

AUDIT COMMITTEE ***Agenda***

Date Monday 16 January 2023

Time 6.00 pm

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

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

2. CONTACT OFFICER for this Agenda is Tel. 0161 770 5151 or email

3. PUBLIC QUESTIONS – Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the Contact officer by 12 Noon on Wednesday, 11 January 2023.

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.

Please note that anyone using recording equipment both audio and visual will not be permitted to leave the equipment in the room where a private meeting is held.

Recording and reporting the Council's meetings is subject to the law including the law of defamation, the Human Rights Act, the Data Protection Act and the law on public order offences.

Members of the public and the press may also record / film / photograph or broadcast this meeting when the public and the press are not lawfully excluded. Please note that anyone using recording equipment both audio and visual will not be permitted to leave the equipment in the room where a private meeting is held.

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Please also note the Public attendance Protocol on the Council's Website

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 Minutes of Previous Meeting (Pages 1 - 8)
The Minutes of the Audit Committee meeting held on 29 November 2022 are attached for approval.
- 5 Public Question Time
To receive Questions from the Public, in accordance with the Council's Constitution.
- 6 External Audit Progress Report (Pages 9 - 24)
- 7 Public Sector Audit Appointments - Confirmation of Mazars LLP as the Council's External Auditor for 2023/24 to 2027/28. (Pages 25 - 28)
- 8 External Audit of Teachers' Pensions Agency Return 2021/22 (Pages 29 - 42)
- 9 Treasury Management Strategy Statement 2023/24 (Pages 43 - 90)
- 10 Audit and Counter Fraud Progress Report including Significant Issues Highlighted on Internal Control (Pages 91 - 104)
- 11 Proposed Audit Committee Work Programme for the Remainder of 2022/23 and the 2023/24 Financial Year (Pages 105 - 114)
- 12 Exclusion of Press and Public

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



- 13 Update on the Annual Governance Statement for 2021/22 and New Issues (Pages 115 - 130)
- 14 Potential Risks Associated with Council's Setting Up a Housing Company (Pages 131 - 140)
- 15 Partnership Risk Dashboard (Pages 141 - 158)
- 16 Update on the Corporate Risk Register (Pages 159 - 166)

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AUDIT COMMITTEE
29/11/2022 at 6.00 pm

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

Also in Attendance:

Karen Murray

Paul Rogers

Anne Ryans

Mark Stenson

Mazars External Auditors

Constitutional Services

Director of Finance

Assistant Director of Corporate

Governance and Strategic Financial

Management

1 ELECTION OF CHAIRMAN

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 Councillor 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

The meeting was informed that a question had been received from a member of the public. The Council's Director of Legal Services has ruled that the question cannot be asked in an open committee meeting as it could lead to the disclosure of confidential information. However, the appropriate officers would supply the member of the public with a detailed written answer at the earliest opportunity.

6 MINUTES OF PREVIOUS MEETING

Resolved:

That the Minutes of the meeting of the Audit Committee held on 1 November 2022 be approved as a correct record.

7 EXTERNAL AUDIT UPDATE REPORT

The Committee considered a draft Audit Completion report of the Council's External Auditors, Mazars LLP, for year ended 31 March 2022 which summarised their audit conclusions. The report is linked to the Council's report on the 2021/22 Annual

Statement of Accounts Update, minute no.8 to these minutes refers.



Oldham
Council

Karren Murray, External Auditor, advised that in section 4 of the report, Mazars have set out their conclusions and significant findings from their audit with nothing significant to report. This includes their conclusions on the audit risks and areas of management judgement in the Audit Strategy Memorandum, which include the:

- Valuation of Land & Buildings
- Valuation of Investment Property
- Valuation of the Defined Benefit Pension Liability

Section 5 sets out internal control recommendations and section 6 sets out the identified audit misstatements.

Mazars has substantially completed the Council's audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing their report, matters remaining outstanding are outlined in section 2. Once the audit of these items is completed, they will provide an updated final Completion Report for the Committee to consider. Subject to the satisfactory conclusion of the remaining audit work, Mazars had the following conclusions:

Audit Opinion –

Based on the work completed Mazars would anticipate issuing an unqualified opinion, without modification, on the financial statements. However, they report in section 2, that there is an outstanding national issue in respect of the accounting for infrastructure assets. The solution to this issue is not yet known and the Council may have to carry out additional work, impacting on its 2021/22 infrastructure asset valuations. They will update the Committee further as more information is available.

Value for Money –

Mazars has not yet completed the value for money arrangements work and will report the findings in the Auditor's Annual Report later in the year. On the basis of the work completed to date Mazars do not anticipate having significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on the value for money arrangements work is provided in section 7 of the Mazars report.

Whole of Government Accounts (WGA) -

For 2021/22, the threshold for completing detailed audit work on the Council's WGA return has increased. The Council is below the revised threshold, however Mazars

expect the National Audit Office to select a sample of Councils where auditors will undertake detailed procedures. Mazars is unable to commence work in this area until the list of sampled Councils is received.

Wider Powers

The 2014 Act requires Mazars to give an elector, or any representative of the elector, the opportunity to ask questions about the accounting records of the Council and to consider any objection made to the accounts. No new questions have been received during the 2021/22 audit.

Resolved:

That the Audit Committee notes the draft Audit Completion report produced by Mazars LLP.

8

ANNUAL STATEMENT OF ACCOUNTS 2021/2022

The Committee considered a report of the Director of Finance which 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 Department for Levelling Up, Housing & Communities consultation on Infrastructure Assets.

Resolved:

That the update on the Council's Statement of Accounts for 2021/22 and related matters be noted.

9

COUNTER FRAUD AND CORRUPTION POLICIES AND PROCEDURES

The Committee considered a report of the Head of Internal Audit and Counter Fraud which sets out the updated Counter Fraud and Corruption Policies and associated planning documents. These documents support the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption.

The Accounts and Audit Regulations 2015 state that the Council must have measures in place "to enable the prevention and detection of inaccuracies and fraud." In this context, fraud also refers to cases of bribery and corruption.

The Head of Audit and Counter Fraud is responsible for the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption. The Counter Fraud service at Oldham Council operates as recommended by the Chartered Institute of Public Finance and Accountancy. The Cabinet Office also provides guidance on professional Counter Fraud standards across the public sector, and such guidance is followed in Counter Fraud activities undertaken by Oldham Council.

The Director of Finance is responsible for the development and maintenance of the Counter Fraud suite of strategies and for directing the Council's efforts in fraud investigation. The Audit and Counter Fraud Team is responsible for investigating potential fraud, for identifying potential fraud risks, conducting proactive fraud reviews, and for delivering training and awareness to colleagues. In addition, the team maintains the relevant policies and procedures, which are reviewed and updated routinely.

In response to a suggestion regarding an independent party to investigate allegations by employees of misconduct, the Assistant Director of Corporate Governance and Strategic Financial Management advised that he would look into the possibility of Public Concern at Work carrying out this role. Regarding paragraphs 13.4 and 16.3 of the Counter Fraud and Anti Bribery Strategy and Counter Fraud Response Plan on pages 22 and 23 of the report, at the Chairman's request the Assistant Director advised that he would revisit those paragraphs with a view to moderating the wording.

Resolved:

That the contents of the report be noted and subject to any final amendments to the wording of paragraphs 13.4 and 16.3 of the Counter Fraud and Anti Bribery Strategy and Counter Fraud Response Plan the updated Policies and Planning documents be approved.

10

THE FINANCIAL REPORTING COUNCIL (FRC) 2022 REPORTS

The Committee considered a report of the Head of Internal Audit and Counter Fraud which presents the latest position paper on the Financial Reporting Council's (FRC) transition to the Audit, Reporting and Governance Authority (ARGA) setting out how trust will be restored in local public external audit, and the FRC's report concerning the quality of Local Authority and National Health Service (NHS) audits across the UK Public Sector, both issued during 2022.

The Committee was informed that during 2022 the FRC has issued two documents relevant to external audit in the UK public sector, including Local Authorities, as follows:

- FRC Position Paper – “Restoring Trust in Audit and Corporate Governance”, published in July 2022.
- FRC Major Local Audits – “Audit Inspection Report” published in October 2022.

The FRC Position Paper sets out how the Financial Reporting Council (FRC) will support the Government's reforms as the FRC transitions into ARGA. The legislation to enact the creation of ARGA is still awaited but, in preparation, the FRC in September 2022 recruited a Director of Local Audit.

This FRC Audit Inspection Report sets out the principal findings arising from a review of both the 2020/21 and 2021/22 accounts and Value for Money opinions at all six audit firms completing major local audits in England for both Local Authorities and the NHS (the firms), and how the firms should respond to the FRC findings. It also incorporates the findings of the Quality Assurance Division of the Chartered Institute of Chartered Accountants for England and Wales who reviewed a selection of the firms undertaking public audit.

The positive finding from this independent review is that for both Mazars LLP (who audit the Council's Statement of Final Accounts) and KPMG LLP (who provide direct grant audit for both Housing Benefit Subsidy and Teachers Pension Agency contributions) the audit quality was found to be good on the audits reviewed.

What is difficult to interpret is whether, because of previously reported inspections by FRC, the overall standard of the audits has improved. The reported quality of the audits from the sample identified for review has improved from the previous report. However, the report alludes to the original sample changing due to the challenges at some organisations in having both the Accounts ready for audit and then completing the audits. As such the audits reviewed have been for those organisations who perhaps have less challenging governance issues.

The Assistant Director of Corporate Governance and Strategic Financial Management made reference to paragraphs 2.6, 2.7 and 2.8 of the report which highlights the Quality Assurance Division and its importance.

Resolved:

That the contents of the latest FRC position paper and report be noted.

11

CIPFA AUDIT COMMITTEE GUIDANCE DOCUMENTS 2022

The Committee considered a report of Head of Audit and Counter Fraud which sets out the updated guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of Audit Committees. The Committee was advised that the Appendices referred to in the report were copyright protected and, therefore, had not been published as part of the Agenda. They had been shared separately for that reason; Minute no. 14 of these minutes refers.

During 2022, CIPFA has issued a suite of updated guidance documents intended to inform and support the work of Audit Committees in organisations across the public sector, including Local Authorities. The guidance is aimed both at Members of the Audit Committee and those Officers who support the work of the Committee. The documents relevant to the work of Oldham Council's Audit Committee are:

- CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.
- The Audit Committee Member in a Local Authority 2022 edition.
- Guiding the Audit Committee - Supplement to the Audit Committee Member guidance 2022 edition.
- Interactive Appendix E - Self-assessment of good practice.
- Interactive Appendix F - Evaluating the impact and effectiveness of the Audit Committee.

The last two documents are intended for use by the Audit Committee in assessing how the work of the Committee compares with best practice guidance, and the overall effectiveness of the Committee in supporting the Council and its objectives.

Resolved:

That the Committee

1) Noted the release by CIPFA of a suite of documents relevant to the work of the Committee; and

2) Approved the use of the Interactive Appendices E and F of the report to assess the performance and effectiveness of the Committee in supporting the Council in the delivery of the objectives of both the Committee and the Council.

12 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2022/23**

The Assistant Director of Corporate Governance and Strategic Financial Management presented a report which sets out the proposed schedule of Audit Committee meetings for the remainder of 2022/23, including meeting date and venue, agenda item and brief summary of the report issue.

Resolved:

That the proposed workplan be noted.

13 **EXCLUSION OF THE PRESS AND PUBLIC**

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

14 **CIPFA AUDIT COMMITTEE GUIDANCE DOCUMENTS 2022 - APPENDICES**

Members were advised that the report relating to CIPFA Audit Committee Guidance Documents 2022 considered previously on the agenda, minute no 10 of these minutes refers, made

reference to Appendices which were copyright and could not be included in the Council's published reports on the Council's website. The appendices were shared separately with Members for that reason.

Resolved:
That the Appendices be noted.

15 **UPDATE ON THE CORPORATE RISK REGISTER**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which updated Members of the Audit Committee on the Corporate Risk Register as at the end of September 2022. As the Committee charged with governance it is part of the role of the Audit Committee to scrutinise the Corporate Risk Register.

The Committee was of the view that to allow the Committee to consider this item appropriately, the item be deferred to enable Appendix 1 to the report to recirculated to Members in a more readable format.

Resolved:
That consideration of the report be deferred to the next meeting of the Committee.

16 **SENIOR INFORMATION RISK OWNER - UPDATE**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which updated Members of the Audit Committee on information security breaches, risk issues / actions for the first 6 months of the financial year 2022/23.

This is the half yearly update report of the Senior Information Risk Owner to the Audit Committee highlighting Information Security Incidents and related matters which have occurred from 1 April 2022 to 30 September 2022.

The Committee requested that the Information Risk Management Policy be circulated to Members for information.

Resolved:
That the content of the report be noted.

The meeting started at 6.00 pm and ended at 6.31 pm

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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: Lee Walsh – Finance Manager (Capital and Treasury)/MAZARS LLP

Email: lee.walsh@oldham.gov.uk

16 January 2023

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. This report links into the 2021/22 Annual Statement of Accounts previously reported to this Committee.

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

Page 10
January 2023



1. Audit Progress
2. National Publications
3. Revised ISA 315

Page 11

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. As requested by the National Audit Office, in December we submitted our auditor statement for their WGA group audit purposes. We are still awaiting the NAO to clarify whether they require any work to be carried out on the Council's WGA return.

2021/22 financial statements audit

We reported our draft Audit Completion Report to the last Audit Committee meeting. Since that meeting we have progressed the outstanding issues as follows:

- **Financial Instruments – Fair Value disclosure of loans to Manchester Airport** – our internal valuation experts have confirmed the approach adopted by the Council's external advisors, Link, for 2021/22 is reasonable. However they have concluded that the methodology adopted for 2021/22 should also have applied to the fair value disclosures for 2020/21. The Council has already obtained an updated Fair Value report from Link for 2020/21, and can make the appropriate amendments to the disclosures in the accounts for both the 2022 and prior year.
- **Net Pension Liability** – we received confirmation from the GM Pension Fund auditor that they had completed their programme of work as we requested. The report from the Pension Fund auditor noted that the draft Pension Fund financial statements included a non-material understatement in the valuation of investment assets. Our estimate of the impact on the Council's pension assets is that they are understated by £8.7m (Group pension assets would be understated by £9.7m). The Net Pension Liability is consequently overstated by the same amount. We will discuss this with the Council finance team, and will include any misstatements in our final Audit Completion Report at the conclusion of our audit.
- **Property, Plant & Equipment** – the resolution to the sector-wide accounting issue on infrastructure assets has progressed. Government published a statutory override which came into effect at the end of December 2022. CIPFA are expected to publish their update to the Code of Practice in early January 2023. Once the Council has considered this guidance, additional work will be required by the finance team to determine the adjustments needed to the accounts. Once this is provided, we will carry out our audit work in order to conclude on this area.

Our audit work on the Council's valuation of its share of the land at Manchester Airport, the accounting treatment of its provisions, and its consolidation of its Group financial statements continues. We expect to complete this work in January.

We will report all remaining areas in our final Audit Completion Report at the conclusion of the audit.

Audit Progress

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

We received the Council’s updated self assessment of its arrangements in late November. 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 final Audit Completion Report.

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

2022/23 audit

We will commence our planning for the audit of the 2022/23 financial statements and value for money arrangements at the conclusion of the 2021/22 audit. We highlight for the Audit Committee a change to an auditing standard (known as ISA 315) which applies from 2022/23. We have included, at section 3 of this report, a summary of the changes and the expected impact on our audit work. We will liaise with the finance team and will include further details in our formal 2022/23 audit reports.

02

Section 02: **National Publications**

National publications

	Publication/update	Key points
Financial Reporting Council (FRC)		
1	FRC Major Local Audit Inspection Report	Outcome of the FRC inspection of audit quality from 2020/21 audits
Chartered Institute of Public Finance and Accountability (CIPFA)		
2	Insourcing in the Public Sector: A Practical Guide (2022 edition)	Guidance for practitioners
Public Sector Audit Appointments Ltd		
3	Directory of Auditor Appointments from 2023/24	Auditor appointments for PSAA opted-in bodies
4	Publication of the 2022/23 fee scale	External audit fees for 2022/23

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NATIONAL PUBLICATIONS

Financial Reporting Council

1. FRC Major Local Audit Inspection Report - October 2022

The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

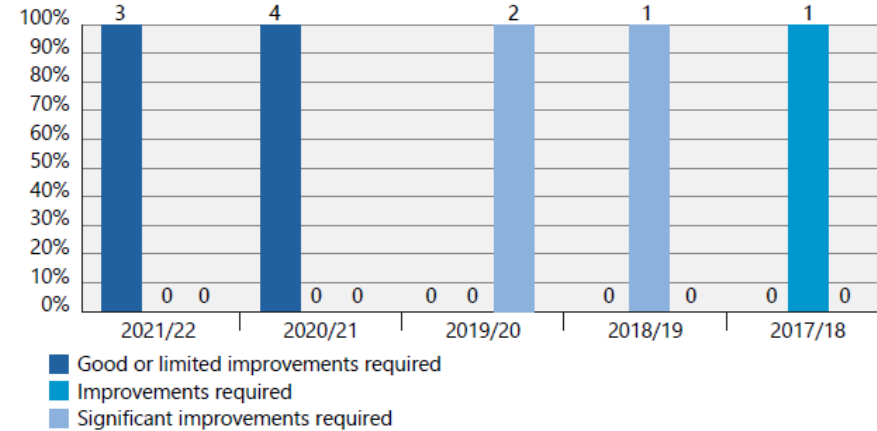
For Mazars, the FRC found that all 3 files reviewed met the expected standards. This was the second successive year of 100% compliance. Whilst the sample size is small and focused on the higher risk audits, the improvement does reflect the investment we have made in people, technical expertise, specialists (such as building on in-house valuation team and strengthening our methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

<https://www.frc.org.uk/getattachment/aeb9149f-7bf9-45f2-802d-ca7b055b457e/Major-Local-Audits.pdf>

Mazars LLP

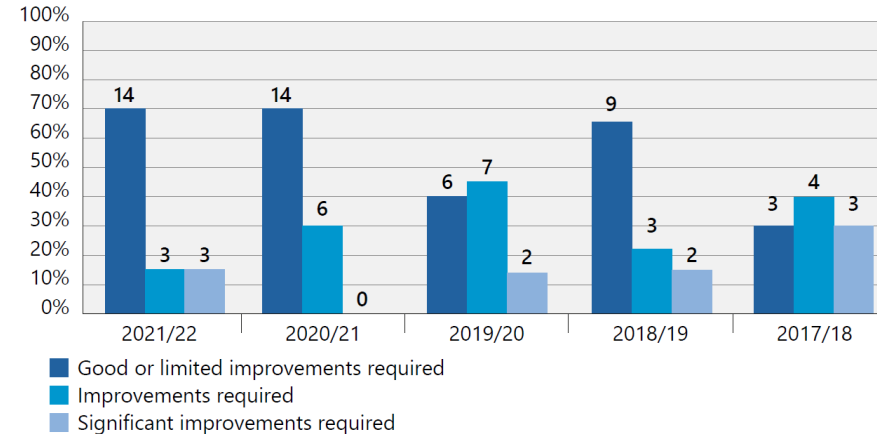
Our assessment of the quality of financial statement audits reviewed



100%

At Mazars LLP, all three financial statement audits inspected were assessed as good or limited improvements required.

All financial statement reviews – for the firms inspected



NATIONAL PUBLICATIONS

CIPFA

2. Insourcing in the Public Sector: A Practical Guide (2022 edition), December 2022

The guide is an information source for public bodies to help widen their understanding of insourcing and support internal discussion on whether services should be brought back in-house and, if so, how they should be brought back in. In recent times, several outsourced arrangements have failed due to poor quality and unreliability of providers. It is important to note that while insourcing does not require a public body to run a full procurement process, it still needs to follow a process and undertake key steps (for example, TUPE and asset transfer) and is equally reliant on the public body having expert and skilled personnel to manage this.

This practical guide will support public sector practitioners in understanding key areas to focus on when considering insourcing as part of future delivery models.

<https://www.cipfa.org/policy-and-guidance/publications/i/insourcing-in-the-public-sector-a-practical-guide-2022-edition>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

3. Directory of Auditor Appointments from 2023/24, January 2023

PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement. The PSAA Board agreed the appointments at its meeting on 16 December 2022. Mazars will continue as the Council's external auditor from 2023/24.

<https://www.psa.co.uk/2023/01/directory-of-auditor-appointments-from-2023-24/>

4. Publication of the 2022/23 fee scale, November 2022

PSAA has published the 2022/23 audit fee scale following consultation. Information on the fee scale and consultation is available. Most audit work under this fee scale will be undertaken from April 2023 onwards. The Council's scale fee for 2022/23 is £125,673.

The 2022/23 fee scale is the last in the current appointing period which is under the 2017 audit contracts. New contracts will apply from the 2023/24 audit following a procurement during 2022. PSAA intend to consult on the fee scale for the 2023/24 audit in early autumn 2023.

<http://www.psa.co.uk/2022/11/news-release-publication-of-the-2022-23-fee-scale/>

03

Section 03:
Revised ISA315

Revised ISA 315

Revised auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

(Effective for audits of financial statements for periods beginning on or after December 15, 2021)

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor’s risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The main changes relevant to your 2022/23 audit are outlined below:

- **Enhanced risk identification and assessment**

The standard has enhanced the requirements for the auditor to understand the entity and its environment as well as the applicable financial reporting framework to identify the newly introduced inherent risk factors to drive risk identification and assessment (subjectivity, complexity, uncertainty, change, and susceptibility to misstatement due to management bias or fraud). Using these inherent risk factors, the auditor assesses inherent risk on the “spectrum of inherent risk”, at which the higher end lies significant risks, to drive a more focused response to the identified risks. It should also be noticed that the standard requires the auditor to obtain sufficient, appropriate audit evidence from these risk identification and assessment procedures to form the basis of their risk assessment.

The standard also increases the focus on auditors identifying the assertions where the inherent risk lays. For clarity, we include a table of assertions:

Completeness	Is the balance complete?
Accuracy & valuation	Are transactions accurately recorded and assets and liabilities appropriately measured?
Classification	Is the balance classified correctly?
Occurrence	Did the transaction occur?
Existence	Does the item exist?
Rights & obligations	Does the entity own the item?
Cut-off	Is the item recorded in the correct financial year?
Presentation & disclosure	Is the item presented in the accounts appropriately?

- **Greater emphasis on IT**

In response to constantly evolving business environments, the standard has placed an increased emphasis on the requirements for the auditor to gain an understanding of the entity’s IT environment to better understand the possible risks within an entity’s information systems. As a result, auditors are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs). However, the standard acknowledges the fact that there is a need for scalability in gaining this understanding and provides more detailed guidance on how to approach the topic depending on the complexity of the commercial software and/or IT applications.

Revised ISA 315

- **Increased focus on controls**

Off the back of the emphasis for auditors to gain a greater understanding of the IT environment, the standard has also widened the scope of controls deemed relevant to the audit. Auditors are now required to increase their understanding of controls implemented by management, as well as assess the design and implementation of those controls, which include ITGCs.

Impact on the audit of the Council

Our risk assessment procedures will be more granular than in the prior year and we will be seeking more information from the Council to ensure that we can document our detailed understanding of the Council and the environment that it operates in. This will build on the existing strong knowledge of the Council we already have in place from our previous years' audits. In documenting our risk assessment, we will need to input additional time to assess inherent risks of the spectrum that the auditing standard requires.

In terms of IT, we have established a good understanding of the Council's IT environment and at this stage are not aware of any significant changes. We will keep this under review as part of our planning and interim audits. We do not plan to test ITGCs as we have designed our approach to gain assurance from substantive testing, which in our view remains the most efficient approach to take.

Contact

Mazars

Partner: Karen Murray

Mobile: 07721 234043

Email: karen.murray@mazars.co.uk

Director: Alastair Newall

Mobile: 07909 986776

Email: alastair.newall@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Report to Audit Committee

Public Sector Audit Appointments - confirmation of Mazars LLP as the Council's External Auditor from 2023/24 to 2027/28

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

Contact: Mark.stenson@oldham.gov.uk

16 January 2023

Reason for Decision

Public Sector Audit Appointments (PSAA) is responsible for appointing an External Auditor from 2023/24 to eligible bodies that have chosen to opt into its national auditor appointment arrangements. As previously agreed by Members, Oldham Council opted into this arrangement.

Executive Summary

Following the Council's response to the Public Sector Audit Appointments consultation on the proposed appointment of Mazars LLP as the External Auditor for Oldham Council for the period 2023/24 to 2027/28, the PSAA has now confirmed the appointment of Mazars LLP as the Council's External Auditor for that period.

This appointment is made under Regulation 13 of the Local Audit (Appointing Person) Regulations 2015 and was approved by the PSAA Board at its meeting of 16 December 2022.

Recommendations

Members of the Audit Committee are asked to note the appointment of Mazars LLP as the External Auditor for Oldham Council for the period 2023/24 to 2027/28.

Public Sector Audit Appointments - confirmation of Mazars LLP as the Council's External Auditor from 2023/24 to 2027/28

1 Background

1.1 Public Sector Audit Appointments (PSAA) is responsible for appointing an External Auditor from 2023/24 to eligible bodies that have chosen to opt into its national auditor appointment arrangements. As previously agreed by Members, Oldham Council opted into this arrangement.

2 Appointment of Mazars LLP as Oldham Council's External Auditor for the period 2023/24 to 2027/28

2.1 Following the Council's response to the Public Sector Audit Appointments consultation on the proposed appointment of Mazars LLP as the External Auditor for Oldham Council for the period 2023/24 to 2027/28, the PSAA has now confirmed the appointment of Mazars LLP as the Council's External Auditor for that period.

2.2 This appointment is made under Regulation 13 of the Local Audit (Appointing Person) Regulations 2015 and was approved by the PSAA Board at its meeting of 16 December 2022.

3 Options

3.1 As the appointment of Mazars LLP has been confirmed by PSAA the only option available to the Committee is to note the appointment of Oldham Council's External Auditor for the period 2023/24 to 2027/28.

4 Preferred Option

4.1 The preferred option is option a) that the Audit Committee notes the appointment of Mazars LLP as Oldham Council's External Auditor for the period 2023/24 to 2027/28.

5 Consultation

5.1 N/A.

6 Financial Implications

6.1 N/A.

7 Legal Services Comments

7.1 N/A.

8 Co-operative Agenda

8.1 N/A.

9 Human Resources Comments

9.1 N/A.

- 10 **Risk Assessments**
- 10.1 N/A
- 11 **IT Implications**
- 11.1 N/A.
- 12 **Property Implications**
- 12.1 N/A.
- 13 **Procurement Implications**
- 13.1 N/A.
- 14 **Environmental and Health & Safety Implications**
- 14.1 N/A.
- 15 **Equity, Community Cohesion and Crime Implication**
- 15.1 N/A.
- 16 **Equality Impact Assessment Completed**
- 16.1 N/A.
- 17 **Forward Plan Reference**
- 17.1 N/A.
- 18 **Key Decision**
- 18.1 N/A.
- 19 **Background Papers**
- 19.1 N/A
- 20 **Appendices**
- 20.1 N/A

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Report to Audit Committee

Teachers' Pension Agency 2021/22 End of Year Certification

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

Ext. 4783

16 January 2023

Reason for Decision

The Teachers' Pension Contributions paid over to the Teachers' Pension Agency are subject to a specific external audit review, which results in an annual certification. This report details the outcome for the financial year 2021/22.

Executive Summary

The End of Year Certificate for the 2021/22 review are attached at Appendix 1. There were findings from the review in respect of Test 3 and 7 which were undertaken. This compares to reported findings on Test 3, 4 and 9 for the 2020/21 certificate.

In respect of Test 3 the table below details the findings for 2021/22 compared to 2020/21. This compares the entries submitted on the return to the Council's payroll records.

Tier	Teachers Contribution 2021/22	Employers Contribution 2021/22	Teachers Contribution 2020/21	Employers Contribution 2020/21
1 at 7.40%	£721.64	-£167.13	£29.56	-£52.66
2 at 8.60%	-£603.55	£1,213.80	£1.98	-£1.45
3 at 9.60%	-£1,473.86	£685.46	-£60.70	£45.79
4 at 10.20%	£408.74	£216.70	-£0.45	£0.87
5 at 11.30%	£37.55	-£0.88	-£0.12	-£0.52
6 at 11.70%	-£61.34	-£0.13	£0.10	£0.08
Total	-£970.82	£1,947.83	-£29.63	-£7.88

The reasons for the errors are detailed in Appendix 1. The value for 2021/22 is much higher than that recorded for 2020/21. The level of error recorded will be considered by the ongoing internal audit into payroll.

In respect of Test 7 the error occurred as two Pension Letters were initially unavailable to verify the contributions paid which were then classified wrongly.

On 30 November 2022 the Teachers' Pension Agency confirmed their agreement to the contributions paid over to them by the Council for the financial year 2021/22.

Recommendations

That Members of the Audit Committee are asked to note the Certification of the Teachers' Pension Return for the financial year 2021/22.



KPMG LLP
 1 St Peter's Square
 Manchester
 M2 3AE
 United Kingdom

Tel +44 (0) 161 246 4000
 rebecca.dingwall@kpmg.co.uk

Private & confidential

Teachers' Pensions
 Unit 11b
 Lingfield Point
 Darlington
 DL1 1AX

Our ref RJ/RP/BD

Contact Rebecca Dingwall
 07909 535920

FAO Anne Ryans
 Director of Finance
 Oldham Metropolitan Borough Council
 Civic Center
 West Street
 Oldham
 OL1 1UT

30 November 2022

Dear Teachers Pensions

Agreed-upon-Procedures Report of KPMG LLP to Teachers' Pensions and Oldham Metropolitan Borough Council in respect of Teachers' Pensions End of Year Certificate for the year ended 31 March 2022

Purpose of this Agreed-upon-Procedures Report and Restriction on Use and Distribution

LA Number: 353 0000

This report has been produced in accordance with the terms of our engagement letter dated 13 June 2022 ("the Engagement Letter") and in accordance with the International Standard on Related Services ("ISRS") 4400 (Revised), *Agreed-Upon Procedures Engagements* as published by the International Auditing and Assurance Standards Board ("IAASB").

The procedures were performed solely for the purpose of assisting Oldham Metropolitan Borough Council fulfil their responsibilities, under the Teachers' Pensions Regulations 2010 (SI 2010/990) and The Teachers' Pension Scheme Regulations 2014 (SI 2014/512), for preparing the End of Year Certificate ("EOYC") for the year end 31 March 2022 and so may not be suitable for any other purpose. The EOYC must be accompanied by a reporting accountants' report prepared following the performance of procedures set out in the guidance note "Reporting Accountants Guidance TP05 (FY21/22 Version 2)" issued by Teachers' Pensions ("the guidance"). We attach, a

copy of the EOYC prepared and submitted by management. Where appropriate, this copy identifies errors corrected by management. Management are responsible for the preparation and submission of the EOYC and for all corrections.

Responsible Finance Officer's Responsibilities

In this report, references to the "Responsible Finance Officer" mean the Director of Finance of Oldham Metropolitan Borough Council.

In this report, references to "management" means the Directors of Oldham Metropolitan Borough Council and those employees to whom the Directors have properly delegated day-to-day conduct over matters for which the Directors retain ultimate responsibility.

The Responsible Finance Officer of Oldham Metropolitan Borough Council is responsible for the EOYC, including the identification of any errors corrected by management, on which he agreed-upon-procedures are performed.

The Responsible Finance Officer is responsible for determining where the agreed-upon-procedures are sufficient for Oldham Metropolitan Borough Council's purposes and the purposes of Teachers' Pensions having due regard to Appendix 1 of the Guidance issued by Teachers' Pensions. We cannot, and do not, make any representations regarding the sufficiency of these procedures for Oldham Metropolitan Borough Council's purposes or for the purposes of Teachers' Pensions.

Our Responsibilities

Our engagement was undertaken in accordance with International Standard on Related Services 4400 (Revised), *Agreed-upon Procedures Engagements* issued by the International Auditing and Assurance Standards Board. This agreed-upon procedures engagement involves our performing the procedures determined by Teachers' Pensions and set out in Appendix 1 of the Guidance and acknowledged as appropriate for the purpose of the engagement by the Responsible Finance Officer, and reporting the factual findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

We have not subjected the information contained in our report or the appendices (including explanations and representations received from the Responsible Finance Officer and reported to you) to checking or verification procedures except to the extent expressly stated. This agreed-upon procedures engagement does not constitute an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

This report relates only to the matters specified above and does not extend to any financial statements of Oldham Metropolitan Borough Council, taken as a whole.

Professional Ethics and Quality Control

We have complied with the ethical requirements in the ICAEW Code of Ethics issued by the Institute of Chartered Accountants in England and Wales. For the purpose of this engagement, there are no independence requirements with which we are obliged to comply.

We apply International Standard on Quality Control (UK) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

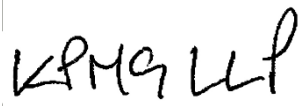
Procedures and Factual Findings

We have performed the procedures and report our factual findings as set out in Appendix I which forms an integral part of this report.

We have noted exceptions in the performance of procedures 3 and 7.

The nature and magnitude of the exceptions are described alongside the relevant procedure within Appendix I. We also report management's explanations for any exceptions identified.

Yours faithfully

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font.

KPMG LLP
Chartered accountants

APPENDIX I - AGREED UPON PROCEDURES AND FINDINGS MATRIX – FORMING AN INTEGRAL PART OF THE REPORT

Agreed-upon-Procedures Report of KPMG LLP to Teachers’ Pensions and Oldham Metropolitan Borough Council in respect of Teachers’ Pensions End of Year Certificate for the year ended 31 March 2022

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors)
1	We have checked that all relevant parts of the return have been completed (in pounds and pence) and that the employer’s certificate bears the signature of the Responsible Finance Officer.	No exceptions noted	N/A
2	We have checked that all arithmetic on the return is correct including: <ul style="list-style-type: none"> (a) that the totals in section 3 are arithmetically correct; (b) that the total in section 3 column 1 agrees with the entry in section 1 (box 1); (c) that the total in section 3 column 2 agrees with the entry in box 2a(iv); (d) that the total in section 3 column 3 agrees with the entry in box 2a(v); and (e) that the overall balance in box 2e has been calculated correctly. 	No exceptions noted	N/A
3	We have checked that the breakdown of contributions in each tier casts to the percentage rate of the contributory salary.	We have identified differences between the entries on the attached 2021/22 EOYC form and our recalculations of the contributions as	The majority of variances are due to underpaid historic contributions which are still being paid back. This has caused system errors in tier allocations. Some employees across multiple months have incorrect tier allocations due to

Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors)																																												
	<p>shown below. Reasons relating to these variances have been provided to the right. No amendment is to be made to the attached 2021/22 EOYC.</p> <table border="1" data-bbox="891 564 1386 963"> <thead> <tr> <th>Tier</th> <th>%</th> <th>TC</th> <th>EC</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>7.40</td> <td>£721.64</td> <td>(£167.13)</td> </tr> <tr> <td>2</td> <td>8.60</td> <td>(£603.55)</td> <td>£1,213.80</td> </tr> <tr> <td>3</td> <td>9.60</td> <td>(£1,473.86)</td> <td>£685.46</td> </tr> <tr> <td>4</td> <td>10.20</td> <td>£408.74</td> <td>£216.70</td> </tr> <tr> <td>5</td> <td>11.30</td> <td>£37.55</td> <td>(£0.88)</td> </tr> <tr> <td>6</td> <td>11.70</td> <td>(£61.34)</td> <td>(£0.13)</td> </tr> <tr> <td>Total</td> <td></td> <td>(£970.82)</td> <td>£1,947.83</td> </tr> </tbody> </table>	Tier	%	TC	EC	1	7.40	£721.64	(£167.13)	2	8.60	(£603.55)	£1,213.80	3	9.60	(£1,473.86)	£685.46	4	10.20	£408.74	£216.70	5	11.30	£37.55	(£0.88)	6	11.70	(£61.34)	(£0.13)	Total		(£970.82)	£1,947.83	<p>this. We can confirm these errors have since been corrected. Additionally, there have been instances where errors have been partially corrected or errors have occurred in corrective adjustments which have been detailed against the bandings.</p> <table border="1" data-bbox="1417 552 2107 1343"> <thead> <tr> <th>Tier</th> <th>TC</th> <th>EC</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Difference primarily relates to employees 045711, 812934 and 812058 due to salary backdating, employer contributions had been corrected in the year and teachers' contributions have been corrected post year end.</td> <td>Various contribution tier errors due to historical make up payments per overall comment. Employee 812934 Nov 21 calculation error, to be corrected through payroll.</td> </tr> <tr> <td>2</td> <td>Various contribution tier errors due to historical make up payments per overall comment.</td> <td>Various contribution tier errors due to historical make up payments per overall comment.</td> </tr> <tr> <td>3</td> <td>Various contribution tier errors due to historical make up payments per overall comment. Employee 045711 salary backdating and</td> <td>Various contribution tier errors due to historical make up payments per overall comment. Employees 002859</td> </tr> </tbody> </table>	Tier	TC	EC	1	Difference primarily relates to employees 045711, 812934 and 812058 due to salary backdating, employer contributions had been corrected in the year and teachers' contributions have been corrected post year end.	Various contribution tier errors due to historical make up payments per overall comment. Employee 812934 Nov 21 calculation error, to be corrected through payroll.	2	Various contribution tier errors due to historical make up payments per overall comment.	Various contribution tier errors due to historical make up payments per overall comment.	3	Various contribution tier errors due to historical make up payments per overall comment. Employee 045711 salary backdating and	Various contribution tier errors due to historical make up payments per overall comment. Employees 002859
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Agreed Upon Procedures		Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors)	
				underpaid contributions Jul 21. & 046549 ERs not included in bandings and included in error in additional pension contributions.
			4	Various contribution tier errors due to historical make up payments per overall comment. Employees 002498 & 046549 make up payments for backpay in Aug 21. Various contribution tier errors due to historical make up payments per overall comment.
			5	Primarily relates to employee 002498 contribution error in July 21. Rounding variances.
			6	Primarily relates to employee 002498 contribution error in July 21. Rounding variances.
			N/A	
4	We have checked that entries on the return and supporting working papers agree with the employer's payroll records, including amendments, and, where necessary,	No exceptions noted	N/A	

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors)
	information from other payroll providers, for the return period.		
5	We have checked that contributions paid in box 2d provided by TP agree with the employer's accounts.	No exceptions noted	N/A
6	For a sample of 60 teachers paid by the employer payroll and (where available) third party payrolls, we have checked: <ul style="list-style-type: none"> (a) the status of the teacher to the employer portal; (b) that contributory salaries have been agreed to payroll records and included in section 3 column 1 in the correct tier; (c) that teachers' contributions have been deducted at the correct tier rate and included in section 3 column 2 in the correct tier; and (d) that employer's contributions have been calculated correctly and included in section 3 column 3. 	No exceptions noted	N/A
7	For the sample of teachers selected for test 6 we have checked that:	Teachers Pensions letters were unavailable for teachers 200197 and 001131. Confirmation of contribution	Teachers Pension letters unavailable for 2 sample members as they relate to historic contributions where there are no letters held by the Council.

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors)
	<p>(a) Career average flexibilities payments have been deducted correctly and included in box 2a(i);</p> <p>(b) additional pension payments have been deducted correctly and included in box 2a(ii);</p> <p>(c) additional contributions have been deducted correctly and included in box 2a(iii)</p> <p>(d) deductions and interest for teachers with EFE elections are calculated correctly and included in box 2b(i)</p> <p>(e) Preston contributions have been deducted correctly and included in box 2b(ii)</p> <p>(f) TR22 contributions have been deducted correctly and included in box 2b(iii)</p>	<p>amounts have been satisfied using the Teachers Pension member prints.</p> <p>Total additional contributions included in the attached 2021/22 EOYC totals £8,230.67 however, actual contributions are confirmed at £8,082.72.</p>	<p>Regarding the additional contributions, two employer contributions were incorrectly included within this figure opposed to employee banding 9.6%. This relates to employee 002859 £33.23 and employee 046549 £114.72 causing this £147.95 variance.</p>
8	N/A	N/A	N/A
9	We have checked all prior year refunds in box 2c(ii) to correspondence from Teachers' Pensions.	N/A	N/A
10	For all management explanations related to the exceptions and errors noted, we	Obtained and detailed above.	N/A

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors)
	have obtained representations from the Responsible Finance Officer.		

Teachers' Pensions Contributions for Financial Year 2021/22



Please familiarise yourself with the instructions, to complete, upload and print your EOYC.

To create your Declaration form to be signed, first create your .CSV to upload via the button to the right, then that same button becomes Print File. Click it and ensure you click to print entire workbook.

Unaudited EOYC forms should be uploaded to the employers portal no later than 31 May 2022

Employer Information

Local Authority/Establishment Name:

Oldham Metropolitan Borough Council

Local Authority/Establishment Number:

LA Number

Establishment Number

353

0000

(For Local Authorities, please enter the establishment number as '0000')

Employer Type

Please select your Employer Type from the dropdown list below, before completing the remainder of this form.

Employer Type:

Local Authority

Section 1: Total Actual Contributory Salary

Total Contributory Salary:

£46,627,384.57

Section 2: Summary of Contributions

	I. Career Average Flexibilities (Note 3)	II. Additional Pension Payments (Note 3)	III. Additional Contributions (Note 3)	IV. Teachers' Contributions	V. Employer's Contributions	Total Contributions
a. Contributions deducted (as per contributory salary at 1 - see Note 4)	£0.00	£4,855.52	£3,375.15	£4,400,625.37	£11,039,416.84	£15,448,272.88
			I. Arrears deducted in respect of EFE Elections (Note 5)	II. Contributions deducted in respect of PRESTON (Note 6)	III. TR22 Election amounts deducted (Note 7)	Total Extra Contributions
		b. Extra contributions deducted	£0.00	£0.00	£0.00	£0.00
				I. Short Term Pension	II. Refunds made (in respect of previous years only)	Total Refunds made
		c. Refunds Made		£0.00	£3,583.05	£3,583.05
				d. Contributions Paid (Note 8)		£15,444,689.83
				e. Overall Balance (2a + 2b) - (2c + 2d)		£0.00

NB: Underpayments identified at Overall Balance must be paid immediately to Teachers' Pensions - see Notes 9 and 11.

Section 3: Analysis of Contributions by Tier

Tier (Percentage Rate)	Contributory Salary	Teachers' Contributions	Employer's Contributions (23.68%)
Tier 1 (7.40%)	£6,496,647.74	£480,030.29	£1,538,573.31
Tier 2 (8.60%)	£10,229,153.55	£880,310.76	£2,421,049.76
Tier 3 (9.60%)	£13,220,127.38	£1,270,606.09	£3,129,840.70
Tier 4 (10.20%)	£10,812,529.84	£1,102,469.30	£2,560,190.37
Tier 5 (11.30%)	£4,869,802.84	£550,250.17	£1,153,170.19
Tier 6 (11.70%)	£999,123.22	£116,958.76	£236,592.51
TOTALS	£46,627,384.57	£4,400,625.37	£11,039,416.84

NB: Totals from Section 3 should be identical to the figures in Sections 1 and 2

Teachers' Pensions Contributions for Financial Year 2021/22

Section 4: Certificate to be given by the Chief Finance Officer of the Local Authority

I hereby certify that, to the best of my knowledge and belief, the entries on this form are correct and that, in accordance with the regulations underpinning the Teachers' Pension Scheme:

- Employee contributions have been correctly calculated, deducted from pensionable salary and remitted to Teachers' Pensions in respect of all employees who are members of the scheme;
- Employer contributions have been correctly calculated and remitted to Teachers' Pensions based on pensionable salaries and applicable contributions rates
- I am satisfied that the authority has adequate systems in place and has obtained supporting evidence which confirms that those entries in respect of teachers in schools maintained by the Local Authority whose salary payments are administered other than directly through the LA payroll, are correctly calculated and paid to Teachers' Pensions.

Name (in capital letters)

ANNE T RYANS

Position

DIRECTOR OF FINANCE

Email Address

anne.ryans@okham.gov.uk

Telephone Number

Signature

A.T. Ryans

Date

16/11/2022

Section 5: Certificate of the auditor

I/we have examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated _____) and the related accounts and records of the authority in accordance with the agreed upon tests in Certification Instruction TP05.

My/our assessment carried out the agreed upon tests in Certification Instruction TP05 and obtained such evidence and explanations as I/we consider necessary. (Except for the matters raised in the attached report dated _____).

Name (in capital letters)

Date

DDMMYYYY

Signature

Data Protection Act 1998. The Department for Education (DfE) will use any information you provide in connection with the Teachers' Pension Scheme to administer and operate the scheme and pay benefits under it. This may include passing details to third parties that are involved in the administration and operation of the scheme. The DfE may also use your data for administrative purposes in line with its data protection notification. In order to fulfil its duty to protect public money, the DfE may use information it holds to prevent and detect fraud. It may also share information with other organisations that handle public funds. If there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this application form, the legislation will apply.

Please return to us at:

Teachers' Pensions, 11b Lingfield Point, Darlington, DL1 1AX

www.teacherspensions.co.uk

KPMG LLP

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Report to Audit Committee

Treasury Management Strategy Statement 2023/24

**Including the Minimum Revenue Provision Policy
Statement, Annual Investment Strategy and Prudential
Indicators**

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

Ext. 6608

16 January 2023

Reason for Decision

To present to Council, the strategy for 2023/24 Treasury Management activities including the Minimum Revenue Provision Policy Statement, the Annual Investment Strategy and Prudential Indicators together with linkages to the Capital Strategy.

Executive Summary

The report outlines the Treasury Management Strategy for 2023/24 including the Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Prudential Indicators together with linkages to the Capital Strategy.

The Council is required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. It is also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2021 (the Code) also requires the receipt by full Council of a Treasury Management Strategy Statement.

The Strategy for 2023/24 covers two main areas.

1) Capital Issues:

- The Capital expenditure plans and the associated Prudential Indicators
- The Minimum Revenue Provision (MRP) Policy Statement

2) Treasury Management Issues:

- The Current Treasury Position
- Treasury Indicators which limit the treasury risk and activities of the Council
- Prospects for Interest Rates
- The Borrowing Strategy
- The Policy on Borrowing in Advance of Need
- Debt Rescheduling
- The Investment Strategy
- The Creditworthiness Policy
- The Policy regarding the use of external service providers.

The report therefore outlines the implications and key factors in relation to each of the above Capital and Treasury Management issues and makes recommendations with regard to the Treasury Management Strategy for 2023/24.

The report includes the most recently available economic background commentary which reflects the position at 22 December 2022.

The proposed Treasury Management Strategy is presented to the Audit Committee to enable scrutiny of the report before it's further consideration in the budget setting cycle. It will also be presented to the Policy Overview and Scrutiny Committee on 26 January 2023. Any comments from the Audit Committee or Policy Overview and Scrutiny Committee will be incorporated into the report presented to Cabinet on 13 February 2023 and Council on 1 March 2023.

Recommendation

That the Audit Committee considers and commends to cabinet as appropriate, the:

1. Capital Expenditure Estimates as per paragraph 2.1.2;
2. MRP policy and method of calculation as per Appendix 1;
3. Capital Financing Requirement (CFR) Projections as per paragraph 2.2.3;
4. Projected treasury position as at 31 March 2023 as per paragraph 2.4.3;
5. Treasury Limits as per section 2.5;
6. Borrowing Strategy for 2023/24 as per section 2.7;
7. Annual Investment Strategy as per section 2.11 including risk management and the creditworthiness policy at section 2.12; and
8. Level of investment in specified and non-specified investments detailed at Appendix 5.

Treasury Management Strategy Statement 2023/24 Including the Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Prudential Indicators**1. Background**

1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low investment risk appetite, providing adequate liquidity initially before considering 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 that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 The contribution that the Treasury Management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either for day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from the Council's reserves and balances, it is essential that there is adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from day-to-day treasury management activities.

1.5 Treasury management is defined as:

"The management of the local authority's borrowing, 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."

Source: The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Service's Code of Practice.

1.6 Reporting Requirements – Capital Strategy

1.6.1 The CIPFA Prudential and Treasury Management Codes (2021) require all Local Authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

1.6.2 The Council's capital strategy is being prepared following the required Codes of Practice to ensure that all Council Members are presented with the overall long-term capital investment policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.7 Treasury Management Reporting

1.7.1 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. Prudential and treasury indicators and treasury strategy (this report), the first and most important report which is a forward look to the year ahead and covers:

- The capital plans, (including prudential indicators);
- A minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- The treasury management strategy (how investments and borrowings are to be organised), including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

b. A mid-year treasury management report

This is primarily a progress report and will update Members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. An annual treasury report

This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.7.2 The above reports are required to be adequately scrutinised before being commended to Cabinet and Council. The scrutiny of Treasury Management reports is undertaken by the Audit Committee.

1.8 Treasury Management Strategy for 2023/24

1.8.1 The strategy for 2023/24 covers two main areas:

1) Capital issues:

- The capital expenditure plans and the associated prudential indicators;
- The minimum revenue provision (MRP) policy.

2) Treasury management issues:

- The current treasury position;
- Treasury indicators which limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- The borrowing strategy;
- The policy on borrowing in advance of need;
- Debt rescheduling;

- The investment strategy;
- The creditworthiness policy; and
- The policy regarding the use of external service providers.

1.8.2 These elements cover the requirements of the Local Government Act 2003, Department of Levelling Up Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.9 Training

1.9.1 The CIPFA Code requires the responsible officer (in Oldham the Director of Finance) to ensure that Members with responsibility for treasury management receive adequate training to enable them to discharge their duties. This especially applies to Members responsible for scrutiny.

1.9.2 Furthermore, a new introduction within the Code for 2023/24 states that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

1.9.3 The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and Council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

1.9.4 As a minimum, Authorities should carry out the following to monitor and review knowledge and skills:

- a) Record attendance at training and ensure action is taken where poor attendance is identified.
- b) Prepare tailored learning plans for treasury management officers and Council Members.
- c) Require treasury management officers and Council Members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- d) Have regular communication with officers and Council Members, encouraging them to highlight training needs on an ongoing basis.

1.9.5 In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

1.9.6 The Council provided a training session for Audit Committee Members on 5 October 2021 which was led by an external trainer. Also, during 2022/23 externally facilitated general financial skills training was provided for Members on 22 June 2022 and also on 28 September 2022. To continue to meet these new requirements an assessment will be made as described in 1.9.5 above and training will be arranged to meet any training requirement identified during 2023/24.

- 1.9.7 The training needs of treasury management officers are periodically reviewed. The team is staffed by professionally qualified accountants with extensive Local Government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments. During 2022/23 these have all been held remotely via zoom or another online platform. All staff follow a Continuous Professional Development (CPD) Plan as part of their individual accountancy body accreditation. The overall responsibility for capital and treasury activities lies with the Council's Section 151 Officer (Director of Finance) who, in accordance with statute, is professionally qualified and is suitably experienced to hold the post.
- 1.10 Treasury Management Consultants
- 1.10.1 The Council uses The Link Group, Treasury Solutions as its external treasury management advisors.
- 1.10.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our treasury advisers.
- 1.10.3 It is also recognised that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 1.10.4 When looking at a commercial element within a particular capital scheme that has a main focus on public services, housing, regeneration, preventative objectives or treasury management investments, the Council will require specialist advice that the Link Group may not provide. As part of the evaluation process and if required, appropriate external advice will be sought, and an extensive due diligence exercise will be undertaken.

2. Capital Plans & Prudential Indicators 2023/24 – 2025/26

2.1 Capital Plans

- 2.1.1 The Council's capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans is reflected in Prudential Indicators, which are designed to assist Members' overview and confirm capital expenditure plans. These indicators as per the Capital Programme include previous years' actual expenditure, forecast expenditure for this current year 2022/23 and estimates for the next three-year period, the timeframe required by CIPFA's guidance.

Capital Expenditure and Financing

- 2.1.2 This first Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to consider the capital expenditure forecasts included the table below presented to reflect the current Portfolio management arrangements. The capital spending plans included in the Capital Strategy and Programme translate the ambition and vision for Oldham that were set out in Cabinet reports.

Table 1 - Capital Expenditure Estimates

Capital Expenditure / Portfolio	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Corporate Services	2,003	2,500	4,238	2,738	234
Corporate / Information Technology	4,424	3,701	5,957	3,960	2,650
Children's Services	45,436	6,711	9,930	4,522	1,691
Communities & Reform	179	196	400	100	0
Community Health & Adult Social Care	2,439	2,365	2,343	2,343	1,826
Place and Economic Growth	21,828	43,640	71,148	69,051	24,540
Funds for Emerging Priorities	0	0	1,493	15,624	13,836
General Fund Services	76,309	59,113	95,509	98,338	44,777
Housing Revenue Account (HRA)	680	0	1,000	500	95
HRA	680	0	1,000	500	95
Commercial Activities / Non- Financial Investments	0	0	0	0	0
Commercial Activities / Non- Financial Investments	0	0	0	0	0
Total	76,989	59,113	96,509	98,838	44,872

- 2.1.3 The capital expenditure shown above excludes other long-term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements which already include borrowing instruments. It should be noted that any new expenditure commitments are likely to increase the borrowing requirement.
- 2.1.4 Table 2 below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).
- 2.1.5 The borrowing need for capital expenditure in 2023/24 is currently expected to be £59.041m. This will however change if there is a revision to the spending profile of the capital programme.

Table 2 - Funding of the Capital Programme

Capital Expenditure	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
General Fund Services	76,309	59,113	95,509	98,338	44,777
HRA	680	0	1,000	500	95
Commercial Activities	0	0	0	0	0
Total	76,989	59,113	96,509	98,838	44,872
Financed by:					
Capital receipts	(11,861)	(6,163)	(6,946)	(3,488)	(1,056)
Capital grants - Ringfenced	(64,162)	(23,931)	(18,669)	(21,696)	(133)
Capital grants – Un-ringfenced		(13,396)	(10,853)	(9,433)	(3,580)
Revenue	(54)	(90)	0	0	0
HRA Resources	(912)	0	(1,000)	(500)	(95)
Net financing need for the year	0	15,533	59,041	63,721	40,008

2.1.6 All other prudential indicators included within this report are based on the above capital estimates.

2.2 The Council's Borrowing Need - the Capital Financing Requirement (CFR)

2.2.1 The second Prudential Indicator is the Council's CFR. The CFR is simply the total historic outstanding capital expenditure which has not yet been financed from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been financed from cash backed resources, will increase the CFR.

2.2.2 The CFR does not increase indefinitely, as the Council makes 'prudent' provision for debt repayment which broadly reduces indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used. The approach to making prudent provision is set out in the MRP Policy Statement at Appendix 1. The MRP Policy Statement is unchanged from that approved for 2022/23.

2.2.3 The CFR includes other long-term liabilities (e.g., Private Finance Initiative (PFI) schemes, finance leases etc.). Whilst these arrangements increase the CFR, and therefore the Council's borrowing requirement, such schemes also include a 'loan' facility meaning the Council is not required to make separate borrowing arrangements. The Council currently estimates a net figure of £193.864m of such schemes within the CFR for 2023/24, decreasing to £170.421m by 2025/26.

Table 3 - Capital Financing Requirement (CFR)

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Capital Financing Requirement (CFR)					
CFR - Services	468,895	464,182	501,132	539,674	551,420
CFR - Commercial Activities	0	0	0	0	0
Total CFR	468,895	464,182	501,132	539,684	551,420
Movement in CFR	(22,818)	(4,713)	36,950	38,552	11,736
Movement in CFR represented by Net financing need for the year	0	15,533	59,041	63,721	40,008
PFI Repayments	(20,449)	(8,912)	(10,672)	(11,365)	(12,078)
Less MRP/VRP and other financing movements	(2,369)	(11,334)	(11,419)	(13,876)	(16,194)
Movement in CFR	(22,818)	(4,713)	36,950	38,552	11,736

2.2.4 A key aspect of the regulatory and professional guidance is that elected Members are aware of the size and scope of any commercial activity in relation to the Authority's overall financial position. The capital expenditure figures shown in Table 1 at paragraph 2.1.2 and the details above demonstrate the scope of this activity i.e., that there has not been any commercial activity in 2021/22 and 2022/23 and no investment in projects for yield is planned. Therefore, by approving these figures, the scale is considered proportionate to the Council's remaining activity.

Planned External Borrowing

2.2.5 The table below conforms to the new requirements of the Department of Levelling Up, Housing and Communities (DLUHC) regarding the categorisation of planned external borrowing, given that the Government's aim has been to limit the level of commercial activity (projects for yield) in which some (a limited number) of Local Authorities have been engaged. The information in Table 4 will be submitted to accompany the Council's application for the PWLB Certainty Rate for borrowing during 2023/24.

Table 4 – Planned External Borrowing

External Borrowing	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Service Expenditure	5,377	8,250	19,275	17,262
Regeneration	7,793	48,064	42,981	20,956
Preventative Action	2,363	2,727	1,465	1,790
Treasury Management	-	-	-	-
Projects for Yield	-	-	-	-
Total	15,533	59,041	63,721	40,008

2.3 Liability Benchmark

2.3.1 Another prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum, however CIPFA strongly recommends that this should be completed for a longer period as possible providing relevant accurate estimates on future capital schemes are available. The Liability Benchmark can be found at Appendix 2 and has been prepared to align to the five year capital strategy period.

2.3.2 There are four components to the LB:

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

2.3.3 The Liability Benchmark is effectively the Net Borrowing Requirement of a Local Authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves and cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

2.3.4 CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark (i.e., all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where external loans are less than the Liability Benchmark, then this indicates a borrowing requirement thus identifying where the Authority is exposed to interest rate, liquidity and refinancing risks. Conversely where external loans exceed the Liability Benchmark then this will highlight an overborrowed position which will result in excess cash in the organisation requiring investment thus exposing the Authority to credit and reinvestment risks and a potential cost of carry. As can be seen in Appendix 2, the Council's external loans are less than the Liability Benchmark, therefore shows a borrowing requirement which is in line with the Council's current strategy and financial planning.

2.4 Borrowing

2.4.1 The capital expenditure plans set out in section 2.1 to a large extent drive the borrowing estimates included in this report. The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant Treasury and Prudential Indicators, the current and projected debt positions and the Annual Investment Strategy.

Current Borrowing Portfolio Position

2.4.2 The overall treasury management portfolio as at 31 March 2022 and the position as at January 2023 is shown below for both borrowing and investments.

Table 5 - Current Treasury Position

Treasury Investments/External Borrowing	Actual 31/03/2022 £'000	Actual 31/03/2022 %	Current January 2023 £'000	Current January 2023 %
Treasury Investments				
Banks	25,000	23.74%	35,000	39.11%
Local Authorities / Public Bodies	14,000	13.30%	15,000	16.76%
Building Societies	5,000	4.75%	0	0.00%
Money Market Funds	46,300	43.97%	24,500	27.37%
Total Managed in House	90,300	85.75%	75,265	83.24%
Property Funds	15,000	14.25%	15,000	16.76%
Total Managed Externally	15,000	14.25%	15,000	16.76%
Total Treasury Investments	105,300	100.00%	89,500	100.00%
Treasury External Borrowing				
PWLB	35,241	21.03%	35,241	21.89%
Lender Option Borrower Option (LOBO's)	85,500	51.02%	85,500	53.11%
Market	46,600	27.80%	40,000	24.85%
Temporary Borrowing	256	0.15%	256	0.16%
Total Treasury External Borrowing	167,597	100.00%	160,997	100.00%
Net Treasury Investments / (Borrowing)	(62,297)		(71,497)	

2.4.3 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, the Treasury Management operation against the underlying capital borrowing need and the CFR, highlighting any over or under borrowing. Table 6 shows at 31 March 2023 and anticipated CFR at £464.182m, the forecast position of gross borrowing at £365.528m (debt at 31 March 2023 at £160.992m plus Closing Other Long Term Liabilities (OLTL) at 31 March 2023 of £204.536m) and an under borrowed position of £98.654m.

Table 6 - Current and Forecast Treasury Portfolio

	2021/22 Actual £'000	Forecast position as at 31/3/23 £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
External Debt					
Debt at 1 April	172,843	167,597	160,992	200,987	235,982
Actual/Expected change in debt	(5,246)	(6,605)	39,995	34,995	14,995
Debt at 31 March	167,597	160,992	200,987	235,982	250,977
Opening OLTL* at 1 April	224,405	213,448	204,536	193,864	182,499
Actual/ Expected change in OLTL	(10,957)	(8,912)	(10,672)	(11,365)	(12,078)
Closing OLTL at 31 March	213,448	204,536	193,864	182,499	170,421
Actual/ Forecast gross debt (borrowing requirement) at 31 March	381,045	365,528	394,851	418,481	421,398
The Capital Financing Requirement	468,895	464,182	501,132	539,684	551,420
Under / (over) borrowing	87,850	98,654	106,281	121,203	130,022

* Other Long-Term Liabilities

- 2.4.4 Table 6 above shows the Council will need to undertake significant additional borrowing in future years if capital programme expenditure matches the anticipated spending profile. The borrowing requirement is a key driver of the borrowing strategy as set out in section 2.6. The timing of any additional borrowing given the amounts indicated in the table above will be closely monitored. Members will recall that capital spending plans have been reprofiled year on year and it is possible that the trend could be repeated in 2023/24 and future years.
- 2.4.5 There are a number of key Prudential Indicators to ensure that the Council operates its activities within well-defined limits. The Council must ensure that gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes. It is clear from the table above that the Council's gross borrowing position remains within these limits.
- 2.4.6 The Council has complied with this Prudential Indicator in the current year and does not envisage any difficulties with compliance in the future. This view takes into account current commitments, existing plans, and the proposals set out in this report.
- 2.4.7 The Council should include within the forecast gross borrowing figures in Table 6, any debt that relates to commercial activities / non-financial investments. The Council has no external debt for commercial activities/non-financial investments included in the gross borrowing figures in Table 6. Under the Prudential Code, there is a requirement to provide the information in the Treasury Management Strategy which shows that to date there has been a minimal impact on debt from potential investments in commercial activities compared to the Council's overall borrowing (excluding long-term liabilities).

2.5 Treasury Limits for 2023/24 to 2025/26

- 2.5.1 The Council is required to determine its Operational Boundary and Authorised Limit for external debt for the next three financial years.

Operational Boundary

- 2.5.2 The forecast Operational Boundary for 2022/23 together with the proposed operational boundaries for 2023/24 to 2025/26 are set out in Table 7 below. The boundary reflects the maximum anticipated level of external debt which is not expected to be exceeded. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on levels of actual debt and the ability to fund under-borrowing by other cash resources. This boundary will be used as a management tool for ongoing monitoring of external debt and may be breached temporarily due to unusual cash flow movements. However, a sustained or regular trend above the Operational Boundary should trigger a review of both the Operational Boundary and the Authorised Limit.

Table 7 - Operational Boundary

Operational Boundary	2022/23 Forecast £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Borrowing	265,000	312,000	362,000	385,000
Other long term liabilities	207,500	196,500	185,500	173,500
Commercial activities / non-financial investments	0	0	0	0
Total	472,500	508,500	547,500	558,500

Authorised Limit

- 2.5.3 A further key Prudential Indicator, the Authorised Limit controls the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit may only be determined by full Council. It reflects the level of external debt which, while not desirable, is affordable in the short term, but is not sustainable in the longer term. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.
- 2.5.4 Members are asked to consider the proposed Operational Boundary for each financial year from 2022/23 to 2025/26 as set out in Table 7 above and Authorised Limit as set out in Table 8 below:

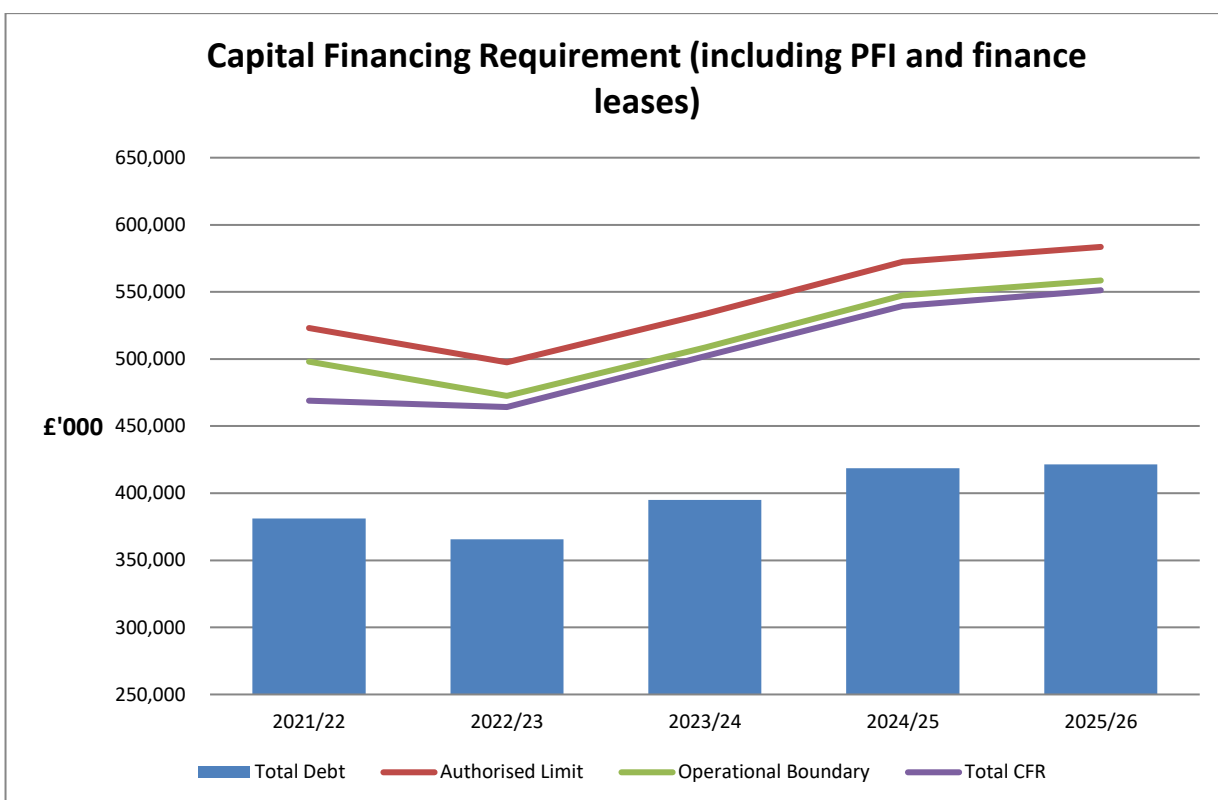
Table 8 - Authorised Limit

Authorised Limit	2022/23 Forecast £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Borrowing	285,000	332,000	382,000	405,000
Other long term liabilities	212,500	201,500	190,500	178,500
Commercial activities / non-financial investments	0	0	0	0
Total	497,500	533,500	572,500	583,500

2.5.5 Table 9 and the graph below show how the two indicators above, the Operational Boundary and the Authorised Limit compare to actual external debt and the CFR.

Table 9 - Estimated Capital Financing Requirement, Debt and Treasury Indicators

Capital Financing Requirement (CFR) including PFI and finance leases	Actual 2021/22 £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
General Fund CFR	468,895	464,182	501,132	539,684	551,420
Total CFR	468,895	464,182	501,132	539,684	551,420
External Borrowing	167,597	160,992	200,987	235,982	250,977
Other long term liabilities	213,448	204,536	193,864	182,499	170,421
Total Debt	381,045	365,528	394,851	418,481	421,398
Operational Boundary	498,000	472,500	508,500	547,500	558,500
Authorised Limit	523,000	497,500	533,500	572,500	583,500



2.6 Prospects for Interest Rate

2.6.1 The Council has appointed The Link Group as its Treasury Adviser and part of its service is to assist the Council to formulate a view on interest rates. The table below gives the Link Group's central view of interest rates looking forward from December 2022 to March 2026 as provided on 8 November 2022. The rates are based on the PWLB Certainty Rate. The

Certainty Rate is 80 basis points over gilt yields, and is a reduced rate offered to Local Authorities who qualify providing their plans for long-term borrowing and associated capital spending meet the criteria. The Council has applied for and been approved for the Certainty Rate which covers the period November 2022 to October 2023.

Table 10 - Interest Rate Forecast

Period Ending	Bank Rate	PWLB Borrowing Rates %			
	%	5 year	10 year	25 year	50 year
December 2022	3.50	4.30	4.50	4.70	4.30
March 2023	4.25	4.30	4.50	4.70	4.40
June 2023	4.50	4.20	4.40	4.60	4.30
September 2023	4.50	4.10	4.30	4.50	4.20
December 2023	4.50	4.00	4.20	4.40	4.10
March 2024	4.00	3.90	4.00	4.30	4.00
June 2024	3.75	3.80	3.90	4.10	3.80
September 2024	3.50	3.60	3.90	4.00	3.70
December 2024	3.25	3.50	3.60	3.90	3.60
March 2025	3.00	3.40	3.50	3.70	3.40
June 2025	2.75	3.30	3.40	3.60	3.30
September 2025	2.50	3.20	3.30	3.50	3.20
December 2025	2.50	3.10	3.20	3.50	3.20
March 2026	2.50	3.10	3.20	3.50	3.20

- 2.6.2 The Link central forecast reflects a view that the Monetary Policy Committee (MPC) will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.
- 2.6.3 Further into future years, Link anticipates the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- 2.6.4 The Consumer Price Index (CPI) measure of inflation will peak at close to 11% in Quarter 4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.
- 2.6.5 Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.
- 2.6.6 In the upcoming months, the Link forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)
- 2.6.7 On the positive side, consumers are still estimated to have over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families

already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB Rates

- 2.6.8 Yield curve movements have become less volatile under the Sunak/Hunt Government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).
- 2.6.9 Link view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The Balance of Risks to the UK Economy

- 2.6.10 The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

1. **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
2. **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
3. **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
4. **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates include:

1. **The Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
2. **The Government** acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.
3. **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
4. Longer term **US treasury yields** rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice

- 2.6.11 The Link long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed Local Authority to Local Authority monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also

prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

2.7 Borrowing strategy

2.7.1 The factors that influence the 2023/24 strategy are:

- The movement in CFR as set out in Table 3;
- Forthcoming 'Option' dates on £60.5m of Lender Option Borrower Option loans (LOBO's) in 2023/24;
- The interest rate forecasts (set out in Table 10);
- Aiming to minimise revenue costs to reduce the impact on the Council Tax Requirement; and
- The impact of the Council's Capital Programme.

2.7.2 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

2.7.3 Against this background and the risks within the economic forecast, caution will be adopted with 2023/24 treasury operations. The Treasury Management team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances so that:

- if it was considered that there was a significant risk of a sharp fall in interest rates, then long term borrowing will be postponed.
- if it was considered that there was a significant risk of a much sharper rise in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

2.7.4 The forecast gross borrowing requirement in Table 6 at 2.4.3 above shows, based on current estimates, that the Council will need to drawdown a significant amount of new borrowing, to support the capital programme. Any additional borrowing will be completed with regard to the limits, indicators and interest rate forecasts set out above. As noted earlier, initial estimates of borrowing have changed in previous years due to the reprofiling of the capital programme once the financial year has begun.

2.7.5 During 2023/24, £60.5m of LOBO (Lender Option Borrower Option) debt will reach the option renewal date. Table 11 below, sets out the maturity structure of fixed rate debt. At the renewal date the loans will either:

- Move to the option rate of interest, which in all cases will be the same as the current rate; or
- Be offered at a rate above the option rate, in which case the Council has the option to repay. This would then require refinancing at the prevailing market rates.

Table 11 - Maturity Structure of Fixed Rate Debt

Maturity Structure of fixed interest rate debt	2023/24 Actual
Under 12 months	37.74%
12 months and within 24 months	0.00%
24 months and within 5 years	20.19%
5 years and within 10 years	4.81%
10 years to 20 years	3.11%
20 years to 30 years	3.11%
30 years to 40 years	3.11%
40 years to 50 years	15.53%
50 years to 60 years	12.42%

- 2.7.6 Due to the current interest rate forecast there is a possibility that some of these LOBO loans will be called.
- 2.7.7 The 2023/24 Capital Programme now shows anticipated prudential borrowing of £59.041m with £63.721m in 2024/25, £40.008m in 2025/26. These figures have been reflected in this report and factored into the borrowing strategy for 2023/24 and future years.
- 2.7.8 Members are advised that indicators for interest rate exposure are no longer a requirement under the Treasury Management Code. However, as interest rate exposure risk is an important issue, officers will continue to monitor the balance between fixed and variable interest rates for borrowing and investments. This will aim to ensure the Council is not exposed to adverse fluctuations in fixed or variable rate interest rate movements.
- 2.7.9 This is likely to reflect higher fixed interest rate borrowing if the borrowing need is high or fixed interest rates are likely to increase, or a higher variable rate exposure if fixed interest rates are expected to fall. Conversely if shorter term interest rates are likely to fall, investments may be fixed earlier, or kept shorter if short term investments are expected to rise.
- 2.7.10 The balance between variable rate debt and variable rate investments will be monitored as part of the overall treasury function in the context of the overall financial instruments structure and any under or over borrowing positions.
- 2.8 Policy on Borrowing in Advance of Need
- 2.8.1 The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Any borrowing will follow the most recent guidance issued by CIPFA.
- 2.8.2 Borrowing in advance will be made within the constraint that the Council would not look to borrow more than 24 months in advance of need.
- 2.8.3 Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting arrangements.

2.9 Debt Rescheduling

2.9.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates.

2.9.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and/ or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).

2.9.3 All re-scheduling will be reported to the Audit Committee, Cabinet and Council at the earliest meeting following its action.

2.10 New Financial Institutions as a Source of Borrowing

2.10.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration will still be given to sourcing funding from the following:

- Local Authorities (primarily shorter dated maturities).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objectives is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- UK Municipal Bonds Agency. Members will recall that the Council has invested £0.100m in the UKMBA and would seek to make use of this source of borrowing as and when appropriate.

2.10.2 The degree which any of these options proves cheaper than the PWLB Certainty Rate is still evolving, however, all funding options will be fully evaluated, and the most appropriate option will be taken. The Link Group, the Council’s treasury advisors, will keep the Council informed regarding different options available when borrowing is undertaken.

Approved Sources of Long and Short-term Borrowing

2.10.3 The table below is a new requirement for 2023/24 and shows sources of borrowing that the Council may use and whether the related interest rates are fixed or variable.

Table 12 - Approved sources of long and short term borrowing

On Balance Sheet	Fixed	Variable
PWLB	✓	✓
Municipal Bonds Agency	✓	✓
Local Authorities	✓	✓
Banks	✓	✓
Pension Funds	✓	✓
Insurance Companies	✓	✓
UK Infrastructure Bank	✓	✓
Market (long-term)	✓	✓
Market (temporary)	✓	✓
Market (LOBOs)	✓	✓
Stock issues	✓	✓
Local Temporary Borrowing	✓	✓
Local Bonds	✓	
Local Authority Bills	✓	✓
Overdraft		✓
Negotiable Bonds	✓	✓
Internal (capital receipts & revenue balances)	✓	✓
Commercial Paper	✓	
Medium Term Notes	✓	
Finance Leases	✓	✓

2.11 Annual Investment Strategy

Investment Policy – Management of Risk

2.11.1 The DLUHC and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the Treasury Management Team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

The Council’s investment policy has regard to the following:

- DLUHC’s Guidance on Local Government Investments (“the Guidance”);
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”); and
- CIPFA Treasury Management Guidance Notes 2021.

2.11.2 The Council’s investment priorities will be:

- firstly, the security of capital;
- secondly, the liquidity of its investments;
- thirdly, the optimum return on its investments commensurate with proper levels of security and liquidity; and
- finally, ethical investments.

- 2.11.3 In the current economic climate it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options..
- 2.11.4 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -
- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
 - Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 2.11.5 This report defines the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 5 under the categories of ‘specified’ and ‘non-specified’ investments.
- Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.
- 2.11.6 For non-specified investments, the Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.
- 2.11.7 Lending limits, (amounts and maturity), for each counterparty, will be set through applying the matrix table in paragraph 2.12.3.
- 2.11.8 Transaction limits are set for each type of investment in 2.12.3.
- 2.11.9 The Council has set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 2.14.8).
- 2.11.10 Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 2.13.2) and Appendix 6.

- 2.11.11 The Council has engaged external consultants, (see paragraph 1.10), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Council in the context of the expected level of cash balances and need for liquidity throughout the year.
- 2.11.12 All investments will be denominated in sterling.
- 2.11.13 As a result of the change in accounting standards for 2022/23 under International Financial Reporting Standard (IFRS) 9, consideration will be given to the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Government concluded a consultation for a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018, ending March 2023). This has been extended for a further 2 years until 31 March 2025. (See paragraph 2.16.5).
- 2.11.14 However, the Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 2.15). Regular monitoring of investment performance will be carried out during the year.
- 2.11.15 The risk management criteria are unchanged from 2022/23.

2.12 Creditworthiness policy

- 2.12.1 Oldham Council utilises the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach, utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor. The credit ratings of counterparties are supplemented with the following overlays:
- credit watches and credit outlooks from credit rating agencies;
 - Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
 - sovereign ratings to select counterparties from only the most creditworthy countries.
- 2.12.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration and maximum investment value for each counterparty.
- 2.12.3 Institutions are split into colour bandings and the Council will therefore use counterparties within these colours, durational bands and investment limits. Table 13 below shows these limits.

Table 13 - Investment Criteria

Counter Party	Link Colour Band and Long Term Rating where applicable	Maximum Duration	Maximum Principal Invested per Counterparty
Banks	Yellow (Note 1)	5 Years	£10m
Banks	Dark Pink (Note 2)	5 Years	£10m
Banks	Light Pink (Note 3)	5 Years	£10m
Banks	Purple	2 Years	£20m
Banks	Blue (Note 4)	1 Year	£20m
Banks	Orange (Note 5)	1 Year	£15m
Banks	Red	6 months	£10m
Banks	Green	100 days	£10m
Banks	No Colour	Not to be used	Not to be used
Local Authorities/ Public Bodies	Internal Due Diligence	5 Years	£10m
GMCA	Internal Due Diligence (Note 6)	5 Years	£30m
Debt Management Account Deposit Facility (DMADF)	UK Sovereign rating	6 months	£40m
	Fund Rating	Maximum Duration	Maximum Principal Invested per Counterparty
Money Market Fund			
Constant	AAA	Liquid	£20m
Low Volatile	AAA	Liquid	£20m
Variable	AAA	Liquid	£20m

Note 1 – UK Government debt or equivalent

Note 2 – Enhanced money market funds (EMMF) with a credit score of 1.25

Note 3 – Enhanced money market funds (EMMF) with a credit score of 1.5

Note 4 - Blue Institutions – only applies to nationalised or semi nationalised UK Banks, which currently include the RBS Group (Royal Bank of Scotland, NatWest Bank and Ulster Bank).

Note 5 - Includes the Council's banking provider (currently Barclays), if it currently falls into a category below this colour band.

Note 6 – The higher maximum principal is to facilitate joint initiatives and activities related to the devolution agenda.

2.12.4 The Link Group creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

2.12.5 Typically the minimum credit ratings criteria the Council uses will be a Short-Term rating (Fitch or equivalents) of F1 and a Long-Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but

may still be used. In this instance consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

2.12.6 All credit ratings will be monitored on a weekly basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment option will be withdrawn or notice given to withdraw immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in the Credit Default Swap Index against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by the Link Group. Extreme market movements may result in the downgrading of an institution or its removal from the Council's lending list.

2.12.7 Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information and information on any external support banks to help support the decision-making process.

Creditworthiness

2.12.8 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt Government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS Price

2.12.9 Although bank CDS prices (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng Government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitors CDS prices as part of their creditworthiness service to Local Authorities and the Authority has access to this information via its Link-provided Passport portal.

2.13 Country and Sector Limits

2.13.1 It is not proposed to restrict the Council's investment policy to only UK Banks and Building Societies. In addition to the credit rating criteria set out above consideration will be given to the sovereign rating of the country before any investment is made.

2.13.2 The Council has determined that it will only use approved counterparties from the UK and from other countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 6. This list will be amended by officers should ratings change in accordance with this policy, therefore for illustrative purposes the appended list is extended to also show AA-. It is important to note that although able to, the Council has chosen not to invest overseas in recent years.

- 2.13.3 The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 50% (as mentioned in 2.11.6) of the total treasury management investment portfolio.
- 2.13.4 Investment limits in place above will apply to a group of companies and not individual institutions.
- 2.13.5 Sector limits will continuously be monitored to ensure appropriateness.

2.14 Investment Strategy

- 2.14.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.
- 2.14.2 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.
- 2.14.3 The Council currently has four investments totalling £20m which span the financial years 2022/23 and 2023/24 as shown in Table 14.

Table 14 - The Investment maturing in 2023/24

Counterparty	Amount £	Maturity Date	Rate
Stirling Council	5,000,000	22/05/23	3.40%
Close Brothers	5,000,000	25/05/23	4.00%
Wrexham BC	5,000,000	22/06/23	3.50%
Close Brothers	5,000,000	29/06/23	4.10%
Total	£20,000,000		

- 2.14.4 The current forecast shown in paragraph 2.6.1, includes a further increase of the Bank Rate in March 2023. There are expected to be further changes during 2023 with Bank Rate reaching 4.50% in Q2 2023.
- 2.14.5 The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:
- 2022/23 (remainder) 3.95%
 - 2023/24 4.40%
 - 2024/25 3.30%
 - 2025/26 2.60%
 - 2025/26 2.50%
 - Years 6 to 10 2.80%
 - Year 10 and over 2.80%
- 2.14.6 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

- 2.14.7 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment Treasury Indicator and Limit

- 2.14.8 This indicator considers total principal funds invested for greater than 365 days. These limits have regard to the Council’s liquidity requirements and reduce the need for the early redemption of investments and are based on the availability of funds after each year end.

Table 15 – Maximum principal sum invested greater than 365 days

Upper Limit for principal sums invested for longer than 365 days	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Principal sums invested for longer than 365 days	£50m	£50m	£50m	£50m
Current investments as at January 2023 in excess of 1 year	£15m	£15m	£15m	£15m

2.15 Investment Risk Benchmarking

- 2.15.1 These benchmarks provide simple guides to maximum risk, and may be breached from time to time, depending on movements in interest rates and counterparty criteria. These benchmarks provide officers with a baseline against which current and trend positions can be monitored. It may be necessary to amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report to Members.

Liquidity – in respect of this area the Council seeks to maintain:

- Liquid short term deposits of at least £10m available with a week’s notice.

- 2.15.2 Yield - local measures of yield benchmarks above SONIA (Sterling Overnight Index Average):

- Investments – internal returns above the 7 day SONIA rate multiplied by 5%
- Investments – internal returns above the 1 month SONIA rate multiplied by 5%
- Investments – internal returns above the 3 month SONIA rate multiplied by 5%
- Investments – internal returns above the 6 month SONIA rate multiplied by 5%
- Investments – internal returns above the 12 month SONIA rate multiplied by 5%

2.16 Other Treasury Management Issues

Environmental, Social & Governance (ESG) Considerations

- 2.16.1 Environmental, Social & Governance (ESG) considerations are becoming an increasingly important topic within the investment community. Whilst around two thirds of Councils have declared a “climate emergency” to date, this has not translated into the incorporation of something more formal within their treasury-related investment strategy. The 2021 changes to the CIPFA Treasury Management Code sees ESG incorporated into Treasury Management Practice (TMP) 1, with the inclusion of the wording, ‘the organisation’s credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it

is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level".

- 2.16.2 The Council with advice from its treasury advisor, is looking into the impact of including ESG in TMP 1 and must ensure that there is a clear understanding of what "environmental, social and governance (ESG)" investment considerations actually mean, understanding the ESG "risks" that the Council is exposed to and evaluating how well the Council can manage these risks. Members must note that ESG is **not** the same as Socially Responsible Investing and **not** the same as Sustainable Investing (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return).
- 2.16.3 Due to the increasing significance of ESG, the Council's treasury advisors are looking at ways of incorporating these factors into the creditworthiness assessment criteria. Other rating agencies are now exploring how they incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. The Council will assess the outcome of this work by the Council's treasury advisors and Credit Agencies and continue to review the options and will update Members accordingly. As no further information is available, it is not practicable to include ESG in the Treasury Management Strategy for 2023/24.

IFRS 9 – English Local Authorities

- 2.16.4 The former MHCLG now the DLUHC, enacted a statutory over-ride from 1 April 2018 for a five-year period until 31 March 2023 following the introduction of International Financial Reporting Standard (IFRS) 9. The override related to the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2023. The intension was to allow Authorities to initiate an orderly withdrawal of funds if required, to mitigate any potential impact following the introduction of IFRS 9.
- 2.16.5 DLUHC launched an 8-week consultation on the future of the IFRS 9 statutory override from 11 August 2022 to 7 October 2022. The aim of this consultation was to collect the views of Authorities and other stakeholders, and to collect additional information needed to understand the financial risks associated with both continuing the statutory override or allowing reversion to the Code of Practice on Local Authority Accounting. The responses to the consultation have now been considered and Ministers have decided to extend the existing IFRS 9 statutory accounting override for a further 2 years until 31 March 2025. DLUHC will publish the Government's full response to the consultation early 2023.

3 Options/Alternatives

- 3.1 In order to comply with the CIPFA Code of Practice on Treasury Management, Council has no option other than to consider and approve the content of the report. Therefore, no options/alternatives have been presented.

4 Preferred Option

- 4.1 The preferred option is that the contents of this report are considered and Scrutinised by the Audit Committee.

5 Consultation

- 5.1 There has been consultation with The Link Group, the Council's Treasury Management Advisors.

6 Financial Implications

6.1 Financial Implications are detailed within the report.

7 Legal Services Comments

7.1 There are no legal implications.

8 Co-operative Agenda

8.1 The Treasury Management strategy embraces the Council's cooperative agenda. The Council will develop its investment framework to ensure it complements 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 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 the Internal and External Auditors' reports presented to the Audit Committee. An issue dependent upon market developments which may need to be considered in the future is refinancing some of the long-term loans. This can be mitigated by effective monitoring of the market.

11 IT Implications

11.1 There are no IT Implications.

12 Property Implications

12.1 There are no Property Implications.

13 Procurement Implications

13.1 There are no Procurement Implications.

14 Environmental and Health & Safety Implications

14.1 There are no Environmental and Health & Safety Implications.

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 No

17 Key Decision

17.1 N/A

18 Key Decision Reference

18.1 N/A

19 Background Papers

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

File Ref: Background papers are provided in Appendices 1 - 8
Officer Name: Lee Walsh / Talei Whitmore
Contact No: 0161 770 6608 / 4924

20 Appendices

Appendix 1 Minimum Revenue Provision (MRP) Policy Statement
Appendix 2 Prudential and Treasury Indicators 2023/24 – 2024/25
Appendix 3 Link Group – Interest Rate Forecasts 2022 – 2025
Appendix 4 Economic Background
Appendix 5 Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
Appendix 6 Approved Countries for Investments
Appendix 7 Treasury Management Scheme of Delegation
Appendix 8 Treasury Management Role of the Statutory Chief Finance Officer (Director of Finance)

Appendix 1 – Minimum Revenue Provision (MRP) Policy Statement

1.1 General Principles and Practices

1.1.1 Local Authorities are required to set aside ‘prudent’ provision for debt repayment where they have used borrowing or credit arrangements to finance capital expenditure. Department of Levelling Up, Housing and Communities (formerly the Ministry for Housing, Communities and Local Government (MHCLG) regulations require the full MRP Statement to be decided upon at least annually and reported to the Council Meeting. The Council has to ensure that the chosen options are prudent.

1.2 Link to Asset Life/Economic Benefit

1.2.1 Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP will normally be determined by reference to asset life, economic benefit or MHCLG/DLUHC Guidance.

1.2.2 To the extent that expenditure cannot be linked to the creation/enhancement of an asset and is of a type that is subject to estimated life periods that are referred to in the DLUHC/MHCLG guidance (paragraph 24), these periods will generally be adopted by the Council.

1.2.3 Where certain types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

1.2.4 Whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

1.3 Methods for Calculating MRP

1.3.1 Any of the methods for calculating MRP that are set out below may be used. MRP will commence in the financial year after the completion of assets rather than when expenditure is incurred. All methods, with the exception of the approach taken to Previously Supported General Fund Borrowing are based on Asset Life/Economic Benefit. These methods include but are not limited to:

The Annuity Method

1.3.2 This calculation seeks to ensure the revenue account bears an equal annual charge (for principal and interest) over the life of the asset by taking account of the time value of money. Since MRP relates only to ‘principal’, the amount of provision made annually gradually increases during the life of the asset. The interest rate used in annuity calculations will be referenced to either prevailing or average PWLB rates.

Equal Instalments of Principal

1.3.3 MRP is an equal annual charge calculated by dividing the original amount of borrowing by the useful life of the asset.

Previously Supported General Fund Borrowing

1.3.4 General Fund Borrowing that was previously supported through the Revenue Support Grant (RSG) system will be provided for in equal annual instalments over a 50 year period

commencing 1 April 2016. As at 1 April 2016, the value of this borrowing equalled £134,376,866 and results in an equal annual minimum revenue provision of £2,742,385; the final instalment of which will be provided for by no later than 31 March 2066. In the event of:

- transfers of Capital Financing Requirement between the General Fund element and Housing element;
- additional voluntary revenue provision being made

the annual MRP charge will be adjusted to ensure that full provision will continue to be made by no later than 31 March 2066.

Bespoke Repayment Profiles:

1.3.5 With regard to credit arrangements that are implicit in Finance Lease or PFI arrangements, any 'debt' repayment element (notional or otherwise) included in charges associated with these arrangements will be classified as MRP.

1.4 Voluntary Revenue Provision

1.4.1 The Council has the option of making additional Voluntary Revenue Provision (VRP) in addition to MRP. The Council may treat VRP as 'up-front' provision (having a similar impact to the early repayment of debt) and thus recalculate future MRP charges accordingly. Where the Council has made additional VRP's for debt repayment in previous years, in year MRP charges may be adjusted to reflect this provided it does not result in a negative MRP charge. To the extent charges are adjusted, current and future year's charges will be recalculated to ensure the Council continues to make prudent provision for debt repayment in relation to historic capital expenditure. The Council may in some circumstances apply VRP to relatively short-life assets/expenditure in order to facilitate a reduction in the future base revenue budget needed to fund capital financing costs.

1.5 Local Exceptions to the Guidance

1.5.1 The Council reserves the right to determine useful life periods and prudent MRP in certain circumstances or where the recommendations of the DLUHC/ MHCLG guidance are not appropriate to local circumstances. Examples include:

Assets Under Construction

1.5.2 No MRP charge will be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use.

Local Authority Mortgage Scheme (LAMS)

1.5.3 The Council operated a Local Authority Mortgage Scheme (LAMS) using the cash backed option. The mortgage lenders require a five-year deposit from the Local Authority to match the five-year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending and is treated as capital expenditure and a loan to a third party. The CFR will increase by the amount of the total indemnity. The cash advance is due to be returned in full at maturity, with interest paid annually. Once the cash advance matures and funds are returned to the Local Authority, the returned funds are classed as a capital receipt, which will be applied to reduce the CFR. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside MRP to repay the debt liability in the interim period. All previous LAMS schemes are now

completed, with the deposits repaid in full. However, the option is still available should the Council see it as a corporate priority.

Loans to Third Parties

- 1.5.4 The Council has considered the Statutory Guidance, which recommends a 25 year repayment charge for loans to third parties and concluded that provision is not necessary. The Council considers an MRP charge is not necessary in respect of any loans made to third parties as the debt liability is covered by the existence of a debtor and the associated obligation to make repayments. Any loans given are subject to substantial due diligence process by both internal officers and were appropriate external advisors.
- 1.6 HRA Capital Financing Requirement (CFR)
 - 1.6.1 MRP will equal the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations (SI 2003/3146) as if they had not been revoked. This approach is consistent with paragraph 7 of the DLUHC/MHCLG Guidance on MRP.
 - 1.6.2 The basic MRP charge relating to the HRA CFR is therefore nil. However, the Council may make 'Voluntary Revenue Provision' provided such an approach is prudent and appropriate in the context of financing the HRA capital programme and is consistent with the delivery of the HRA Business Plan.

Appendix 2 Prudential and Treasury Indicators 2023/24 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

Capital expenditure

Capital Expenditure	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Corporate Services	2,003	2,500	4,238	2,738	234
Corporate / Information Technology	4,424	3,701	5,957	3,960	2,650
Children's Services	45,436	6,711	9,930	4,522	1,691
Communities & Reform	179	196	400	100	0
Community Health & Adult Social Care	2,439	2,365	2,343	2,343	1,826
Place and Economic Growth	21,828	43,640	71,148	69,051	24,540
Funding for Emerging Priorities	0	0	1,493	15,624	13,836
General Fund Services	76,309	59,113	95,509	98,338	44,755
Housing Revenue Account (HRA)	680	0	1,000	500	95
HRA	680	0	1,000	500	95
Commercial Activities / Non-Financial Investments *	0	0	0	0	0
Commercial Activities / Non-Financial Investments	0	0	0	0	0
Total	76,989	59,113	96,509	98,838	44,850

* Relate to areas such as capital expenditure on investment properties, loans to third parties, purchase of equity shares etc.

Members are asked to consider the following indicators:

Affordability prudential indicators

The table above presents the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
General Fund excluding DSG*	9.65%	9.63%	11.54%	12.71%	13.38%

*Dedicated Schools Grant

The estimates of financing costs include anticipated current commitments

Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

Members are asked to consider the following treasury indicators and limits:

Maturity Structure of fixed interest rate debt 2023/24	Lower Limit	Upper Limit
Under 12 months	0.00%	40.00%
12 months and within 24 months	0.00%	40.00%
24 months and within 5 years	0.00%	40.00%
5 years and within 10 years	0.00%	40.00%
10 years to 20 years	0.00%	50.00%
20 years to 30 years	0.00%	50.00%
30 years to 40 years	0.00%	50.00%
40 years to 50 years	0.00%	50.00%
50 years to 60 years	0.00%	50.00%

Control of interest rate exposure

Members are advised that indicators for interest rate exposure are no longer a requirement under the new Treasury Management Code. However, as interest rate exposure risk is an important issue, officers will continue to monitor the balance between fixed and variable interest rates for borrowing and investments. This will aim to ensure the Council is not exposed to adverse fluctuations in fixed or variable rate interest rate movements.

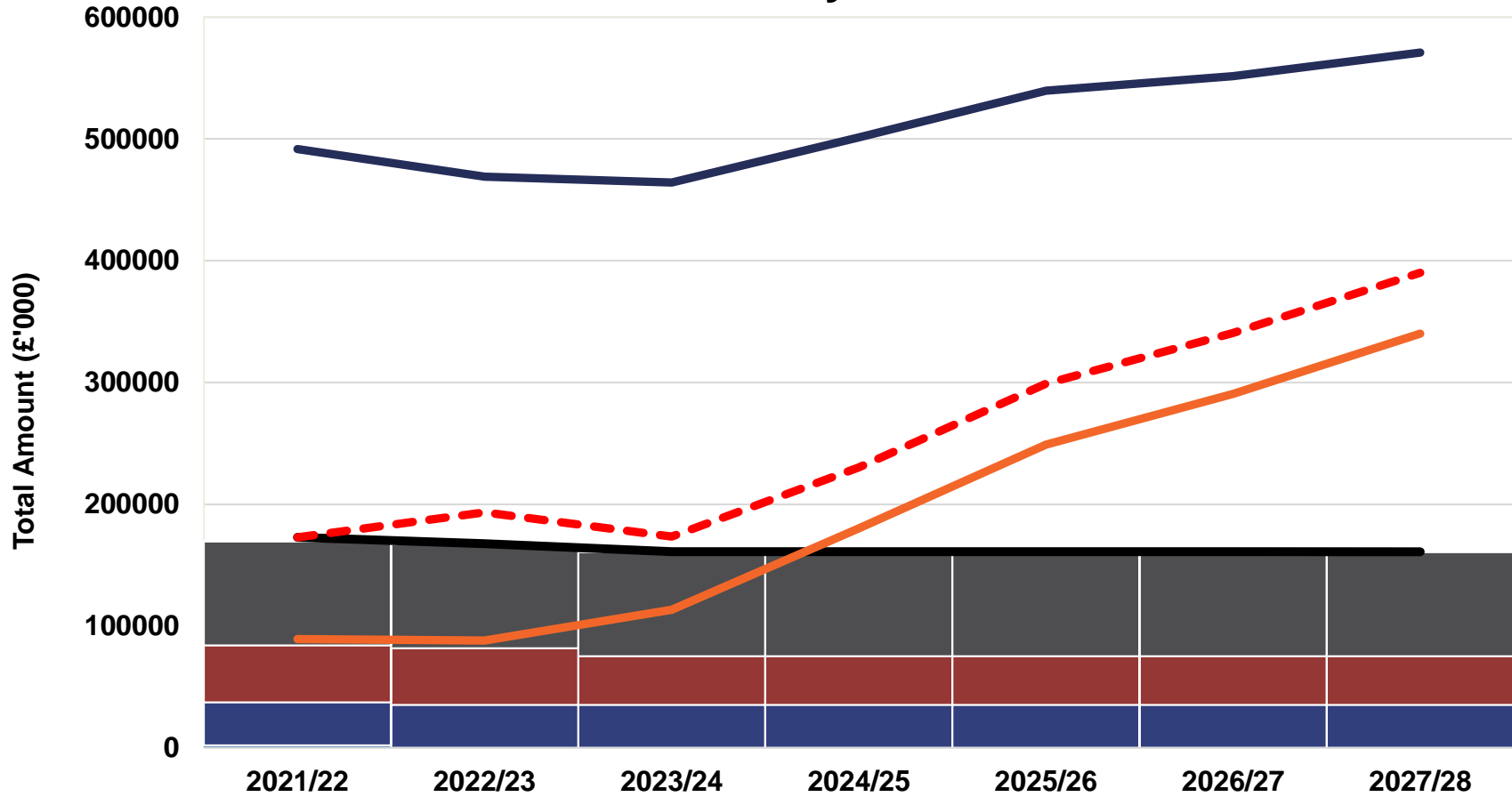
This is likely to reflect higher fixed interest rate borrowing if the borrowing need is high or fixed interest rates are likely to increase, or a higher variable rate exposure if fixed interest rates are expected to fall. Conversely if shorter term interest rates are likely to fall, investments may be fixed earlier, or kept shorter if short term investments are expected to rise.

The balance between variable rate debt and variable rate investments will be monitored as part of the overall treasury function in the context of the overall financial instruments structure and any under or over borrowing positions.

Liabilty Benchmark

Liability Benchmark

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- Short Term inc LA Temporary Borrowing (<1 year)
- Market Loans (excl LOBO loans)
- Financial Year End
- Existing Loan Debt Outstanding
- Loans CFR
- LOBO Loans
- PWLB Loans
- Variable rate loans
- Net Loans Requirement (forecast net loan debt)
- Liability Benchmark (Gross Loans Requirement)

Appendix 3 - Interest Rate Forecasts 2022 – 2025

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2022.

Link Group Interest Rate View 08.11.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Appendix 4: Economic Background

Set out below is a more detailed analysis of the Economic Background used to support the preparation of the 2023/24 Treasury Management Strategy Statement.

Against a backdrop of stubborn inflationary pressures, the easing of COVID restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, Eurozone (EZ) and US 10-year yields all rising by over 200 basis points (bps) since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	11.1%/y/y (Oct)	10.0%/y/y (Nov)	7.7%/y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Quarter 2 (Q2) of 2022 saw UK Gross Domestic Product (GDP) revised upwards to +0.2% quarter on quarter (q/q), but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be attributed to the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, Consumer Price Index (CPI) inflation has picked up to what should be a peak reading of 11.1% in October 2022, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually reduced by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

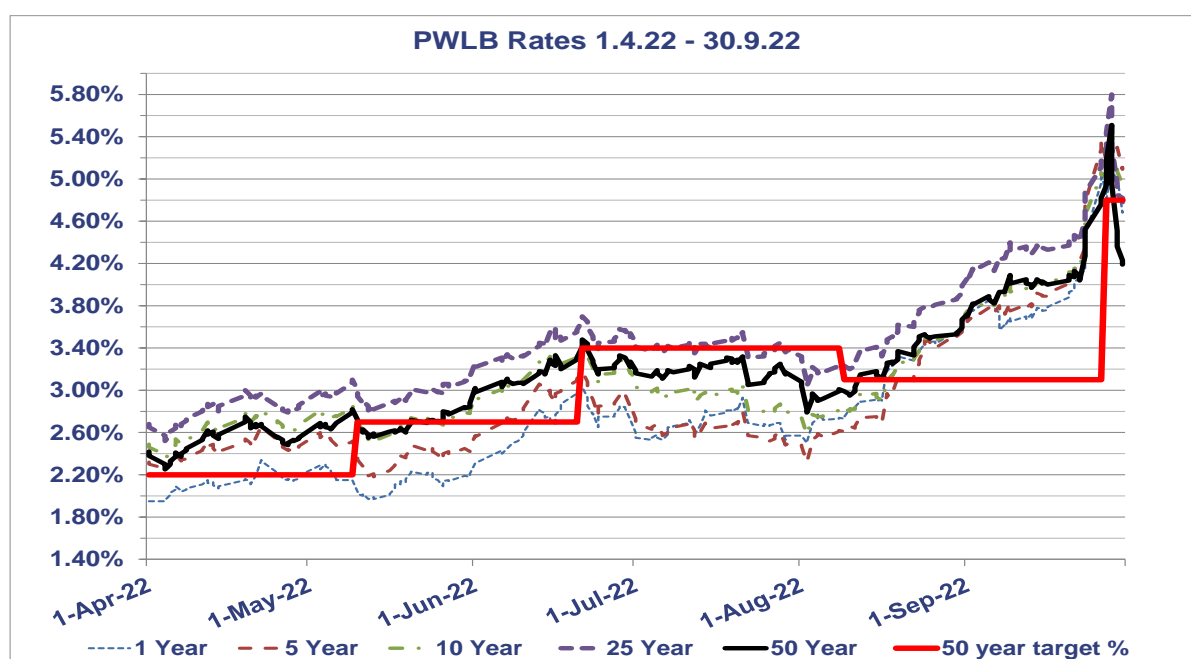
Throughout Quarter 3 (Q3) Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Quarter 4 (Q4) has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October 2022. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28 September 2022 as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	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%

After a shaky start to the year, the Standard & Poor (S&P) 500 and Financial Times Stock Exchange Group (FTSE) 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the US Federal Reserve (Fed) decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the COVID lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix 5: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Specified Investments: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

Non-specified Investments: These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Specified Investments

	Minimum credit criteria / colour band	** Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government Debt Management Account Deposit Facility	N/A	£40m	6 months
UK Government Gilts	UK sovereign rating	£20m	12 months
UK Government Treasury Bills	UK sovereign rating	£20m	12 months
Bonds issued by multilateral development banks	AAA	£10m	6 months
Money Market Funds Constant Net Asset Value (CNAV)	AAA	£20m	Liquid
Money Market Funds Low Volatility Net Asset Value (LVNAV)	AAA	£20m	Liquid
Money Market Funds Variable Net Asset Value (VNAV)	AAA	£20m	Liquid
Enhanced Cash Funds with a credit score of 1.25	AAA	£20m	Liquid
Enhanced Cash Funds with a credit score of 1.5	AAA	£20m	Liquid
Local Authorities	Yellow	£10m	12 months
Public Bodies	N/A	£10m	12 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£20m £15m £10m £10m Not for use	12 months 12 months 6 months 100 days Not for use

Certificates of Deposits (CDs) or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£20m £15m £10m £10m Not for use	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£10m	12 months
REPO's (Collateralised deposit)	100% Collateral	£5m	12 months
GMCA	Internal Due Diligence	£30m	12 months
GM Public Bodies	Internal Due Diligence	£30m	12 months

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by the Council. To ensure that the Council is protected from any adverse revenue implications, which may arise from these differences, the accounting implications of new transactions will be reviewed before they are undertaken.

Non-specified Investments: A maximum of 50% will be held in aggregate in non-specified investments

Maturities in excess of 1 year

	* Minimum Credit Criteria	Use	£ limit per institution	Max. maturity period
Term deposits – local authorities and other public institutions	Yellow	In-house	£10m	5 years
Term deposits – banks and building societies	Yellow Purple	In-house	£10m £10m	5 years 2 years
Certificates of deposit issued by banks and building societies	Yellow Purple	In-house	£10m £10m	5 years 2 years
Certificates of deposit issued by banks and building societies	Short-term F1 Long-term AA	Fund Managers	£5m	2 years
Collateralised deposit	UK sovereign rating	In-house and Fund Managers	£5m	2 years
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	£10m	5 years
Bonds issued by multilateral development banks	AAA	In-house and Fund Managers	£10m	3 years
Sovereign bond issues (other than the UK Government)	AAA	In-house and Fund Managers	£5m	2 years
Corporate bonds	Short-term F1 Long-term AA	In-house and Fund Managers	£5m	5 years
Green Energy Bonds	Internal Due Diligence	In-house and Fund Managers	£10m	10 years
Property Funds	Internal Due Diligence	In-house	£30m	10 years
Floating Rate Notes	Long Term A	In-house	£5m	5 years
REPO's (Collateralised deposit)	100% Collateral	In-house	£5m	5 years
GMCA	Internal Due Diligence	In-house	£30m	5 years
Covered Bonds	Long term A	In-house	£5m	5 years
UK Municipal Bonds Agency	Internal Due Diligence	In-house	£1m	10 years
Local Authority Fixed Income Fund	Internal Due Diligence	In-house	£5m	10 years
Unrated Bonds, backed by securitised Assets	Internal Due Diligence	In-house and fund managers	£5m	5 years
Asset Backed Pooled Investment Funds	Internal Due Diligence	In-house and fund managers	£5m	5 years
Fixed term deposits with variable rate and variable maturities	Internal Due Diligence	In-house and External Advice	£20m	50 years
Debt Financing	Internal Due Diligence & External Advice	In-house and External Advice	£30m	10 years

Appendix 6: Approved Countries for Investments (as at December 2022)

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service. The Council has traditionally only dealt within the UK, however given that the sovereign rating has dropped below other countries, consideration may be given to maximise investment returns in countries with a stronger rating, following discussion and advice with the Council's treasury advisors.

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- France

AA-

- Belgium
- U.K.

Appendix 7: Treasury Management Scheme of Delegation

The scheme of delegation is as follows:

Full Council is the responsible body for:

- receiving and reviewing reports on Treasury Management policies, practices and activities;
- the approval of the annual strategy, mid-year review and outturn report.
- approval of/amendments to the organisation's Treasury Management Policy Statement;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

Cabinet is the responsible body for:

- considering the Treasury Management Policy and Procedures and making recommendations to the responsible body.
- considering Treasury Management reports and commending to Council.

Audit Committee is responsible for scrutiny:

- reviewing the Treasury Management Policy and Procedures and making recommendations to the responsible body.
- Reviewing Treasury Management reports and making recommendations to the responsible body.

Cabinet Member for Finance and and Low Carbon is responsible for:

- approving the selection of external service providers and agreeing terms of appointment

Note : The Policy Overview and Scrutiny Select Committee reviews and scrutinises the Annual Treasury Management Strategy report along with the suite of other budget reports (including the Capital Strategy).

Appendix 8: The Treasury Management Role of the Statutory Chief Finance Officer (Director of Finance)

The Statutory Chief Financial Officer will discharge the Treasury Management role by:

- recommending Treasury Management Policy/Practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular Treasury Management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing Treasury Management information reports;
- reviewing the performance of the Treasury Management function;
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit processes, and liaising with external audit;
- recommending the appointment of external service providers;
- the preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- the provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that Members are adequately informed and understand the risk exposures taken on by the Authority;
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above;
- the creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following –
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-

treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Ensuring appropriate training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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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

16 January 2023

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 31 December 2022.

In the first 9 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:

- Commencement of the 2022/23 FFS reviews.
- Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information and Assurance Statements in respect of grants paid.
- Continued support in providing assurance in respect of other non-COVID Central Government Grant regimes.

- Compilation of the Annual Audit Report and Opinion and other reports for this Committee.
- Completion of Audit reviews of Local Authority Maintained Schools for St Joseph's Primary School and Glodwick Infant and Nursery School, and Miocare CIC's Fundamental Financial Systems.
- Issuing briefing notes and reports on Postal Voting during the election in May 2022 and the Hollinwood by-election, Foster Care Aids & Adaptations, Payroll leavers, and IR35 Procedures and Controls.
- Commencement of audit reviews in connection with the Alexandra Park Eco project, the Council's Let Estate Function, Children's Social Services Cash Imprest Accounts, Disabled Facilities Grant Funding, Housing Strategy implementation, the Land Sales Programme, Spindles procurement and the North Chadderton High School Extension project.
- The Counter Fraud and Direct Payments Audit Teams (Children and Adults) have continued to deliver significant recovery outcomes which have generated £2,282,951 and £138,684 (respectively) for the period 1 April to 31 December 2022.

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 31 December 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 commenced in October 2022 and is ongoing. In contrast to previous years, we will not issue interim FFS reports. Instead, we will issue interim Action Plans to Services detailing the results of our testing and recommendations for improvement. Final reports will be issued as normal in Quarters 1 and 2 of the new 2023/24 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 the Local Authority Maintained Schools of St Joseph's Primary School and Glodwick Infant and Nursery School.

- A briefing note and report on Postal Voting during the election in May 2022 and a further report on this topic for the Hollinwood by-election.
- The annual report on Miocare CIC's Fundamental Financial Systems.

2.5 A number of other ad-hoc pieces of work have also been undertaken in response to issues identified during the recent rounds of budget challenge meetings, and at the request of the Director of Finance and/or Assistant Director of Finance (Corporate Governance and Strategic Financial Management). As a result of this work, we have issued Audit Briefing Notes with recommendations for improvement in the following areas:

- Foster Care Aids & Adaptations.
- Payroll leavers.
- IR35 Procedures and Controls.

Grant Assurance Reviews

2.6 Further 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. Requests for this type of work have been both frequent and received at relatively short notice.

2.7 The team has completed 17 separate pieces of grant assurance work since April 2022 in connection with both COVID-19 related and non COVID-19 related grants, with an expectation that further requests for this type of assurance work are now increasing again to pre COVID-19 levels. Each piece of assurance work requires verification of significant expenditure and, as such, each represents a small, targeted audit in itself.

Other Work Undertaken

2.8 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. As a result of these discussions, we have offered to assist the Service by the Direct Payment (DP) Auditors invoicing for DP overpayments as soon as the DP audit is concluded. This should assist the service in reducing the levels of DP overpayments outstanding for recovery. We anticipate commencing this invoicing in January 2023.

2.9 Other work currently underway includes reviews of:

- Children's Social Services Cash Imprest Accounts.
- The Alexandra Park Eco project.
- The Council's Let Estate Function
- A Disabled Facilities Grant Funding enquiry.
- Housing Strategy implementation.
- Land Sales Programme.
- North Chadderton High School Extension project.

The findings from these reviews will be reported in due course.

2.10 Preparatory work has also commenced in respect of reviews of:

- Old Museum / Library project
- Home to school Transport
- Out of Borough Education

2.11 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:

- 86 cases of non-CTR fraud/misuse of funds including Business Support Grants, Council Tax Single Person Discount fraud (SPD), Blue Badge misuse and Direct Payment misuse.
- £139k of non-CTR fraud/misuse.
- 30 cases of ineligible claims for Council Tax Reduction (CTR).
- £81k of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
- £58k of ineligible claims for Council Tax Reduction (CTR).

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.
- 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.
- Identifying overpayments made / or client contributions outstanding for recovery.

4.2 Appendix 3 shows the monthly Direct Payments Audit volumes and financial outcomes arising for both Adults and Children's Services, which are £2,282,951 and £138,684 (respectively). In summary, the team carried out 1,083 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 **Co-operative 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 31 December 2022
- **Appendix 2:** Counter Fraud Results – 1 April to 31 December 2022
- **Appendix 2:** Direct Payments Results – 1 April to 31 December 2022

Audit and Counter Fraud 2022/23 - Summary of Audit Reports/Outcomes - 1 April 2022 to 31 December 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 Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q3	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
30	Children & Young People	Foster Care Aids & Adaptations	Briefing note	Q3	Advisory
31	Chief Executive	Payroll Query	Briefing note	Q3	Advisory
32	Chief Executive	IR35 Procedures and Controls	Briefing note	Q3	Advisory
33	Miocare CIC	Fundamental Financial Systems Review	Report	Q3	Assurance
34	Chief Executive	Local Transport Capital Block Funding Grant (Pothole Fund) 31/5506	Grant Assurance	Q3	Assurance
35	Chief Executive	RED WoLF - Rethink Electricity Distribution Without Load Following	Grant Assurance	Q3	Assurance
36	Chief Executive	Reduces – Developing sustainable business models / structures.	Grant Assurance	Q3	Assurance
37	Chief Executive	Foundations - Building regional resilience to industrial structural change.	Grant Assurance	Q3	Assurance
38	Chief Executive	Coalescce - Community Owned and Led Energy for Security Climate Change and Energy	Grant Assurance	Q3	Assurance
39	Chief Executive	Restart Grant Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q3	Assurance
40	Chief Executive	Postal Vote Integrity Review - Hollinwood By-Election	Report	Q3	Advisory

Key:

Opinion	Description
Advisory	The work in this area is either not audit work in nature, such as provision of advice and consultancy, and/or is undertaken on behalf of third parties.
Assurance	The work in this area has been undertaken in order to provide assurance that, e.g. funding has been spent as intended and/or procedures and controls have operated effectively
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 31 December 2022

Counter Fraud Team Performance Monitoring 2022/23	Quarter 1 (Month 1-3)	Quarter 2 (Month 4-6)	Quarter 3 (Month 7-9)	Total
Corporate Cases - Positive Results	58	10	18	86
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£70,487.46	£53,591.92	15,380.40	£139,459.78
CTR cases amended as a result of an investigation	12	8	10	30
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£32,179.15	£22,000.14	£26,914.19	£81,093.48
CTR Fraud and Error Overpayments identified (£)	£10,462.14	£18,676.11	£29,308.22	£58,446.47
Financial Outcomes	£113,128.75	£94,268.17	£71,602.81	£278,999.73

Audit and Counter Fraud 2022/23

Direct Payments Results 1 April 2022 to 31 December 2022

Adults Social Care

Financial Year 2022/23	Number of Audit Reviews	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
October	128	£287,061.97
November	86	£191,315.25
December	55	£98,473.79
Total	908	£2,282,951.41

Children and Young People

Financial Year 2022/23	Number of Audit Reviews	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
October	10	£5,052.47
November	44	£55,796.92
December	29	£16,477.98
Total	175	£138,684.18

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Report to Audit Committee

Proposed Audit Committee Work Programme for 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: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Contact. Mark.stenson@oldham.gov.uk

16 January 2023

Reason for Decision

The workplan below sets out the proposed schedule of Audit Committee meetings for the remainder of 2022/23, including meeting date and venue, agenda item and brief summary of the report issue.

Executive Summary

The workplan is updated and reviewed on a regular basis and the current proposed schedule is attached below. The plan is shaped by the Council's formal reporting structures and the timings of the meetings and agenda items are scheduled to reflect this. Any urgent or new developments will be added to the workplan accordingly.

Recommendations

That Members of the Audit Committee are asked to note the proposed workplan and comment where necessary.

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.
Page 106	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.
	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.

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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
Page 108	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 108	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.

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 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.
	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 109	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.

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

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Tuesday 29 November 2022, 6.00pm.	External Audit Update Report	The report presents an update on the progress of the external audit into the 2021/22 Statement of Final Accounts.
	2021/22 Annual Statement of Accounts	This report provides an update on the progress of the audit on the 2021/22 Statement of Final Accounts.
	Review of Corporate Fraud Policies	A review of the updated Counter Fraud suite of policies to reflect recent legislation.
Page 110	The Financial Reporting Council (FRC) 2022 reports	This report updates the Committee on the transition of the FRC to the Auditing Reporting and Governance Authority. It also details the findings from the Quality Review of Local Authority and National Health Service audits undertaken across the public sector in the calendar year 2022.
	The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee Guidance Documents	This report sets out the updated guidance issued by CIPFA in respect of the best practice to follow in operating an Audit Committee.
	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; 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	This updates the Audit Committee on the key matters relating to data protection and information security breaches.

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

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Monday 16 January 2023, 6.00 pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of the Committee.
	Public Sector Audit Appointments – confirmation of Mazars LLP as the Council’s external auditor for 2023/24 to 2027/28.	This report confirms the appointment of Mazars LLP as the Council’s external auditor following the procurement exercise they undertook.
	External Audit of Teachers’ Pensions Agency Return 2021/22	This report considers the feedback following the external audit of the Teachers’ Pension Agency return.
	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.
	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; 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.

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

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Private Report; Partnership Risk Dashboard	This is the regular update requested by the Committee on partnership governance considering potential issues identified on governance elsewhere.
	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.
Thursday 9 March 2023, 6.00pm	External Audit Completion Report and Final Statement of Accounts 2021/22	The report details the findings (possibly excluding an opinion on Infrastructure Assets) of the external audit into the 2021/22 Statement of Final Accounts
Page 112	External 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.
	Data Protection Update	Routine six monthly report by the Data Protection Officer as required under General Data Protection Regulations (GDPR).
	External Audit of Housing Benefit Subsidy claim 2021/22	This report considers the feedback on the external 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.
	Internal Control Matters for Adult Social Care	This is the report to Committee on Internal Control Matters within the Adult Social Care Service.
	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 the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	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 and future governance issues.
	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.
Reports for consideration during 2023/24 113	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 Audit Charter 2023/24	This is the annual update to the Internal Audit Charter for discussion at the Audit Committee.

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