's group and has removed the subsidiary from its group accounts.

We will report these issues along with all non-trivial matters identified through the audit in our Audit Completion Report. We intend to present a draft of this report to the next Audit Committee meeting.

Audit Progress

2021/22 financial statements audit (continued)

The Committee will be aware of the ongoing issue relating to local government bodies' accounting for infrastructure assets. We are still awaiting confirmation of the way forward with this matter. Once the way forward is published, the Council will need to consider what further work is required in order to materially fairly state its infrastructure assets balance. We will then liaise with the Council to understand the Council's proposed way forward. Once the Council's work is complete, we will undertake our audit procedures.

We will update the Committee as more information becomes available.

2021/22 work on the Council's arrangements to deliver value for money

We are expecting to shortly receive the Council's updated self assessment of its arrangements. We are completing our fieldwork on the Council's arrangements for the 2021/22 financial year, and intend to report the findings from our work on the Council's value for money arrangement in our Audit Completion Report.

There are no matters arising from the fieldwork completed to date to report to the Committee.

02

Section 02: **National Publications**

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)	Guidance for Audit Committees
National Audit Office (NAO)		
2	Introducing Integrated Care Systems: joining up local services to improve health outcomes	Overview of Integrated Care Systems
3	A guide to corporate finance in the public sector	A good practice insight guide for senior leadership
Public Sector Audit Appointments Ltd		
4	Consultation on proposed auditor appointments from 2023/24	Consultation document

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NATIONAL PUBLICATIONS

CIPFA

1. Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition), October 2022

Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA's 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.

<http://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

NATIONAL PUBLICATIONS

National Audit Office

2. Introducing Integrated Care Systems: joining up local services to improve health outcomes, October 2022

Integrated Care Systems (ICSs) bring together NHS, local government and other partner organisations to plan and deliver integrated services to improve the health of the local population. There are 42 ICSs covering the whole of England, ranging in size from 542,000 people to 3.51 million. ICSs were introduced into legislation by the Health and Care Act 2022, the relevant provisions of which took effect from 1 July 2022.

This report examines the setup of ICSs by DHSC, NHS England (NHSE), and their partners and the risks they must manage. Unlike many National Audit Office reports, this is not an assessment of whether the programme has secured good value for money to date because ICSs have only recently taken statutory form. Instead, it is an assessment of where they are starting from and the challenges and opportunities ahead. NAO makes recommendations intended to help manage those risks and realise those opportunities.

The summary provides the key findings, our conclusion on ICSs' likely success, and our recommendations. The rest of the report sets out:

- an introduction to ICSs, describing their structure, objectives, and governance arrangements (Part One);
 - an overview of the positions that ICSs are starting from, in terms of finances, staffing and activity levels, and some of the wider challenges facing the health and care sector (Part Two); and
 - an examination of government's efforts to improve population health through better integration and a focus on prevention, and our assessment of ICSs' prospects for success this time (Part Three).
- Introducing Integrated Care Systems: joining up local services to improve health outcomes.

<https://www.nao.org.uk/reports/introducing-integrated-care-systems-joining-up-local-services-to-improve-health-outcomes/>

3. A guide to corporate finance in the public sector, September 2022

Corporate finance is a complex and specialist topic. NAO examined corporate finance transactions and the organisations performing these for more than 35 years. There are many factors senior leaders must consider to ensure public bodies manage the risks and benefits to taxpayers when using corporate finance techniques.

The interactive guide contains useful insights from 139 NAO reports and sets out key questions for senior decision-makers to consider when overseeing corporate finance activities. It may also be of interest to professionals supporting the government to deliver a range of transactions, including commercial investments, loans and guarantees.

<https://www.nao.org.uk/insights/guide-to-corporate-finance-in-the-public-sector/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

4. Consultation on proposed auditor appointments from 2023/24, October 2022

PSAA is consulting on the on the proposed auditor appointments for all opted-in bodies for audits from 2023/24 to 2027/28. The consultation will close on 14 November 2022.

<https://www.psa.co.uk/2022/10/consultation-on-proposed-auditor-appointments-from-2023-24/>

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Oldham
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Report to Audit Committee

2021/22 Annual Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans – Director of Finance

Report Author: Lee Walsh – Finance Manager (Capital and Treasury)
Email: lee.walsh@oldham.gov.uk

1 November 2022

Reason for Decision

The Audit Committee is charged with scrutiny and approval of the Statement of Accounts. This report presents an update on the current position regarding the audit and approval of the 2021/22 Statement of Accounts.

Executive Summary

The report presents an update on the Council's Statement of Accounts for the financial year 2021/22.

The report highlights the current progress of the audit of the 2021/22 accounts by Mazars LLP. It also advises of the developments with regard to the preparation and review of the Whole of Government Accounts for both 2020/21 and 2021/22 and provides an update on the Chartered Institute of Public Finance and Accountancy (CIFPA) consultation on Infrastructure Assets.

Recommendations

That members of the Audit Committee note the update on the audit of the Council's Statement of Accounts for 2021/22 and related matters.

1 Background

- 1.1 The Council is required to prepare a Statement of Accounts for each financial year in accordance with statutory timelines and accounting Codes of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts are subject to scrutiny and approval by the Council's Audit Committee.
- 1.2 The Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 May 2022. For 2021/22, and as in previous years, Authorities had to publish the dates of their public inspection period, providing a public notice on their websites when the public inspection period commences. The Council published such a notice and advised that the public inspection period ran from 1 June 2022 to 14 July 2022. No questions or challenges were received during this inspection period.
- 1.3 Members will recall that in line with good practice, the draft Statement of Accounts was issued to Audit Committee and provided to Audit Committee Members with the opportunity to review the Council's year-end financial position before they are required to formally approve the accounts. The Statement of Accounts was presented, with a covering report outlining key issues, to the Audit Committee at its meeting of 21 June 2022. The Audit Committee had the opportunity to consider the key issues and ask officers and the External Auditor any relevant questions. All matters raised were addressed at the meeting to the satisfaction of the Committee. An update on the progress of the audit of the accounts and other related issues was presented to the Audit Committee on 21 July 2022 and 8 September 2022.
- 1.4 The legislation requires that following the conclusion of a 30-working day period of public inspection the Council is able, subject to audit, to submit the Statement of Accounts for consideration and approval to Committee or by Members meeting as a whole. For Oldham, the body designated to receive the accounts is the Audit Committee. As outlined in section 2, the audit is still in progress and an update is provided elsewhere on the agenda by the External Auditor.

2 Current Position

- 2.1 As advised above, the Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 May 2022 which was within the statutory deadline and was the Council's internal deadline as agreed with the External Auditor. The public inspection period began on 1 June 2022 and concluded on 14 July 2022.
- 2.2 The audit of the accounts commenced on 6 June 2022 and is moving to a conclusion. In order to facilitate the audit process, the Council made working papers available to the auditors at an early stage and as part of the Council's interim audit during the financial year. All queries were dealt with as promptly as possible. It is anticipated that the Committee will be able to consider the audited accounts at its next meeting, albeit without the finalisation of the issue related to the valuation of infrastructure assets.
- 2.3 Members will recall previous reports to this Committee that advised that although there were no major changes to the 2021/22 CIPFA Code of Practice which governs the preparation of the accounts, in May 2022 there was an emergency consultation issued on the accounting practice for Infrastructure Assets. The Council responded to the consultation which concluded on 14 June 2022. A commentary on the outcome of the consultation exercise was reported to the Audit Committee on 8 September which advised that no acceptable recommendations for change to accounting practice had been agreed. Although there has been much debate and discussion, at the time of preparing this report, no formal notification has been received as to the way forward

and as such the timeline for the finalisation of the 2021/22 accounts remains unclear. Members will be advised if and when there is an agreed approach.

- 2.4 The Council has not yet concluded the preparation of its self-assessment for the year ended 31 March 2022 in relation to its arrangements to deliver Value for Money (VFM). This will be completed shortly. This will then enable the External Auditor to finalise work on the VFM opinion.
- 2.5 It is important to note that the audit process cannot be fully finalised until all the VFM and the Whole of Government Accounts (WGA) work is completed.
- 2.6 The Committee was advised at the last meeting (8 September) of the delays caused by HM Treasury due to the very late issuing of the WGA Toolkit for 2020/21. This meant that work in this area could not commence in line with the expected timetable. However, the Council was able to finalise and submit the WGA for the financial year 2020/21 in accordance with revised deadlines.
- 2.7 The Council has been advised that the Government does not require any audit work on the 2020/21 WGA, however, as the National Audit Office audits the WGA, it has not yet advised if it requires any work on the Oldham WGA. Mazars LLP is still waiting for notification as to any action required.
- 2.8 Until the audit review of the WGA is completed, the 2020/21 audit remains open. Once the 2020/21 process is completed, the Council will advertise the conclusion of the 2020/21 audit process.
- 2.9 It is important to note that the infrastructure assets issue will need to be considered in the context of the 2020/21 accounts as the External Auditor must consider if there have been any developments which would have a material impact on the accounts and then take appropriate action. This will have an impact on the timeline for the conclusion of the 2020/21 audit.
- 2.10 Following the conclusion of the audit of the 2021/22 Statement of Accounts, the approval of the accounts, the production of the VFM opinion and conclusion of the 2021/22 WGA work, the Council will advertise the completion of the 2021/22 audit process on its website and update Members of the Audit Committee accordingly.
- 2.11 Given that the 2020/21 audit has not yet been completely finalised and that the accounting arrangements for the infrastructure assets issue are still uncertain, then the finalisation of the 2021/22 audit may still take some time.

3 Options/Alternatives

- 3.1 The Audit Committee Members can either choose to note the update on 2021/22 Statement of Accounts or not to do so. There are no other alternatives.

4 Preferred Option

- 4.1 The preferred option is that Audit Committee Members note the update of the 2021/22 Statement of Accounts.

5 Consultation

- 5.1 Consultation has taken place with the Council's External Auditors, Mazars LLP, in addition members of the public have had the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30-working day public inspection period which concluded on 14 July 2022. No questions or challenges were

received during this inspection period.

5.2 The draft Statement of Accounts for the financial year 2021/22 was presented to the Audit Committee meeting of 21 June 2022 which was a key element of the consultation process. All questions and issues raised by Members were answered to the satisfaction of the Audit Committee. A further update on the progress of the Audit was presented at the meetings on 21 July 2022 and 8 September 2022.

5.3 The 2021/22 draft Statement of Accounts was an agenda item and therefore presented to and discussed at the meeting of the Performance Overview and Scrutiny Committee on 1 September 2022.

5.4 It is expected that the formal presentation of the accounts to Members of the Audit Committee will take place at the next meeting of the Committee albeit that the outcome of the infrastructure assets matter will still remain unresolved.

6 Financial Implications

6.1 Dealt with in the body of the report.

7 Legal Services Comments

7.1 There are no Legal implications.

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.

9 Human Resources Comments

9.1 There are no Human Resource implications.

10 Risk Assessments

10.1 There are no direct risk implications as a result of this report. Until there is a resolution to the infrastructure assets matter there is a risk all Local Authority accounts in England and Wales will remain open for a significant period of time. (Mark Stenson)

11 IT Implications

11.1 There are no IT implications as a result of this report.

12 Property Implications

12.1 There are no Property implications.

13 Procurement Implications

13.1 There are no Procurement implications.

14 Environmental and Health and Safety Implications

14.1 There are no Environmental and Health & Safety implications as a result of this report.

15 Equality, Community Cohesion and Crime implications

15.1 There are no Equality, community cohesion and crime implications.

16 Equality Impact Assessment Completed?

16.1 Not Applicable

17 Key Decision

17.1 No

18 Key Decision Reference

18.1 Not Applicable.

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: Audit Committee meeting papers – 21 June 2022
<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8596&Ver=4>

 Audit Committee meeting papers – 21 July 2022
<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8597&Ver=4>

 Audit Committee meeting papers – 8 September 2022
<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8598&Ver=4>

Officer Name: Lee Walsh
Contact: lee.walsh@oldham.gov.uk

20 Appendices

20.1 There are no Appendices.

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Report to Audit Committee

Treasury Management Mid-Year Review Report 2022/23

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Lee Walsh, Finance Manager (Capital & Treasury)

Email: lee.walsh@oldham.gov.uk

1 November 2022

Reason for Decision

This report advises Audit Committee of the performance of the Treasury Management function of the Council for the first half of 2022/23 and provides a comparison of performance against the 2022/23 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 report therefore sets out the key Treasury Management issues for Members' information and review and outlines:

- An economic update for the first six months of 2022/23;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- Why there has been no debt rescheduling undertaken during 2022/23; and
- A review of compliance with Treasury and Prudential Limits for 2022/23.

The report is presented to the Audit Committee to enable it to have the opportunity to review and scrutinise the 2022/23 Treasury Management Mid-Year Review report prior to its presentation to Cabinet on 14 November 2022 and Council on 14 December 2022.

Recommendation

That the Audit Committee considers and comments upon the Treasury Management Mid-Year Review Report and commends to Cabinet the:

- a) Treasury Management activity for the first half of the financial year 2022/23 and the projected outturn position
- b) Amendments to both Authorised Limit and Operational Boundary for external debt as set out in the table at Section 2.4.5 of the report.
- c) Amendments to the Capital Financing Requirement (CFR) as set out in the table at section 2.4.5

Treasury Management Strategy Mid-Year Review Report 2022/23

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 operations 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 return.
- 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 operations. 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 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. Within these new Codes as from 2020/21, all Local Authorities have been required to prepare a Capital Strategy which is to provide the following:
- a) a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - b) an overview of how the associated risk is managed; and
 - c) the implications for future financial sustainability.

This change in practice was confirmed by the 2021 revision to the Codes.

- 1.5 The Council has traditionally prepared a Capital Strategy, but the requirements of the Prudential and Treasury Management Codes required a revised format and content to ensure alignment with both Codes. A report incorporating the new requirements was presented to the 2022/23 Budget Cabinet and Budget Council meetings.

2 Current Position

2.1 Requirements of the Treasury Management Code of Practice

- 2.1.1 Treasury Management reports must be prepared in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (revised 2021).
- 2.1.2 The primary requirements of the Code are as follows:
- a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

- c) Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** (this report) and an Annual Report (stewardship report) covering activities during the previous year.
- d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. In Oldham, this responsibility is delegated to the Director of Finance.
- e) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. In Oldham, the delegated body is the Audit Committee.

2.1.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2022/23;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- Why there has been no debt rescheduling undertaken during 2022/23; and
- A review of the compliance with Treasury and Prudential Limits for 2022/23;

2.2 **Economic Update for the First Six Months of the Financial Year**

2.2.1 There has been much turbulence in the economy during the first six months of 2022/23, particularly during September after the "fiscal event" introduced by the then Chancellor of the Exchequer. The second quarter of 2022/23 saw:

- Gross Domestic product (GDP) revised upwards in Q1 2022/23 to +0.2% quarter on quarter (q/q) from -0.1%, which meant the UK economy avoided recession;
- Signs of economic activity losing momentum as production fell due to rising energy prices;
- Consumer Price Index (CPI) inflation ease to 9.9% year on year (y/y) in August, having been 9.0% in April, but domestic price pressures show little sign of abating in the near-term;
- The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
- Bank Rate rise by 100 basis points (bps) over the quarter, taking Bank Rate to 2.25% with further rises expected in the coming months;
- Gilt yields surge and sterling fall following the "fiscal event" of the then Prime Minister and Chancellor on 23 September.

2.2.2 The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

2.2.3 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% month on month (m/m)) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although the fall is likely due to the heat wave in the summer months, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

- 2.2.4 The fall in the composite Purchasing Managers Index (PMI) from 49.6 in August to a 20-month low preliminary reading of 48.4 in September pointed to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence was at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There were also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- 2.2.5 The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. The Labour Force Survey (LFS) showed employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there were 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3 month y/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- 2.2.6 Consumer Price Index (CPI) inflation eased from 10.1% in July to 9.9% in August, though inflation had not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. With the oil price just below \$90 per barrel at the end of August, it is highly likely that fuel prices will fall further in the coming months.
- 2.2.7 However, utility price inflation was expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). At the end of September, the Government froze utility prices at that level for two years and it was expected that energy price inflation would fall sharply after October and have a big downward influence on CPI inflation. Members must note that following a change in the Chancellor of the Exchequer, the Government freeze on utility prices has been reduced from an initial 2-year period and ends in April 2023.
- 2.2.8 Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggested that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- 2.2.9 During 2022, there has been a change of both Prime Minister and Chancellor. At the end of September (as advised above) there was a step change in Government policy via the "fiscal event". The Government's huge fiscal loosening from its proposed significant tax cuts have added to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Most of the proposals in place at the end of September contributed to a destabilising of the economy resulting in further considerable change. Members must note that at the time of writing, both the Prime Minister Liz Truss and the Chancellor Kwasi Kwarteng have both left office. The Chancellor has been replaced by Jeremy Hunt who has reversed a significant portion of the announcement made in the "fiscal event" and the Prime Minister Liz Truss has resigned meaning there is now another leadership context to elect the next Prime Minister
- 2.2.10 Fears that the Government has no fiscal anchor on the back of these announcements has meant that the pound weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the Government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the next policy meeting on 3 November 2022 and the Government will lay out a credible medium-term plan in the near term. This was

originally expected as part of the fiscal statement on 23 November but has subsequently been moved forward to 31 October 22. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.

- 2.2.11 The Monetary Policy Committee (MPC) has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Federal Reserve Board (Fed) and European Central Bank (ECB) raised rates by 75 basis points (bps) in their most recent meetings. The Bank of England's latest 50 basis points increase looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- 2.2.12 Since the fiscal event on 23 September 2022, markets are now expecting the MPC to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the Government's fiscal loosening, the tight labour market and sticky inflation expectations means the current forecasts are expecting the MPC to raise interest rates by 100 bps at the policy meetings in November (to 3.25%) and 75 bps in December (to 4%) followed by further 50 bps increases in February and March (to 5.00%). Market expectations as to what the MPC will do are volatile. If Bank Rate climbs to these levels, the housing market looks very vulnerable, which is one reason why the peak in our treasury advisors forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- 2.2.13 Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21 June 2022) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharp at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the Government's fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank of England did two things. Firstly, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31 October. Secondly, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14 October 2022. In theory, the Bank is restarting QE, although for financial stability rather than monetary policy reasons.
- 2.2.14 Since the Bank's announcement on 28 September 2022, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- 2.2.15 The Bank continued with QE at the long end beyond 14 October 2022 in order to maintain greater stability across gilt markets following the volatility in the aftermath of the "fiscal event" (Mini Budget). So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- 2.2.16 After a shaky start to the year, the Standard and Poors (S&P) 500 and Financial Times Stock Exchange (FTSE) 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 was 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

2.3 Interest Rate Forecast

- 2.3.1 The Council's treasury advisor, the Link Group, has provided the following forecast of interest rates (at the end of Q2) over the period from December 2022 to September 2025 together with Public Works Loan Board (PWLB) Rates which are presented at certainty rates (gilt yields plus 80 bps).

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

- 2.3.2 The forecast on 27 September 2022 (the end of the half year) sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the Government is providing a package of fiscal loosening to try and protect households and businesses from ultra-high wholesale gas and electricity prices.
- 2.3.3 The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control. The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.
- ## 2.4 Treasury Management Strategy Statement and Annual Investment Strategy Update
- 2.4.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved at the Council meeting on 2 March 2022. The underlying TMSS approved previously now requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out in the next sections of this report.
- 2.4.2 A decrease is required to both the overall Authorised Limit (the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003 above which the Council does not have the power to borrow) and Operational Boundary (the expected borrowing position of the Council during the year) for external debt. This indicator is made up of external borrowing and other long-term liabilities, Private Finance Initiatives (PFI) and Finance Leases. The revision to the limits aligns to the reduction in the Capital Financing Requirement as outlined at paragraph 2.4.4 and 2.4.5 below.
- 2.4.3 The Council has the following PFI and Public Private Partnership (PPP) Schemes each contributing to the Other Long-Term Liabilities element of the Authorised Limit and the Operational Boundary, thus making them both higher than if the Council was not required to present PFI schemes in this way:

- Gallery Oldham and Library
- Sheltered Housing (PFI2)
- Radclyffe and Failsworth Secondary Schools
- Chadderton Health & Well Being Centre
- Street Lighting
- Housing (PFI4)
- Blessed John Henry Newman RC College (Building Schools for the Future)

2.4.4 It will be necessary to reduce the Capital Financing Requirement (CFR) by £45.434m. Whilst approved capital expenditure / funding carry forwards from 2021/22 caused an initial increase, this is more than offset by estimated re-phasing and re-alignment and other anticipated adjustments in the 2022/23 capital programme resulting in the reduced CFR.

2.4.5 Members are therefore requested to comment on the key changes to the 2022/23 prudential indicators as set out in the table below which show the original and recommended revised figures:

Prudential Indicator 2022/23	Original £'000	Recommended Revised Prudential Indicator £'000
Authorised Limit	548,000	495,500
Operational Boundary	523,000	475,500
Capital Financing Requirement	520,247	474,813

2.5 The Council's Capital Position (Prudential Indicators)

2.5.1 This section of the report presents the Council's capital expenditure plans and their financing, the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow together with compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

2.5.2 The table below shows the anticipated half year position and the revised budget for capital expenditure. This will be explained more fully in the Month 6 Financial Monitoring Report presented to Cabinet. It therefore highlights the changes that have taken place and are forecast since the capital programme was agreed at the Council meeting on 2 March 2022.

Capital Expenditure by Service	2022/23 Original Estimate £'000	2022/23 Revised Estimate £'000
Community Health and Adult Social Care	2,547	1,868
Children's Services	5,425	7,686
Communities	908	446
Place and Economic Growth	75,875	49,068
Housing Revenue Account	3,383	571
Corporate/ Information Technology	5,590	4,679
Capital, Treasury & Technical Accounting	4,000	4,000
Funding for Emerging Priorities	2,520	0
Closing balance	100,248	68,318

2.5.3 The above table shows an anticipated decrease in the capital programme of £31.930m at month 6 compared to the March 2022 position, with current forecast spend of £68.318m. During the summer months the Council undertook the Annual Review of the Capital Programme in line with the practice of recent years. The review identified a requirement for significant re-profiling across a number of schemes. Most of the re-phasing moved into the years 2023/24 and 2024/25.

Changes to the Financing of the Capital Programme

2.5.4 The table below draws together the main strategy elements of the capital expenditure plans (above) highlighting the original supported (£53.258m) and unsupported elements i.e., requiring borrowing (£46.990m), and the expected financing (revised position) arrangements of this capital expenditure. The borrowing need element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

2.5.5 The overall net reduction in the capital programme has resulted in a change in the mix of funding sources required in 2022/23; a decrease in total financing and also reducing the forecast borrowing need by £23.259m from £46.990m to £23.731m.

Capital Expenditure	2022/23 Original Estimate £'000	2022/23 Forecast Position £'000
Total Capital Expenditure	100,248	68,318
Financed by:		
Capital receipts	(4,472)	(5,365)
Capital grants – Ringfenced	(33,787)	(24,677)
Capital grants – Un-ringfenced	(11,714)	(13,928)
Other Contributions	(2)	(92)
Revenue	0	(54)
HRA Revenue	(3,283)	(471)
Total Financing	(53,258)	(44,587)
Borrowing Need	46,990	23,731

Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

2.5.6 The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. As previously mentioned in paragraph 2.4.4, the CFR needs to decrease by £45.434m. It also shows the expected debt position over the period (the Operational Boundary). This indicator has decrease to reflect the revisions to the forecast year end position of the capital programme.

	2022/23 Original Estimate £'000	2022/23 Revised Estimate £'000
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	520,247	474,813
CFR – housing	0	0
Total CFR	520,247	474,813
Net movement in CFR		(45,434)
Prudential Indicator – External Debt / the Operational Boundary		
Borrowing	316,500	269,000
Other long-term liabilities	206,500	206,500
Total debt 31 March	523,000	475,500

Limits to Borrowing Activity

- 2.5.7 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose.
- 2.5.8 Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.
- 2.5.9 The CFR calculation is shown in the table below and the Director of Finance reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator as there is £108.515m headroom between total debt and the CFR.

	2022/23 Original Estimate £'000	2022/23 Revised Estimate £'000
Gross borrowing	195,993	161,749
Plus: other long- term liabilities*	204,736	204,549
Total Debt	400,729	366,298
CFR* (year-end position)	520,247	474,813
Headroom	119,518	108,515

* - Includes on balance sheet PFI schemes and finance leases

- 2.5.10 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003. Presented in the table below is the original and the revised Authorised Limit.

Authorised Limit for External Debt	2022/23 Original Indicator £'000	2022/23 Revised Indicator £'000
Borrowing	336,500	284,000
Other long-term liabilities*	211,500	211,500
Total	548,000	495,500

* - Includes on balance sheet PFI schemes and finance leases.

2.5.11 The table above shows a reduction in the Authorised Limit of £52.5m due to the reduction in the capital programme and the associated financing.

2.6 **Borrowing**

2.6.1 It is proposed in this report that the Council's CFR for 2022/23 is revised to £474.813m and this denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

2.6.2 The table within paragraph 2.5.9 shows the Council has expected year end borrowings of £366.298m and will have utilised £108.515m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require on-going monitoring in the event that upside risk to gilt yields prevails.

2.6.3 The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. The borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term.

2.6.4 At this point it is not anticipated that borrowing will be undertaken during this financial year.

2.6.5 The Council applied in September 2022 for the certainty rate reduction. This entitles the Council to receive a 20-basis point rate reduction on the prevailing rate of PWLB on any borrowing undertaken from 1 November 2022 to 31 October 2023.

2.6.6 Current PWLB certainty rates and gilt yields were on a rising trend between 1 April and 30 September.

2.6.7 The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September 2022. The PWLB rates are set out in the following table and show for a selection of maturity periods over the first half of 2022/23, the range (high and low points) in rates and the average rates over the period. In addition, Appendix 2 tracks the movement in the PWLB certainty rate over the period April to September 2022 across the same range of loan terms as is used in the table below.

Maturity Rates	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	04/04/22	13/05/22	04/04/22	04/04/22	04/04/22
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/22	28/09/22	28/09/22	28/09/22	28/09/22
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

2.7 Debt Rescheduling

- 2.7.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.
- 2.7.2 However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

2.8 Compliance with Treasury and Prudential Indicators

- 2.8.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022/23 and continues to manage its treasury affairs in a prudent manner. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.
- 2.8.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

2.9 Annual Investment Strategy

- 2.9.1 The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 2 March 2022. In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity.
- 2.9.2 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In current economic climate as detailed in 2.3, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

Creditworthiness

- 2.9.3 Following the Governments "fiscal event" on 23 September 2022, both Standard and Poor's (S&P) and Fitch have placed the UK sovereign debt rating on a Negative Outlook reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

Investment Counterparty criteria

- 2.9.4 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS Prices

- 2.6.13 It is noted that sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment Balances

- 2.6.14 The Council held £107.700m of investments, including property funds as at 30 September 2022 (£105.300m at 31 March 2022). A full list of investments as at 30 September is included at Appendix 1. A summary of investments by type is included in the table below.

- 2.6.15 The Council ensures enough funds are kept in either instant access accounts and/ or on-call accounts to meet its short-term liquidity requirements. As at 30 September the Council held £42.700m in Money Market Funds. Rates on Money Markets are currently quite high compared to previous years therefore higher balances are currently invested whilst the market is volatile as these rates increase quickly.

Investment Type	Total at 30 September 2022 £'000
Property	15,000
Fixed (Term Deposits) Bank / Building Society	35,000
Certificates of Deposit (CD)	15,000
Money Market Fund (MMF)	42,700
Total	107,700

- 2.6.16 The Director of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2022/23.

- 2.6.17 The Council's investment strategy looks to achieve a return on its investment of Sterling Overnight Index Average (SONIA) plus a 5% mark up. The Council will maintain sufficient cash reserves to give it its necessary liquidity and may place investments up to 10 years if the cash flow forecast allows and the credit rating criteria is met. Performance against this benchmark was as follows:

Benchmark	Benchmark Return SONIA +5%	Investment Interest Earned £	Council Performance
7 days	1.25%	247,951	1.11%
1 month	1.17%	9,500	0.61%
3 months	0.96%	26,504	0.78%
6 months	0.70%	486,366	1.72%
Total Interest		770,321	
Average Return first 6 months	1.02%		1.39%

- 2.6.18 The Council's performance on its cash investments due to the current volatility in the market only exceeded its target in the 6 month period, but average return exceeded across all investment periods as can be seen in the table above. These investments have earned £0.770m to date.
- 2.6.19 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.
- 2.6.20 The table below shows the bank rate and SONIA for a selection of maturity periods over the first half of 2022/23, the range (high and low points) in rates and the average rates over the period.

Maturity Rates	Bank Rate	SONIA	7 DAY SONIA	30 DAY SONIA	90 DAY SONIA	180 DAY SONIA
Low	0.75%	0.69%	0.69%	0.57%	0.39%	0.23%
Date	01/04/22	28/04/22	29/04/22	01/04/22	01/04/22	01/04/22
High	2.25%	2.19%	2.19%	1.82%	1.55%	1.22%
Date	22/09/22	30/09/22	30/09/22	30/09/22	30/09/22	30/09/22
Average	1.28%	1.22%	1.19%	1.11%	0.91%	0.67%
Spread	1.50%	1.50%	1.50%	1.26%	1.16%	0.99%

Property Fund

- 2.6.21 In the first six months of the year the Councils investment within the Churches, Charities and Local Authorities (CCLA) property fund has generated a return of (3.18%).

2.10 Other Key Issues

- 2.10.1 The Council has a number of Lender Option Borrower Option (LOBO) loans that have a call date within the next few months. The lender has the option to increase the interest rate when each loan reaches its call date.
- 2.10.2 These loans currently have an interest rate lower than the market rate. Due to the current volatility and increasing borrowing rates within the market, these loans could possibly have the interest rate increased at the call date. The Council would then have the option to accept the increased interest rate or could repay the loans. The treasury team will monitor this situation and report back to the Audit Committee at a future date on any loans that have been repaid.
- 2.10.3 The Council repaid £6.600m of loan stock which had reached its maturity date at the end of September 2022, thus reducing its level of outstanding debt as this borrowing has not been replaced.

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 Committee considers and comments upon the Treasury Management Mid-Year Review Report and commends to report to Cabinet.

5 Consultation

5.1 Consultation has taken place with Link Asset Services (the Council's Treasury Management Advisors), and Senior Officers. The report is presented to the Audit Committee for scrutiny prior to its consideration by Cabinet and Council.

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-18-22

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 Appendices 1, 2A, 2B & 2C
Officer Name: Lee Walsh/Talei Whitmore
Contact: lee.walsh@oldham.gov.uk / talei.whitmore@oldham.gov.uk

20 Appendices

Appendix 1 Investments as at 30 September 2022
Appendix 2A PWLB Certainty Rate Variations 2022/23
Appendix 2B Comparison of Borrowing parameters to actual external borrowing - Table
Appendix 2C Comparison of Borrowing parameters to actual external borrowing - Graph

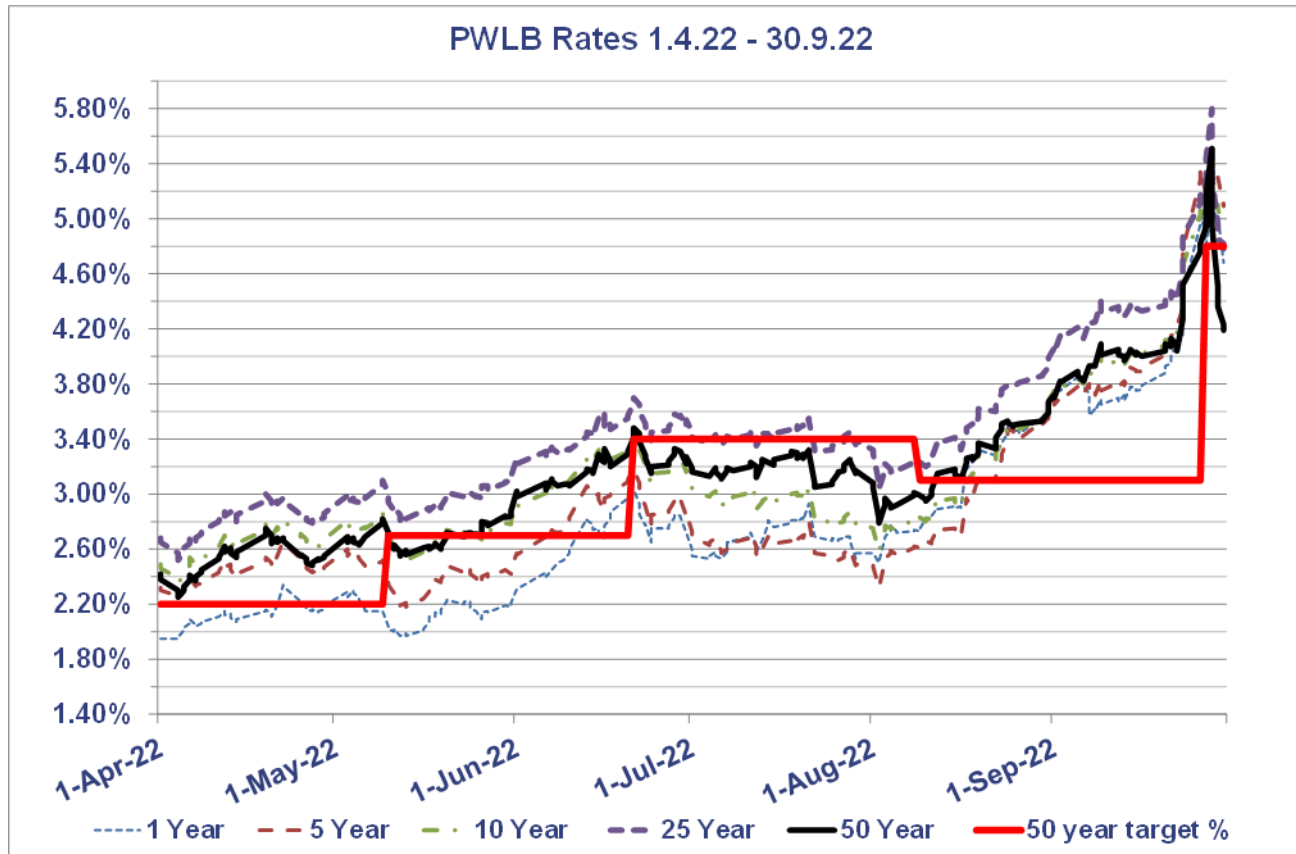
Appendix 1 Investments as at 30 September 2022

Investments	Type	30th September 2022 £'000	Interest Rate	Date of Investment	Date of Maturity
CCLA Property Fund	Property	15,000	3.18%	Prior Years	open
Total Property Fund		15,000			
Nationwide Building Society	Fixed	5,000	1.22%	19-May-22	21-Nov-22
Close Brothers Ltd	Fixed	5,000	1.30%	25-May-22	25-Nov-22
SMBC	Fixed	5,000	1.97%	28-Jun-22	28-Dec-22
Close Brothers Ltd	Fixed	5,000	2.00%	29-Jun-22	29-Dec-22
Goldman Sachs	Fixed	5,000	2.28%	01-Aug-22	01-Feb-23
SMBC	Fixed	5,000	2.48%	12-Aug-22	13-Feb-23
Santander UK PLC	Fixed	5,000	3.08%	08-Sep-22	08-Mar-23
Total Fixed Investments		35,000			
Lloyds Bank PLC	CD	10,000	1.97%	08-Jul-22	06-Jan-23
Santander PLC	CD	5,000	1.99%	14-Jul-22	14-Dec-22
Total Certificate of Deposit		15,000			
Invesco MM Fund	MMF	20,000	2.01%	23-Sep-22	
Federated MM Fund	MMF	13,770	2.05%	29-Sep-22	
Aberdeen Standard MM Fund	MMF	8,930	2.10%	30-Sep-22	
Total Money Market Fund		42,700			
Total		107,700			

Appendix 2

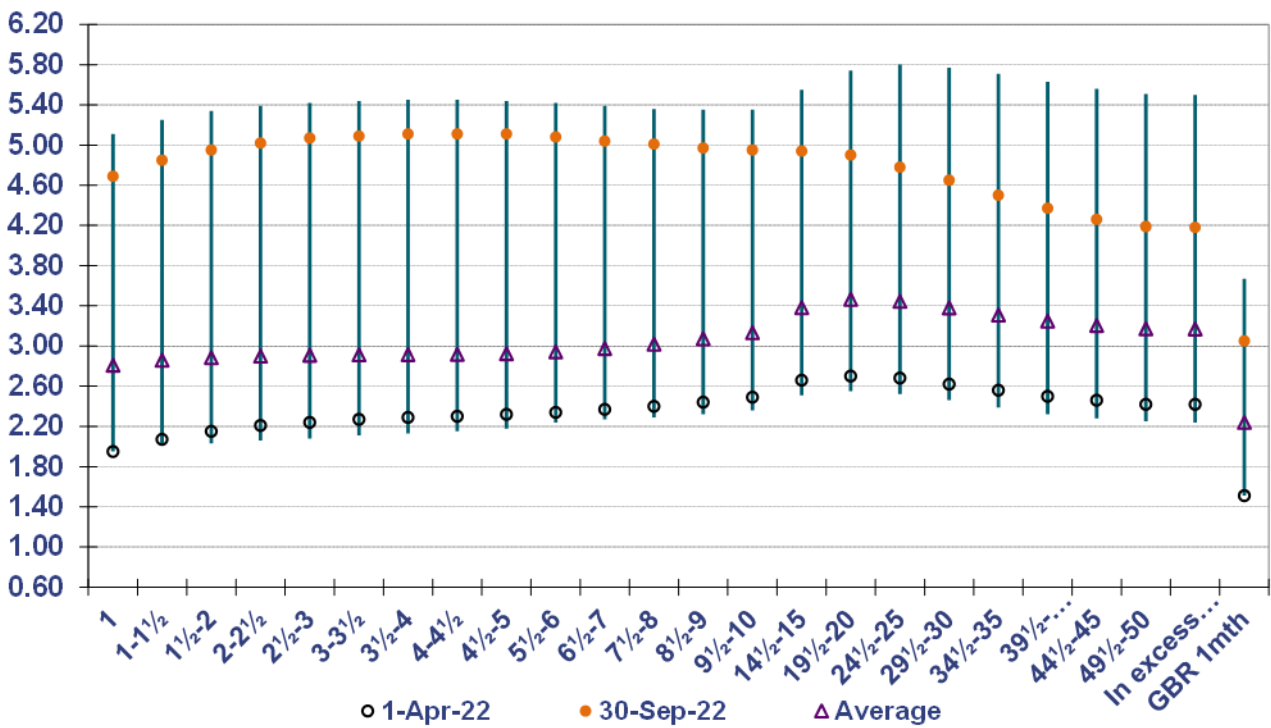
2A) PWLB Certainty Rate Variations 2022/23

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	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

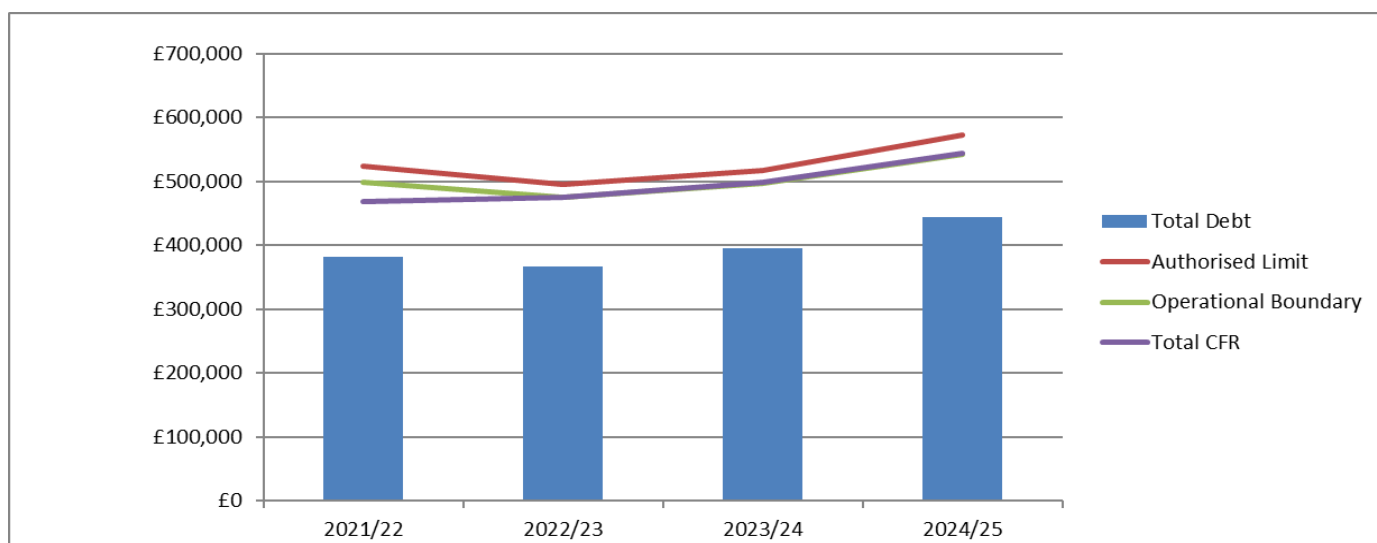
PWLB Certainty Rate Variations 1.4.22 to 30.9.22



2B) Comparison of borrowing parameters to actual external borrowing (Table)

CAPITAL FINANCING REQUIREMENTS					
	Actual	Estimated	Estimated	Estimated	
	2021/22	2022/23	2023/24	2024/25	
	£'000	£'000	£'000	£'000	£'000
CFR (including PFI and finance leases)					
GFCFR	£468,895	£474,813	£498,419	£543,327	
Total CFR	£468,895	£474,813	£498,419	£543,327	
CFR (excluding PFI and finance leases)					
GFCFR	£255,259	£270,369	£304,646	£360,919	
Total CFR	£255,259	£270,369	£304,646	£360,919	
External Borrowing	£167,597	£161,749	£201,749	£261,749	
Deferred Liabilities	£213,448	£204,549	£193,773	£182,408	
Total Debt	£381,045	£366,298	£395,522	£444,157	
Authorised Limit	£523,000	£495,500	£517,500	£572,500	
Authorised Limit ex Deferred Liabilities	£303,000	£284,000	£318,000	£374,500	
Operational Boundary	£498,000	£475,500	£497,500	£542,500	
Operational Boundary ex Deferred Liabilities	£283,000	£269,000	£303,000	£359,500	

2C) Comparison of borrowing parameters to actual external borrowing (Graph)





Report to Audit Committee.

Update on General Matters

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

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

1 November 2022

Reason for Decision

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

- a) The consultation undertaken on the planned Scale Fee for the external audit covering the financial year 2022/23 which is the final year of the present Audit appointment period.
- b) The likely increase in Scale Fees from the financial year 2023/24 arising from the current procurement of external audit undertaken by Public Sector Audit Appointments (PSAA). The full cost of this increase is unlikely to be met from any of the additional money Government had previously set aside in the 2022/23 Local Government Finance Settlement and the indicative Spending Review covering 2023/24 and 2024/25.
- c) An update on the procurement exercise undertaken by the Public Sector Audit Appointments (PSAA) and the estimated financial impact on the Council.
- d) An update on the wider position regarding the submission of Local Government Statement of Accounts by the Statutory Deadline of 31 July 2022 nationally (the final year of the extension period with the deadline reverting back to 31 May for the 2022/23 accounts).
- e) An update on the recruitment of an Independent Audit Chair to this Committee.
- f) The recent Chartered Institute of Public Finance and Accountancy (CIPFA) Publication on Audit Committees.

-
- g) The recent report published by the Public Accounts Committee outlining its concerns about the quality of local audit on local authority accounts.

Executive Summary

This report sets out several matters impacting on this Committee in undertaking its governance role within the Council. It covers external audit matters, the production of local authority accounts and recent key publications which have been publicised. These are covered in Sections 2-4 of the report as detailed below.

Recommendation

Members note the matters detailed in this report.

Update on General Matters**1 Background**

- 1.1 There are a few items detailed in this report which need to be brought to the attention of the Audit Committee and these are presented in this report. In respect of the CIPFA publication on Audit Committees and the on-going consultation to appoint the External Auditor, this report supplements the information highlighted in the update report from the External Auditor.
- 1.2 In respect of the proposed appointment of the External Auditor, a confidential report is included elsewhere on the agenda highlighting the detailed proposal from PSAA to appoint the External Auditor for Oldham Council for the period 2023/24 to 2027/28. This will enable the observations of the Committee to be incorporated into the comments fed back by the Council.

2 External Audit Matters**Consultation on the proposed 2022/23 External Audit Scale Fee**

- 2.1 The PSAA undertook a consultation on the proposed methodology to calculate the Scale Fee for the financial year 2022/23. The consultation closed on 30 September 2022. The proposed methodology for calculating the fee was identical to that used in 2021/22 and the Council response was supportive of this methodology. Assuming a similar charge for the financial year, it is estimated that the basic Scale Fee will be £105,000 with an additional charge of £20,000 proposed for extra work required under the Local Code of Audit Practice produced by the National Audit Office. These additional costs have emerged since the Service was last tendered by the PSAA.

2023/24 – 2027/28 Scale Fee

- 2.2 On 3 October 2022, the PSAA outlined the headline outcome of their procurement exercise to appoint the External Auditor for 470 Local Authorities, Police and Fire Authorities (this equates to 99% of Authorities). In the press release it highlighted that the prices submitted by the firms tendering for the work had increased over those received for the 2017 exercise. It indicated that on average the proposed Scale Fee from the financial year 2023/24 would increase by an average of 150%. The PSAA was aware that this would increase the pressure on Local Authority budgets and has highlighted the fee increases to the Department of Levelling Up, Housing and Communities (DLUHC). As detailed in paragraph 2.1 of this report the basic Scale Fee for the Council is £105,000. An increase of 150% is estimated to increase the Council's external audit fee to £250,000 from the financial year 2023/24.
- 2.3 Within the 2022/23 Local Government Finance Settlement and the indicative Spending Review for 2023/24 and 2024/25, DLUHC was aware of the risk of costs increasing and set aside an amount of £15m to cover the additional costs of local external audit. With an increase of 150% on average for all Local Authority external audit fees, this extra money will not cover the full cost of the increase. If DLUHC does reimburse the full costs of external audit, it is likely this will be financed from the current resource allocation to DLUHC reducing the amount of grant distributed to Councils or directly by individual Councils.

PSAA Procurement Update

- 2.4 As advised above, on 3 October 2023, the PSAA issued an update on the outcome of the procurement for the 470 Local Government, Police and Fire Authorities who agreed the PSAA would undertake the procurement of external audit on their behalf. This highlighted that the PSAA had secured a proposed auditor for 99.5% of these organisations. This includes Oldham, and, elsewhere on the agenda in the confidential section, are details of the proposed appointment for the Council. Overall, as detailed in the table below, it is proposed to appoint the following external providers with the following percentages of overall work.

External Provider	% of overall work
Grant Thornton LLP	36.00
Mazars LLP	22.50
Ernst Young LLP	20.00
KPMG LLP	14.00
Bishop Fleming	3.75
Azets Audit Services	3.25

- 2.5 Overall, there are two new providers entering the Local Authority external audit market. Bishop Fleming is a top 30 accountancy and audit firm based in the West Midlands and the Southwest. Azets Audit Services is a top 10 accountancy and audit firm with 80 offices nationwide and the firm has experience of auditing Scottish Councils.
- 2.6 It is interesting that Grant Thornton LLP remains the largest provider of audit to Local Government bodies. It is slightly disappointing that despite the fees charged increasing, that neither PricewaterhouseCoopers or Deloitte's have re-entered the market place. A private report elsewhere on this Agenda outlines the impact of the procurement on Oldham Council outlining the consultation on the detailed Audit appointment which is underway.

Update on Local Authority Accounts

- 2.7 A presentation by an Independent Consultant who had analysed the draft Statement of Accounts for 2021/22 for those Authorities which have published their accounts by the extended statutory deadline of 31 July 2022, has identified that 81 out of 321 Local Authority entities did not publish their accounts in accordance with the extended statutory deadline. This indicates a position whereby a significant proportion of Local Authorities are experiencing capacity issues in completing this task. With the change of deadline to 31 May 2023 for the completion of the 2022/23 accounts, it would not be unreasonable at this stage, to assume the number of Authorities who are unable to meet the future statutory deadline is likely to increase. This, combined with the information presented at paragraph 4.3, which highlights the pressures in achieving audit deadlines, indicates that the Local Government finance sector is experiencing some challenges.

3 Independent Chair

- 3.1 As agreed with this Committee an exercise has been undertaken to recruit an Independent Chair to the Audit Committee.
- 3.2 Two interviews were held with applicants who met the criteria and one of these applicants has accepted the post. This is currently going through the formal

appointment process within the Council, and it is anticipated that by the next meeting this Committee will have an Independent Chair in place.

4 Publications

CIPFA Publication on Audit Committees

4.1 During the summer of 2022, CIPFA refreshed its publication on good practice for Audit Committees in Local Government. Overall, the document has 6 sections of which 5 are of interest to this Committee. The relevant sections are:

- Guidance for a Local Authority Member
- Guiding the Audit Committee
- CIPFA Position Statement for Audit Committees (2022)
- A self-assessment of Good Practice
- Evaluating the Effectiveness of the Audit Committee

4.2 Although not included in the current work plan elsewhere on the Agenda, it is considered sensible for the Assistant Director of Corporate Governance and Strategic Financial Management, to review this publication and, where appropriate, report back to this Committee and incorporate the work into the next update of the Committee's work programme.

Public Accounts Committee

4.3 The Public Accounts Committee has produced their regular report on the Whole of Government Accounts for the financial year 2019/20. This outlined the Committee's concerns about Local Authority audit and observed the "pandemic exacerbated failures in the local audit market with only 45% of 2019/20 Local Government Audits in England and Wales and just 9% of 2020/21 audits issuing an audit opinion within the statutory deadline". If this is combined with the findings reported in Section 2.4 of this report it highlights a sector with capacity issues in both producing the accounts and then auditing them.

4.4 In relation to the 2021/22 audit, due to the 2020 Code of Audit Practice, the Council's auditors have been required to issue a letter (attached as Appendix 1 to this report) highlighting a delay in issuing the Auditor's Annual Report.

5 Options/Alternatives

5.1 N/A

6 Preferred Option

6.1 N/A.

7 Consultation

7.1 N/A

8 Financial Implications

8.1 N/A

-
- 9 **Legal Services Comments**
- 9.1 N/A.
- 10 **Cooperative Agenda**
- 10.1 N/A.
- 11 **Human Resources Comments**
- 11.1 N/A.
- 12 **Risk Assessments**
- 12.1 N/A.
- 13 **IT Implications**
- 13.1 N/A.
- 14 **Property Implications**
- 14.1 N/A.
- 15 **Procurement Implications**
- 15.1 N/A.
- 16 **Environmental and Health & Safety Implications**
- 16.1 N/A.
- 17 **Equality, community cohesion and crime implications**
- 17.1 N/A.
- 18 **Equality Impact Assessment Completed?**
- 18.1 None.
- 19 **Key Decision**
- 19.1 N/A.
- 20 **Forward Plan Reference**
- 20.1 N/A.
- 21 **Background Papers**
- 21.1 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 as Appendix 1
Officer Name: Mark Stenson
Contact: mark.stenson@oldham.gov.uk

22 **Appendices**

22.1 Appendix 1 Correspondence from Mazars on delay in issuing the auditor's report.



Cllr Islam
Audit Committee Vice Chair
Oldham Metropolitan Borough Council
Civic Centre
West Street, Oldham
OL1 1UT

Direct line: +44 (0)7721 234043
Email: Karen.murray@mazars.co.uk
Date: 30 September 2022

Dear Cllr Islam

Audit letter – Delay in issuing the Auditor’s Annual Report

The 2020 Code of Audit Practice requires us to issue our Auditor’s Annual Report within 3 months of issuing our opinion on the financial statements, and before 30th September. Where this is not possible, we are required to write to you setting out the reasons for the delay in an ‘audit letter’. For the purposes of compliance with the Accounts and Audit Regulations (2015), this letter constitutes the ‘audit letter’.

As a result of an extension to the accounts and audit timetable for 2021/22, our Auditor’s Annual Report will not be issued by 30 September 2022. We anticipate issuing this no more than three months after the date of the opinion on the financial statements.

Yours sincerely

Karen Murray
Partner

For and on behalf of Mazars LLP



Report to Audit Committee

Annual Governance Statement 2021/22

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

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

1 November 2022

Reason for Decision

To present to the Audit Committee, the updated Annual Governance Statement which is an integral part of the Statement of Final Accounts.

Executive Summary

The report presents to the Council the Annual Governance Statement for 2021/22. Other than some minor wording changes there are no fundamental changes to the draft Annual Governance Statement which was presented to this Committee on 21 June 2022.

Recommendation

It is recommended that the Audit Committee notes the Annual Governance Statement for 2021/22.

Scope of Responsibility

The Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The Authority also has a duty under the Local Government Act 1999 to plan to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Authority must put in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Authority has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance (LCCG) which has been refreshed and was presented to and accepted by the Audit Committee on 9 June 2022. The current LCCG is publicised on the Council's website.

The Annual Governance Statement sets out how the Authority has complied with the Code and meets with regulation 4(2) of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 which have amended the Accounts and Audit Regulations (England and Wales) 2015. Due to the COVID-19 pandemic, there was a continued requirement for certain decisions to be taken under emergency protocols up to 19 July 2021. The Authority adopted enhanced management arrangements with a structure based on Gold (strategic), Silver (tactical) and Bronze (operational) groups for this period of 2021/22. The approach to the management of the Authority's response to the pandemic was reported (including the revised priorities for service delivery) and agreed by full Council meetings on 14 July 2021, 3 November 2021, 15 December 2021 and 16 March 2022. The arrangements enabled the Council to make its decisions as promptly and as transparently as possible whilst managing to operate using systems and processes adopted before the pandemic and adjust its priorities in service delivery.

The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 in relation to the publication of a statement on internal control. It is subject to detailed review by the Audit Committee when it considers firstly the draft Statement of Account (presented to the Audit Committee on 21 June 2022) and subsequently the final Statement of Accounts before they are formally approved. The accounts are reported to Cabinet and full Council for information after the Scrutiny process and formal approval by the Audit Committee.

The Authority undertook a review throughout the financial year 2021/22 of its compliance with the CIPFA Financial Management Code which outlines the principles of good financial management. This was reported to the Audit Committee on 17 January 2022.

The review identified that for the first part of the financial year, the Authority's financial management arrangements were consistent with a number of the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The key principles for which there was compliance were that the Chief Financial Officer (Director of Finance):

- is actively involved and is able to bring influence on the Authority's financial strategy;
- is actively involved and is able to bring influence on all material business decisions;
- leads the whole Authority in the delivery of good financial management;
- directs a fit for purpose finance function; and
- is professionally qualified and suitably experienced.

In addition, the Statement requires that the Chief Financial Officer should report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to others. Until the change in Chief Executive (26 August 2021), the Director of Finance (the Chief Financial Officer and designated Section 151 officer) was not a member of the Council's Executive Management Team (EMT). However, whilst not a standing member, during the pandemic, the Director of Finance attended meetings of the EMT / Joint Leadership Team (which included senior officers of Oldham Clinical Commissioning Group). The Director of Finance was a member of and attended the meetings of the Senior Management Team which integrated EMT and all Directors via a single management meeting. All Statutory Officers had access to the Chief Executive.

Although not delivering full compliance, the Council considered that its management arrangements were appropriate in the context of the CIPFA Statement and requirements of the CIPFA Financial Management Code.

From 26 August 2021 the management arrangements of the Council changed, and the line management of the Director of Finance was revised with a direct reporting line to the Chief Executive with membership of the Management Board which assumed the role of the Executive Leadership Team. This was therefore consistent with the principles of the Financial Management Standard and improved compliance with the Financial Management Code.

The issues identified as significant governance issues and the progress made by management throughout the financial year 2021/22 to address these issues, have been reported regularly to the Audit Committee together with an assessment made in reducing the risk as part of its Governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture, values, and behaviours, by which the Authority's activities are directed and controlled, which it accounts to, engages with, and leads the community, citizens and service users. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It also enables the Authority to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being

realised and the impact should they be realised, and to manage them efficiently, effectively, and economically (i.e., so they deliver value for money – efficiently, effectively, and economically).

The financial year 2021/22 required the continuation of changes implemented during the financial year 2020/21 to the standard decision-making processes adopted by the Authority. This was to enable it to take decisions under the command structure put into place to respond to the pandemic and support for partners to be continued (until 19 July 2021, when all COVID-19 restrictions were lifted). This approach was ratified by full Council and key groups of officers and Members provided independent scrutiny in key areas such as grant administration and one-off support to suppliers. Following the easing of restrictions related to the pandemic which ended on 19 July 2021, the Council decision-making process has then operated in compliance with its agreed Constitution.

The governance framework which has been in place at the Authority for the year ended 31 March 2022 has seen regular reports submitted to the Audit Committee on the progress made on issues identified in the previous Annual Governance Statement and identified any issues for consideration in this Statement. This has included issues arising from the response to the pandemic which have highlighted where future practice could be improved.

The Governance Framework

The Authority is a Metropolitan District which was set up in 1974 combining 7 Urban Districts, which provided services to the local population. Its strategic vision and Co-operative objectives including self-sustainability are set out in the Council's Corporate Plan. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes, and behaviours required to deliver good governance to all.

The key message and values are:

Communicating the Authority's Vision

The Authority Vision for 2021/22 was set out in both the Oldham Plan and the Corporate Plan supplemented by the development of the COVID-19 Recovery Strategy which deferred the updating/refreshing of these Plans until it was clear the pandemic had ended (note that both Plans have recently been updated as agreed at the Council meeting on 7 September 2022). These plans are aligned to establish a clear link between; Local, Central Government and Greater Manchester regional priorities, including the devolution of health services. It establishes the Council's priorities developed in partnership with key stakeholders and the local community around the delivery of the core business of the Council.

The Council initially endorsed the vision in July 2017. It was a collective action statement covering the period 2017/2022 setting out the areas that would add the most value as a partnership to achieve the ambition that Oldham is a productive and co-operative place with healthy, aspirational and sustainable communities.

The Oldham Plan applicable during 2021/22 was based around the Oldham Model – three change platforms are enabled and complemented by public service reform and empowering communities. These are:

Inclusive Economy

The vision is for Oldham to become Greater Manchester's Inclusive Economy capital by making significant progress in living standards, wages and skills for everyone.

Thriving Communities

The vision is for people and communities to have the power to be healthy, happy and able to make positive choices and both offer and access insightful and responsive support when required.

Co-operative Services

The vision is to collaborate, integrate and innovate to improve outcomes for residents and create the most effective and seamless services in Greater Manchester.

Clearly, the delivery of the vision as initially planned was interrupted by COVID-19, although the response to the pandemic was framed around the guiding principles. Updates on the action taken to support the response to the pandemic, following the established principles were reported to regular business meetings of the Council.

Co-operative Council in a Co-operative Borough

Oldham has been a Co-operative Council since 2011 and the Council continues its commitment to delivering a co-operative future where everybody does their bit, and everyone benefits. This is being achieved by a real commitment to change and working closely with residents, partners and the wider communities to create a confident and ambitious borough.

The Corporate Plan sets out how everyone can do their bit to support service delivery of the ambitions and outcomes:

#our bit is what Oldham Council is doing or contributing to improve something.

#your bit is how local people, businesses and partners are helping to make change happen.

The **#result** is how we are all benefiting from working together.

The ethos of the Co-operative Council sets the framework for key Council strategies.

Like many other Local Authorities, Oldham Council has had to make significant budget reductions since the start of the Government's austerity programme. Although the pandemic has had a huge impact on the finances of the Council since the start of 2021/22, it is important to note that arising from Government announcements and the Emergency Budget, introduced after the May 2010 General Election, the Council has been required to balance its budget by making a significant level of budget reductions, which up to and including the recurrent budget reductions of £8.793m approved at the 2021/22 Budget Council, cumulatively total £198m.

Further recurrent budget reductions of £6.268m were agreed at the 2022/23 Budget Council meeting for implementation in 2022/23 plus there was confirmation of £5.467m of budget reductions with a 2022/23 impact that were initially presented for consideration at the 2021/22 Budget Council. In total, the savings total for 2022/23 was a total of £11.735m. The Medium Term Financial Strategy (MTFS) approved at the 2 March 2022 Budget Council also highlighted approved budget reductions of £8.570m that will have an impact over the period 2023/24 to 2025/26. Even after allowing for these forward commitments, there remains a significant savings target over the period covered by the current MTFS (2023/24 to 2026/27).

It was clear that the Council could not continue to deliver services in the same way it has always delivered them and a response to the financial challenge is required. The response followed the ethos of the Co-operative Council because it is believed that:

- a co-operative approach offers the best opportunity to do things radically differently;
- it offers a sustainable solution to the unprecedented challenges we face; and
- it offers the best opportunity to make the most of the assets/strengths that lie in its communities.

This means that, whilst the Council continues to provide its statutory services and duties, it will continue to work more closely with all partners and stakeholders in Oldham to ensure that the services delivered continue to; provide value for money, meet the specific needs of Oldham's communities, remove duplication and ensure the combined skills, resources and influence are used to improve the circumstances of every member of the Oldham community.

The ways in which the Council is doing this include:

- Implementing and embedding the Council Ethical Framework and its Social Value Procurement Framework.
- Monitoring the impact of the Social Value Portal to implement the Themes, Outcomes and Measures framework on the Creating a Better Place Programme.
- Paying the Living Wage Foundation National Living Wage to ensure that all staff are paid appropriately and introducing this for paid carers from 1 October 2022 with implementation by the end of October 2022.
- Giving employees up to three days paid time away from their duties to volunteer locally.

COVID-19 Pandemic

Throughout the financial year 2021/22, the public health challenge due to the COVID-19 pandemic continued within the United Kingdom. Due to its role both as a provider of key public services and as a partner to the National health Service (NHS), Oldham Council continued where appropriate to operate its service continuity measures to ensure the continued provision of its essential, albeit at a lesser intensity than the previous financial year. This included the enactment of emergency decision-making powers which were appropriately continued until 19 July 2021 as it became clear the pandemic remained a serious public health issue that required longer term management over a two year period.

In order to support the wider Government response to the pandemic the Council both directly and acting as an Agent for Government departments, delivered services in response to the pandemic and provided Financial Support to third parties including businesses within the area. This support was significant with the Council managing over £26m in COVID-19 related Business Rates Reliefs plus other specific COVID-19 grants and where appropriate this required the reallocation of staffing resources from business as usual to ensure the administration process used was sound and effectively undertaken.

The impact of the pandemic on the Council still has the potential to be long-term, particularly from a financial perspective, through increasing demand for Statutory Services. Provision has been made in the Medium Term Financial Strategy to reflect this. The impact upon the long-term financial position is very difficult to accurately assess with key elements of the Statutory Accounts such as the Collection Fund (which manages Council Tax and Business Rate

collection) not recovering financially as quickly as originally envisaged. The Government has allowed Councils to manage Collection Fund losses over a three-year period (2021/22 to 2023/24) to phase the impact of income lost during 2020/21 and allow time for collection to recover. This is reflected in the long-term financial planning of the Council. If this recovery does not happen, then there is a risk of the legacy of COVID-19 having a more longer lasting financial impact on the Council, however, currently the recovery in Oldham is steady.

Key elements of the Governance Framework

The key elements of the Authority's governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties against conflicts of interest. Both Members and Officers record any gifts and hospitality received in accordance with the Authority's agreed procedure. To enable third party challenges to Authority operations there is a publicised complaints procedure. There is also a Whistleblowing Policy, last updated and approved by full Council in July 2020. This enables concerns to be raised in a confidential manner and dealt with in a proportionate manner.

The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions should this be required. The Scrutiny process was subject to a detailed review during 2020/21 and a revised approach was implemented following the Annual Council Meeting in May 2021. When required, issues of governance/ scrutiny which highlight where improvements could be made in processes arising from lessons learned from other local authorities (based on information reported in the public domain), are reported to appropriate Committees to enable them to better discharge their roles. This included the continual review of partnership governance within the Council which was reported to the both the Audit Committee (on two occasions) and also to the Performance Overview and Scrutiny Committee in March 2022.

Members take the lead in establishing this culture by completing an annual register of their interests which is published on the Council's website. There is also a Standards Committee in place to consider allegations of inappropriate behaviour, which meets when required to discuss appropriate matters. Any matters for investigation are assigned to an independent investigator and supported by reports, which are considered by the Committee. Staff behaviour is covered by the Officers' Code of Conduct, which places duties on Officers to declare their standing interests or interests relating to matters as they arise to their Head of Service. These declarations are maintained in an E-Register by the Director of Legal Services to the Council in his role as Monitoring Officer.

The Council is managed by a Cabinet system as set out in the agreed Council Constitution. This sets out the scheme of delegation between elected Members and Officers. In the financial year 2021/22 in accordance with government guidelines, all formally constituted meetings (Executive and Regulatory) were held in person.

In order to encourage the community to engage in more co-operative activities, Members in their role as Community Champions often, either individually or in partnership with the District

Elected Lead Member, network with key community groups and individuals to deliver local priorities. In order to demonstrate their achievements, each Councillor is encouraged to produce an annual report which is then published on the Council's website and included in a report to full Council.

The Council has a clear set of values and behaviours which are shared borough-wide with residents, partners and the business community. Internally these values and behaviours have been converted into five co-operative behaviours which outline the priority focus for staff at all levels. Living these values and behaviours has enabled real change to be delivered so that the Council can meet its vision of building a co-operative borough. The response to the pandemic gave staff the opportunity to demonstrate these values.

Staff have been assisted in this aspect by the introduction of Let's Talk which replaced the Corporate Personal Performance Framework in the later part of 2021. Let's Talk is based on open two-way conversations which focus on wellbeing, performance, and development. The employer supported volunteering (ESV) programme helps Council employees to volunteer with organisations in Oldham. From using existing skills to taking on a new challenge, the scheme gives staff the time and support to volunteer to do their bit. The pandemic required the Council to work extensively with its partners with some Council staff, in the first half of the financial year, continuing to be redeployed to support partner service provision.

The agreed Procurement Policy focuses on procurement activity, which has the aim of ensuring the optimum balance between cost, quality and local service value, whilst also ensuring that any significant commercial risks are identified and mitigated at the commissioning stage. During the pandemic the Council, in providing support to suppliers followed Government advice to preserve the supply chain where appropriate, to guarantee future service delivery.

The Procurement Policy ensures value for money and social value outputs are measured in an integrated way, in order to support the Council's co-operative agenda. In this way, the Council ensures it secures the greatest social, economic and environmental benefit from the Council's purchasing power.

Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position as a Co-operative Council and will be vital in making a reality of both service changes and more self-sufficiency from citizens.

The Corporate Peer Review findings formally received in March 2020, indicated this relationship works well in taking forward improvements within the Borough. Whilst the Authority hoped to take forward the recommendations over the past two financial years, it has not been possible to make the significant progress that was originally planned due to the pandemic. Now that the Council is returning to working practices developed pre pandemic, it will be possible to introduce any remaining changes/improvements.

In July 2018 the "Big Green Survey" – Oldham's biggest ever environmental survey of residents – gave people a say on key green issues such as wildlife, parks, food growing, clean energy and air quality. Cabinet approved a strategy to work towards becoming a single-use plastic free borough promoting the use of non-plastic recyclable alternatives. This was supplemented in 2020/21 by the Council, at its meeting on 9 September 2020, supporting the United Nations Sustainable Development Goals.

The Authority has also demonstrated its support of sustainability by appropriate self-financing of capital investment in renewable energy. In previous financial years it has supported the creation of an independent Community Interest Company which is now operating in a

sustained and independent manner (with the potential to expand), administered the warm homes project to alleviate fuel poverty and provided oversight to the Greater Manchester Green Grants Scheme including overseeing energy improvements on Social Housing within Oldham. In 2018/19 approval was given to develop a new eco-centre at Alexandra Park with construction beginning in 2021/22 immediately following the completion of a Gateway Review. This is further supported by a project financed from the Government's Decarbonisation Fund which has installed an eco-friendly/ carbon efficient heating system including heat source pumps. A further project to install LED Lighting at the Oldham Leisure Centre was also financed from the Decarbonisation Fund in the financial year 2021/22.

At its meeting on 11 September 2019, the Council agreed to declare a Carbon Emergency and set itself the challenging target of becoming Carbon Neutral by 2025 with an aspiration of Carbon Neutrality for the Borough by 2030. In addition, the Council supported specific green projects with continued work to develop the concept of Northern Roots which is a future eco-friendly sustainable development of an Urban Space consistent with the green aspirations of the Council. This project was on-going throughout 2021/22 with the Council creating a charitable company to further develop the concept and utilise Towns Fund and Sports England grant from Government to support future development works.

The feasibility of a Solar Farm at the Wrigley Head site was also further developed with planning permission secured to reflect the potential for taking forward this scheme should future affordability be demonstrated, with energy price increases and the Council's desire to facilitate the construction. Rising energy prices suggest this project may soon move to the construction phase.

The Green Agenda is a key element of the Creating a Better Place Initiative. To this end, funding was also secured during 2021/22 to undertake a feasibility study in 2022/23 into whether a District Heating Network using underwater mine heating sources could be developed for the Town Centre and associated residences.

The Chief Executive of Oldham Council is the Head of Paid Service. For the first part of the 2021/22 financial year, the Chief Executive was supported by the Executive Management Team (EMT) and Senior Management Team (SMT) and continued to undertake the role of Accountable Officer for the Oldham Clinical Commissioning Group, integrating both organisations through a Joint Leadership Team management structure. When the Council recruited a new Chief Executive, the joint appointment ceased with the role of Accountable Officer for Oldham CCG being performed by an officer of the NHS. The two organisations have however, continued to work collaboratively. Given the significant change in NHS operating arrangements at a place level that have been implemented from July 2022, with the implementation of Integrated Commissioning Systems, the close working relationship between the Council and NHS is being redefined. The Executive Management structure will continue to be subject to regular review as the integration with the NHS develops in Oldham.

Cabinet portfolios are assigned on a functional basis rather than by Directorate and subject to appropriate officer support. Shadow Cabinet Members from both of the main Opposition Parties also met with support officers on a regular basis throughout 2021/22 to ensure appropriate political scrutiny. As part of the budget process, Opposition parties have the facility to prepare alternative proposals. During the latter part of 2020/21, the Liberal Democrat Opposition Party prepared an alternative budget for 2021/22. This was subject to scrutiny before consideration by full Council. During the latter part of 2021/22 both the Liberal Democrats and Conservative Opposition Parties presented alternative budgets for 2022/23 which were subject to scrutiny and Council consideration.

The Director of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided in-house,

supported by a partnership with Salford Council for Computer Audit. The Internal Audit team achieved compliance with Public Sector Internal Audit Standards as evidenced by the Independent External Review of the service, undertaken in 2017/18. The Head of Internal Audit (The Assistant Director of Corporate Governance and Strategic Financial Management at Oldham Council during 2021/22) has direct access to all members of EMT, SMT and subsequently the Management Board as well as all Members and has utilised this discretion when appropriate. CIPFA's guidance on the Role of the Head of Internal Audit was issued in early April 2019 and a compliance review identifying the Council followed best practice was reported to the Audit Committee on 25 June 2019.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, which are incorporated within the Council's Constitution, and comply with Good Practice. A substantial update of the Finance Procedure Rules was agreed by full Council at its meeting on 8 January 2020 and again at the Council meeting of 13 July 2022 after a detailed review during 2021/22. Control is based on regular management information, management supervision, and a structure of delegation and accountability. If there are fundamental failures in internal control these are subject to investigation. A further revision of the Contract Procedure Rules (CPR) was undertaken during 2021/22 and these revisions were agreed by Council on 13 July 2022.

The Director of Legal Services is the Monitoring Officer and is responsible for ensuring the Authority acts in accordance with the Constitution. Senior Officers have the primary responsibility for ensuring decisions are properly made within a scheme of delegation at appropriate levels of responsibility. The Constitution contains Codes of Conduct and protocols for Members and Officers.

In order to have appropriate scrutiny of the Authority the Audit Committee has the capacity to appoint three Independent Members. The Council has struggled to recruit to these roles. The recruitment of an Independent Chair was not successful despite three separate adverts. A further exercise was deferred in both 2020/21 and 2021/22 due to the pandemic. This recruitment has now been undertaken in 2022/23.

The Audit Committee members receive appropriate briefings supported by training from key officers and third parties to enhance the Governance Framework. In the financial year 2021/22 there were some changes to the membership of the Audit Committee and specific training was provided in two tailored sessions delivered by the Chartered Institute of Public Finance and Accountancy.

The Standards Committee utilise independent investigators from outside the organisation to supplement in-house resources where appropriate to investigate any serious allegations into Member misconduct. There were a number of matters referred to the Standards Committee throughout 2021/22.

Principle B. Ensuring openness and comprehensive stakeholder engagement

The Authority, at the Council meeting in July 2017 agreed its long-term Corporate Plan which set out the Authority's Co-operative vision and values, assimilating them into its strategic objectives. This linked the objectives through to outcomes, identifying the service areas responsible and performance indicators. The Authority works closely with other local public bodies, community and voluntary groups via a partnership approach to ensure effective delivery of its services. The operation of the Oldham Leadership Board recognises that the Council is a body that champions Oldham.

The regular reports to full Council on the response to COVID-19 reset the immediate Council Objectives for service delivery reiterating the Council's Co-operative vision.

The Council Leader, on an annual basis presents to full Council, the forthcoming priorities of the administration. This is used to influence and shape the policies and strategies produced by the Authority. Council meetings are streamed live giving every citizen of the borough the chance to review and challenge these priorities.

In addition to the above, the Council is a constituent District of the Greater Manchester Combined Authority (GMCA) which exercises a number of new powers devolved from Central Government. The GMCA meetings are also held in the public domain and streamed live. The Leader of the Council is a constituent member of the GMCA. During 2021/22, the Leader of the Council was the GMCA lead for Community, Co-operatives and Inclusion across the region.

Progress on delivering the Corporate Plan is communicated through a performance management framework. The Performance Overview and Scrutiny Committee received quarterly reports on both performance against the Corporate Plan / Objectives and budget monitoring. These quarterly reports focus by exception and set out corrective measures where key performance indicators or the agreed budget reductions have not been met or where there is overspending against budget.

The Policy Overview and Scrutiny Committee receives reports on specific matters and policy initiatives to be considered by Cabinet at future meetings, the Health Scrutiny Committee reviews initiatives involving Health and Adult Social Care whilst overall scrutiny around governance matters is provided by both the Audit & Standards Committees.

During the financial year 2021/22 the Council strengthened its Scrutiny arrangements by reviewing the Terms of Reference for its scrutiny Committees and revising the operational arrangements as recommended by the Peer Review Process. One major change was to introduce a requirement for scrutiny of the overall budget to be undertaken by the Policy Overview and Scrutiny Committee whilst budget monitoring was undertaken by the Performance Overview and Scrutiny Committee.

In order to demonstrate its openness, the Authority also publishes its:

- Pay Policy Statement to support the Annual Budget;
- Constitution;
- Council, Cabinet and Committee Reports;
- Scheme of delegation reports;
- Information on payments over £500; and
- Health and Safety Action Plan.

The Council operates a system of a District Lead Elected Member supported by a system whereby individual ward members have a specific budget (£0.005m in 2021/22) to spend on local priorities. Working through their local contacts, these local representatives utilising their budgets were able to support a number of community groups during the financial year.

All reports taken as "closed reports" benefit from Monitoring/ Deputy Monitoring Officer and Director of Finance sign off and appropriate advice before the matter receives due consideration including training where appropriate.

Those Members of the Authority undertaking the role as a District Lead Member receive regular training to support them discharge the role and bring challenge to Officers. This training programme is overseen by the Organisational Development Team.

There is regular contact with the other nine constituent Districts through the meetings of the GMCA. Lead Members and Officers feedback issues to the constituent Districts on pertinent matters. Separately the Statutory Regulatory Officers for Finance and Legal Services meet regularly to consider matters of common concern and agree a common approach on shared issues.

In order to ensure its message is effectively communicated to its citizens the Council's Communications function proactively prepares appropriate press releases to support the Co-operative vision of the Council. A user friendly and well-designed Oldham Council website ensures all citizens are aware of the co-operative vision, strategies, policies and initiatives available. This website was redesigned in the 2019/20 financial year is subject to consistent review and ensures the communication medium with the Council and its residents remains up to-date. This was an important means of communication with citizens and source of information as the Council emerged from the pandemic during 2021/22.

To enable the public to highlight concerns in an appropriate manner the Authority and selected key contractors of high-profile services have complaints procedures which enables issues to be linked into future contract performance.

The Authority has spent its resources within the overall agreed budget for the financial year 2021/22 with a small underspend of £2.749m. Whilst the continuation of the pandemic in 2021/22 resulted in further additional expenditure, additional funding was provided to offset some of this cost. For example, the Council received £7.737m of unringfenced COVID-19 funding for 2021/22 with an additional £0.351m compensation for the loss of Sales, Fees and Charges income for quarter one. There were also additional COVID-19 specific ringfenced grants received in year for the Council and Schools which totalled £19.199m.

Further financial support for Adult Social Care was received from the NHS via Oldham CCG to support hospital discharges but also more specific adult social care functions. However, the Hospital Discharge Programme Funding ceased on 31 March 2022. This was facilitated via the Section 75 pooled budget agreement.

As 2021/22 began, the Council continued to administer the payment of Business Grants on behalf of Central Government. In addition to finalising payments for 2021/22 grant, new funding allocations were received. In total during the 2021/22 financial year, an additional £13.461m was received covering Restart Grants (£10.543m, a further round of Additional Restrictions Grant (£1.214m) and Omicron Hospitality and Leisure and / Omicron Additional Restrictions Grant (a total of £1.704m). By the end of March, the Business Grant process had closed, all eligible businesses had been paid and the closure of accounts process ensured a subsequent reconciliation of grants received from the Government.

Consideration and approval by the Authority of its budget for 2022/23 took place at its 2 March 2022 full Council meeting. Due to increasing cost pressures on Adult Social Care, the Council Tax recommendation resulted in a specific 2% increase to be implemented to finance expenditure in this area and a 1.99% Council Tax increase for general services.

The budget was set having regard to the anticipated financial legacy of COVID-19 and the impact on future financial resilience together with the removal of Central Government support. The Council prepared its budget with £12m of resources specifically to address COVID-19 legacy in 2022/23. The Council has allocated resources over the period 2023/24 to 2025/26 reducing year on year in recognition that the financial legacy of COVID-19 will continue to impact on the longer-term resilience of the Council. Clearly, the position will be reviewed on an annual basis as the long-term residual impact of the pandemic is established.

The Council's Four-Year Efficiency Plan was initially prepared to give certainty over the level of Central Government funding from 2016/17 to 2019/20, and effectively planned for year on year reductions to budgets. This was initially agreed by Cabinet on 5 September 2016 and the period the plan covered is now complete. This underpinned the Medium-Term Financial Strategy (MTFS) of the Council at the time supported the budget process until the end of the financial year 2019/20. It supported the financial resilience of the Authority enabling it to withstand unforeseen events and pressures by maintaining an appropriate level of reserves and balances to support on-going resilience and future development of efficiencies. Since then, the Government has provided only three single year financial settlements although the 2022/23 financial settlement was supported by an indicative three year spending review from Government (SR 21 which was issued in October 2021) which enabled the preparation of the MTFS including a range of key assumptions about future Government grant support. Whilst there is a national commitment to Levelling Up (although given recent changes at national Government level this is subject to change), the present MTFS takes a prudent approach with no expectation of a significant increase in resources. It is expected that the Levelling Up agenda will take time to implement and therefore will not substantially benefit the Council over the MTFS period.

The reserves are managed by reference to the approved Reserves Policy which is regularly reviewed by the Audit Committee. The level of balances is informed by the budget process.

The availability of reserves during the 2022/23 budget process facilitated planned one-off financial support (over 3 financial years) to enable the efficient transformation of both the Council and the Locality with a plan of change and improved efficiency implemented in a managed manner. It supports the continued increase in the pooling of resources with health service partners to deliver future efficiencies and greater effectiveness in the use of resources.

With the pandemic occurring over two financial years, it impacted in the short-term on the plans for transformation for both 2020/21 and 2021/22. It is the principle of one-off reserve which supports short-term to medium term financial resilience so the Council can continue service provision and the response required from the COVID-19 pandemic and allow further time for the transformational activity to be embedded.

The overall financial strategy following the COVID-19 pandemic enabled Council Tax rises to be set at a level, which balanced the needs of the Council in relation to on-going financial resilience with affordability to residents. It has also enabled the Council to manage successfully, continued pressures of demand around Adults and Children's Social Care within its overall 2021/22 budget.

The 2022/23 budget was set before the inflationary pressures which the country is facing were fully apparent (in part exacerbated by the conflict in Ukraine). The specific challenge to the Council of price rises for goods and services, energy and potentially pay awards have been addressed in the budget, however there will be a need to monitor the position closely to ensure that the budgetary provision is sufficient. The Council has set aside specific reserves at the end of 2021/22 to address any inflationary pressures that arise. The impact of the cost of living pressures on Oldham citizens and hence potential increased demand for support from the Council will also be closely monitored.

Appropriate consultation was considered in the production and design of the detailed Authority Strategies which aim to deliver appropriate co-operative solutions to benefit both present and future generations. The Get Oldham Working Initiative embedded in the Council has helped to create year on year work-related opportunities for our citizens. This led to the development of the Oldham Work and Skills Strategy which has 4 strategic goals to support the Council's co-operative vision. Already it is clear that this type of support will have to continue to adapt due to a significant number of Oldham residents losing their jobs as a result of the pandemic.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

The Corporate Plan, supported by individual Service Business Plans, the work of the GMCA and the Oldham Locality Plan set out the immediate and long-term vision of the Council. The 2021/22 budget delivered within the agreed resource allocation, supported this vision.

The 2021/22 budget was set during the pandemic during the period that the vaccination programme was being rolled out. The resources available to the Council reflected the changing operating environment linked into various phases of the pandemic and the uncertainty as to how long the pandemic would last. Nonetheless, the business as usual objectives remained, and resources were deployed to continue to improve performance and reflect the agreed vision of a Co-operative Council in a Co-operative Borough. These principles and aspirations of the Council have not changed but the implementation of the vision will require review as the full impact (the legacy of COVID-19) to both service provision and on financial resilience of emerges.

Risk management is integral to the governance arrangements in the Authority and the key risks are considered by the Audit Committee. During 2021/22 risks were considered firstly by EMT and then in the latter part of the year, by the Management Board. During the financial year 2019/20 an opportunity was taken to update and refresh the Risk Management Framework. This revised approach was becoming embedded in the Council pre pandemic and was incorporated into the production of Service Plans for 2021/22 with the Corporate Risk Register reported to the Audit Committee at its September meeting. There was a refresh of the Risk Management Framework on 29 July 2021 which updated the approach to support the production of service business plans.

Regular updates on Corporate Governance are reported to the Audit Committee. In advance of each meeting of the Audit Committee there is the opportunity for the External Auditor to hold an informal meeting with the Head of Paid Service and the Statutory Finance Officer to determine if any matters need highlighting to the Audit Committee. The risks are managed by the risk holders that are predominantly members the Management Board.

The Authority's risk management framework consists of:

- a risk management policy statement;
- an Authority Risk Register and specific Risk Registers on key initiatives;
- ensuring that risk management is integral to the planning process and linked to key Authority and Contract objectives within business plans;
- regular updates of the Annual Governance Statement produced for the Audit Committee;
- allocated responsibilities;
- systems for mitigating and controlling risks; and
- systems for monitoring and reviewing risks and controls assurance

Controls Assurance is an important part of the process to assure the Authority that the identified risks are being properly managed. This is carried out during the financial year by:

- the Audit Committee;
- the Standards Committee;
- Chief Executive;
- Deputy Chief Executive, Assistant Chief Executive, the Executive Director, Managing Directors and Directors;
- Directors of Finance and Legal Services;

- Statutory Officers for Children’s Services, Education, Adults Social Services and Public Health Services;
- Internal/External Audit; and
- Appropriate Scrutiny arrangements which hold the Cabinet to account.

In 2021/22 the reports produced by the Authority to support key decisions included appropriate risk comments.

The Constitution defines and documents the roles and responsibilities of Officers and Members with clear delegation arrangements, protocols for decision making and Codes of Conduct for Members and staff. It is supported by an extended Members’ training package which has received positive feedback from Members.

Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position as a Co-operative Borough and are vital in making service changes to turn its ‘Co-operative’ vision into a reality, with its citizens more able to self-serve.

All changes to Service are supported by an Equality Impact Assessment. This results in alternative access arrangements being made where necessary, with information provided in multiple formats including on the website. This reflects the diverse nature of the wards that make-up the Authority. This is demonstrated in the Council budget meeting with high risk budget proposals being supported by an Equality Impact Assessment. It is also demonstrated in standard reports produced to support key decisions.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome

The management structure continued to be realigned during 2021/22 to take account of both the Co-operative Vision, continual challenging financial targets of the Authority, the continuing integration of health and social care services, the appointment of a new Chief Executive and realignment of the Council’s relationship to the Oldham CCG Accountable Officer the requirement to respond to the specific service challenges as both organisations emerged from the pandemic. This meant a shift in certain areas of management responsibility during the year.

The decision making process has now reverted back to those in place prior to the pandemic which were based on rigorous and transparent scrutiny and an excellent relationship between Officers and Members based on mutual trust. That trust is maintained by openness and appropriate arrangements which ensure the involvement of all relevant parties at the right level of responsibility ensuring all strategic decisions are led by Members.

The implementation of the agreed policies at officer level during the first part of 2021/22 was overseen by EMT supported by the Senior Management Team and the Joint Leadership Team (which had senior Council and NHS officer membership). Arising from the change to the officer leadership from August 2021, this was overseen by the Management Board.

In order to achieve the long-term financial targets, the Authority at its 2 March 2022 meeting set a budget for the financial year 2022/23 supported by an appropriate assessment of risk by the Director of Finance. All the expected risks post the pandemic as at 2 March 2022 were considered in the budget report. The future savings required by the Council with the planned

achievement from future transformational activity were also presented. At this meeting the assessment of risk reflected the situation before the full impact of the current conflict in Ukraine became apparent and as such the consequent impact on energy, fuel and food inflation as well as construction costs. Since the Council budget meeting, inflation has continued to increase. The financial position will be closely monitored, and any on-going impact will be included within the review of the MTFs forecast.

Financial resilience was supported by an agreed Reserves Policy which is subject to regular review underpinning the long-term financial resilience of the Council and supporting the vision of a Co-operative Council in a Co-operative Borough.

At the expiry of the 2016/27 to 2019/20 Government approved efficiency plan which provided some certainty about Government funding intentions, the financial years 2020/21 and 2021/22 were both single year financial settlements. The Spending Review of October 2021 provided indicative high level funding allocations for three financial years 2022/23 to 2024/25, the Local Government Finance Settlement when issued, provided funding certainty for only one year. Without the detail for years two and three and with the potential for some significant changes to the Local Government Finance system and funding allocations, as well as the agreed reform of Adult Social Care, the preparation of the MTFs was challenging. The financial projections that have been prepared and agreed by Members may require considerable revision when the Government provides the detailed information. However, given external factors such as the Ukraine conflict, the focus on the cost of living increases, changes in National Government and discussions with the EU about the Northern Ireland protocol, it is becoming increasingly unlikely that the Government will make Parliamentary time available for Local Government funding reform.

The reserves and balances available to the Council supporting its immediate financial resilience are therefore important in the context of managing a period of potential significant financial turbulence.

Building on the Income Strategy, Corporate Property Investment Strategy and Corporate Property Strategy which were approved prior to 31 March 2019, the Income Strategy and the Commercial Property Investment Strategy were refreshed on 16 December 2019. These are key to ensure that the Council makes the most efficient and effective use of resources and its property assets and can also deliver approved budget reductions. The Council complies with the recent reforms introduced to Treasury Management and Capital Expenditure practices and minimise the loss to Council Taxpayers from investments designed to deliver a purely commercial return.

A Transformation Programme was already in progress pre pandemic under the joint working arrangements with the CCG, which sought to generate more effective service delivery and future efficiencies. The future work programme has been influenced by the impact of the pandemic during both 2020/21 and 2021/22 and will be influenced by the forthcoming national changes to the delivery of NHS functions and the planned reforms to Adult Social Care.

All meetings of the Cabinet and key Committees are publicised and are open to public scrutiny. During 2021/22, there was a reversion to in-person meetings rather than the virtual arrangements which were in place for a large proportion of 2020/21 when meetings were held virtually. All decisions are formally recorded. In addition, decisions taken under delegated powers are also recorded electronically and are reported via the Council's Electronic Decision Recording System. Several urgent decisions for the financial year 2021/22 were required under emergency procedures due to the nature of the pandemic.

The Audit Committee is an essential part of good governance. It reviewed the control environment for all the Council during 2021/22 and considered the progress made on issues

highlighted in the Annual Governance Statement, including specific reports on certain issues such as the improvements to the internal control of the payroll system.

Internal and External Audit both have direct access to and support the Committee including the ability of the External Auditor to have direct contact, without Officers of the Authority being present. To support the Committee, specific training was provided in the financial year 2021/22 and as the Committee membership changed at the start of the municipal year, it was therefore important to ensure that new Members were appropriately skilled to carry out their functions. All meetings in 2021/22 were held in person.

The detailed matters reviewed by the Audit Committee during 2021/22 were:

- Treasury Management matters including Council borrowing including investment and loans;
- earmarked Reserves;
- future Internal and External Audit Work;
- the findings of both External and Internal Audit on control matters, including payroll;
- key developments impacting on financial resilience of other local authorities due to poor governance such as partnership governance;
- the 2020/21 Statement and Accounts and associated external audit findings;
- issues linked into data protection and cyber security;
- The Local Code of Corporate Governance; and
- the Internal Audit Charter
- the Council's compliance with the Financial Management Code.

The Council, in order to discharge its statutory functions in relation to overseeing all health matters in the Borough, operates a dedicated Scrutiny Committee which met throughout the year. Partnership working in the Borough with the Council, Health Services and key partners is supported by the Health and Wellbeing Board which met on a number of occasions during 2021/22. This Committee has an objective to improve the public health in the area and to oversee integration of health and local authority service provision under the Locality Plan which is produced under the Greater Manchester devolution remit. To improve Scrutiny a specific Committee to review health matters was created during 2019/20. Its role on Health Scrutiny was unchanged after the wider Scrutiny review was implemented in 2021/22.

The Standards Committee reviews Members' conduct following the receipt of any complaints about official conduct on Council business by commissioning independent investigations. Where appropriate matters are reported and considered by full Council. The Standards Committee operated as expected throughout 2021/22 with a number of complaints received and outcomes determined where appropriate.

All Directors prepare Divisional Plans that contain key actions and performance targets necessary to deliver the co-operative objectives of the Council. These targets are reported through the Council's performance framework.

Independent service reviews are carried out under the performance management frameworks which results in formal quarterly reports to both the Cabinet and the Performance and Overview Scrutiny Committee. Where performance is perceived to be below corporate standards, specific reports are presented to the Scrutiny Committee or, in the case of educational attainment at schools, a special session is arranged to discuss issues including conversion to an Academy status. In addition, in 2021/22 the Performance Overview and Scrutiny Committee reviewed the impact of budget monitoring reports quarterly given the

pressure on both income, expenditure and the impact of receipt of government financial support which was notified at different points in the financial year.

Educational attainment in the Borough is acknowledged as a particular priority and the Oldham Opportunity Area has been set up with a vision to create a “Self-improving education system where schools, colleges and all interested parties work together in a new collaborative partnership”. The aim is to improve results in this area for the longer term, so children and young people will be School Ready, Work Ready and Life Ready.

Additional resources were agreed within the 2021/22 budget as funded growth to implement associated improvements identified by the detailed 2020/21 OFSTED and Care Quality Commission Inspection of Special Education Needs and Disabilities service provision. The Council was then subjected to further targeted OFSTED inspection during 2021/22 on its child protection arrangements. This found the service had improved from the previous inspection despite the extra pressure the increased demand generated for working practices. In addition, the Adult Education Service was subjected to a detailed OFSTED Inspection. These findings are influencing current and future service delivery.

Scrutiny of budget matters including those of the administration and the two main opposition parties were, for the first time as per the reforms to the Scrutiny process, during 2021/22, carried out by the Policy Overview and Scrutiny Committee. This ensures openness and transparency in the way in which Officers/Members engage and had ownership in the budget challenge process. The previous version of the MTFs approved for 2021/22 to 2023/24 reflected the estimated resources available to the Authority in the context of the projected level of Government grants supported by locally generated income (primarily Council Tax and Business Rates). The ability to collect these local funding streams was impacted by the pandemic (and the introduction of Business Rate Reliefs), thus making future budget setting, including the production of updated MTFs, more challenging.

An initiative which has helped support the Councils long-term financial sustainability, is the Greater Manchester Business Rates Retention pilot scheme. In preparation for the reform of Business Rates and in support of the Greater Manchester devolution agenda, the Government piloted 100% Business Rates Retention in Greater Manchester (GM) which has enabled the ten Greater Manchester Authorities to test and shape the potential new financing regime whilst at the same time benefitting from funding gains offered to pilot Authorities. The introduction of a new national Business Rates regime has been expected for several financial years and has been continually deferred. It is now becoming clearer that the fundamental reform of Business Rates will not be implemented in the immediate future. The only change will be Business Rates revaluation which will be introduced in 2023/24.

The Contract Procedure Rules (CPR) within the Constitution alongside the Co-operative Values and Behaviours set out in the Corporate Plan, clearly establish the Authority's requirements on social value. These have been subject to revision in 2021/22 with Council agreeing the revisions on 19 May 2021. A further update of CPR's was agreed at full Council on 13 July 2022.

Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it.

To support the achievement of its strategic priorities, the Authority reviews the organisational framework annually to ensure it has the right people with the right skills. The Authority has an agreed Workforce Strategy, working in partnership with NHS partners. Recognising that staff are its greatest asset the Council refreshed this Strategy in 2020. This is supported within a

performance framework covering all officers including an appraisal system recently refreshed to the “Let’s Talk” programme with targeted, relevant training.

The Human Resources Policy and Procedures applicable to the appointments process is transparent, and available to staff via the Council’s intranet site.

There are targeted programmes often utilising E-Learning with the Organisational Development team supporting these policies ensuring appropriate consideration is given to the future capacity of the organisation. These training courses are aligned to the co-operative ambition and underpinned by the Council’s co-operative values and behaviours. There are regular team meetings, and one to ones (1:1s).

The Authority implements the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage Foundation National Living Wage (LWFNLW) for its entire staff and is seeking to also achieve that through its contractual arrangements (the 2022/23 budget confirmed the commitment to provide resources to enable Adult Social Care providers to pay the LWFNLW from 1 October 2022 implemented by 31 October 2022 using an increase in the Adult Social Care Precept).

A full training programme for both established and recently elected Members (the Local Leaders’ Programme) continued to be delivered in 2021/22 to support the vision of a Co-operative Council. The content of the programme changes annually but the emphasis remains on all Members demonstrating community leadership. The planned programme is supported by ad hoc training for Members who have specific Committee responsibilities. Individual Members produce information published on the website which outlines their role in the Authority and achievements.

To ensure an independent review of its systems, the Council operates an Internal Audit Service which complies with best practice as set out by Public Sector Internal Audit Standards. The findings of Internal Audit are reported to the Audit Committee which includes an annual opinion on the internal control environment. The overall opinion, based on the work undertaken for 2021/22 is adequate, indicating the continuation of a well-managed Council.

Delegated decisions are recorded and are publicly available on the internet. Certain key partners who provide essential Council Services are subject to independent oversight by the Performance Overview and Scrutiny Committee.

To support decision making the Authority works with its Partners to maintain accurate and timely data to ensure decisions are based on a comprehensive understanding of financial costs and performance. Monthly data reported through the agreed partnership monitoring process is used to assess performance against the Co-operative objectives.

The Constitution is reviewed on an annual basis and key updates were undertaken in 2021/22.

Arrangements and processes are in place to safeguard Members and employees against conflicts of interest. An annual reminder to complete declarations of interest is sent to all Members and followed up as needed. A gift/hospitality register, and complaints procedures are also in place and are actively used. Appropriate matters identified are investigated with regard to due Council Process.

Principle F – Managing risks and performance through robust internal control and strong public management

The Council's Risk Management Framework which was refreshed during 2019/20 and updated in 2021 has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.

Each year in the electoral cycle, new Members of the Council are inducted prior to the Authority's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision-making structure and the financial value of the transactions controlled by the Authority. There were elections in 2021/22 which resulted in the new members requiring specific training.

All Statutory Officers are appropriately skilled and experienced, undertake training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.

The Cabinet meets on a monthly basis at set times to consider key matters including those on performance and risk. Items for decision are published in the Key Decision Document to enable the public to be aware of future decisions. All reports include reference to the corporate objectives of the Council. In the event of an urgent item requiring a decision not published in the Key Decision Document, the agreement of the Chair of the Policy Overview and Scrutiny Committee must be obtained to exempt the decision from agreed scrutiny protocols.

In addition to the quarterly performance reports, Cabinet receives financial monitoring reports. During 2020/21, the frequency of reporting was increased reflecting the unprecedented operating arrangements and uncertain financial position. During 2021/22 reporting reverted back to more traditional timelines with reports presented to Cabinet and for scrutiny presenting the financial position at the end of months 3, 6, 8 and 9. The reports present the estimated outturn against the approved budget. The 2021/22 month 9 budget monitoring report highlighted that the Council outturn was expected to reflect an underspend of £2.672m compared to the agreed budget. The final outturn marginally increased the surplus compared to the projection although the outturn on Adult Social Care was lower than projected due to the increased financial support from Oldham CCG and the use of Government specific grants to support the additional costs of COVID-19.

During 2021/22, management of the use of reserves was in accordance with the agreed Reserves Policy and careful financial stewardship has ensured that in year an overall underspend against the budget was achieved which will be used to increase balances and support the short to medium-term financial resilience of the Council. Overall, there has been a decrease in earmarked reserves (largely the result of the impact of a technical adjustment arising from the payment of grant to support Business Rate Reliefs and the use of COVID-19 grants carried forward into 2021/22). The level of reserves remains appropriate to support the present budget strategy as set out at the meeting on 2 March 2022.

The annual budget is supported by the Director of Finance commenting upon its deliverability and the availability of an appropriate reserves policy. The final accounts, of which this Statement is an integral part, outline the outturn of the Authority and are prepared in accordance with professional standards and have been subject to external audit review.

In order to demonstrate robust internal control, the Authority has:

- a Risk Management Framework linked into the Authority Structure;

- an appropriate suite of Anti-Fraud and Corruption Policies;
- a balanced budget supported by appropriate reserves to underpin financial resilience; and
- Audit and Standards Committees, which are supported by independent Members.

The Council undertook a survey of all its staff in 2021/22 to assess their views on a range of issues including management, staff engagement and wellbeing. The findings have been made available to all staff and actions are in train to address areas of concern.

The findings were considered in the context of the refresh of the Corporate Plan and incorporated into the production of service plans and priorities from 2022/23 onwards.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Authority is proactive in engaging with citizens and other key stakeholders, and the pandemic, which dominated the Council's working practices from mid-February 2020 onwards albeit that this has tapered down from 19 July 2021, drove ever closer working relationships with the NHS and accelerated integrated working.

The Authority in 2021/22 has demonstrated it was proactive in engaging and communicating with key stakeholders to boost and support the public. This has included working in partnership with the Towns Board to facilitate the delivery of the four projects agreed in the successful Towns Fund bid approved by the Department of Levelling Up, Housing and Communities.

The Council has a key role in taking forward the Greater Manchester Agenda including devolution initiatives by:

- taking part in the monthly meetings of the Combined Authority with the Leader representing the Council;
- agreeing to both innovation and risk by piloting new initiatives at a regional level such as 100% business rates retention;
- locality working with the NHS at both a Greater Manchester wide level and Oldham area; and
- supporting new initiatives such as increased devolution of Adult Education.

As part of the Transparency Agenda the Authority publishes Senior Officer Salaries over £50,000 and payments for works, goods and services over £500 on its website. As part of this process, improvements have been made to internal control procedures on procurement, which ensure Commissioning and Procurement is fair, transparent, ethical and based on the needs of the community and an understanding of the marketplace. The Authority is attentive to the need to meet wider social and economic objectives whilst achieving value for money (VfM). Consistent decisions are sustained through an e-procurement system (the Chest), supported by internal Policies and Procedures.

The Authority, as part of the 2011 Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement at the Budget Council meeting prior to the start of 2021/22 to further support the Authority's preference for openness and transparency.

Apart from regular liaison with key Government bodies the Authority is also fully engaged with the Local Government Association (LGA), Greater Manchester Association of Municipal Treasurers and specialist region wide initiatives such as the Association of Greater Manchester Authorities (AGMA) Low Carbon Hub.

Internally there are well established and clear routes on how staff and their representatives are consulted and involved in decision making. These includes programmed staff surveys, regular staff briefings, internal briefings, and team meetings and staff appraisals.

During 2018/19 there was a handover of External Audit responsibilities from Grant Thornton (UK) LLP to Mazars LLP. Mazars LLP has been the Council's External Auditor since 2018/19 and will undertake the 2021/22 audit. The audit of the Housing Benefit subsidy claims, and Teachers Pension Service Return are being undertaken via arrangements agreed as a collaborative procurement across all Greater Manchester Councils and is being undertaken by KPMG LLP.

All external audit work is conducted with regard to the Code of Practice produced by the National Audit Office. Going forward certain changes are expected to external oversight as the recommendations from the Redmond Review are considered and implemented. For 2021/22 following a consultation the deadline for the completion of the audit of the accounts was extended to 30 November 2022 from 30 September 2022.

Partnership Arrangements

The Authority currently delivers a wide range of services, which often involve working in partnership with others, many of which involve considerable levels of funding. In the financial year 2021/22 the Council considered its future options for the wholly owned Unity Partnership Ltd. and formally agreed (Cabinet of 24 January 2022) to transfer the services and staff back in-house from 1 April 2022.

The Council has another wholly owned Company MioCare Community Interest Company (CIC) to assist it to provide key Adult Social Care Services. This Company has operated for a number of years since becoming operational on 1 December 2013.

In the financial year 2021/22 the Council acquired the remaining equity stake in the Meridian Group (previously a joint venture with private investors) and voting shares in the company (Interurban).

In the financial year 2021/22 the Council facilitated the acquisition of a site at Bloom Street in central Oldham for the construction of a new Secondary School (the Brian Clarke Academy) from its partnership arrangement with Brookhouse Group. The site was subsequently transferred to the Department of Education to enable the construction on site to take place.

The Council's vision to set up an urban farm has been reflected by a successful bid for funding from the Towns Fund. In order to enable this development to progress it has set up a wholly owned Charitable Company Northern Roots (Oldham Ltd) which will oversee the development of the Eco Park as set out in the present Masterplan.

The Authority has continued its plans to integrate with NHS services to improve the efficiency of public services. The continued partnership working of adult social care services and Oldham CCG in 2021/22 highlights the extent of the joint working taking place.

In response to governance failures reported elsewhere in the public domain the Audit Committee commissioned a review of risks associated with the governance of wider partnerships linked into the Council. This review reported on the risk from the Council's involvement in partnerships, initially as of 31 March 2021 and then in two further reports. The conclusion was that risk is currently being well managed.

It is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that, “Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities”. This has been undertaken via the continued development of the partnership dashboard with two reports submitted to the Audit Committee and one to the Performance Overview and Scrutiny Committee highlighting the risks. This has been incorporated into the production of this Statement of Accounts and issues for consideration in the Annual Governance Statement.

Risks on Current Significant Projects

The Authority has completed some significant projects, over the last 3 years, which were included in the capital programme. An on-going strategy, “Creating a Better Place”, is a complex initiative which will involve working in partnership with others. Some elements of partnership working require considerable levels of one-off and recurrent funding from the Council. The Reserves Policy which was subject to review by the Audit Committee supports the resilience of the Council to deliver its aspirations as set out in the capital programme.

Given the complexity of some projects and changes in the construction market including increases in the level of inflation there remains an on-going risk to manage in relation to the oversight of the long-term financial commitments arising from these projects. The Director of Finance has considered the latest position on this financial risk in both the Statement of Accounts and Reserves Policy. Individual reports to support investment in projects have been prepared for consideration by Cabinet in 2021/22 with appropriate comments by key officers to enable appropriate review of the issues included risks before a decision is made. This analysis of risk reflects the expenditure incurred on Town Centre Developments and new schools in the financial year 2021/22.

The issues on both partnership risk and current project risk have been incorporated into this Annual Governance Statement where necessary.

Review of Effectiveness

The Authority annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment; The Annual Report of the Head of Internal Audit and comments made by the External Auditors and other review agencies and inspectorates.

The Authority’s strategy and objectives are established and embedded through an annual refined Business Planning process, which also sets out the framework for the work programme focusing predominantly on achieving efficiencies, managing risk and the transformation of services where the most significant savings may be made. This is developed in tandem with the Annual Budget Cycle, and the MTFS, underpinned by the Reserves Policy to evidence and support financial resilience.

An internal audit programme is undertaken, which in 2021/22 has focused on key items in the Audit Plan such as financial systems, systems assurance, grant audit and providing data for the National Fraud Initiative. This is reported to the Audit Committee in relation to the Governance, Treasury Management, Fundamental Financial Systems, and operational controls. There were no specific matters brought to the attention of Internal Audit that required investigation in accordance with the Policies of the Council.

In the financial year 2021/22 it has been possible to concentrate on a full year of internal audit work and therefore in the Annual Report of the Head of Audit provides greater assurance than in 2020/21 when only limited assurance could be provided due to non-audit work been undertaken on the administration of COVID-19 business grants.

An external audit of the accounts for the year ending 31 March 2021 was undertaken by Mazars LLP and was reported to the Audit Committee on several occasions. At the time of the production of this Statement there remains the issue of the audit of the 2020/21 Whole of Government Accounts which still remains outstanding from an external audit perspective. This is a technical issue not under the control of the Council. Despite the challenges in finalising sign off of the 2020/21 accounts, the Auditor commented positively about the standard of the accounts and high quality working papers.

The 2021/22 draft accounts were submitted for audit within the Council’s deadline of 31 May 2022 and were presented to the Audit Committee for consideration at its meeting on 21 June 2021.

Significant Governance Issues

The Annual Governance Statement identifies the following governance issues and major risks for the Authority. These are:

2021/22 Issues	Planned Management Action to Reduce Risk
<p>The internal control environment on Adult Social Care systems did not sustain the improvements in the financial year 2021/22 for the fourth successive year compared to 2017/18. Issues identified in the 2021/22 internal audits need to be implemented as a priority to improve internal control.</p>	<p>Added impetus will be given to strengthen the financial processes linked into the Mosaic system as the services pressures related to the COVID-19 pandemic are beginning to reduce. This will involve regular meetings of key staff responsible for the implementation of improvements identified. This will include a six-monthly report to the Director of Finance on the progress made on emerging issues and any improvements identified throughout the year.</p>
<p>There are future changes to the Council’s financial resilience due to uncertainty and matters outside of the Council’s control such as the residual impact of Brexit, the longer term costs of the COVID-19 pandemic, the future level of government support for areas of high deprivation identified in the Levelling Up Agenda, planned reforms to Adult Social Care and the cost of living pressures which impact on the Council’s plans for change. An added pressure is that the Council’s previous plans to deliver savings by transformation may continue to be constrained by the events outside its direct control.</p>	<p>During 2022/23, despite continuing to deal with the ongoing day to day pressures and statutory change, there are plans to improve efficiency around:</p> <ul style="list-style-type: none"> • Delivering further transformation across all areas of the Authority via the plans to deliver budget savings. • Continued integration and co-operation with the NHS. • Collection of revenues due to the Council. • Managing capital resources and expenditure and taking forward the regeneration programme within the Creating a Better Place initiative. • Realising the value of entities in which the Council has a financial interest.

2021/22 Issues	Planned Management Action to Reduce Risk
	<p>This will be supported by:</p> <ul style="list-style-type: none"> • The Policy Team reviewing on-going updates of national and local policy. • An agreed Reserves Policy subject to regular review. • Joint working with key partners such as the NHS to better align resources. • Regular financial and performance monitoring which will highlight the achievement of budget reductions and efficiencies delivered by transformation. <p>The Director of Finance considered the risks as part of the closure of accounts and during the financial monitoring arrangements for 2022/23.</p>
<p>The Council has a number of key regeneration projects planned for the future as detailed in the Creating A Better Place Programme. Should one of these high-profile projects not be delivered as planned it is likely to result in reputational damage and/or an increase the financial pressure. This is more challenging in 2022/23 due to the impact of inflationary pressure on the construction market as the cost of construction contracts are increasing. In addition, the market conditions are in some instances, making it difficult to obtain insurance.</p>	<p>The Capital Investment Programme Board receives bi-monthly reports on the high value projects once construction is underway.</p> <p>From month 3 there is detailed monitoring of the capital programme and specific schemes which will provide early warnings of pressures.</p> <p>The Council's Reserves Policy is reviewed on a regular basis by the Director of Finance to reflect the agreed risks linked into the capital strategy.</p> <p>An annual review of major Regeneration Projects included within the agreed Capital Programme will be undertaken by the Council during 2022/23 to assess the affordability of the capital programme in light of the inflationary increases and continued uncertainty over long-term funding.</p> <p>The Director of Finance considered the risks as part of the closure of accounts and during the future financial monitoring arrangements for 2022/23.</p>
<p>The audit opinion of the internal control environment for the operation of payroll including pension's administration continued to improve as of 31 March 2022 with the opinion upgraded to "adequate" at the year-end. The system requires these improvements to be maintained in the financial year 2022/23 as previous practice indicates that improvements in the</p>	<p>The administration of the payroll system will be subject to regular review by the Internal Audit Service.</p> <p>A report will be prepared for the Audit Committee at its meeting in January 2023 outlining the progress made in improving internal control informed by the half year Internal Audit Fundamental Financial System review of the system. The full year review completed at the end of 2022/23 will inform the completion of the 2023/24 AGS.</p>

2021/22 Issues	Planned Management Action to Reduce Risk
internal control system have not been maintained.	
<p>The continued compliance with the National Transparency Agenda has increased the risk to the Council of a future fraud and this has been enhanced by the COVID-19 pandemic. Information included in the public domain and obtained under Freedom of Information requests is used to exploit the Council.</p>	<p>There are regular reviews of the internal control mechanism including documenting changes to procedures operated due to home working to ensuring adequate controls are in place to prevent third parties receiving inappropriate payments.</p> <p>Ongoing review of the published information which is a legislative requirement under the Transparency Agenda is undertaken to balance whether the wider public interest test is served by publication of the data.</p>
<p>The future reforms to Health Integration do not result in the efficiencies anticipated due to increased demand caused by a number of factors including the residual impact of the pandemic.</p>	<p>The Council can with its current Decision Making Processes increase its flexibility to increase/decrease the contribution to the pooled budget managed under a Section 75 Agreement with Oldham CCG (using the powers of the NHS Act 2006). This is on the assumption this flexibility will enable the whole health and care system to implement future efficiencies to generate overall savings/ improved service. This flexibility will be kept under continued review to maximise future opportunities for efficiency in Adult Social Care.</p> <p>The Director of Finance considered the emerging risks arising from the transformation as part of the closure of accounts for 2021/22. The ongoing review of the Council's reserves/ financial resilience and ongoing budget monitoring for 2022/23.</p>
<p>The present contractual arrangements with a number of key suppliers needs to be reviewed and better documented. This would enable any amendments required in a future emergency can be minimised.</p>	<p>A group of key officers led by the Director of Finance meets as and when required throughout 2022/23 to review the present contract documentation in place for contracted suppliers. This will ensure that appropriate revisions are made to ensure future improvements are made.</p> <p>Should the Director of Finance require it, a report will be prepared by a Service Area to be presented to the Audit Committee outlining plans to contract and commission future services.</p>
<p>There are outstanding legal matters linked into ongoing action against other Local Authorities which have the potential to impact on past</p>	<p>Key cases will be subject to regular review by Statutory Officers within the Council to assess the risk of an adverse financial impact.</p>

2021/22 Issues	Planned Management Action to Reduce Risk
<p>custom and practice within the Authority which could have a significant future financial impact.</p>	<p>Regular reports which monitor the risk to the Council of issues highlighted in the Annual Governance Statement will be presented to the Audit Committee. The reports will advise of developments and any action taken or required.</p>
<p>In order to comply with the deadline on submitting the accounts by 31 May 2022 it will be necessary to submit the valuation of infrastructure assets using the method used to close the 2020/21 accounts. There is an ongoing consultation about the methodology for future valuation of such assets which has the potential to require the 2021/22 accounts to be restated.</p>	<p>The outcome of the consultation will be evaluated once the outcome is known and if required the accounts will be restated using the new methodology. The timescale for undertaking this action is less than clear as new valuations will need to be commissioned by the Council. As this is a national issue, it impacts on all Local Authorities.</p>

Summary

The Authority has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Authority's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.

Councillor Amanda Chadderton
Leader of Oldham Council

Harry Catherall
Chief Executive Oldham Council

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Report to Audit Committee

2022/23 Internal Audit and Counter Fraud Progress Report

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: John Miller – Head of Audit & Counter Fraud

Report Author: John Miller – Head of Audit & Counter Fraud

1 November 2022

Reason for Decision

To provide Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for the 2022/23 financial year.

Executive Summary

The report summarises the work carried out by the team from 1 April 2022 to 30 September 2022.

In the first 6 months of the year the team prioritised finalising work on the Fundamental Financial Systems (FFS) reviews to support the 2021/22 audit of the financial accounts, and draft final reports have been issued.

In addition, other Audit and Counter Fraud Team activity includes:

- Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information in respect of grants paid.
- Continued support in providing assurance in respect of other Central Government Grant regimes.
- Compilation of the Annual Audit Report and Opinion and other reports for this Committee.
- Completion of audit reviews in connection with MioCare FFS and Glodwick Infant and Nursery School.

- Ongoing work in connection with the Alexandra Park Eco project, North Chadderton School Project, and a review of the Council's Let Estate function.
- Commencement of audit reviews in connection with The Oldham Library project, Land Sales, Housing Strategy, the Council's Let Estate.
- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver outcomes which have generated £1,706,100 and £61,356 (respectively) during the 2022/23 financial year to 30th September.

Recommendation

Members are requested to note the 2022/23 Audit and Counter Fraud Progress Report.

2022/23 Internal Audit and Counter Fraud Progress Report**1. Background**

- 1.1 This report summarises the work of the Audit and Counter Fraud Team between 1 April and 30 September 2022.
- 1.2 The main content of the report is structured as follows:
- Section 2: 2022/23 Audit and Counter Fraud Plan: Progress Update.
 - Section 3: Corporate Counter Fraud.
 - Section 4: Audit of Direct Payments.

2. 2022/23 Audit and Counter Fraud Plan: Progress Update

- 2.1 Priorities for the 2022/23 Audit and Counter Fraud Plan are:
- Fundamental Financial Systems (FFS) reviews to provide assurance in support of the Authority's annual financial statements.
 - Audits which are classed as "high priority" in the Annual Audit Needs Assessment.
 - Counter Fraud work to identify fraud risks within the corporate systems.
 - Specific fraud investigations on Council Tax Reduction and Corporate Fraud.
 - Delivery of the financial audits of Direct Payments in line with service plans and targets.
 - Support and provide assurance in connection with postal votes for local, regional, and parliamentary elections.

Progress against these priorities is summarised below:

Completion of 2021/22 Fundamental Financial Systems (FFS) reports

- 2.2 Work commenced on these reviews in October 2021. Interim FFS reports were issued by the 31 March 2022 and final reports during Quarters 1 and 2 of 2022/23. Members have received reports on the findings and opinions of the 2021/22 FFS reports throughout 2021/22, and as part of the Audit and Counter Fraud Team's reporting for the year as a whole. There are no further significant updates to report upon at this time in respect of our FFS work for 2021/22. Further details can be found at Appendix 1.

2022/23 Fundamental Financial Systems (FFS) reports

- 2.3 Work in connection with the current year FFS reviews has commenced, and the outcomes of these reviews will be reported later in the financial year.

Non-FFS related work

- 2.4 In addition to the 2021/22 FFS related reports the team has also issued School Audit Reports to St Joseph's Primary School and Glodwick Infant & Nursery School, the MioCare annual FFS report, and a briefing note and report on Postal Voting during the last election.

Grant Assurance Reviews

- 2.5 Further ongoing work was also undertaken in connection with grant funding schemes in response to the COVID-19 pandemic, primarily responding to Central Government requests for supporting information and/or assurance statements to ensure grant funding has been utilised as intended.

2.6 Requests for this type of work have been both frequent and received at relatively short notice. The team has completed eleven pieces of work since April, with an expectation that further requests for this type of assurance work may be received. Each piece of assurance work requires verification of significant expenditure and, as such, each represents a small, targeted audit in itself.

Other work undertaken

2.7 In addition to our annual FFS work on Adult Social Services in connection with Direct Payments and Residential Care, we continue to contribute to Adult Social Care Service working groups to address the concerns raised in the FFS audit reports in these areas.

2.8 Other work currently underway includes a review of the Alexandra Park Eco project, North Chadderton School Project, and a review of the Council's Let Estate function. The findings from these reviews will be reported in due course.

2.9 Preparatory work is also underway in respect of a number of other reviews due to progress to fieldwork stages. These include reviews in connection with the Oldham Library Project, Home to School Transport, Land Sales, the Council's Housing Strategy, and specialist IT audit reviews of both Change Management and Asset Management processes and controls to be undertaken by Salford Computer Audit Services (SCAS), which is part of Salford Council.

2.10 The team has also supported both the Director of Finance and other colleagues within the Finance Service, and in other service areas, with ad hoc requests for support and assistance throughout the period.

3. Corporate Counter Fraud

3.1 The Corporate Counter Fraud Team continues to perform well. Appendix 2 sets out the key outcomes from the work conducted.

3.2 Highlights include the identification of:

- 20 positive cases of Council Tax Reduction (CTR) fraud and error
- £29k of Council Tax Reduction (CTR) fraud and error savings.
- £54k of Housing Benefit fraud and error overpayments identified as part of CTR investigations.
- 68 positive cases of non-CTR fraud/misuse including Business Support Grants, Council Tax Discount Fraud (SPD), Blue Badge Misuse and Direct Payment Misuse.
- £124k of non-CTR misuse and overpayments as outlined in Appendix 2.

3.3 In line with the priorities agreed by the Audit Committee, the Counter Fraud Team will continue to:

- collaborate with the Internal Audit Team, and;
- ensure the delivery of the Internal Audit and Counter Fraud Plan 2022/23.

4. Audit of Direct Payments

4.1 The Direct Payments Audit team has a dual role, as a compensating control, of:

- ensuring client spending is in line with their agreed Support Plan. and;
- identifying overpayments made / or client contributions outstanding for recovery.

4.2 Appendix 3 shows the monthly Direct Payments Audit volumes and financial outcomes arising from Adults Services and Children's Services, which are £1,706,100 and £61,356 (respectively). Following the Direct Payment Audits, in approximately 70% of cases, an invoice

is raised to recover an under spend, expenditure not in line with the support plan, or misuse of the Direct Payments.

4.3 In summary, the team carried out 731 Adults and Children's Direct Payment Audits.

5 **Options/Alternatives**

5.1 The Audit Committee can either:

- a) choose to accept and note the progress achieved and performance by the Audit and Counter Fraud Team; or
- b) decline to accept and note the progress achieved and performance by the Audit and Counter Fraud Team and suggest an alternative approach.

6 **Preferred Option**

6.1 The preferred option is that the Audit Committee accepts and notes the progress achieved and performance by the Audit and Counter Fraud Team.

7 **Consultation**

7.1 N/A.

8 **Financial Implications**

8.1 N/A.

9 **Legal Services Comments**

9.1 N/A.

10 **Cooperative Agenda**

10.1 N/A.

11 **Human Resources Comments**

11.1 N/A.

12 **Risk Assessments**

12.1 The 2022/23 Audit and Counter Fraud Plan is prepared, reviewed, and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (Mark Stenson)

13 **IT Implications**

13.1 N/A.

14 **Property Implications**

14.1 N/A.

15 **Procurement Implications**

15.1 N/A.

16 **Environmental and Health & Safety Implications**

16.1 N/A.

17 **Equity, Community Cohesion and Crime Implication**

17.1 N/A.

18 **Equality Impact Assessment Completed**

18.1 No.

19 **Forward Plan Reference**

19.1 N/A.

20 **Key Decision**

20.1 No.

21 **Background Papers**

21.1 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 as Appendices 1, 2 & 3
Officer Name: John Miller
Contact: john.miller@oldham.gov.uk

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April to 30 September 2022
- **Appendix 2:** Counter Fraud Results – 1 April to 30 September 2022
- **Appendix 3:** Direct Payments Audit Results – 1 April to 30 September 2022

Audit and Counter Fraud 2022/23 - Summary of Audit Reports/Outcomes - 1 April 2022 to 30 September 2022

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2021/22 Draft Final Report – Council Tax	Report	Q1	Inadequate
2	Chief Executive	2021/22 Draft Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2021/22 Draft Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2021/22 Draft Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2021/22 Draft Final Report – Payroll	Report	Q1	Adequate
6	Chief Executive	2021/22 Draft Final Report – Housing Benefit	Report	Q1	Adequate
7	Chief Executive	2021/22 Draft Final Report – Council Tax Reduction	Report	Q1	Adequate
8	Chief Executive	2021/22 Draft Final Report – Accounts Payable	Report	Q1	Adequate
9	Chief Executive	2021/22 Draft Final Report – Accounts Receivable	Report	Q1	Adequate
10	Chief Executive	2021/22 Draft Final Report – Direct Payments	Report	Q1	Inadequate
11	Chief Executive	2021/22 Draft Final Report – Residential Care	Report	Q1	Inadequate
12	Chief Executive	2021/22 Draft Final Report – Fixed Assets	Report	Q1	Adequate
13	Place & Economic Growth	2021/22 Draft Final Report – Cash Income (Building Control)	Report	Q2	Adequate
14	Place & Economic Growth	2021/22 Draft Final Report – Cash Income (Fleet Management)	Report	Q2	Adequate
15	Children & Young People	St Joseph's Primary	Report	Q2	Inadequate
16	Chief Executive	Contain Outbreak Management Fund	Grant Assurance	Q2	Assurance
17	Chief Executive	Prevention and Promotion for Better Mental Health	Grant Assurance	Q1	Assurance
18	Chief Executive	Test and Trace Support Payments	Grant Assurance	Q2	Assurance
19	Chief Executive	Universal Drug Treatment Grant	Grant Assurance	Q1	Assurance
20	Chief Executive	Public Sector Decarbonisation Grant (AGMA) – Low Voltage Lighting	Grant Assurance	Q1	Assurance

21	Chief Executive	Public Sector Decarbonisation Grant (OMBC) – Alexandra Park	Grant Assurance	Q1	Assurance
22	Chief Executive	RED WoLF - Rethink Electricity Distribution Without Load Following	Grant Assurance	Q1	Assurance
23	Chief Executive	Omicron Hospitality and Leisure Grant Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q1	Assurance
24	Chief Executive	Additional Restrictions Grant Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q1	Assurance
25	Chief Executive	COVID-19 Business Grants Fraud and Error Assurance	Grant Assurance	Q1	Assurance
26	Chief Executive	Local Restrictions Support Grant (Closed) Addendum 5	Grant Assurance	Q2	Assurance
27	Chief Executive	Local/Mayoral Election - Post Votes Review	Report	Q1	Advisory
28	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Advisory
29	Children & Young People	Glodwick Infant and Nursery School	Report	Q2	Adequate

Key:

Opinion	Description
Advisory	The work in this area is either not audit work in nature and/or is undertaken on behalf of third parties.
Assurance	The work in this area has been undertaken in order to provide assurance that funding has been spent as intended.
Poor	Action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Inadequate	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the area audited.
Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance and/or scope for improvement were identified which could put at risk the achievement of objectives in the area audited.
Good	A sound system of governance, risk management and/or control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Opinion withheld	Opinion has been withheld at interim stage pending further fieldwork required at final report stage in order to arrive at an opinion on the systems and controls in place.
TBC	Opinion awaiting confirmation following further discussion with management.

Audit and Counter Fraud 2022/23

Counter Fraud Results 1 April 2022 to 30 September 2022

Counter Fraud Team Performance Monitoring 2022/23	Quarter 1 (Month 1-3)	Quarter 2 (Month 4-6)	Total
Corporate Cases - Positive Results	58	10	68
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£70,487.46	£53,591.92	£124,079.38
CTR cases amended as a result of an investigation	12	8	20
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£32,179.15	£22,000.14	£54,179.29
CTR Fraud and Error Overpayments identified (£)	£10,462.14	£18,676.11	£29,138.25
Financial Outcomes	£113,128.75	£94,268.17	£207,396.92

Audit and Counter Fraud 2022/23

Direct Payments Results 1 April 2022 to 30 September 2022

Adults Social Care

Financial Year 2022/23	Number of Audits Reviewed	Total Direct Payment and Financial Contribution for Recovery
April	129	£372,125.60
May	83	£188,483.36
June	91	£237,602.47
July	153	£392,376.24
August	98	£251,587.73
September	85	£263,925.00
Total	639	£1,706,100.40

Children and Young People

Financial Year 2022/23	Number of Audits Reviewed	Total Direct Payment for Recovery
April	20	£10,846.10
May	10	£8,805.31
June	7	£10,707.09
July	17	£9,205.66
August	18	£10,943.14
September	20	£10,849.51
Total	92	£61,356.81

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Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 9 June 2022 at 6.00 pm	SIRO Annual Report 2021/22	This is the Annual Report of Senior Information Responsible Officer to the Audit Committee.
	Audit of Housing Benefit Subsidy 2020/21	This is the reported outcome of the audit of the Housing Benefit Subsidy Grant undertaken by KPMG in relation to the 2020/21 financial year.
	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.
	Audit Committee Chair – Charged with Governance, Management Processes and Arrangements.	The draft response of the Audit Committee Chair to provided key assurances to support the Audit Process which are then discussed by the Committee.
	Local Code of Corporate Governance	This is an update to the previously agreed Local Code of Corporate Governance.
	Internal Audit Charter 2022/23	This is the annual update to the Internal Audit Charter for discussion at the Audit Committee.
	Internal Audit and Counter Fraud Progress Report.	An update report on the progress made by the Internal Audit Service.
Tuesday 21 June 2022 at 6.00 pm	2021/22 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 2021/22.
	Draft 2021/22 Annual Statement of Accounts	This is the report to the Audit Committee on the draft Statement of Accounts which also details the provisional out-turn for the financial year 2021/22.
	Reserves Policy for 2021/22 to 2022/23	This is the annual update to the Reserves Policy considering the provisional out-turn for the financial year 2021/22.
	Treasury Management Review 2021/22	The annual review of Treasury Management for 2021/22 by the Audit Committee.
	Annual Governance Statement for 2021/22	The detailed review of the Annual Governance Statement by the Audit Committee.

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 21 July 2022, 6.00pm.	Update on External Audit Matters	An update if required, on national developments linked into the ongoing developments and consultations on the provision of external audit to Local Government Bodies
	2021/22 Statement of Final Accounts.	This report provides an update on the 2021/22 draft Statement of Accounts and associated issues arising from the fieldwork from the current external audit which is ongoing.
	The 2021/22 Review of the System of Internal Audit	Annual Review of the system of internal audit using the balanced scorecard.
Page 92	Proposed Audit Committee Work Programme for the Municipal Year 2022/23	This report detailing the proposed work programme for 2022/23 including actions required to support the approval of the 2021/22 Statement of Final Accounts.
	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; Update on the Annual Governance Statement for 2021/22 and new issues for 2022/23	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.
Thursday 8 September 2022, 6.00 pm	Update on External Audit Matters	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	2021/22 Statement of Final Accounts	This report provides an update on the 2021/22 draft Statement of Accounts and associated issues arising from the external audit. It will detail the consultation outcome on Infrastructure Assets and the potential impact on the Council.

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Update on Financial Administration in Local Authorities	A report detailing challenges experienced in the financial administration at other local authorities including Section 114 Notices issued as reported in the public domain.
	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. Item not considered as meeting finished early
	Proposed Audit Committee Work Programme for 2022/23	This report detailing the proposed work programme for 2022/23 including actions required to support the approval of the 2021/22 Statement of Final Accounts. Item not considered as meeting finished early
Page 93	Private Report; Update on the Annual Governance Statement for 2021/22 and new issues for 2022/23	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. Item not considered as meeting finished early
	Private Report; Update on the Corporate Risk Register	This sets out the position as of 30 June 2022 in relation to matters included on the Corporate Risk Register. Item not considered as meeting finished early
	Private Report; Potential Risks to the Council arising from the setting up of Northern Roots (Oldham) Limited	This report sets out the analysis of risk to the Council from the Charitable Company Northern Roots (Oldham) Limited. Item not considered as meeting finished early
Tuesday 1 November 2022, 6.00pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	2021/22 Annual Statement of Accounts	This report provides an update on the 2021/22 draft Statement of Accounts and associated issues arising from the external

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
		audit. It will detail the consultation outcome on Infrastructure Assets and the potential impact on the Council.
	Treasury Management Mid-Year Review 2022/23	The planned scrutiny of the 2021/22 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.
	Annual Governance Statement 2021/22	This report details the proposed Final Annual Governance Statement for 2021/22.
Page 94	2022/23 Internal 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.
	Updated Audit Committee Work Programme for 2022/23	This report detailing the proposed work programme to support the approval of the 2022/23 Statement of Final Accounts.
	Private Report; Appointment of External Auditor 2023/24 until 2027/28	This report details the proposed appointment of the External Auditor following the Public Sector Audit Appointments Procurement Exercise.
	Private Report; Potential Risks to the Council arising from the setting up of Northern Roots (Oldham) Limited	This report sets out the analysis of risk to the Council from the Charitable Company Northern Roots (Oldham) Limited.
	Private Report; Update on the Annual Governance Statement for 2021/22 and new issues for 2022/23	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.
Tuesday 29 November 2022, 6.00pm.	Audit Completion Report	The report details the findings (possibly excluding an opinion on Infrastructure Assets) of the external audit into the 2021/22 Statement of Final Accounts.

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	2021/22 Annual Statement of Accounts	This report details the audited opinion for the 2021/22 Statement of Final Accounts.
	Oldham Council Value for Money Opinion for the Financial Year 2021/22	This report details the value for money opinion provided by the External Auditor under the revised Code of Practice for the financial year 2021/22.
	Review of Corporate Fraud Policies	An annual review of the Counter Fraud Suite of policies to reflect the recent legislation.
	Updated Audit Committee Work Programme for 2022/23	This report detailing the proposed work programme to support the approval of the 2022/23 Statement of Final Accounts.
Page 95	Private Report; Update on the Corporate Risk Register	This sets out the position as of 30 September 2022 in relation to matters included on the Corporate Risk Register.
	Private Report; Senior Information Risk Owner update: Update	This updates the Audit Committee on the key matters relating to data protection and information security breaches.
	Private Report; Potential Risks Associated with Council's setting up a Housing Company	This follows on from the 21 July 2022 report on Partnership Governance whereby the Committee requested a report on the perceived risks associated with setting up a Housing Company within Oldham.
Monday 16 January 2022, 6.00 pm	Audit Completion Certificate for the 2020/21 Accounts	The final audit certificate is anticipated to be issued following the implementation of the agreed accounting treatment for Infrastructure Assets and the conclusion of the Whole of Government Accounts audit.
	External Audit Annual Audit Letter 2021/22	An update produced by the External Auditor of issues to be brought to the attention of this Committee.

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Treasury Management Strategy Statement 2023/24	This report sets out the Proposed Treasury Management Strategy for 2023/24 to support the Corporate Objectives of the Council.
	Compliance with the Chartered Institute of Finance and Accountancy (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.
	Internal Control Matters for Adult Social Care	This is the report to Committee on Internal Control Matters within the Adult Social Care Service.
Page 96	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 2022/23 and the 2023/24 financial year	This report detailing the proposed work programme to support the approval of the 2022/23 Statement of Final Accounts.
	Private Report; Update on the Annual Governance Statement for 2021/22 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 the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
	Private Report; Partnership Risk Dashboard	This is the regular update requested by the Committee on partnership governance considering potential issues identified on governance elsewhere.
Thursday 9 March 2023, 6.00pm	Data Protection Update	Routine six monthly report by the Data Protection Officer as required under General Data Protection Regulations (GDPR).
	Audit of Teachers' Pensions Agency Return 2021/22	This report considers the feedback following the external audit of the Teachers' Pension Agency return.

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Audit of Housing Benefit Subsidy claim 2021/22	This report considers the feedback on the audit of the Housing Benefit Subsidy Grant claim.
	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of the Committee.
	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 2023/24	This report detailing the proposed work programme to support the approval of the 2022/23 Statement of Final Accounts.
Page 97	Private Report; Senior Information Risk Owner (SIRO) Update	Annual report of the SIRO including an overview of reported data breaches.
	Private Report; Internal Audit Plan 2023/24	The proposed plan of work for the financial year 2023/24 to enable review by the Committee.
	Private Report; Update on the Annual Governance Statement for 2021/22 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 the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.

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