

AUDIT COMMITTEE **Agenda**

Date Tuesday 27th June 2023

Time 6.00pm

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

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

2. CONTACT details for this meeting are available from Constitutional Services: - telephone 0161 770 5151, or, email constitutional.services@oldham.gov.uk

3. PUBLIC QUESTIONS – Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the Contact officer by 12.00 Noon on Thursday, 22 June 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 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:

Mr. G. Page (Independent Chair); Councillors Akhtar, Al-Hamdani, S. Bashforth, Birch, Davis, Ghafoor, Salamat, Sykes and Woodvine

Item No

1 Apologies For Absence

2 Urgent Business

Urgent business, if any, introduced by the Chair

3 Declarations of Interest

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

the meeting.

4 Public Question Time

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

5 Minutes (Pages 1 - 8)

To consider the Minutes of the meeting of the Audit Committee held on 8th June 2023.

6 Update on External Audit Matters (Pages 9 - 22)

7 2022/23 Annual Report to Committee (Pages 23 - 48)

8 Draft 2022/23 Annual Statement of Accounts (Pages 49 - 270)

9 Draft Annual Governance Statement for 2022/23 (Pages 271 - 304)

10 Reserves Policy for 2022/23 to 2023/24 (Pages 305 - 322)

11 Treasury Management Review 2022/23 (Pages 323 - 344)

12 Public Sector Internal Audit Standards (PSIAS) External Quality Assessment (EQA) 2022/23 (Pages 345 - 376)



AUDIT COMMITTEE
08/06/2023 at 6.00 pm

Present: Mr Grenville Page (Independent Chair)
Councillors Akhtar, Al-Hamdani, Birch, Ghafoor, Harkness,
Salamat and Sheldon

Also in Attendance:

Anne Ryans – Director of Finance

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

John Miller – Head of Internal Audit and Counter Fraud

Victoria Gallacher – Head of Insurance and Information
Management

Lee Walsh – Finance Manager (Capital and Treasury)

Daniel Watson – Mazars LLP (External Auditors)

Peter Thompson – Constitutional Services

1 **APPOINTMENT OF VICE CHAIR**

Resolved:

That the appointment of the Committee's Vice Chair be deferred
to the Committee's next meeting on 27th June 2023.

2 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors S.
Bashforth, Davis, Sykes and Woodvine. Councillor Harkness
attended as the substitute for Councillor Sykes and Councillor
Sheldon attended as the substitute for Councillor Woodvine.

3 **URGENT BUSINESS**

There were no items of urgent business received.

4 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

5 **PUBLIC QUESTION TIME**

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

6 **MINUTES OF PREVIOUS MEETING**

In moving the Minutes of the Committee's previous meeting,
held on 28th March 2023, the Chair noted that he was the only
member present who had attended that meeting. Accordingly,
the Chair requested that all members present at the meeting
introduce themselves.

Resolved:

That the Minutes of the meeting of the Audit Committee, held on
28th March 2023, be approved as a correct record.

AUDIT COMMITTEE CHAIR - CHARGED WITH GOVERNANCE MANAGEMENT PROCESS AND ARRANGEMENTS

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which advised that to enable the Council's external auditors, Mazars LLP, to carry out their duties under the Local Audit and Accountability Act 2014, the Audit Committee via the Chair (for the vast majority of the 2022/23 financial year in Oldham this was the Vice Chair) was required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

In carrying out their annual audit of the Council, Mazars LLP had complied with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs require that the auditor makes inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries were made in part to corroborate the responses to the inquiries of management. Mazars LLP has sent the (Vice) Chair of Oldham Council's Audit Committee a questionnaire setting out their inquiries of TCWG. The questionnaire and the Vice Chair of the Audit Committee's proposed responses were set out in Attachment 1 of the Appendix to the submitted report. There is a requirement to respond to Mazars LLP by 30th June 2023.

The Committee noted that some of the terminology in the report, regarding identity and responses to the risks of fraud required updating.

Resolved:

That the Committee notes the response of the Audit Chair to Mazars LLP.

DIRECTOR OF FINANCE - CHARGED WITH GOVERNANCE MANAGEMENT PROCESS AND ARRANGEMENTS

The Committee considered a report which advised Members that to enable the Council's External Auditor, Mazars LLP, to carry out duties required under the Local Audit and Accountability Act 2014, the Director of Finance was required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

In carrying out the annual audit of the Council, Mazars LLP had to comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs require the auditor to make inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries were made in part to corroborate the responses

to the inquiries of the Vice Chair of the Committee. Mazars LLP has sent the Director of Finance a questionnaire setting out their inquiries of TCWG. The questionnaire and the Director of Finance's proposed responses were set in the appendix to the report. There was a requirement to respond to Mazars LLP by 30th June 2023.

The Committee noted that some of the terminology in the report, regarding identity and responses to the risks of fraud required updating.

Resolved:

1. That the report be noted.
2. That the Director of Finance be authorised to submit appropriate responses to the questions submitted by Mazars LLP.

9

UPDATE OF KEY DEVELOPMENTS WITHIN THE REMIT OF THE COMMITTEE

The Committee received a report of the Assistant Director of Corporate Governance and Strategic Financial Management that provided a general update report to the Audit Committee, informing members of a number of developments, both national and local, which would likely impact on their role in the Council as the Committee charged with governance.

Due to concerns about the timeliness of local audit reporting there were a number of potential developments nationally, and the submitted report provided an update on useful information for Members. The report also detailed the progress on the audit of the 2021/22 Statement of Final Accounts (SOFA) and the submission for audit and inspection of the 2022/23 SOFA and it was noted that a vital role of this Committee was to approve the audited accounts on behalf of the Council.

The report also detailed the proposed training for the Committee's Members. A high proportion of items considered over the financial year were technical in nature and the training would assist in the discharge of the governance role.

The Committee was informed that the challenges of Local Authorities obtaining timely audit opinions on their accounts had been widely reported across the public sector. The production of the SOFA had become more complex in part as more technical accounting requirements were being introduced into the process. This had challenged both the capacity of a proportion of Local Authorities to produce accounts to a standard for external audit in the timescale specified within the Accounts and Audit Regulations, and the capacity of External Auditors to complete the audit within agreed timescales.

The submitted report set out a summary of the plans which are beginning to develop within the Local Audit environment, with the objective of improving the timeliness of reporting the Local Authority SOFA. The report also sets out the progress made on the audit of the 2021/22 SOFA and the publication/submission of

the draft 2022/23 SOFA for audit. It also sets out the proposed training for Members of this Committee to assist them in discharging their role.

A key recommendation from the Redmond Review was the creation of an independent body to oversee Local Public Audit. The response to the Redmond Review by the Department for Levelling Up, Housing and Communities (DLUHC) was to accept this recommendation with a proposal to create the Audit, Regulation and Governance Authority (ARGA). This would replace the Financial Reporting Council (FRC) acting as a local leader for local audit.

Presently ARGA had not been created as an independent entity. It was awaiting primary legislation in Parliament, and, at present, there is no definite timetable for when this will occur. In order to oversee the transition from a shadow body, a Director for Local Audit (employed by the FRC) has been engaged and is developing the response to improve local audit. At present the FRC is acting as the system leader during the shadow period. The Director of Local Audit is currently recruiting staff to enable future planned developments to progress.

As an interim measure, since July 2022, DLUHC has acted as interim system leader by establishing and chairing the local audit Liaison Committee of senior stakeholders and by leading work to agree a system wide package of measures to reduce local audit delays. This planned approach is set out in the Memorandum of Understanding which was detailed further in the submitted report.

The Committee was informed that there were two Parliamentary Select Committees, which undertook the Scrutiny of the timeliness of Financial Reporting and subsequent effectiveness of Local Audit. These were the Public Accounts Committee (PAC) and the Levelling Up, Housing and Communities Select Committee which provided Scrutiny on the performance of local audit. Both Committees considered evidence linked to local auditor reporting on local authority accounts.

Resolved:
That the report be noted.

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LOCAL CODE OF CORPORATE GOVERNANCE

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management , which presented a refreshed Local Code of Corporate Governance, which covered the authority.

The Committee was informed that the Council was required to produce a Local Code of Corporate Governance, which would be subject to review every two years at a minimum or when there have been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed and presented to the Audit Committee on 9th June

2022. Oldham Council's refreshed Local Code of Corporate Governance was attached at the Appendix to the report.



In order to assist with complying with the Accounts and Audit Regulations 2015 which requires the annual production of an Annual Governance Statement, the Council was required to produce a Local Code of Corporate Governance.

The Code reflected the seven principles of the Chartered Institute of Public Finance and Society of Local Authority Chief Executives Governance Framework applicable to Local Government, which were refreshed in 2016/17. The changes to the Local Code detailed, reflected the need to remove reference to the temporary revisions in the Accounts and Audit Regulations that were introduced during the COVID-19 pandemic and the change in the External Audit Manager with effect from the start of the 2022/23 SOFA.

The Assistant Director of Corporate Governance and Strategic Financial Management, in conjunction with the Director of Finance, reviewed the Code on a regular basis whilst also monitoring the progress made by the Authority in complying with its policies and procedures to ensure best practice.

Resolved:

That the Committee approves the refreshed Local Code of Corporate Governance for Oldham Council.

11

INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT ON 2022/23

The Committee considered a report of the Head of Internal Audit and Counter Fraud, which summarised the work carried out by the Internal Audit & Counter Fraud team from 1st April 2022 to 31st March 2023. During the year the Audit Service had prioritised the Council's Fundamental Financial Systems (FFS) reviews to support both the 2021/22 and 2022/23 assurance process, to support the production of the financial accounts, plus the Annual Opinion that was detailed in the report.

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

- a. 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 received.
- b. Continued support in providing assurance in respect of other non-COVID Central Government Grant regimes; Compilation of the 2021/22 Annual Audit Report and Opinion and reports detailing key issues for this Committee.
- c. The completion of a variety of other planned Audit reviews and reports on Local Authority Maintained Schools, Miocare CIC's Fundamental Financial Systems, Alexandra Park Eco-Centre, the Council's Let Estate Function and Home to School Transport.

- d. Issuing briefing notes and reports on Postal Voting during the election in May 2022 and the Hollinwood by-election.
- e. Issuing briefing notes on ad-hoc reviews of Foster Care Aids and Adaptations, Payroll Leavers procedures, Tax Compliance and Controls, Children's Social Services Cash Imprest Accounts, Duplicate Payments and Children's Services Recruitment.
- f. The commencement of audit reviews of Semi-Independence Units, Housing Strategy implementation, Out of Borough Education and Land Sales, and in connection with the pre-contract phases of the North Chadderton High School Extension, the Spindles redevelopment, Diggle Clock Tower, The Old Library and Egyptian Room projects.
- g. Corporate Counter Fraud activities have identified £312,061 of fraud errors and overpayments. The Direct Payments Audit Team (Children and Adults) have continued to deliver significant recovery outcomes which have generated £188,976 and £2,865,466 (respectively) for the period 1st April 2022 to 31st March 2023.
- h. Having an independent inspection undertaken for Public Sector Internal Audit Standards.

In reply to a query from a member the meeting was informed that in addition to annual FFS work on Adult Social Services in connection with Direct Payments and Residential Care the Internal Audit service contributed 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, the Audit Service assisted the Service by the Direct Payment (DP) Auditors invoicing for DP overpayments as soon as the DP audit was concluded.

Further to paragraph 2.6 of the report, a member sought clarification regarding the sign-off of grant-funding schemes referring to some earlier confusion regarding who had the appropriate authority to authorise such payments.

The Chair of the Committee noted that the report detailed six areas of the Council's remit that the Internal Audit Service had deemed to be 'inadequate'. The Head of Internal Audit and Counter Fraud assured the Committee that all of these areas would be subject to a follow-up audit action within 12 months of the original decision to ensure that agreed improvements were taking place.

Resolved:

That the Committee notes the 2022/23 Audit and Counter Fraud Progress Report.

PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2023/24

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which presented a proposed work programme for 2023/24, which with effect from this year was intended to be aligned with the work programmes of the newly established Scrutiny Boards that were established by the Council on 24th May 2023. A tracker to focus on the progress of actions approved/endorsed by the Committee would become part of the Work Programme report with effect from the Committee's next meeting.

The Chair requested that the work programme have, wherever possible, a focus on Risk with the possibility of the Committee being able to take 'deep dives' and more focused reports on areas of concern, that may arise from time to time.

Resolved:

That the report be noted.

EXCLUSION OF PRESS AND PUBLIC

Resolved:

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

PARTNERSHIP RISK DASHBOARD

The Committee received a report of the Assistant Director of Corporate Governance and Strategic Financial Management which highlighted the potential risks to the Council of companies/partnerships of which it has ownership. In this regard the Committee had previously requested sight of regular reports analysing the potential risks to the Council from the partnerships in which it has an interest for its consideration.

The Committee was advised of the partnerships that had been identified in which the Council has an interest and then used a traffic light system to rank the risk to the Council (green, amber and red), as at 31st May 2023. These partnerships and the current assessment of risk were split into seven categories:

1. 100% Council Owned Companies.
2. Companies in which the Council has an Equity Stake.
3. Special Purpose Vehicles.
4. Council Initiatives
5. The Green Agenda
6. Local Government Association
7. Residual Commitments

The latest version of the Authority's Partnership Risk Dashboard was circulated for Member's consideration. It was planned that at meetings of the Committee the latest version would be given to

individual sections of the dashboard with the Committee providing further detail on the current assessment of risk; this would allow for further targeted information to be presented in the future. In this regard, Members requested that a report be submitted to a future meeting considering the associated risks arising from the Council's collaboration with Northern Roots.

Resolved:

1. That the Committee note the report and current level of assessed risk on current partnerships to the Council.
2. That the Director of Finance be requested to present a report, detailing the risks to the Council arising from the Council's collaboration with Northern Roots, to the Committee, at either of its meetings in September or October 2023.

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SENIOR INFORMATION RISK OWNER

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which set out an overview of the role undertaken by the Senior Information Risk Owner (SIRO) to the Audit Committee which receives reports on this matter every six months. The report also highlighted two security incidents which highlighted the potential risks around cyber security. The Committee expressed its satisfaction at the efficient manner in which these two incidents were dealt with.

The SIRO was responsible for owning the overall information risk policy and ensuring its effective use across Oldham Council, and for leading the cultural change necessary within the organisation to ensure that information was valued, protected, and used properly by all members of staff and elected members. Within the Council, the SIRO: has overall ownership of the Council's Information Risk Policy; is required to act as champion for information risk to the Authority's Management Board; is responsible for providing written advice to the Audit Committee on the content of the Council's Statement of Internal Control regarding information risk; and is responsible for decisions in relation to any information issues or incidents.

When security incidents involving personal data occur, the SIRO is a key stakeholder in determining whether the Information Commissioners Office (ICO), who is the regulator of the Data Protection Act, should be informed.

Resolved:

That the report be noted.

The meeting started at 6.00pm and ended at 7.15pm



Report to Audit Committee

Update on External Audit Matters

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

Officer Contact: Anne Ryans, Director of Finance

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

Contact Details: mark.stenson@oldham.gov.uk

27 June 2023

Reason for Decision

This is the consideration by the Audit Committee of the Audit Progress Report produced by the External Auditor Mazars LLP.

Executive Summary

This report, attached as Appendix 1, details the progress made on the external audit of the draft Statement of Final Accounts for 2021/22 and that the planned audit approach to the audit of the 2022/23 will be outlined at the next meeting of the Committee.

Recommendations

That the Audit Committee notes the attached report.

Appendix 1

Audit Progress Report

Oldham Metropolitan Borough Council

Page 10
June 2023



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

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01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

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

Audit progress

2020/21 audit

Our final remaining responsibility in respect of the 2020/21 financial year relates to the Council's whole of government accounts (WGA) return. 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 March Audit Committee meeting. Since that meeting we have progressed the outstanding issues as follows:

- **Pensions** – the Council's actuary has completed their triennial valuation of Greater Manchester Pension Fund. This valuation is based on actual rather than estimated membership data as at 1 April 2022, and as such provides more up-to-date evidence of conditions as at 31 March 2022. The Council are in the process of obtaining a revised valuation of its net pension liability. If this identifies a material difference to the draft accounts, the Council will update its financial statements to reflect the latest valuation.

We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.

2022/23 audit

Our planning for the audit of the 2022/23 financial statements is underway. 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. The finance team have submitted draft accounts on 31 May 2023, in line with the statutory deadline. We will bring our Audit Strategy Memorandum to the next Audit Committee, and our accounts work is due to commence in July 2023.

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	CIPFA Bulletin 14 Supplement – The Triennial Valuation and IAS 19 Reporting	Covers the impact of the triennial valuation statements on IAS 19 Employee benefits reporting
3	CIPFA Bulletin 14: Closure of the 2022/23 Financial Statements	Provides advice on emerging or urgent accounting issues.
Public Sector Audit Appointments Ltd		
4	Directory of Auditor Appointments from 2023/24	Auditor appointments for PSAA opted-in bodies
5	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).

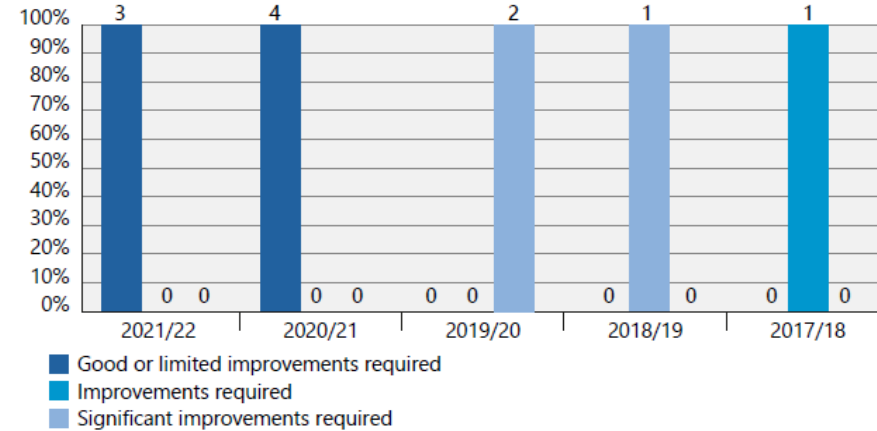
For Mazars, the FRC found that all 3 files reviewed met the expected standards. This was the second successive year of 100% compliance. Whilst the sample size is small and focused on the higher risk audits, the improvement does reflect the investment we have made in people, technical expertise, specialists (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

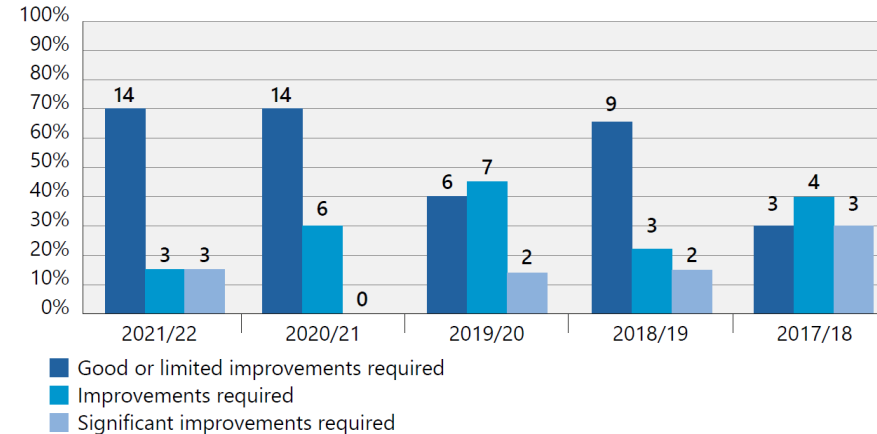
Our assessment of the quality of financial statement audits reviewed



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. CIPFA Bulletin 14 Supplement – The Triennial Valuation and IAS 19 Reporting

The guide is an information source for public bodies to provide advice on the issue of the triennial valuation of the Local Government Pension Scheme (LGPS) being produced before the auditors have provided their opinion.

[file:///C:/Users/ydp02/Downloads/CIPFA%20Bulletin%2014%20Supplement%20The%20Triennial%20Valuation%20and%20IAS%2019%20Reporting%20\(1\).pdf](file:///C:/Users/ydp02/Downloads/CIPFA%20Bulletin%2014%20Supplement%20The%20Triennial%20Valuation%20and%20IAS%2019%20Reporting%20(1).pdf)

3. CIPFA Bulletin 14: Closure of the 2022/23 Financial Statements

The bulletin provides advice on emerging or urgent accounting issues, and guidance that is intended to be best practice.

<file:///C:/Users/ydp02/Downloads/CIPFA%20Bulletin%2014%20Closure%20of%20the%20202223%20Financial%20Statements.pdf>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

4. 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/>

5. 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.

<https://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

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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.

*where permitted under applicable country laws.

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Report to Audit Committee

2022/23 Annual Report to Audit Committee

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

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

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

Contact: john.miller@oldham.gov.uk

27 June 2023

Reason for Decision

To provide Members with the Annual Report and Opinion for 2022/23 on the System of Internal Control for the year ended 31 March 2023 presented by the Head of Audit and Counter Fraud, and report to the Audit Committee on the matters required for the Committee charged with Governance by International Auditing Standards, and the 2013 UK Public Sector Internal Audit Standards (Revised 2016 and 2017).

Executive Summary

The report summarises the work of Internal Audit and Counter Fraud Team carried out for the financial year 2022/23 which informs the Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2023.

The Annual Report for 2022/23 has the following sections detailed below:

- **Appendix 1:** Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2023, to assist the Committee's review of the 2022/23 Annual Governance Statement (AGS) and to assist with the review of the Statement of Accounts.
- **Appendix 2:** Counter Fraud and Direct Payments Teams comparative data 2020/21 to 2022/23.

The 2022/23 Annual Governance Statement (AGS) is reported elsewhere on this agenda, and it identifies eight significant issues for the Council to mitigate its risks during 2023/24.

The progress made in mitigating these risks will be reported regularly to the Audit Committee.

The financial year 2022/23 was again a challenging year due to the Council returning to operate as business as usual with the residual impact of the pandemic providing some challenges. In terms of the work of the Internal Audit Service, additional work was again undertaken to support the administration of business grants. Effort was however concentrated on ensuring the work on fundamental financial systems was prioritised.

Recommendations

Members are requested to note the Annual Report on the System of Internal Control presented by the Head of Audit and Counter Fraud and the continued developments in overall internal control and financial administration across the Council.

2022/23 Annual Report to the Audit Committee**1. Background**

- 1.1 This report summarises the work of Internal Audit and Counter Fraud Team carried out in respect of the financial year 2022/23 informing the Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2023.

2. Audit Opinion and Work Undertaken in 2022/23

- 2.1 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 and replaced the 2006 Code of Practice. The PSIAS were subsequently revised in both 2016 and 2017. Therefore, from 2013/14, the Head of Internal Audit and Counter Fraud has provided an Annual Report in accordance with the PSIAS to support the production of the Annual Governance Statement (AGS). The financial year 2022/23 continued to see the Council return to operating as business as usual with some residual impacts arising from the pandemic including on the workloads of many Internal Audit Services within Local Authorities, including Oldham around the need for grant assurance for payments in previous financial years.
- 2.2 The overall opinion of the Head of Audit and Counter fraud for 2022/23 and its professional framework is set out at **Appendix 1**.
- 2.3 **Appendix 2** summarises the outcomes from the Counter Fraud and Direct Payment Teams for 2020/21 to 2022/23.

3. Options/Alternatives

- 3.1 The Audit Committee can either choose to accept and note the Annual Report on the System of Internal Control or not to accept the report.

4. Preferred Option

- 4.1 The preferred option is that the Audit Committee accepts and notes the Annual Report on the System of Internal Control

5. Consultation

- 5.1 N/A.

6. Financial Implications

- 6.1 N/A.

7. Legal Services Comments

- 7.1 N/A.

8. Cooperative Agenda

- 8.1 N/A.

9. **Human Resources Comments**

9.1 N/A.

10. **Risk Assessments**

10.1 The production of an Annual Report on the System of Internal Control by the Audit and Counter Fraud Team will enable this Committee to demonstrate it is raising any concerns with the Council in a structured manner.

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 No.

17. **Forward Plan Reference**

17.1 N/A.

18. **Key Decision**

18.1 No.

19. **Background Papers**

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

File Ref: Background papers are included as Appendices 1 and 2
Officer Name: John Miller
Contact: john.miller@oldham.gov.uk

20. **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1:** Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2023; to assist the Audit Committee's review of the 2022/23 Annual Governance Statement.
- **Appendix 2:** Internal Audit and Counter Fraud Team comparative data 2020/21 to 2022/23.

Audit and Counter Fraud Team

Annual Report of the Head of Audit and Counter Fraud and Opinion on the System of Internal Control for the year from 1 April 2022 to 31 March 2023

27 June 2023

Annual Report of the Head of Audit and Counter Fraud and Opinion on the System of Internal Control for the year from 1 April 2022 to 31 March 2023.

1. Introduction

1.1 Background

The Internal Audit and Counter Fraud Plan for 2022/23 was developed based on an assessment of risks to the Council including those contained in the Corporate Plan and Corporate Risk Registers. The work aims to provide assurance to the Chief Executive and other senior officers of the Council, including the Key Statutory Officers (Section 151 and Monitoring Officers), on systems and controls in place that assist the Directorates in meeting their objectives.

The work allows the Head of Internal Audit and Counter Fraud at Oldham Council to form an overall opinion on the Governance and Risk Management arrangements in the Council and the effectiveness of the Council's internal control systems.

The opinion also considers advisory work undertaken (such as preventing loss on business grants administered by the Council by providing assurance as part of the Government's response to COVID) during the year. High priority findings from such reviews contribute to the overall opinion that is reported.

The opinion is then used to support the production of the Council's Annual Governance Statement (AGS) within the Statement of Final Accounts for the Financial Year 2022/23.

During financial year 2022/23 planned work of the Internal Audit Service was again impacted by the residual effects of the COVID-19 pandemic. The Service has continued to support effective internal control in the administration of COVID related and non-COVID related grants, and to prioritise work in connection with the Authority's Fundamental Financial Systems.

This report sets out the framework used to complete the Annual Opinion on the System of Internal Control and is supported by the key audit findings in the main body of this Appendix.

1.2 2013 Public Sector Internal Audit Standards (Revised 2017)

The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 (revised in both 2016 and 2017). These Standards replaced the 2006 Code of Practice applicable to the work of Internal Audit. From 2013/14 the Head of Internal Audit and Counter Fraud has provided an annual report in accordance with the PSIAS to support the production of the Council's Annual Governance Statement (AGS).

The Standards note that a professional, independent, and objective Internal Audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (HIA), in accordance with the PSIAS, is to provide an Annual Opinion on the System of Internal Control, based upon the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes, i.e., the organisation's system of internal control. This is achieved through a risk-based plan of work, agreed with management and approved by the Council's Audit Committee, which should provide a reasonable level of assurance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the role of the Head of Internal Audit (HIA) in Local Government was issued on 9 April 2019. This Statement also included updated guidance for internal audit in the public sector to contend with "restricted

resources and growing levels of financial risk.” This is not assisted by the External Auditor not having signed off the Statement of Accounts for 2021/22.

This guidance calls on the public sector to provide the required support and recognition for the HIA and Internal Audit Teams, and includes best practice guidance for Internal Auditors, leadership teams and Audit Committees to support Internal Audit effectiveness.

The publication “The role of the Head of Internal Audit’ sets out key principles aligned with the UK Public Sector Internal Audit Standards (PSIAS) and sets out an individual and organisation’s responsibilities. The guidance refers to:

- Heads of Internal Audit in the public sector working in increasingly high-pressure environments, contending with restricted resources and growing levels of financial risk, and they require the tools they need to provide quality assurance to their organisations;
- Public sector bodies ensuring that the HIA is “professionally qualified and suitably experienced” so they can lead and direct Internal Audit services which are well resourced and fit for purpose; and
- The HIA being a senior manager, with regular and open engagement across the organisation, particularly with the leadership team and Audit Committee.

The guidance also sets out the following:

- The assurance provided by the HIA must be evidence based, in order to provide proper comfort to those who ask for it, and to improve governance arrangements. This means that Internal Audit planning must be well focused and in accordance with professional standards;
- The HIA may obtain assurance from partners and other agencies, and the HIA must understand the basis for the assurance and its adequacy, and therefore whether the HIA needs to carry out any additional review work; and
- A summary of assurances given and relied upon should be included in the HIA’s annual report.

CIPFA also states that one of the HIA’s key relationships must be with the External Auditor. Whilst the roles of Internal and External Audit are different, and they must be independent of each other, both are concerned with the organisation’s control environment and both use an objective, risk-based approach in coming to their conclusions. External Auditors should have regular discussions with the HIA on audit findings, risks and future developments. Oldham Council’s HIA meets with the External Auditor on a regular basis.

1.3 Roles and Responsibilities

Reviewing the System of Internal Audit

The Council is responsible for maintaining a sound system of internal control which is reviewed by the Internal Audit team. To review the System of Internal Audit, the Audit Committee receives either an annual internal review of the Internal Audit function which discharges its responsibility for putting in place arrangements for gaining assurance about the effectiveness of that function, or commissions an independent external review.

The Public Sector Internal Audit Standards (PSIAS) also standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service’s own self-assessment at least once in a five-year period. This independent External Quality Assessment (EQA) has most recently been undertaken in March 2023 by the CIPFA.

The three possible outcomes of this assessment are that the Service “Generally Conforms”, “Partially Conforms”, or “Does Not Conform” with the requirements of the PSIAS and Local Government Application Note (LGAN).

The outcome of the March 2023 assessment is that Oldham's Internal Audit and Counter Fraud Function "Generally Conforms" across all areas assessed. The outcomes of this review are explored further at Section 14 of this report and reported in full in a separate report presented elsewhere on this agenda.

The Annual Governance Statement (AGS)

The AGS is an annual statement by the Council setting out:

- How the responsibilities of the Council are discharged with regard to maintaining a sound system of internal control that supports the achievement of Council policies, aims and objectives;
- The purpose of the governance arrangements as evidenced by a description of the risk management and review processes; and
- The conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures, together with assurances that actions are or will be taken where appropriate to address issues arising.

The Council's framework of assurance should bring together all of the evidence required to support the AGS. The opinion does not imply that Internal Audit and Counter Fraud service have reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal control.

This opinion is one component that the Council considers when preparing its AGS. The definition of a significant issue is contained within guidance on the AGS.

2. Head of Internal Audit Opinion

2.1 2022/23 Opinion

The overall opinion of Oldham Council's HIA is that the overall system of Internal Control in Oldham Council as at 31 March 2023 is Adequate.

The financial year 2022/23 has been another challenging year and, overall, the Council has continued to work effectively with partners to provide essential services as the issues arising from the pandemic recede.

As with all large organisations there are areas of improvement required including those identified in the AGS.

Whilst improvements in internal control continue to present challenges in some areas, core systems in the ownership of the Council's central Finance Function continue to provide compensatory controls and assurance over those areas where improvements are required. Going forward, the priority is for improvements to be made in the areas identified in the AGS.

There have been no impairments to the independence or objectivity of the HIA in arriving at this opinion.

2.2 Basis of the Opinion

The basis for forming the Annual Opinion is as follows:

- An assessment of the design and operation of the Local Code of Corporate Governance and underpinning processes;
- An assessment of the risk management arrangements and the financial management framework of assurance;
- An assessment of the range of individual opinions arising from risk-based audit assignments, contained within the Internal Audit risk-based plan that have been reported throughout the year;

This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.

2.3 CIPFA/SOLACE Code of Corporate Governance

The Council has established corporate governance arrangements which are consistent with the seven principles of the CIPFA and Society of Local Authority Chief Executives (SOLACE) Framework, "Delivering Good Governance in Local Government".

It has adopted a Local Code of Corporate Governance refreshed at Audit Committee on 8 June 2023 which is publicised on the Council's website. The Council's 2022/23 AGS is the subject of a separate report to the Audit Committee, and it sets out how the Authority has complied with the Code and meets with the requirements of the Accounts and Audit (Amendment) Regulations 2022. The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit Regulations 2015 and The Accounts and Audit (Amendment) Regulations 2022 in relation to the publication of an AGS. The AGS is subject to detailed review by the Audit Committee when it considers the draft Statement of Accounts and then approves the final Statements following the completion of the external audit process.

The Audit Committee is embedded as a key control within the Council. It has supported improvements within Internal Audit Processes, Corporate Governance and Risk Management and on the reporting of this work. The key outcomes of Internal Audit work are reported regularly to the Audit Committee during the year and, by virtue of this Annual Report, contribute to an opinion on the overall internal control environment of the Council. An added strength to the Audit Committee was the appointment of an appropriately qualified Independent Chair from 1 March 2023.

Reported separately to this Committee is the 2022/23 AGS, which identifies eight risk issues for the Council to mitigate during 2023/24. This report also highlights the progress made against the issues raised in the 2021/22 AGS. The Council has maintained its financial administration in most areas during 2022/23 and dealt with the ongoing challenges of the pandemic. Inevitably some front-line services have been under continued pressure and, in certain cases, improvements in financial administration fell short of what was planned.

3. Risk Management

The Strategic Risk Register is populated with risks to the achievement of the Council's corporate objectives and all risks are categorised and allocated to a responsible Member of the Management Board; these are supported by Service Risk Registers included in Business Plans.

The Service Business Plans, prepared annually, incorporate a Risk Register setting out the risks for each Service. All major projects of the Council have a Risk Register, which are subject to regular review. The risks facing the organisation from third parties are included in a report produced by the Assistant Director of Corporate Governance and Strategic Financial Management.

Reviews of current and emerging risks are presented to the Audit Committee as part of the regular update of the issues previously identified in the 2021/22 AGS and have been incorporated into the 2022/23 AGS.

4. 2022/23 Audit and Counter Fraud Plan

The 2022/23 Audit and Counter Fraud Plan was agreed by the Audit Committee at its meeting of 10 March 2022. Updates on progress have been reported to the Audit Committee during the 2022/23 financial year. The Audit Opinions agreed with managers contribute towards an element of the 2022/23 Annual Opinion, along with an assessment of materiality and the response by managers to implementing the agreed recommendations.

5. Financial Management

In 2022/23, financial management and administration for the Council continued to develop and a number of systems were relatively stable, namely:

- The Finance Department structure continues to develop in order to align senior Finance support to Council managers in accordance with the revised structure of the Council including from 1 April 2022, the incorporation of functions formerly undertaken by the staff of the Unity Partnership Limited after transfer to the Council. The Director of Finance continues to review staff resources and retention in response to changes in the team;
- In support of improved financial management, from months 3 to 9, monthly revenue and capital forecast outturn statements are produced for service managers along with a full suite of financial statements for the Management Board. Monthly liaison meetings are held with External Audit for assurance planning purposes. Reports are presented to Cabinet at months 3, 6, 8 and 9;
- A self-assessment against the Financial Management Code was reported to Audit Committee on 17 January 2022 which indicated that in most areas of recommended best practice the financial administration of the Authority is sound. This will be refreshed in 2023/24.

Whilst most system's audit opinions remained stable, there were four notable changes as follows:

- 1) A deterioration in the systems and controls surrounding the Council's payroll function which is now assessed by Internal Audit again as Inadequate following an Adequate opinion for 2021/22.
- 2) The opinion in relation to the systems and controls around Direct Payments in Adult Social Care. The controls in this area remain inadequate. However, Inadequate opinions in this area stretch back some years. The opinion has, therefore, been downgraded in this area to reflect the long-standing nature of the challenges in this area.
- 3) The downgrading of the opinion in relation to Accounts Receivable systems to Inadequate in relation to the procedures and controls in place around debt control. These changes are discussed further in Section 6 below.
- 4) The inaugural review of the systems and controls in connection with Children's Services found controls in this area to be inadequate, primarily in connection with a failure to fully record the inputs and outputs related to the work undertaken in a way which allows adequate management information to be produced.

Agreed priorities for the Council's financial management in 2023/24 are reported in the 2022/23 AGS. Progress will be reviewed and reported to the Audit Committee on a regular basis.

The year-end final accounts for 2022/23 were submitted for Audit on 31 May 2023, in line with the statutory deadline. In addition, all working papers supporting the financial statements have been subject to a structured, detailed and independent quality assurance process to ensure compliance with external audit guidelines.

During 2022/23 the Director of Finance reported directly to the Chief Executive and was a member of the Management Board. This is consistent with the principles of good financial management and complies with the Financial Management Code.

6. Fundamental Financial Systems (FFS)

In accordance with the 2022/23 Plan, Internal Audit continued to review all material fundamental financial systems.

Table 1 sets out the Final Audit Opinions across the Council’s main financial systems between 2020/21 and 2022/23.

Table 1: Key Financial Systems Final Audit Opinions 2020/21 to 2022/23

Financial System	2020/21	2021/22	2022/23
Accounts Payable	Adequate	Adequate	Adequate
Accounts Receivable	Adequate	Adequate	Inadequate
Bank Reconciliations	Good	Good	Good
Cash Income	N/A	Adequate	Good
Council Tax	Adequate	Inadequate	Adequate
Council Tax Reduction	Good	Adequate	Adequate
Fixed Assets	Adequate	Adequate	Adequate
Housing Benefits	Adequate	Adequate	Adequate
NDR (Business Rates)	Adequate	Adequate	Adequate
Payroll	Inadequate	Adequate	Inadequate
Direct Payments	Inadequate	Inadequate	Weak
Residential Care	Inadequate	Inadequate	Inadequate
Treasury Management	Good	Good	Good
Children’s Social Care	N/A	N/A	Inadequate
Audit Opinions	2020/21	2021/22	
Good	3	2	3
Adequate	6	8	6
Inadequate	3	3	4
Weak	-	-	1
N/A	2	1	-
Total	14	14	14

Overall, **Table 1** highlights a relatively stable control environment, in summary:

- There are three systems assessed as “Good” Treasury Management, Cash Income and Bank Reconciliations.
- As previously reported to this Committee, systems and controls in place around Payroll during 2021/22 had, after a number of years of “Inadequate” opinions, been assessed as “Adequate”. Unfortunately, the improvements made during 2021/22 were not maintained and the opinion in

this area has been downgraded again in 2022/23 to “Inadequate”. Section 6.1 discusses the Payroll arrangements resulting in this downgraded opinion.

- Adult Social Care financial systems based in the Community Health and Adult Social Care Directorate have continued to be placed under considerable strain during 2022/23. The audit opinions for both Personal Budgets / Direct Payments, and for Residential Care have been assessed as “Inadequate” for some years up to 2021/22. As a result of repeated “Inadequate” opinions over a number of years, the opinion in respect of Direct Payments systems and controls has, in 2022/23, been downgraded to “Weak”. This is discussed further below at Section 6.2.
- During 2021/22 the systems and controls surrounding Council Tax were assessed as “Inadequate”, solely in relation to debt recovery. In 2022/23 the findings in connection with Council Tax debt, NDR debt and Sundry Debtors have been consolidated in the Accounts Receivable report as the agreed recommendations in connection with debt recovery in all of these areas fall within the remit of the Assistant Director (Revenues and Benefits) appointed in January 2023. As with the opinion of “Inadequate” in respect of Council Tax for 2021/22, the opinion of “Inadequate” in connection with the Council’s Accounts Receivable report in 2022/23 is solely in relation to debt recovery. All other aspects of the Council Tax, NDR and Sundry Debtors systems are considered “Adequate”, as reflected in the improved opinion in relation to Council Tax in 2022/23. This is discussed further below at Section 6.3.
- The inaugural review of the systems and controls in connection with Children’s Services found controls in this area to be inadequate, primarily in connection with a failure to fully record the inputs and outputs related to the work undertaken in a way which allows adequate management information to be produced. This is discussed further below at Section 6.4.

For those systems which have been assessed as “Adequate” for a number of years, managers are encouraged to develop appropriate plans to facilitate the required improvement to “Good”. To support this, Internal Audit will continue to deliver financial systems audits and engage with key colleagues to facilitate this improvement.

In line with prior years, the Audit and Counter Fraud Team has continued in its professional collaboration with the Council’s External Auditors, Mazars LLP, and in completion of the annual FFS reviews in accordance with best practice, External Audit control objectives, professional standards, local risks and in support of the close-down of the 2022/23 accounts.

6.1 Payroll System: Update

The Council’s Payroll processes and procedures have historically been an area of persistent weakness, as identified in the AGS over a number of years.

Following a procurement exercise in April 2019, the Council agreed to implement iTrent, a leading HR and Payroll software package provided by Midland HR (MHR) which is used in many Local Authorities. The iTrent system replaced the Agresso payroll system (previously used for the Council and MioCare payroll) and the Selima system (previously used for Oldham Schools payroll). The implementation of the iTrent system took place on a phased basis starting in January 2021 with the Council and MioCare payrolls, February 2021 for Schools, and March 2021 for time and expenses functionality. Therefore, 2021/22 was the first full financial year the Council had operated this system.

The implementation of the iTrent system, as with all new and complex systems, was challenging for the Payroll Team. The implementation of a new IT system with this level of complexity seldom runs completely smoothly, and in this case presented an additional challenge by taking place during the pandemic where revised working practices were required. Several system issues arose during 2021/22. This is to be anticipated in any major system implementation. These were gradually, and successfully, resolved by the team over the course of the year.

The review of the internal controls in connection with Payroll during 2021/22 did not highlight concerns in connection with areas we would consider to be fundamental payroll weaknesses, e.g., failure to pay employees on time, or large numbers of incorrect payments. As a result of the improvements in internal control following the implementation of the iTrent system, the opinion on the control environment surrounding the Council's payroll system during 2021/22 was improved to "Adequate".

However, the Payroll Service has experienced operational issues, including the retention of staff, since the last review and progress made in improving the control environment during 2021/22 has not been maintained. This is disappointing and the issue has been included in the 2022/23 draft AGS.

The service has been only partially successful in making the improvements required.

In light of the above, the 2022/23 audit opinion is that the systems and controls in connection with the payroll administration are currently "Inadequate".

The Audit and Counter Fraud team will continue to work and liaise closely with the Payroll Team to monitor and report on further developments and performance going forward.

6.2 Adults' Services Financial Systems: Update

The Community Health and Adults' Social Care (CHASC) Team directly manages two of the Council's financial systems; the system for payments of Personal Budgets / Direct Payments and the Residential Care Payment system.

The Final 2021/22 Audit opinions for Residential Care Payments and Personal Budgets/Direct Payments were both assessed as "Inadequate". Whilst the service continues to allocate resources to resolving ongoing issues, it is a complex and time-consuming process, and the pandemic presented further challenges for Adult services in addition to addressing issues which existed pre-pandemic.

In respect of Residential and Nursing Care systems during 2022/23, it is noted that some progress has been made in addressing the recommendations made in the previous report. However, ten recommendations for improvements have been made, seven high priority, one medium priority and two low priority. Seven of the ten recommendations have been made in previous years' audit reports and remain outstanding. Six of these recommendations are high priority recommendations, and one is medium priority.

The service has received an audit opinion of 'Inadequate' since 2020/21. From the work on 2022/23 it was found that controls around the Residential and Nursing Care systems remain "Inadequate".

In respect of Direct Payments and Home Care systems during 2022/23, ten recommendations for improvements have been made, six high priority and four medium priority. Six of the ten recommendations have been made in previous audit reports and remain outstanding. Four of these recommendations are high priority recommendations, and two are medium priority.

The Service has received an audit opinion of 'Inadequate' in each of the eight years from 2014/15 to 2021/22. In light of the prolonged history of inadequate opinions in this area, and the repeated nature of a number of our recommendations, our overall opinion for 2022/23 has subsequently been downgraded to **Weak**.

Internal Audit will continue to engage with and support the service, monitor progress and report our findings to this Committee.

6.3 Debt recovery

The work in connection with the FFS reviews of Council Tax, Non-Domestic Rates and Accounts Receivable during 2021/22 highlighted a common theme of substantially increased levels of debt across all of these areas.

Debtors have increased over the last 5 years, although clearly the pandemic (when for a time debt collection was halted) and the current cost of living crisis has had an impact on collection since 2020.

This resulted in an “Inadequate” opinion in respect of the Council Tax FFS review for 2021/22, despite the controls around the balance of activity in this area being assessed as “Adequate”. Operational responsibility for the management of Council Tax and NDR transferred back to the Council from the Unity Partnership Limited with effect from 1 April 2022 and this has provided an opportunity for a greater focus on debt collection and improved practices. An appointment was made to a new post of Assistant Director (Revenues and Benefits) with the postholder starting work in January 2023 which will allow further development and improvement.

The recovery of other outstanding debt raised by the Council is undertaken by the Accounts Receivable Team (which also transferred back to the Council in April 2022 and is also under the management of the Assistant Director (Revenues and Benefits). This is a corporate team but is reliant on the support of debt raising services in its efforts to collect income due to the Council.

As debt recovery is corporate function (and a key role of the Finance team) the consolidated findings of the audit in connection with the Council’s debt are presented within the Accounts Receivable report for 2022/23, resulting in an “Inadequate” opinion in this area.

The Council has recognised this issue and is actively pursuing a number of initiatives for the reduction of outstanding debt and improvement of income collection processes. Going forward the performance in relation to debt collection and the improvement programme will be monitored.

6.4 Children’s Services

As noted above, the inaugural review of the systems and controls in connection with Children’s Services found controls in this area to be inadequate.

The main findings in this review are that whilst no instances have been identified where the Service is failing in meeting its objectives, it is not always recording either the inputs or outputs associated with its work in such a way as to allow complete and reliable management information to be produced.

This failure to maintain complete and accurate records presents a dual risk that:

- The management information available to service management is less reliable for the purposes of decision making and performance monitoring; and
- Failure to address inaccurate or incomplete records presents an additional risk that service users who are not receiving timely and appropriate care will not be identified.

The results of the review have been well received by the Service and there will be an assessment of progress against the recommendations made when the Service is revisited in 2023/24.

7. ICT and Information Governance

7.1 ICT

There was no planned internal audit activity undertaken in this area during 2021/22 due to the ongoing effects of the pandemic.

Internal Audit work in this area re-commenced during 2022/23 and Salford Computer Audit Service (part of Salford Council) were engaged to undertake specialist IT Audit Reviews of both IT Asset Management and Change Management systems and controls.

The reviews were conducted remotely and were well received by the Service. Action plans to address all recommendations made have been established and both reports received opinions equivalent to our own internal rating of "Adequate".

This specialist IT audit work will continue in 2023/24 with the following reviews planned for the year:

- Vulnerability Management;
- Cyber Security – National Cyber Security Centre Cyber Assessment Framework;
- Cloud Service Management.

The outcome of these reviews will be reported to the Audit Committee in due course.

In the meantime, cyber-criminals continue to present a risk, particularly around sending 'phishing' emails with the aim of getting users to click on a malicious link. In response to this risk the Council:

- Issues reminders to all employees and Members requesting completion of the Council's interactive Mandatory Cyber Security training course.
- Publishes cyber awareness guidance on the Council intranet.
- Has a policy on password complexity in alignment with the recommendations of the National Cyber Security Centre (NCSC).

The Council maintains its certification in line with the Public Services Network (PSN) Accreditation & Compliance standards. The PSN is a secure network that allows local and national public sector organisations to interact and share data privately and securely. On an annual basis the Council is required to obtain certification for the forthcoming year. The Information Management Team, working with ICT Services, manage the annual PSN certification submission. The current certification runs to the 25 March 2024.

The submission of the Council's Data Security and Protection (DSP) annual mandatory accreditation was made by the end of June 2022, with a partial submission, with one outstanding area – training. This was subsequently completed within the timescales agreed and a full submission presented. Work is in ongoing for the submission for 2023.

7.2 Information Management and Governance

The responsibility for Information Management and Governance rests with the Council's Director of Finance, under the remit of the Assistant Director of Corporate Governance and Strategic Financial Management. The terms of reference for the Audit Committee were updated to reflect this responsibility and approved by Council in May 2018.

The Audit Committee agendas regularly include Information Governance items, such as the Senior Information Risk Officer (SIRO) report, most recently presented to the 8 June 2023 Committee meeting.

In addition to the SIRO, the Council also has two Caldicott Guardians, one for Children's Services and one for Community Health & Adult Social Care. The Caldicott Guardian is a senior role in an organisation which processes health and social care personal data. The duty of the Guardian is to ensure that personal data is used legally, ethically and appropriately, and that confidentiality is maintained.

The Information Management Team has worked with both Caldicott Guardians to raise awareness, provide training, and issue key messages to staff. Furthermore, the Information Management Team and the Children's Caldicott Guardian have analysed trends across known incidents and issued specific guidance to staff on how to minimise the risk of information being disclosed in error or shared inappropriately due to redaction issues.

8. Procurement and Contracts

The Council's Procurement Policy focuses on ensuring the optimum balance between cost, quality and local service value, whilst also ensuring that any significant commercial risks are identified and mitigated during the commissioning stage.

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

The Council has a procurement team to assist in ensuring that all legal and regulatory requirements are adhered to when procuring goods and services. The separation of this independent function from the procuring departments provides both additional segregation and oversight controls across the Council's procurement activity.

The Council operates a multi-disciplinary Gateway Review process for capital projects involving senior officers from across a range of services including Procurement, Regeneration, Finance and Legal Services. The Assistant Director of Corporate Governance and Strategic Financial Management is also engaged in Gateway Reviews in respect of commentary on project related risk. This process provides additional robust challenge of capital programme proposals, and broad based consideration of project risk from differing professional perspectives.

Internal Audit has reviewed the pre-construction phases of the following capital contracts which were ongoing during 2022/23;

- North Chadderton High School Extension pre-contract procurement;
- Alexandra Park Eco Centre;
- Diggle Clock Tower pre-contract procurement;
- Old Museum / Library pre-contract procurement; Egyptian Room pre-contract procurement.

The opinion on these procurements is that systems and processes were "Adequate" and, in the case of North Chadderton School extension, they were assessed as "Good".

However, despite adherence to Contract Procedure Rules in procuring these projects, and utilising a variety of routes to market, some common observations were made across these various procurements, including:

- Progressing to contract award was, in a number of cases, hampered by the impact of the pandemic;
- Generating sufficient contractor interest to demonstrate competition was difficult in some cases, and this was exacerbated by the heritage nature of some projects, and time restrictions on external sources of funding;

- Cost increases and time delays during construction were common, partly due to building price inflation, but also in some instances due to incomplete scoping of the works, again influenced by external funding restrictions;
- Relations with contractors were, on occasion, somewhat adversarial.

Contract Procedures Rules are currently under review to ensure that the Council is able to maximise its procurement options with appropriate safeguards in place.

9. Business Grants Assurance

From August 2021 until December 2022, the Department for Business, Energy and Industrial Strategy (BEIS) required the Section 151 Officer (Director of Finance) to provide evidence to support sampled payments on a range of COVID-19 related Business Grants. Evidence provided provides assurance that the chosen grant payments were delivered in line with Oldham Council's Counter Fraud Policy, and the terms of the BEIS COVID-19 Business Grants Scheme conditions.

In December 2022, the Department confirmed that it had completed the process of requesting assurance samples and thanked colleagues for their cooperation with the Pre and Post Payment Assurance (PPAS) process for COVID-19 Business Support Grants Schemes.

From the data submitted up to December 2022, the Department for Business and Trade (that now has taken over responsibility for some of the activities formerly undertaken by BEIS) and the National Audit Office (NAO) are now conducting PPAS checks. Work continues in this area and as recently as 12 June 2023 the Council received further communications from the Department for Business and Trade in connection with Local Restrictions Support Grant funding (one of the Business Grant funding streams).

The NAO and Public Accounts Committee will work towards concluding the COVID-19 Business Support Grants programme in 2023.

10. Grant Assurance Reviews

Over the period of the pandemic, requests for grant assurance reviews from the Greater Manchester Combined Authority (GMCA), and Central Government funding departments significantly reduced.

These assurance requests are now being received again and will form part of the on-going, regular assurance work undertaken in respect of a variety of GMCA and direct Central Government grant awards. The Audit team also carry work around European Union (EU) funded grant schemes, a number of which relate to low carbon initiatives, which support the delivery of the Council's Corporate Plan and Green New Deal.

There is an expectation that further requests for this type of assurance work will continue. Each piece of assurance work requires verification of significant expenditure and, as such, each represents a small, targeted audit in itself.

11. Corporate Counter Fraud and Investigations

The Corporate Counter Fraud Team has continued to perform well during 2022/23 and has worked in collaboration with Internal Audit colleagues where appropriate.

The tables below set out the key outcomes; with comparative data year on year data shown in Appendix 2:

Corporate Counter Fraud Team Results

Performance Indicator/Output Measure	2022/23
Counter Fraud Team:	
Corporate Cases - Positive Results	114
Fraud & Error Overpayments (Corporate Cases)	£153,096
Council Tax Reduction (CTR) cases amended after investigation	62
Housing Benefit (HB) Fraud & Error Overpayments identified after CTR investigation	£95,016
CTR Fraud & Error Overpayments identified	£63,948
Total Financial Outcomes from Counter Fraud Team	£312,060

Team members also attend the North-West Heads of Audit Counter Fraud Sub-Group to share knowledge and best practice around emerging risks and mitigations.

12 Audit of Direct Payments (DP)

The Direct Payments (DP) Audit team conducts audit reviews to verify whether clients with a Direct Payment have spent their funding in accordance with the agreed Support Plan, and that client contributions associated to their care have been collected.

The DP team has a dual role as a compensating control, tasked with the responsibility to recover over-payments/unrecovered client contributions and also to ensure the client is spending the funds advanced in accordance with the agreed Support Plan.

Adults and Children's Direct Payments Audit Team Results

Performance Indicator/Output Measure	2022/23
Direct Payment Audit Team:	
Number of Children's DP audits undertaken	252
Funds requested during Children's DP Audits	£188,976
Number of Adults' DP audits undertaken	1,231
Funds requested during Adults' DP Audits	£2,865,466
Total Financial Outcomes from Direct Payment Audit Team	£3,054,442

In order to further assist the Adult Social Care Service, Direct Payment (DP) Auditors now also invoice for DP overpayments as soon as the DP audit is concluded.

This commenced in January 2023 and had the immediate impact on reducing the time taken to raise an invoice from approximately 65 days to approximately 1.5 days, with consequent reductions in outstanding unused DP balances in client accounts. Average days to recover unspent funds is now 5 days following the raising of the invoice.

13 Other Activities

The Assistant Director of Corporate Governance and Strategic Financial Management, the Head of Audit and Counter Fraud, and the Audit and Counter Fraud team also provided support for the following:

- Council;
- The Audit Committee;
- MioCare’s Finance, Audit and Risk Committee;
- Information Governance Board.

14. Internal Audit and Counter Fraud Performance

Internal Audit and Counter Fraud performance is self-assessed annually in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

The PSIAS also require an external assessment of compliance against the standards every 5 years. Oldham’s first external assessment was conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2017/18, and the second, and latest, review has recently been conducted in March 2023, again by CIPFA.

There are three overall opinions available to the assessor. These are that the Service either:

- Generally Conforms to the Standard;
- Partially Conforms to the Standard; or,
- Does not Conform to the Standard.

The overall opinion of the latest external assessment of the Internal Audit Service at Oldham, by CIPFA, is reproduced below:

It is our opinion that the self-assessment for Oldham Metropolitan Borough Council’s Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

In addition, the assessor also provides an opinion of the level of conformance with the PSIAS and LGAN in each of the areas assessed. The table below shows the Internal Audit Service’s level of conformance to the individual standards as assessed during this most recent external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms

Standard / Area Assessed	Level of Conformance
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

The assessor goes on to say that there are no areas where Oldham’s Audit Service partially conforms with the standard, and no areas where the Audit Service does not conform with the standard.

A more extensive analysis of the outcomes of the external assessment is included as a separate report on this agenda. However, as confirmed by this latest external assessment, Oldham’s Audit and Counter Fraud Service is provided in full conformance with the requirements of both the PSIAS and LGAN.

Summary of Internal Audit and Counter Fraud Performance

The Head of Audit and Counter Fraud continues to streamline the audit planning and reporting processes. In summary, during 2022/23;

- 62 Audit reviews/reports/outputs have been completed, including those previously reported in the Internal Audit Update report to this Committee on 8 June 2023, with the addition of the two IT Audit reports completed by Salford Computer Audit Service. The equivalent figure for 2021/22 was 41 reviews/reports/outputs completed;
- The 2022/23 FFS reviews were again completed in accordance with a strict timeline to support the year end assurance process;
- Ongoing development of the Pentana Audit Management System was maintained;
- Customer feedback obtained for 2022/23, including the outcomes of both questionnaires and interviews held as part of CIPFA’s External PSIAS Assessment, indicate that the team is well regarded and provides a professional service;
- Significant joint working continued between the Internal Audit and the Counter Fraud teams to capture process and control improvements required to improve internal control and minimise fraud; and
- As part of 2023/24 developments, it is planned to deliver further staff training in a range of governance and technical areas.

15. 2022/23 Audit and Counter Fraud Performance Targets

In 2022/23, Internal Audit continued to work with the Council's External Auditors and senior managers to maintain and further develop its quality of service by delivering the agreed performance targets as shown in the table below:

2022/23 Performance Target	Outcome
Completion of the annual FFS reviews identified through the audit needs assessment in support of the S151 Officer and the timely delivery of the Council's annual financial statements.	Complete. See summary of FFS review outcomes at Section 6, Table 1 in this report.
Undertaking risk-based audit reviews across the Authority in line with areas highlighted by the Council's risk management processes, the AGS, Corporate and Recovery plans, upcoming developments/horizon scanning and liaison with Senior Officers.	Complete. See summary of work completed and ongoing as reported in the regular Internal Audit Progress Reports to this Committee, most recently on 8 th June 2023, and included in this Annual Opinion Report to the Audit Committee.
The development of the new Audit Management System in order to ensure reviews are carried out efficiently and properly recorded.	Ongoing. Further planned developments include utilisation of the system's planning functionality and development of a system generated recommendation tracker reporting function.
Reviewing organisational risks and priorities with the Director of Finance and senior managers within Directorates.	Complete Annual Audit Planning meetings for 2023/24 planning cycle were held with: <ul style="list-style-type: none"> • Assistant Chief Executive • Executive Director Place and Economic Growth • Director of Finance • Director of Legal Services • Director of Adult Social Services • Acting Director of Children's Social Services • Director of Economy • Director of Education Skills and Early Years • MioCare - Associate Director Quality, Performance and Compliance
Implementing further improvements in the process to capture customer service feedback through the new Audit Management System.	Ongoing Issuing of customer feedback questionnaire's has been re-launched. However, responses to date have been limited.

	<p>Actions to take forward to 2023/24:</p> <ul style="list-style-type: none"> • Undertake further awareness raising and promotion among senior officers. • Add to the agenda items to cover in close out meetings with clients. • Review style and content of feedback form.
<p>Further staff development and training in areas beyond fundamental systems reviews.</p>	<p>Complete.</p> <p>Audit staff have undertaken a wide variety of training course during 2023/24, and the section also has one Chartered Institute of Public Finance and Accountancy Apprentice and one Institute of Internal Auditors Apprentice undertaking Level 7 and Level 4 qualifications respectively.</p>
<p>Continued close liaison with the Counter Fraud team to improve internal control around, and minimise, fraud.</p>	<p>Complete.</p> <p>The Counter Fraud team continues to support the work of the Internal Audit Team where required.</p> <p>The Fighting Fraud and Corruption Locally (FFCL) 2020 – 2025 checklist and subsequent Action Plan reported to the Audit Committee on 29th November 2022 identified areas for further audit review work with an anti-fraud and corruption focus including a Standards Review and a Recruitment Processes Review, both of which are planned for 2023/24.</p>
<p>Provide Internal Control and Counter Fraud training as required to staff across the Council.</p>	<p>Complete.</p> <p>The Internal Audit and Counter Fraud team continues to provide advice, guidance and training as required in all areas examined. Audit recommendations and guidance are issued in all audit reports as required, and both Audit and Counter Fraud staff have, and continue to be, active in providing advice and guidance in respect of emerging requirements and proposed system changes.</p> <p>The Fighting Fraud and Corruption Locally (FFCL) 2020 – 2025 checklist and subsequent Action Plan reported to the Audit Committee on 29th November 2022 identified areas for potential improvements to Council wide communications on anti-fraud and corruption policies, guidance and training. This will be further developed during 2023/24.</p>

Given that the above performance targets remain relevant in the current year, 2023/24, and there are some action points outstanding, these targets will be rolled forward into 2023/24.

Performance targets will be re-assessed each year to ensure they remain relevant to the both the work of the Service, and to the needs of the Council as a whole.

16 Conclusion

Having undertaken all necessary work and in accordance with all Codes of Practice and guidance, the overall opinion of Oldham Council's HIA is that the overall system of Internal Control in Oldham Council as at 31 March 2023 is Adequate. This provides relevant assurance to Statutory Officers and Members that the systems and controls in place that assist the Directorates in meeting their objectives.

**Counter Fraud Team
Comparative Performance Data 2020/21 to 2022/23**

Output Measure	Outcome		
	2020/21	2021/22	2022/23
Counter Fraud Team:			
Corporate Cases - Positive Results	130	114	114
CTR cases amended as a result of an investigation	117	74	62
Fraud & Error Overpayments identified as part of Corporate Cases (£)	£62,589	£78,052	£153,096
HB Fraud & Error Overpayments identified as part of a CTR investigation (£)	£74,151	£210,978	£95,016
CTR Fraud & Error Overpayments identified (£)	£108,073	£119,448	£63,948
Total Financial Outcomes from Counter Fraud	£244,813	£408,478	£312,060
Direct Payment Audit Team:			
Number of DP audits undertaken (Children)	184	175	252
Number of DP audits undertaken (Adults)	941	1,062	1,231
Funds requested during Children's PB Audits including Financial Assessment (£)	£131,910	£148,189	£188,976
Funds requested during Adults' PB Audits including Financial Assessment (£)	£2,029,164	£2,829,840	£2,865,466
Total Financial Outcomes from Personal Budget Audit Teams	£2,161,074	£2,978,029	£3,054,442
Total Financial Outcomes from Counter Fraud and Personal Budget Audit Teams	£2,405,887	£3,386,507	£3,366,502

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Oldham
Council

Report to Audit Committee

Draft 2022/23 Annual Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar MBE – Cabinet Member - Finance & Corporate Resources

Officer Contact: Anne Ryans – Director of Finance

Report Author: Lee Walsh – Finance Manager (Capital and Treasury)

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27 June 2023

Reason for Decision

To present to the Audit Committee, the draft Statement of Accounts for 2022/23 for consideration.

Executive Summary

The report presents the Council's draft Statement of Accounts for the financial year 2022/23.

The report highlights:

- The overall revenue outturn position for 2022/23 was a deficit of £1.147m;
- The year-end variances that are attributable to each Portfolio;
- The level of unringfenced and unringfenced grants received and used in 2022/23 including those grants received specifically to support COVID-19 legacy/recovery costs, the cost of living crisis and to support those fleeing the conflict in Ukraine;
- Schools balances at 31 March 2023 were £8.381m;
- The Dedicated Schools Grant (DSG) surplus was £0.899m which is split between an unusable reserve and an earmarked reserve according to statute;
- The final Housing Revenue Account (HRA) balance was £22.585m;
- The balance on the Collection Fund was a surplus of £3.717m;
- The revenue account earmarked reserves at £79.130m, Revenue Grant Reserves of £7.968m, plus School Balances as above and the DSG reserve at £3.672m;

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- Expenditure on the Council's Capital Programme for 2022/23 was £58.787m against the revised Capital Programme in 2022/23, resulting in a variance of £8.426m compared to the projected outturn of £50.361m at month 9.
 - The significant items in each of the primary financial statements;
 - The preparation of Group Accounts incorporating the Council's subsidiary MioCare Community Interest Company; and
 - The performance of the Finance Team in closing the accounts.

The presentation of the draft Statement of Accounts, in line with good practice, provides Audit Committee members with the opportunity to review the Council's year-end financial position before they are required to formally approve the accounts.

Recommendations

That members of the Audit Committee note the Council's draft Statement of Accounts for 2022/23.

1 Background

- 1.1 The Council is required to prepare a Statement of Accounts for each financial year. The accounts must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which attempt to facilitate the production of accounts in a standardised and consistent format across the public and private sectors giving greater transparency for stakeholders.
- 1.2 These accounting practices are set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2022/23 Code of Practice on Local Authority Accounting in the UK (the Code) and any additional CIPFA guidance such as year-end Final Accounts Bulletins. Members of the Audit Committee can be assured that the Council's accounts for 2022/23 were prepared so that all the requirements of the Code have been complied with.
- 1.3 In line with good practice and in accordance with the final accounts processes and procedures adopted in Oldham, the presentation of the draft Statement of Accounts provides Audit Committee Members with the opportunity to review the Council's year-end financial position before they are required to formally approve the accounts.
- 1.4 The deadline for the submission of the 2022/23 draft Statement of Accounts to the External Auditor (Mazars LLP) was 31 May 2023. The Council completed and issued its 2022/23 accounts to the External Auditor on 31 May 2023.
- 1.5 Councils are required to make their accounts available for public inspection. For 2022/23, and as in previous years, Authorities must publish the dates of their public inspection period, providing a public notice on their websites when the public inspection period commences. The Council published such a notice and advised that the public inspection period runs from 1 June 2023 to 12 July 2023.
- 1.6 The legislation requires that following the conclusion of a 30 working day period of public inspection the Council must submit the Statement of Accounts for consideration and approval to Committee or by Members meeting as a whole. For Oldham, the body designated to receive the accounts is the Audit Committee.
- 1.7 The deadline for the audit of the Statement of Accounts is set out in the Accounts and Audit (Amendment) Regulations 2022 which came into force on 22 July 2022 and brought forward the statutory audit completion period from 30 November to 30 September. However, due to national challenges impacting on the completion of Local Authority audits, there is a risk that the 2022/23 accounts audit will not be completed in accordance with the 30 September 2023 deadline.
- 1.8 Members of the Committee will be aware from the various updates provided, most recently to the meeting of the Committee on 8 June 2023, that due to various technical accounting issues the audit of the 2021/22 Statement of Accounts has not yet been completed. In addition, Members will be aware there has still been no confirmation that there are no additional requirements in relation to the Whole of Government Accounts 2020/21 submission. This report also provides an update in relation to each of these matters.

2 Current Position

Statement of Accounts 2021/22

- 2.1 The Council submitted its draft 2021/22 financial statements to the External Auditors, Mazars LLP, on 31 May 2022 which was within the statutory deadline and the Council's internal deadline as agreed with the External Auditor.
- 2.2 The Council's External Auditor Mazars LLP has been able to issue a draft Audit Completion report for the 2021/22 accounts and this was presented to the Audit Committee on 28 March 2023. This advised that the Accounts had been prepared to a high standard, but the audit could not be fully completed due to technical accounting issues. There was firstly a delay in the completion of the audit due to a sector-wide accounting issue relating to the valuation of infrastructure assets (roads, bridges etc). A temporary resolution was reached in December 2022 with the introduction of a statutory override which applied to the accounts for 2021/22 and the accounting periods to 31 March 2025. The Council's 2021/22 financial statements were updated to incorporate the relevant changes and the External Auditor was able to complete this element of the audit and issue the draft Audit Completion report.
- 2.3 The second delay to the sign off of the 2021/22 accounts relates to the valuation of the assets of the Greater Manchester Pension Fund (GMPF) and the audit of the GMPF. This outstanding item has two elements, one national issue and one local, both of which are outside the direct control of the Council relying on action from both the GMPF, which administers the Local Government Pension Scheme for Oldham and the other Councils in Greater Manchester, and Mazars LLP. The Council is awaiting information requested from the Pension Fund actuary to resolve the queries. When the information is received, the Council can assess the impact on the 2021/22 accounts and once a resolution to both matters has been agreed with the External Auditors, it will be possible for the audit for 2021/22 to be completed.
- 2.4 Members of the Committee will recall that approval of the 2021/22 accounts has been delegated to the Chair of the Committee in consultation with the Director of Finance if the only change to the accounts is in relation to the GMPF valuation and audit.
- 2.5 Since the last meeting of the Audit Committee, a query has been raised by the Department of Education (DfE) on the disclosure note of the Dedicated Schools Grant (DSG), Note 6 in the Council's Statement of Accounts. The query relates to the year 2021/22 and the presentation of the DSG deficit brought forward from previous years. Following the recent identification on an error in a Statutory Instrument which dictates the treatment of DSG deficits, the DfE has requested that the Council present the deficit relating to 2021/22 in a manner which is different to how the Note was originally prepared. However, it should be highlighted that the Council prepared the DSG note in line with the guidance available in 2021/22.
- 2.6 The Council has prepared the Note to the accounts in 2022/23 in accordance with a revised interpretation of the Statutory Instrument. Neither approach affects the overall balance of the DSG within the Council Statement of Accounts. With regard to 2021/22, the Council consulted with the External Auditor and has agreed an approach which does not involve the Council restating its accounts.
- 2.7 Whilst this will require the External Auditor to issue a revised Audit Completion Report for 2021/22 detailing an Unadjusted Error it is considered the sensible way to progress the matter, given that the overall balance of DSG is correct, the movement related to 2021/22 is not material and it is likely that the Statutory Instrument will soon be amended to allow the Council's original approach.

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- 2.8 A restatement would involve further external audit work for 2021/22 delaying the sign off process further for an issue which is effectively a technical adjustment.
- 2.9 Having regard to the outstanding position relating to 2021/22, the Council has followed best practice principles and submitted the 2022/23 draft accounts based on the pensions information provided to the Council by the GMPF and its external actuary advisors. This information may be subject to change and the accounts will be updated if required.
- 2.10 The Government requires that the Council prepares a Whole of Government Accounts (WGA) submission. The purpose of the WGA is to allow the consolidation of the audited accounts of over 10,000 organisations across the UK. It is important to note that the audit process for 2021/22 cannot be fully finalised until the work required in relation to the WGA is completed. The Oldham WGA for 2021/22 was submitted by the deadline of 28 February 2023.
- 2.11 Following the conclusion of the audit of the 2021/22 Statement of Accounts, the approval of the accounts and conclusion of the 2021/22 WGA work, the Council will advertise the completion of the 2021/22 audit process on its website and update Members of the Audit Committee accordingly.

Whole of Government Accounts 2020/21

- 2.12 The Committee has previously been advised that the WGA for 2020/21 was submitted in accordance with the revised timelines.
- 2.13 The Council has been advised that the Government does not require any audit work on the 2020/21 WGA, however, as the National Audit Office (NAO) audits the WGA, there has been no confirmation from the NAO as to whether it requires any work on the Oldham WGA. Mazars LLP is still waiting for notification as to any action required.
- 2.14 Until the audit review of the WGA is formally completed, the 2020/21 audit remains open. Once the 2020/21 process is completed, the Council will advertise the conclusion of the 2020/21 audit process.

Statement of Accounts 2022/23

- 2.15 As advised above, the Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 May 2023 which is within the statutory deadline. The public inspection period began on 1 June 2023 and will conclude on 12 July 2023. The audit of the accounts will commence in July.
- 2.16 The presentation of the draft Statement of Accounts gives Members of the Audit Committee the opportunity to review the accounts and ask relevant questions, so they are better informed before being asked to formally approve the audited Accounts at an Audit Committee meeting later in the year. The draft Statement of Accounts is provided for review at Appendix 1.
- 2.17 As detailed in paragraph 1.2, the Council prepares its Statement of Accounts in line with the CIPFA Code of Practice. For 2022/23 there have been no major changes compared to 2021/22. However, following the conclusion of a consultation and the introduction of a statutory override, Infrastructure Assets are now presented separately on the face of the Balance Sheet and in the Notes to the accounts. The Balance Sheet and relevant Notes for 2021/22 have been restated.
- 2.18 Other significant events, changes and transactions impacting on the 2022/23 accounts are:

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- Although of a significantly lesser value than the previous two financial years, the Council still received and used some grant funding to support the legacy of recovery from the COVID-19 pandemic. Grant funding was also received to support the response to the cost of living crisis and to assist with the costs of providing a place of safety for those fleeing from the conflict in Ukraine. This is discussed further at paragraphs 3.18 to 3.26 and in the Narrative Report. An important feature of these grants is whether the Council is acting as Principal or Agent;
 - The Council continues to depart from the Code in its treatment of the depreciation charge on Housing Revenue Account (HRA) dwellings. It is a management judgement that the departure from the guidance is required in order for the Statement of Accounts to present a true and fair view. Further details are provided in Section 4.1 of the Statement of Accounts;
 - For the first year since 2016/17, the Dedicated Schools Grant moved from a deficit to a surplus. The accounting entries resulting from the statutory override introduced to prevent any DSG deficit impacting on Council Taxpayers, require the deficit existing before 2022/23 to still be shown as an Unusable Reserve in the Movement in Reserves Statement but are offset by a surplus held within the earmarked reserves as discussed at 3.30; and
 - On 1 April 2022 all employees of the Unity Partnership Ltd. (UPL) transferred to the Council and all services provided by UPL were from that date therefore undertaken in-house. As a result, the UPL accounts, which for 2022/23 only encompass some residual transactions, have not been consolidated into the 2022/23 Group Accounts.

3 2022/23 Outturn – Key Issues Presented in the Statement of Accounts

General Fund Revenue Outturn

3.1 A comparison of the revenue budget and outturn is set out in Table 1 below. The forecast outturn position was presented to Cabinet during 2022/23 at months 3, 6, 8 and 9. The Council's 2022/23 revenue outturn position has therefore been presented in its Portfolio structure applicable during the financial year except for the:

- Splitting of the Capital, Treasury and Technical Accounting Portfolio into Capital and Treasury and a separate Technical Accounting Portfolio so that the impact of technical adjustments can be more clearly explained;
- Requirement to present Corporate and Democratic Core costs separately from Corporate Services; and
- Inclusion of the Collection Fund.

Table 1 – 2022/23 Revenue Outturn Compared to Revised Budget

Revenue Outturn 2022/23	Budget £000	Actual £000	Variance £000
Net Revenue Expenditure			
Community Health and Adult Social Care	75,526	79,521	3,995
Children's Services	92,288	105,838	13,550
Public Health	28,446	27,765	(681)
Communities	10,464	10,145	(320)
Place & Economic Growth	84,795	89,729	4,934
Corporate Services	13,802	12,719	(1,083)
Capital and Treasury	5,611	(1,607)	(7,218)
COVID-19 Legacy Funding	12,000	-	(12,000)
Technical Accounting	(20,931)	(20,931)	-
Corporate and Democratic Core	6,850	6,850	-
Parish Precepts	333	333	-
Net Service Expenditure	309,184	310,362	1,178
Collection Fund	9,692	8,509	(1,183)
Net Expenditure	318,876	318,871	(5)
Financed by:			
Locally Generated Income	(155,096)	(155,096)	-
Government Grants	(106,042)	(106,073)	(31)
Capital Grants	(38,762)	(38,762)	-
Use of Earmarked Reserves - Collection Fund*	(8,807)	(8,807)	-
Transfer to Earmarked Reserves - Business Rates			
Retention Pilot Gain	1,710	1,710	-
Use of Earmarked Reserves - General	(11,879)	(11,879)	-
Technical Adjustment - Collection Fund	-	1,183	1,183
Total Financing	(318,876)	(317,724)	1,152
Net Overspend	-	1,147	1,147

*Release of earmarked reserve of £8.807m to finance the Collection Fund deficit resulting from the awarding of Business Rates Relief in 2021/22. The grant compensation was paid by Government in 2021/22 and transferred to an earmarked reserve which was applied in 2022/23.

- 3.2 The overall outturn position for the Council is a revenue deficit of £1.147m which has decreased the Council's General Fund Balance as discussed at paragraph 3.39. More detailed information on the Council's outturn position can be found in the Narrative Report from page 30 in the Statement of Accounts. Further details on the variances are provided from paragraphs 3.3 to 3.17.

Community Health and Adult Social Care (CHASC)

- 3.3 The lasting effect of the pandemic has continued to have a significant impact on the CHASC Portfolio, with a reported an adverse variance of £3.995m against a final budget allocation of £75.526m.

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- 3.4 The main driver was a net £6.408m overspend on costs relating to COVID-19, this included the offset of non-recurrent funding of £2.409m from the 2022/23 iteration of the Adult Social Care Discharge Fund which significantly reduced the overall pressure derived from the legacy of the pandemic. The main element of the pressure related to care costs for individuals who, in the previous two financial years, having been discharged from hospital, had care costs for a limited period of time paid for through the Hospital Discharge Programme (HDP). The HDP funding ceased on 31 March 2022, and notwithstanding the Adult Social Care Discharge funding received in 2022/23, the Council continues to incur significant legacy costs as an on-going consequence of the pandemic.
- 3.5 Business as usual activities across all areas of CHASC service delivery generated a net surplus of £2.053m. In common with previous years, the main areas of pressure were in relation to Community Care, particularly amongst recipients requiring support with Mental Health and Learning Disabilities. The pressure on care costs was offset by in year funding allocations in relation to the Community Discharge Grant (£1.428m) and funding for the now deferred Market Sustainability Fair Cost of Care (£0.758m) and also by a significant number of vacant posts within the Portfolio.

Children's Services

- 3.6 The revenue outturn for the Children's Services Portfolio was an adverse variance of £13.550m compared to a budget of £92.288m. The major contributor to this variance was the Children's Social Care Directorate which ended the year with an adverse variance of £13.806m. It was a challenging year for the Directorate, both operationally and financially. The adverse variance was a direct result of the:
- Overall social work caseloads being at high levels and as part of mitigating this risk going forward, additional teams were recruited both within the Fieldwork and Children's Assessment Team services;
 - Cost and number of placements which continued to rise, especially external residential provision and external semi independence units.
- 3.7 Other Directorates within the Portfolio reported smaller favourable variances as follows:
- The Preventative Services Directorate reported a favourable variance of £0.050m at the end of 2022/23;
 - The Education, Skills and Early Years and Directorate including schools reported a favourable variance of £0.206m.
- 3.8 Further details about the outturn for Children's Services can be found in the Narrative Report on page 32.

Public Health

- 3.9 The 2022/23 year-end position for the Public Health Portfolio was a favourable variance of £0.681m against a budget of £28.446m. The primary reason for the underspend was due to staff vacancies within Public Health (£0.459m). The Heritage, Libraries and Arts services had an underspend of £0.222m which relates to vacancies in the Libraries Service, increased income for Oldham Theatre Workshop and underspends within non pay budgets including the Libraries and Lifelong Learning PFI contract.

Communities

- 3.10 The year-end position for the Communities Portfolio was an underspend of £0.320m against a budget of £10.464m, primarily due to vacancies in the District Partnerships team and the opportunity provided by the receipt of the Homes for Ukraine grant to fund eligible staff costs.

Place and Economic Growth

- 3.11 The year-end position for the Place and Economic Growth Portfolio was an adverse variance of £4.934m, against a revised budget of £84.795m. The adverse variance is mostly within the Economic Development service with a reported £4.528m adverse variance. The key issues causing this variance were:

- An overspend relating to the Corporate Landlord and Investment Estate of £3.682m due to pressures around the operational costs of property repair and maintenance, utility costs and security costs for the Corporate and Investment Estate. The planned savings from the Creating a Better Place Programme were reprofiled meaning approximately £2.000m of savings have been deferred to future years. The other main cause of the variance was increased energy costs resulting from the price increases associated with the conflict in Ukraine which accounted for a further overspend of £1.670m;
- The under recovery of income of £0.353m for the Market Service;
- An overspend for the Strategic Housing Service of £0.292m due to the costs of placements into temporary accommodation;
- A reduction in the income received from Planning Fees leading to an overspend for the Planning Service of £0.226m;
- Additional costs incurred to support the delivery of the Creating a Better Place Strategy, leading to an overspend of £0.395m for the Regeneration Service.

Corporate Services

- 3.12 Compared to a budget of £13.802m the revenue outturn for the Corporate Services Portfolio of £12.719m was a favourable variance of £1.083m. The underspend is due to vacancies across the Directorate, the maximisation of COVID-19 grants, reduced levels of non-pay costs including GM wide corporate budgets and the Coroners Service. There were also underspends on non-pay Finance budgets and increased grant income received for a number of European funded projects.

Capital and Treasury

- 3.13 The favourable variance of £7.214m for the Capital and Treasury Portfolio is due to positive non-pay variances including past pension costs, banking charges and increased investment income arising from interest rate increases, alongside a slight reduction in the Minimum Revenue provision payment for 2022/23 due to a lower than anticipated use of Prudential Borrowing to finance the Capital programme. There has also been a favourable variance in relation to Corporate Insurance and Housing Benefit services.

COVID-19 Legacy Funding

- 3.14 The 2022/23 budget was prepared with a centrally held budget of £12.000m to offset the legacy costs of COVID-19 which, based on the experience of 2021/22 were expected in total but could not be specifically attributed to services. This budget therefore partly offset the £17.545m combined adverse variance reported within CHASC and Children's Services, which was largely driven by the impact of COVID.

Technical Accounting

- 3.15 The Council is required to include within its accounts, a range of transactions that relate to the technical accounting entries required by both the CIPFA and IFRS. These include the removal of depreciation, impairment charges and other capital transactions from the Council's service budgets to reflect the required reporting arrangements when preparing the Statement of Accounts to ensure there is no impact on the funding that would be required from the Council Taxpayer. The total adjustment required to address the accounting requirements was £20.931m with no variance to budget.

Corporate and Democratic Core

- 3.16 Corporate and Democratic Core represents the revenue budgets concerned with the executive management of the Council and Elected Member related activities including policy making, representing local interests and democratic representation. Total expenditure was £6.850m with no variance to budget.

Parish Precepts

- 3.17 The budget and payments in relation to Parish Precepts consist of the payment of £0.333m in 2022/23 made to the two Parish Councils, Saddleworth Parish Council and Shaw and Crompton Parish Council. These payments relate to Council Tax income collected by the Council on behalf of the Parish Councils and a separate grant of £0.019m paid by the Council. There was no variance to budget.

Government Grants

- 3.18 In addition to the unringfenced Government grants totalling £106.073m detailed in Table 1 which underpin 2022/23 general expenditure, the Council also received a total of £276.177m of ringfenced grants (see Note 5 in the Statement of Accounts) which must be used for specific purposes, the largest of which is the DSG (see paragraphs 3.27-3.30). This shows the significant amount of Central Government grant funding upon which the Council relies to deliver services and hence the impact that any change to grant funding (either positive or negative) could produce.
- 3.19 As in 2020/21 and 2021/22, the Council received some grants from Central Government to support the response to the COVID-19 pandemic. There were also grants to support the other emerging challenge of the cost of living crisis and also to provide funding to support those fleeing from the conflict in Ukraine. However, the overall volume and value of these additional grants was considerably less than in the two previous years.
- 3.20 Following the receipt of a Government grant the Council had to determine whether in administering the grant it was acting as an agent of Government or a principal as follows:
- a) As an agent the Council acted as an intermediary between the recipient and the Government and had no control of the grant conditions – with no flexibility in determining the level of grant payable (these grants are not included within Note 5);
 - b) Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable (these grants are included within Note 5).
- 3.21 A full and detailed breakdown of the grants received in year is provided in the Narrative Report to the Statement of Accounts from page 35. A summary of the grants section is provided below.
- 3.22 In relation to non-schools related COVID-19 grants the following amounts are included within the Councils accounts and summarised in Table 2:

- The Council brought forward £12.634m of COVID-19 Non Schools grants into 2022/23 of which:
 - £9.215m related to unspent Government business grant resources. The Council had acted as an agent for Government in relation to a range of such grants in 2020/21 and 2021/22 and was therefore required to refund the unspent grant (the Council having maximised the payment of grants to eligible businesses). The grants repaid included the Closed Business Lockdown Grant (£3.453m) and Local Restrictions Grant (£4.887m);
 - Contain Outbreak Management Fund grant of £1.023m still remained at the end of 2022/23 and will be used in 2023/24;
 - A number of smaller grants regimes including the mandatory and discretionary test and trace support payment scheme were concluded in 2022/23 and reconciled with Central Government.
- A new grant, the COVID-19 Targeted Testing grant at a value of £0.059m was received and fully used in year.

Table 2 – COVID 19 Grants (non-schools)

COVID-19 Grants - Non Schools	B/fwd	Grants Received 2022/23	Total Available	The Council Acting as Agent	The Council Acting as Principal	Spend against grant 2022/23	Grant repaid to / from Government	Grant Remaining as at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000
Total COVID Grant/ Expenditure	(12,634)	(59)	(12,693)	(9,139)	(3,554)	2,174	9,496	(1,023)

3.23 Table 3 below shows that, whilst £2.074m of COVID-19 related schools grant was brought forward into 2022/23, a further £2.240m of grant for which the Council acted as principal was received in year and paid to schools. No grant remained unspent at the year-end.

Table 3 – COVID-19 Grants (schools)

COVID-19 Grants - Schools	B/fwd	Grants Received 2022/23	Total Available	The Council Acting as Agent	The Council Acting as Principal	Spend against grant 2022/23	Grant Remaining as at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
Recovery Premium	(1,036)	(1,435)	(2,471)	-	(2,471)	2,471	-
School-led Tutoring Grant Allocations	(1,038)	(124)	(1,162)	-	(1,162)	1,162	-
National Tutoring Programme	-	(637)	(637)	-	(637)	637	-
Mental Health Lead	-	(11)	(11)	-	(11)	11	-
Mass Testing	-	(16)	(16)	-	(16)	16	-
Vaccination Funding	-	(8)	(8)	-	(8)	8	-
COVID-19 Workforce Fund	-	(9)	(9)	-	(9)	9	-
Total COVID Grant/ Expenditure	(2,074)	(2,240)	(4,314)	-	(4,314)	4,314	-

3.24 Tables 2 and 3 above show (as presented in Note 5), that a total of £2.299m of new ringfenced COVID-19 related grant funding was received in 2022/23.

- 3.25 Other new grants received by the Council relating to the cost of living crisis and Ukrainian conflict are presented below in Table 4 and show two further instances of the Council acting as an agent of Government.
- 3.26 Having administered £13.408m of £150 mandatory Council Tax Energy Rebate payments to households and £0.605m of discretionary awards and received £0.291m of new burdens grant to cover administration costs, the Council will repay the Government the £0.186m funds remaining in 2023/24 (it is important to note that all eligible households received the funds due). The balance of the Homes for Ukraine grants (£0.743m) will be utilised in 2023/24

Table 4 – Non COVID Related Grants

Other Grants	Grants Received 2022/23 £000	The Council Acting as Agent £000	The Council Acting as Principal £000	Spend against grant 2022/23 £000	Grant Remaining as at 31 March 2023 £000
Council Tax Energy Rebate Scheme	(14,013)	(13,408)	(605)	13,827	(186)
Council Tax Energy Rebate Scheme New Burdens	(291)	-	(291)	291	-
Homes for Ukraine – Tariff	(1,018)	-	(1,018)	286	(732)
Homes for Ukraine - Thank You Payment	(107)	(107)	-	107	-
Homes for Ukraine - Education and Childcare	(139)	-	(139)	128	(11)
Total Other Grants	(15,568)	(13,515)	(2,053)	14,639	(929)

Schools and the Dedicated Schools Grant (DSG)

- 3.27 The total school balances at the end of 2022/23 were £8.381m which was a decrease of £1.811m compared to the 2021/22 total of £10.192m.
- 3.28 The DSG is now in surplus for the first time since 2016/17. This follows the efforts the Council has made to reduce the DSG deficit and it has now changed from a deficit of £2.773m in 2021/22 to a surplus of £0.899m at the end of 2022/23, an overall in-year surplus of £3.672m. There is a clear Recovery Plan in place, agreed with Schools Forum, to ensure the DSG remains in surplus for 2023/24 and future years.
- 3.29 In November 2020 there was a national change to accounting practice because of the increase in the level of DSG deficits and the potentially destabilising impact such deficits could have on the finances of a Local Authority. A Statutory Instrument was introduced to amend the Local Authorities (Capital Financing and Accounting) Regulations 2003. The aim was to ensure that legacy DSG deficits are ringfenced and held separately from General Fund resources so that specific measures could be put in place to address the deficits without placing pressure on resources required for other essential services.
- 3.30 As a consequence, there is a legacy DSG deficit included within the Movement in Reserves Statement as an unusable reserve. The 2022/23 in year surplus amount of £3.672m is held in an account established and used solely for the purpose of recognising surpluses in respect of its schools' budget: the 'Dedicated Schools Grant Surplus Reserve', an earmarked reserve.

Housing Revenue Account (HRA)

- 3.31 By 31 March 2022, the HRA produced an in-year surplus of £0.231m. After the required technical accounting adjustments, this resulted in an increase of £0.866m to the level of balances. This compared favourably with the original budgeted deficit of £1.808m which was approved at the Budget Council meeting of 2 March 2022. Overall balances have increased from £21.719m to £22.585m and the HRA continues to show a healthy level of resources to support future spending initiatives.
- 3.32 Reasons for the favourable outturn and increase in the HRA level of balances include reprofiling of the HRA's contribution to capital projects within the borough partially being offset by increased utility costs incurred within the financial year. Furthermore, due to the on-going cost of living crisis, Members chose to limit rent increases in 2023/24 to just 5%, significantly lower than the Government guidance of 11.1%. The Council has opted to use the current health of the HRA balance to limit the inflationary impact on tenants' rents in 2023/24 and in future years. Details of the HRA are provided in Section 4.1 of the Statement of Accounts.

Collection Fund

- 3.33 The year-end Collection Fund position shown below includes a payment towards the Collection Fund Deficit brought forward from 2021/22 totalling £9.133m, the repayment of this deficit in 2022/23 was based on the estimated year-end position as at January 2023.
- 3.34 The year-end surplus balance of £3.717m is primarily due to an increase in collection rates and an unwinding of the provision for Business Rate valuation appeals, resulting in a surplus of £4.127m for Business Rates. The less favourable position on Council Tax, an in-year deficit of £0.326m, is a result of an increase in reliefs and exemptions together with an increase in the allowance for non-collection, bringing the provision to a level that is deemed prudent. The closing Collection Fund balance in 2022/23 is a surplus of £3.717m which will be rolled forward to 2023/24.
- 3.35 The table below summarises the movements in the Collection Fund during 2022/23:

Table 5 – Collection Fund Position

Collection Fund	Council Tax £000	Business Rates £000	Total £000
Balance brought forward	2,958	6,175	9,133
Contribution Towards Previous Year's Deficit	(2,874)	(10,378)	(13,252)
Deficit for the year	326	76	402
Balance carried forward	410	(4,127)	(3,717)

- 3.36 Due to the impact on the Council's ability to collect both Council Tax and Business Rates, an important change to Collection Fund accounting was introduced in 2020/21 giving the ability to smooth the impact of COVID-19 related deficits from 2020/21 over three financial years, thus reducing the impact on the revenue budget. The Council's 2021/22 and 2022/23 budget were prepared using this facility.

3.37 The technical accounting nature of Collection Fund entries require a range of adjustments to align them to the presentation of the Council's revenue outturn statement, hence the technical adjustment between the Collection Fund and the General Fund shown in the Revenue Outturn at Table 1.

3.38 Further details in relation to the Collection Fund can be found in Section 4.2 of the Statement of Accounts.

Reserves and Balances – Financial Resilience

3.39 The Statement of Accounts shows the General Fund balance (resources not earmarked for any specific purpose) at the end of 2022/23 of £18.865m. This is a decrease of £1.147m compared to the £20.012m at the end of 2021/22, reflecting the adverse 2022/23 General Fund outturn position. This is therefore lower than the risk assessed balance requirement for 2023/24 as approved at the Council meeting of 1 March 2023. Although disappointing, this does not present a significant challenge to the financial resilience of the Authority.

3.40 In addition to the General Fund balance, the level of earmarked General Fund reserves included in the Balance Sheet at £99.152m also underpins the financial resilience of the organisation. These reserves are held to manage future risks and expenditure priorities. They are split into Revenue Account Earmarked Reserves of £79.130m and Other Earmarked Reserves of £20.022m. The latter is comprised of Revenue Grant Reserves of £7.968m, Schools Reserves at a net sum of £8.381m and the new Dedicated Schools Grant surplus reserve of £3.672m. In overall terms, the level of reserves has reduced between 2021/22 and 2022/23 as follows:

- Revenue Account Earmarked Reserves from £99.228m to £79.130m;
- Revenue Grant Reserves from £10.731m to £7.968m;
- Schools Reserves from £10.192m to £8.381m.

3.41 The most significant movement in Revenue Account Earmarked Reserves was the planned utilisation of the 2022/23 Balancing Budget Reserve which was comprised of funds to address the £8.807m technical adjustment included within the 2022/23 and £11.879m of general and specific reserves. If this £8.807m technical reserve is excluded from the comparison, the Revenue Account Earmarked Reserves reduced from £90.421m at the end of 2021/22 to £79.130m at the end of 2022/23.

3.42 Information on the reserves is presented at Note 15 in the Statement of Accounts.

Capital Programme/Expenditure Outturn

3.43 The Council incurs expenditure on capital projects in accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 definition of capital expenditure. Essentially this defines capital expenditure as spend on assets that have a life of more than one year.

3.44 The financial position of the Capital Programme was reported to Cabinet at months 3, 6, 8 and 9 during 2022/23.

3.45 The Council spent £58.787m on its Capital Programme in 2022/23 compared to the forecast spending of £50.361m at Month 9 (a variance of £8.426m). The variance was mostly due to projects progressing more quickly than anticipated. In order to support this expenditure, it required the advancing into 2022/23 of funding that had been profiled for 2023/24 and future years.

- 3.46 Capital expenditure for 2022/23 was financed by Government Grants and Contributions, Capital Receipts, Revenue Contributions (of which £0.210m was from the HRA and £0.027m from the General Fund) and Prudential Borrowing. The capital expenditure incurred during the year is shown in Table 6 below by Portfolio area.

Table 6 – Capital Programme Outturn Compared to the Forecast Outturn

Portfolio	2022/23 Forecast £000	2022/23 Actual £000	Variance £000
Community Health & Adult Social Care	2,382	3,006	624
Children's Services	5,901	8,392	2,491
Communities	54	6	(48)
Place and Economic Growth	37,342	42,133	4,791
Housing Revenue Account	-	210	210
Corporate/Information Technology	2,182	2,540	358
Capital, Treasury & Technical Accounting	2,500	2,500	-
Funding for Emerging Priorities	-	-	-
Total Expenditure	50,361	58,787	8,426

Treasury Management

- 3.47 The Council managed all of its short-term investments (surplus cash investments) in house with the institutions listed in the Council's approved lending list. At the end of the financial year the Council had £55.780m of investments.
- 3.48 During the year and in line with the industry movement from the London Interbank Bid Rate (LIBID) to the Sterling Overnight Index Average (SONIA) the Council updated its measurement of performance to a SONIA benchmark. Table 7 below shows the Council's performance exceeded the investment benchmark.

Table 7 – Actual Performance Against Benchmark

	Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	Actual Return %
Overnight	2.24%	2.35%	2.38%

- 3.49 At 31 March 2023, the Council had borrowings (including interest) of £163.184m. No new borrowing was undertaken in 2022/23.
- 3.50 Information about the Council's investments and borrowing is detailed Note 22 Financial Instruments in the Statement of Accounts.

Overview of Core Statements

- 3.51 The four core Statements to the Accounts are the:
- i) Comprehensive Income and Expenditure Statement (CIES)
 - ii) Movement in Reserves Statement (MiRS)
 - iii) Balance Sheet
 - iv) Cash Flow Statement
- 3.52 They are included in the Statement of Accounts on pages 54 to 58. A commentary on the key issues arising in each Statement is set out as follows:

Comprehensive Income and Expenditure Statement (CIES)

- 3.53 The CIES is required under IFRS. It shows the accounting cost of providing services rather than the amount to be funded from taxation or rents. This means that it includes accounting transactions such as depreciation and revaluation gains/losses.

Table 8 – Comprehensive Income and Expenditure Statement (CIES)

	Gross Expenditure £000	2022/23 Gross Income £000	Net Expenditure £000
Community Health and Adult Social Care	136,450	(53,729)	82,721
Children's Services	317,850	(219,187)	98,663
Public Health	33,091	(5,182)	27,909
Communities	10,447	(1,375)	9,072
Place and Economic Growth	89,384	(37,005)	52,379
Corporate Services	26,999	(11,678)	15,321
Capital, Treasury and Technical Accounting	40,952	(44,038)	(3,086)
Corporate and Democratic Core	6,851	-	6,851
Housing Revenue Account	18,559	(29,108)	(10,549)
Cost of Services	680,583	(401,302)	279,281
Other Operating Expenditure			
Parish Council precepts			314
Payments of Housing capital receipts to government pool			185
Levies			33,289
(Gains)/losses on the disposal of non-current assets			(2,094)
Total Other Operating Expenditure			31,694
Financing and Investment Income and Expenditure (a)			24,454
Taxation and Non-Specific Grant Income (b)			(303,784)
(Surplus) or Deficit on Provision of Services (c)			31,645
Other Comprehensive Income and Expenditure			
Revaluation (gains)/losses non-current assets			(73,528)
Impairment losses on non-current assets			106
(Surplus) or deficit on Financial Assets measured at Fair Value through Other Comprehensive Income			(9,404)
Remeasurement of net defined benefit liability			(497,759)
Asset Ceiling Adjustment			172,016
Total Other Comprehensive Income and Expenditure (d)			(408,569)
Total Comprehensive Income and Expenditure			(376,924)

Key points to note from the CIES are:

(a) Financing and Investment Income and Expenditure

- 3.54 Financing and Investment Income and Expenditure of £24.454m (detailed at Note 3) contains transactions relating to interest payable and receivable and dividend income.

(b) Taxation and Non Specific Grant Income

- 3.55 The sum of £303.784m (detailed at Note 4) contains Council Tax, Business Rates and grants received from Central Government to finance revenue expenditure throughout the year. This income is not attributable to a specific service. The decrease from the prior year (£9.568m) is mainly due to a reduction in unringfenced COVID-19 grants received by the Council.

(c) Deficit on the Provision of Services

- 3.56 The Deficit on the Provision of Services of £31.645m represents the Council's accounting deficit position for the year as required under IFRS which allows comparison to be made with other organisations in both the public and private sectors. This deficit includes charges for accounting entries such as depreciation, impairment and pension adjustments which are reversed under statute as they should not impact on the Council's General Fund position and the Council Tax Payer when calculating the Council Tax requirement. These reversals are shown in the MiRS. As previously highlighted, the Council's outturn position for the year is a £1.147m overspend, which has been taken from the Council's General Fund Balance as shown in the MiRS presented below.

(d) Other Comprehensive Income and Expenditure

- 3.57 There are a number of elements to Other Comprehensive Income and Expenditure, the sum of which totals a surplus £408.569m. This is mainly due to adjustments related to the Council's Pension Scheme, the remeasurement of the 'net defined benefit liability/asset' represents the Actuary's movement of the Council's Pension scheme as at 31 March 2023. This remeasurement, totalling £497.759m is based on the financial assumptions made by the Actuary based on market conditions at 31 March 2023. This movement has resulted in a Pension Asset rather than a liability for the first time.
- 3.58 International Accounting Standard (IAS) 19 Employee Benefits limits the amount of Pension Asset that can be recognised by the Council, therefore an additional transaction, the 'Asset Ceiling Adjustment' has been included in the Council accounts for 2022/23. This adjustment totalling £172.016m, which can also be seen in 'Other Comprehensive Income and Expenditure', has limited the Pension Asset recognised on the Balance Sheet to £4.908m, an amount which was also calculated by the Actuary. Further details are presented in Note 31 of the Statement of Accounts.
- 3.59 The Council's non-current assets are revalued on a rolling 5 year programme. Any movement on the value of these assets which is not chargeable to the cost of service is instead reflected in Other Comprehensive Income and Expenditure and the revaluation reserve.

Movement in Reserves Statement (MiRS)

- 3.60 The MiRS reverses the accounting transactions included within the Deficit on the Provision of Services shown above in the CIES. Once these transactions have been reversed the amount which is statutorily chargeable to taxpayers or rents is arrived at. A summary reconciliation showing the movement between the CIES position and the statutory position is shown below. The General Fund and HRA balances are adjusted by the net Surplus or Deficit shown above. The subsequent balance will then be available to support expenditure in 2023/24.
- 3.61 A reconciliation of the financial outturn position to both the CIES and MiRS is provided in Note 1 Expenditure and Funding Analysis in the Statement of Accounts and is summarised below at Table 9.

Table 9 – Movement in Reserves Statement Summary

	General Fund £000	HRA £000	Total £000
(Surplus)/Deficit on the Provision of Services	31,875	(230)	31,645
Technical Accounting Adjustments	(9,730)	(634)	(10,364)
Transfer from Earmarked General Fund Reserves	(20,998)	-	(20,998)
Net (Surplus)/Deficit	1,147	(864)	283

Balance Sheet

3.62 The Balance Sheet below shows the Council's net assets have increased by £376.924m in 2022/23 from £294.571m to £671.495m.

3.63 The increase in net assets is mainly attributable to the following movements:

- A large movement in value of the Council Pension Schemes resulting in movement from a Pension Liability of £280.671m in 2021/22 to a Pension Asset totalling £4.908m in 2022/23. The majority of which relates to a change in the assumptions used by the Pension Fund Actuary (Hymans-Robertson) as part of the Council's actuarial valuation. The assumptions are determined by the Actuary and represent market conditions at the reporting date. The limit of the value of Pension Asset that can be recognised on the Councils balance sheet has been set by International Accounting Standards.
- An increase in the value of Property, Plant and Equipment (PPE) of £66.152m mainly due to Non Current Assets revaluations in year.
- Reduction in short term creditors primarily receipts in advance following the conclusion of COVID-19 Grants where it was determined the Council was acting as an agent.

Table 10 – Balance Sheet

31 March 2022 £000		31 March 2023 £000
644,284	Property Plant & Equipment	710,436
161,587	Infrastructure Assets	165,298
19,770	Heritage Assets	21,141
19,801	Investment Property	20,791
5,780	Intangible Assets	5,350
43,092	Long Term Investments	48,246
38,235	Long Term Debtors	40,044
-	Pension Asset	4,908
932,549	Long Term Assets	1,016,214
27,676	Short Term Investments	20,390
533	Inventories	678
50,262	Short Term Debtors	58,966
57,854	Cash & Cash Equivalents	30,094
1,745	Assets Held For Sale (less than 1 year)	610
138,070	Current Assets	110,738
(8,293)	Short Term Borrowing	(1,690)
(91,314)	Short Term Creditors	(74,037)
(10,155)	Short Term Provisions	(5,918)
	Short Term Liabilities	
(8,959)	- Private Finance Initiatives	(10,716)
(315)	- Finance Leases	(262)
(6)	- Transferred Debt	(6)
(119,042)	Current Liabilities	(92,629)
(9,543)	Long Term Provisions	(6,864)
(161,504)	Long Term Borrowing	(161,494)
	Other Long Term Liabilities	
(280,671)	- Pension Liabilities	-
(203,826)	- Private Finance Initiatives	(193,110)
(303)	- Finance Leases	(213)
(38)	- Transferred Debt	(33)
(17)	- Deferred Credits	(17)
(1,104)	Capital Grants Receipts In Advance	(1,097)
(657,006)	Long Term Liabilities	(362,828)
294,571	Net Assets	671,495
(178,714)	Usable Reserves	(163,904)
(115,857)	Unusable Reserves	(507,591)
(294,571)	Total Reserves	(671,495)

Cash Flow Statement

- 3.64 Cash and cash equivalents have decreased by £27.760m during 2022/23. This is largely due to the increase in revenue expenditure, use of reserves and the Capital Programme during 2022/23 as can be seen in the Council's Revenue Outturn position and the accelerated spend on the Capital Programme.

Table 11 – Cash Flow Statement

	2021/22 £000	2022/23 £000
Net deficit on the provision of services	(8,259)	(31,644)
Adjustment to surplus or deficit on the provision of services for non-cash movements	108,400	60,680
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(70,906)	(46,603)
Net cash flows from operating activities	29,235	(17,567)
Net Cash flows from Investing Activities	20,125	5,227
Net Cash flows from Financing Activities	(13,103)	(15,420)
Net increase or (decrease) in cash and cash equivalents	36,257	(27,760)
Cash and cash equivalents at the beginning of the reporting period	21,597	57,854
Cash and cash equivalents at the end of the reporting period	57,854	30,094

Group Accounts

- 3.65 The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.
- 3.66 The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts.
- 3.67 The assessment of materiality also influences the Council's decision to produce Group Accounts. Each year the Council assesses the entities it exerts control or significant influence over to identify which fall into the group boundary. If the value of transactions for the group as a whole is material, Group Accounts are produced. The aim is that the statements therefore give an overall picture of all of the Council's financial activities and the resources employed in carrying out those activities.
- 3.68 The Council has assessed its group boundary for 2022/23 and has identified one subsidiary, MioCare Group Community Interest Company (CIC,) which is considered to be material and has therefore been consolidated into its group accounts.
- 3.69 On 1 April 2022 all employees of the Unity Partnership Ltd. (UPL) transferred to the Council and all services provided by UPL were from that date therefore undertaken in-house. As a result, the UPL accounts, which only encompass some residual transactions, have not been consolidated into the 2022/23 Group Accounts.
- 3.70 As a subsidiary entity, MioCare Group CIC has been consolidated on a line by line basis with all intra-group transactions and balances removed. The Group Accounts therefore consist of a CIES, MiRS, Balance Sheet and Cash Flow Statement and explanatory Notes and are presented in Section 5 of the 2022/23 Statement of Accounts.

4 The Performance of the Finance Service

- 4.1 The preparation of the accounts represents just one outcome of the range of achievements of the Finance Team during 2022/23 as it continues to enhance and develop its performance. The work of the Finance Team underpins the work of the Council as well as ensuring compliance with statutory requirements, budget management and excellent financial practice.
- 4.2 The prompt closure of accounts has been standard practice for the Finance Team for a number of years and has been a significant driver of efficiency allowing work to be undertaken more effectively. This means members of the Finance Team are able to work on other tasks and projects once the accelerated accounts closedown process is complete.
- 4.3 It is important to note however, that the prompt closure of accounts has only been achieved by the hard work, commitment and dedication of the Finance Team who can all be proud of their contributions. The Council handed over its accounts to the External Auditor on 31 May, which is within the statutory deadline. The Council is one of 109 out of 314 Authorities to prepare its accounts in line with the deadline. As in previous years, this has been a real team effort.

5 Options/Alternatives

- 5.1 The Audit Committee members can either choose to note the draft 2022/23 Statement of Accounts or not to do so. There are no other alternatives.

6 Preferred Option

- 6.1 The preferred option is that Audit Committee members note the draft 2022/23 Statement of Accounts.

7 Consultation

- 7.1 Consultation has taken place with the Council's External Auditors, Mazars LLP, in addition members of the public have the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30-working day public inspection period which will conclude on 12 July 2023.

8 Financial Implications

- 8.1 Dealt with in the body of the report.

9 Legal Services Comments

- 9.1 There are no Legal implications.

10 Co-operative Agenda

- 10.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.

11 Human Resources Comments

- 11.1 There are no Human Resource implications.

12 Risk Assessments

12.1 There are no risk implications as a result of this report.

13 IT Implications

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

14 Property Implications

14.1 There are no Property implications.

15 Procurement Implications

15.1 There are no Procurement implications.

16 Environmental and Health and Safety Implications

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

17 Equality, Community Cohesion and Crime implications

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

18 Equality Impact Assessment Completed?

18.1 Not Applicable

19 Key Decision

19.1 No

20 Key Decision Reference

20.1 Not Applicable.

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 provided at Appendix 1.
Officer Name: Lee Walsh
Contact: lee.walsh@oldham.gov.uk

22 Appendices

22.1 Appendix 1 – Draft Statement of Accounts 2022/23

Oldham Council

**Draft Statement of Accounts
2022/23**

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1.0 Preface

1.1 Introduction to the 2022/23 Statement of Accounts by Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon (during 2022/23)



Councillor Abdul Jabbar MBE

As Cabinet Member for Finance and Low Carbon during 2022/23, I would like to welcome you to the Oldham Council's 2022/23 Statement of Accounts. The preparation of the Statement of Accounts provides the opportunity to reflect on the past financial year, the financial performance of the Council and major events that have taken place in the borough.

Whilst there were challenges in 2022/23, there was also much to celebrate. The town really came alive to celebrate the Queen's Platinum Jubilee. There were 230 street parties funded in neighbourhoods across the borough, and a range of other events, including 70 local torchbearers who paraded through the centre of town before arriving at Oldham Parish Church to take part in the lighting of a Jubilee beacon. One school in Oldham even commemorated the Jubilee with a re-enactment of the Queen's coronation. The events truly brought residents, business owners and Council workers together. However, this was sadly followed later in the year by the passing of a beloved monarch. We mourned together as a borough and also welcomed the new King as a borough, with the Council supporting many coronation events.

The Council operated in 2022/23 against a difficult and sometimes turbulent backdrop. The current 'cost of living crisis' has seen energy, fuel and food price rises far in excess of rises in wage levels. Recognising that many Oldhamers were adversely impacted, the Council introduced a support programme including an investment of £3 million (across 2022/23 and 2023/24). This included doubling funding for the Warm Homes Oldham programme, increasing staffing for the Council's helpline and providing additional staff for face-to-face surgeries in districts, investing in our Community Engagement Team to support outreach to those most vulnerable, providing additional support for our partners in the community who deliver vital services including Oldham Foodbank and Action Together as well as providing funding for additional emergency grants for food, energy, housing and childcare.

The Council funded initiative complemented the Government grant scheme, the Household Support Fund which operated in two tranches all through 2022/23 and provided total resource of £4.838m to help with energy costs and essential food support to those most in need.

At all times and across all service areas the Council champions its Residents First ethos in line with the overarching organisational behaviour 'Work with a Resident Focus.' Putting residents first means that we do our bit to ensure that they get the services and support they need when they need it. Of course, this support can look very different depending on the context, for example business as usual activities, such as dealing with Council Tax queries,

requests for specific services, such as Adult Social Care and ensuring Government initiatives, such as the Council Tax Energy Rebate scheme are implemented effectively.

Another very positive feature of past year was the generosity of spirit shown by Oldham residents to those fleeing from the conflict in Ukraine. It made me very proud of Oldham and Oldhamers to see the collections of clothes, food and other necessities and the readiness with which people opened their homes where possible. This was truly heart-warming.

I would also like to reflect on some of the longer term projects the Council is undertaking. Many of you will have noticed the regeneration works progressing outside Tommyfield Market along with the redevelopment of Spindles Shopping Centre which moved forward significantly in 2022/23. Once the new market and Council office accommodation is completed it will unlock the Town Centre, and in particular the site of the Civic Centre and Queen Elizabeth Hall, for further regeneration projects.

As the work took place during 2022/23 to balance the 2023/24 budget, hard decisions about budget reductions had to be taken. The year-end financial position shows some of the challenges that the Council has faced. Additional demand pressures for Children's and Adults social care including having to take action to address the national hospital discharge scheme resulted in additional pressure on the Council. More generally, the increase in energy costs caused largely by international factors, placed additional pressure on corporate estates budgets contributing to an adverse position.

The outturn for 2022/23 was line with budget monitoring projections but still presented an adverse variance at the year-end. Despite this, I am confident that the financial position of the Council remains robust. The full extent of the COVID legacy is still unknown, and the recent challenges presented by the conflict in Ukraine with its broader implications along with the current 'cost of living crisis' are having a significant impact on the Council's finances as well as the finances of the residents of the Borough. It is therefore essential that, we are prudent and ensure that the financial position of the Council continues to be managed effectively and that value for money can be seen to be delivered.

As always, I would like to recognise the hard work and dedication shown by the Finance and Internal Audit teams throughout the year. Along with colleagues across the Council they have worked diligently to support the provision of essential Council services through often difficult circumstance. As this is the last Statement of Accounts that Anne Ryans will prepare as Director of Finance at Oldham Council, I would particularly like to thank her for her contribution to the Council over the last sixteen years and wish her well as she retires.

I would like to end with a tribute to a devoted colleague, friend and former Leader of the Council, Cllr Jean Stretton who passed away in 2022. Cllr Stretton worked tirelessly to help residents of Oldham and she is sadly missed.



Councillor Abdul Jabbar MBE
Deputy Leader and Cabinet Member for Finance and Low Carbon (during 2022/23)

1.2 Narrative Report

Message from the Director of Finance – Anne Ryans



Anne Ryans

My role as the Director of Finance and Section 151 Officer is to ensure that the Council's financial affairs are properly administered and its financial position remains stable and robust. It is essential to ensure that the Council is able to provide good quality services to all the residents of Oldham and to continue to take forward the development and regeneration of the Borough. Even though there have been some turbulent events over the past few years which have had a significant impact on Oldham and the whole country, 2022/23 presented new challenges. As well as dealing with the legacy of the COVID-19 pandemic, there was a downward turn in the national economic position and inflationary pressures affecting both the Council and local residents. The challenges I have to address in fulfilling my role directly reflect the constantly changing local and national factors to which the Council must respond.

Whilst during 2022/23 the impact of the COVID-19 pandemic reduced, there are still on-going affects. The Council has had to manage the continuing increased demand for services compared to pre-pandemic levels, especially in Adult Social Care and Children's Social Care. Taken together with the significant increase in inflation influencing general prices for goods and materials purchased by the Council and energy costs which had a much higher and longer impact than expected, this has resulted in an outturn overspend position of £1.147m. Although the financial monitoring position reported to Members during the financial year initially projected a much higher overspend, this improved over the year, in part due to management actions. Nonetheless the outturn was disappointing but not a surprise as it was very close to the last reported budget monitoring position (an overspend of £1.280m).

On a more positive note, responding to the ever-changing position affecting Oldhamers, during 2022/23 the Council approved a two-year package of support for residents to help with the impact of the cost of living crisis. Costing £3m this was funded from reserves. The Council also administered other support including the Council Tax Energy Rebate scheme on behalf of the Government which required the payment of £150 to Council Taxpayer as well as introducing an Oldham discretionary energy rebate scheme.

The Statement of Accounts gives an overview of the Council's finances for 2022/23 but the Narrative Report also outlines some of the key initiatives that took place and how these influenced the financial position of the Council. Although the outturn reflected an overspend position, I am pleased to report that as presented in the Statement of Accounts, the Council still has adequate reserves and balances and that the financial position remains strong.

A key objective of the Oldham Council Finance Team is to prepare the Statement of Accounts to the highest standards and in accordance with the guidance for Local Authorities in the UK. The Statement of Accounts provides information so that members of the public, including electors and residents of Oldham, Council Members, partners, stakeholders and other interested parties can have:

- A full and understandable explanation of the overarching financial position of the Council and the outturn for 2022/23;
- Confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Assurance that the financial position of the Council is sound and secure.

The work the Finance Team has undertaken in 2022/23 demonstrates once again the excellent standard of financial management and stewardship of the Council's resources and this work will continue to ensure the financial position of the Council remains robust.

The draft Accounts were submitted to the External Auditor on 31 May 2023 in accordance with the revised deadline (it was 31 July for the two previous years). It should be noted that both the 2020/21 and 2021/22 draft accounts were prepared by 31 May of respective years, two months ahead of the statutory requirement.

The deadline for the completion of the audit of the 2022/23 accounts is 30 September 2023. The Accounts and Audit (Amendment) Regulations 2022 came into force on 22 July 2022 and brought forward the date from 30 November (which was applicable to the 2021/22 accounts). However, due to national challenges impacting on the completion of Local Authority audits, there is a risk that the audit of the 2022/23 Accounts will not be completed in accordance with the deadline. Indeed, the Council's 2021/22 audit is still to be completed.

The Council's External Auditor Mazars LLP has been able to issue a draft Audit Completion report for the 2021/22 accounts and this was presented to the Audit Committee on 28 March 2023. This advised that the Accounts had been prepared to a high standard, but the audit could not be fully completed due to technical accounting issues.

There was first a delay in the completion of the audit due to a sector-wide accounting issue relating to the valuation of infrastructure assets (roads, bridges etc). A temporary resolution was reached in December 2022 with the introduction of a statutory override which applied to the Accounts for 2021/22 and the accounting periods to 31 March 2025. The Council's 2021/22 financial statements were updated to incorporate the relevant changes and the External Auditor was able to complete this element of the audit. The 2022/23 accounts have been prepared to comply with the requirements of the statutory override.

The second issue has two elements, one national issue and one local, which relate to the valuation of pension fund assets. This involves the Greater Manchester Pension Fund (GMPF) which administers the Local Government Pension Scheme for Oldham and the other Councils in Greater Manchester. As guidance to resolve the issues is still awaited, the 2021/22 and 2022/23 accounts include the most up to date available GMPF valuation information but the position is subject to change. Once a resolution to both matters has been agreed, it will be possible for the audit for 2021/22 to be completed.

Having regard to the outstanding position relating to 2021/22, the Council will continue to follow best practice principles and submit the 2022/23 draft Accounts to the Audit Committee to allow Members the opportunity to review them before they are asked to formally approve the Statement of Accounts. The review of the draft accounts will take place at the Audit Committee meeting on 27 June 2023.

I am proud to say that the Finance Team provides the Council with a high-quality financial management service, giving financial advice and support on all major projects and initiatives in which the Council is engaged. In addition to the preparation of the Statement of Accounts, a key task is financial planning. Alongside budget preparation, performance management and reporting, the ability to look strategically beyond the current budget period is essential to supporting the Council's financial resilience and long-term financial sustainability. The continuing short-term nature of Government funding announcements means it is more important than ever that the Finance Team has a thorough understanding of the Council's

financial outlook and can support Members and Officers in planning the effective use of available capital and revenue resources over the short, medium and long-term.

The Finance Service produces on an annual basis, a Medium Term Financial Strategy (MTFS) which supports the balancing of the budget for the next financial year but sets out a financial projection for future years. This MTFS brings together all known factors affecting the Council's financial position and its financial sustainability. It is as wide ranging as possible and includes estimates of future income and expenditure, anticipated pressures and new developments. It allows the Finance Team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This in turn forms the basis for decision making and the production of the revenue budget and the capital programme.

Work to revise the current MTFS took place throughout most of 2022/23. The work focussed on presenting a balanced budget for 2023/24 and an indicative budget for 2024/25 together with forecast budget gaps up to 2027/28. The budget for 2023/24 was prepared having regard to the issues impacting on the Council in 2022/23 and additional resources were allocated to support both Adults and Children's Social Care as well as energy costs. In addition, the Council refreshed its programme of transformation and change that will drive the delivery of savings and efficiencies. The Revenue Budget 2023/24 and 2024/25 and Medium Term Financial Strategy 2023/24 to 2027/28 was approved at the Council meeting on 1 March 2023.

The Oldham Finance Team has consistently delivered the Council's Statement of Accounts to a high standard, as acknowledged by our External Auditor in previous years. This is only possible because of the hard work and dedication of the Finance Team. The team ethos remains strong, and the excellent processes that are embedded within our working practices provide a strong foundation from which we can take on new challenges and continue to produce the high-quality accounts included here.

The following Narrative Report is an important part of the accounts and provides information about Oldham, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31 March 2023.

Introduction to the Narrative Statement

As has been outlined in the Preface to the Accounts and the Message from the Director of Finance, the financial year 2022/23 was another challenging period as the Borough continued to deal with the residual impacts of COVID-19 and increased inflationary pressures.

This Narrative Report presents the key financial issues in more detail in the following sections but will firstly present key information about the Council to provide background context to key issues highlighted in the accounts.

An Introduction to Oldham

Oldham Council is one of ten Local Authorities in Greater Manchester. It lies in the North East of the region and covers an area of approximately 55 square miles (142.4km sq.). The Borough shares its borders with the City of Manchester, the Metropolitan Boroughs of Tameside and Rochdale and to the east, Kirklees and Calderdale. Oldham occupies a key position between Greater Manchester and the Leeds City Region and provides a gateway to the North West and to Yorkshire and Humberside. It is located within the foothills of the Pennines and stretches from the Northern edge of the Peak District National Park to the outskirts of the City of Manchester. No residential location in the Borough is more than two miles away from open countryside.

The Borough of Oldham has a proud industrial heritage but, along with many towns and cities, the industries on which the wealth of the area was built have now declined. Regeneration, both in terms of employment opportunities and physical redevelopment, is recognised as being very important to the future prosperity of the Borough and is a key priority of the Administration.

Oldham is a unique place with a mix of the challenges and opportunities which exemplify the changing face of modern Britain. Some wards within the Council are amongst the most deprived in the country. By contrast, there are some areas of great affluence. The Council therefore provides services designed to meet the needs of its citizens, serving both an urban and rural environment influenced by the diversity of the population and aims to improve economic prosperity, educational attainment as well as health and wellbeing.

Oldham is the sixth largest Local Authority in Greater Manchester (GM) with a population of circa 242,100 (Office for National Statistics (ONS) Mid-Year Estimates 2021). Its population is projected to reach 263,240 by 2043 (ONS 2018-based projection). The population is very diverse with around 100 languages spoken and many different cultures coming together in one Borough. Council service provision will need to anticipate and adapt to both the projected growth and the changing age profile of the population of the Borough, and this will be reflected within the financial planning process.

Key Information about Oldham Council Governance

Oldham Council is a multifunctional and complex organisation. Its policies are directed by the Political Leadership and implemented by officers of the Council under the leadership of the Chief Executive. The political and management structures of the Council are described below together with the political ethos driving the policy agenda and the means by which the policies are implemented and managed.

Political Structure in the 2022/23 Municipal Year

The Council is made up of 60 Councillors from 20 wards across the Borough. A local election took place on 5 May 2022 and as a consequence the political make-up of the Council for the majority of 2022/23 was:

Labour Party	35 Councillors
Conservative Party	9 Councillors
Liberal Democrat Party	9 Councillors
Failsworth Independent Party	5 Councillors
Independents	2 Councillors

The Labour Party controlled the Council during 2022/23, although it had a reduced majority (holding 35 seats compared to 40 at the end of the 2021/22 municipal year). There was a change of Leader with effect from 25 May 2022 when Councillor Amanda Chadderton was formally appointed to the role previously held by Arooj Shah. The Leader continued with the driving ethos of a Co-operative Council and committed the Council to deliver priorities across three key areas during 2022/23:

- Continuing Oldham's drive to be a resident-focused Council;
- Ensuring plans for regeneration and housing continue at pace; and
- Working for our children and young people by affording them the very best opportunities.

However, as outlined later in this Narrative Report, the Council refreshed its Corporate Plan from September 2022 and revised the specific priorities.

Following a Local Election on 4 May 2023, in which all Council seats were contested, the Labour Party retained control of the Council but with a reduced majority (holding 32 seats compared to 35). This was followed on 24 May with the formal appointment of Cllr Arooj Shah as Leader of the Council replacing Amanda Chadderton.

The Council has maintained the 'Strong' Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. During 2022/23, the Leader of the Council had responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of executive functions.

During 2022/23, the Cabinet was comprised of nine Councillors. It exercised its responsibility for strategic decision making, implementing agreed policies, providing political leadership and recommending proposals for approval by full Council on the budget, Council Tax levels and the Council's policy framework.

The Cabinet Portfolio areas were broadly aligned to the Council's key service Directorates, enabling the joint sharing of priorities. There continued to be a good working relationship between officers and elected Members with Cabinet Members regularly meeting with their respective Senior Officer leads to monitor the progress of business plans, consider key service developments and improvements, and address any areas of concern.

Cabinet Members are held to account by a system of scrutiny which is set out in the Constitution. Scrutiny of executive decisions for 2022/23 was undertaken by either the:

- Policy Overview and Scrutiny Committee;
- Performance Overview and Scrutiny Committee; or the
- Health Scrutiny Committee.

The scrutiny of proposals to set a balanced budget for 2022/23 was conducted by the Policy Overview and Scrutiny Committee (and during 2022/23 this Committee also scrutinised 2023/24 budget setting plans). The 2022/23 budget monitoring position was subject to review and challenge by the Performance Overview and Scrutiny Committee.

The Council reviewed its scrutiny arrangements during 2022/23 and with effect from the start of the 2023/24 municipal year, new scrutiny processes were put in place.

The Oldham Council Cabinet structure prevailing in 2022/23 is shown the diagram below.



Management Structure of the Council

Supporting the work of Elected Members of the Council is the organisational structure of the Council headed by the Chief Executive, Harry Catherall, who, after being appointed on an interim basis on 26 August, 2021, was on 16 March 2022, confirmed as Chief Executive for a three year fixed term period starting on 1 April 2022.

From his appointment, the Chief Executive has led the management of the Council via a Management Board comprised of all senior officers at Director level and above. The management structure is shown in the table below and was that prevailing for the majority of the the financial year 2022/23.

From the start of 2022/23, in addition to the Management Board, an Executive Management Team (EMT) was formed comprised of the four most senior officers of the Council, the Chief Executive, the Deputy Chief Executive, the Assistant Chief Executive and the Executive Director Place and Economic Growth. The Greater Manchester Integrated Care Partnership Lead is also a member of the EMT.

The Chief Executive and other members of the EMT provide managerial leadership of the Council and support Elected Members of the Council in:

- Developing strategies;
- Identifying and planning resources;
- Delivering plans;
- Reviewing the Authority's effectiveness with the overall objective of delivering a Co-operative future where everyone does their bit to create a confident and ambitious Borough.

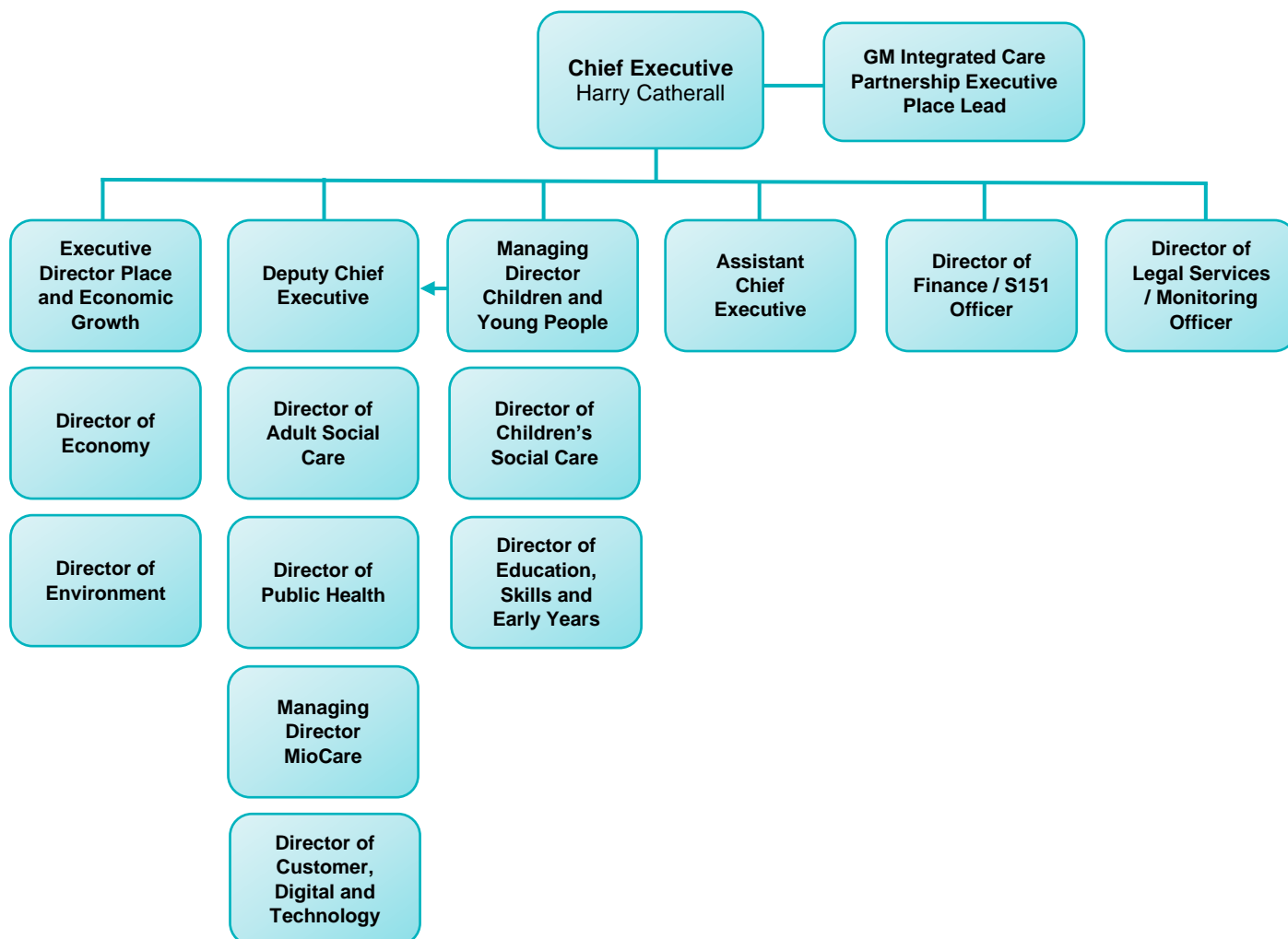
This Leadership Team works together and with members of the wider Management Board to deliver effective services for the Borough's diverse communities. It also ensures that Oldham plays a full part in national, regional and sub-regional activities.

A major change with effect from 1 April 2022, was the Transfer of Undertaking (Protection of Employment) (TUPE) of staff from the Council's wholly owned company, the Unity Partnership Limited (UPL). This required some changes to the operational arrangements of the Council with services previously operated by UPL being brought directly under the management control of the Council. Amongst other changes, this led to the creation of a new Directorate, Customer, Digital and Technology and this was incorporated into the management structure from the start of 2022/23.

A further major change impacting on the management of the Council resulted from operational changes introduced by the National Health Service (NHS). The Oldham Clinical Commissioning Group (CCG) was replaced by the Oldham Integrated Care Partnership with effect from 1 July 2022 although revised working arrangements took time to embed over the remainder of 2022/23. This led to the creation of a new joint role, the Greater Manchester Integrated Care Partnership Place Lead (the postholder being part of the EMT). This supports the continued development and integraton of health and social care services. More detailed information on the changed working arrangements is set out later in the document.

Management Structure

The management structure of the Council during 2022/23 was as follows:



Note: The following positions are statutory roles within the management structure:

- Chief Executive;
- Director of Adult Social Care;
- Managing Director Children and Young People (Director of Children's Services);
- Director of Finance (Section 151 Officer);
- Director of Legal Services (Monitoring Officer);
- Director of Public Health;
- Director of Education, Skills and Early Years (Chief Education Officer).

All statutory officers have access to the Chief Executive as required.

Council Employees

From 1 April 2022, the workforce of the Council increased with the transfer of staff from both the Unity Partnership Ltd. and Bridgewater Community Healthcare NHS Foundation Trust under TUPE regulations (see later section for more information).

Therefore, at the start of 2022/23, the Council's workforce had increased and 2,923 staff were employed (excluding school based employees). By the end of March 2023, this had changed to 2,925.

The Council continues to deliver its refreshed Workforce Strategy (2020-2023) which has a stated ambition to create a One Team workforce – Team Oldham – working in partnership with communities to improve outcomes for people and places across the Borough and beyond. Through three main themes of Supporting our Staff, Leadership and Culture and Planning for the Future, the Council is building on its strengths and is addressing its key challenges. In each area it is identifying urgent priorities, opportunities to go further, long-term goals and anticipated outcomes. The Council wishes to be the employer of choice and an anchor institution in Oldham through:

- A robust infrastructure, both within the Council and in collaboration with partners;
- The development and redesign of the Council's operating model to best meet the needs of Oldham residents putting the resident first through the delivery of a programme of transformation and change; and
- Building organisational capability through real co-operative partnerships with other employers and community members alike.

Co-operative Council in a Co-operative Borough

Oldham Council adopted the ethos of a Co-operative Council in 2011. The Council is committed to developing a Co-operative future; one where citizens, partners and staff work together to improve the Borough. The Council encourages all members of the community to play an active part in building a Co-operative Borough. This means everyone doing their bit.

To help realise this ambition, the Council has well established co-operative values and behaviours. All staff, citizens and partners are encouraged to adopt these values.

Co-operative Values and Behaviours



Oldham's values driven approach underpins the way the Council does business. In practice, this means maximising the positive social, economic and environmental impact that can be achieved. From maximising social value achieved through procurement practices, to paying all staff the Living Wage Foundation National Living Wage, the Council is using its influence as a commissioner, service provider, facilitator and employer to embed co-operative values across Oldham. However, the Council is not doing this alone. Oldham has a strong Strategic Partnership structure and plan that has driven the reform, integration and shared economic agenda both in Oldham and within Greater Manchester.

The ethos of the Co-operative Council and the principles of both the refreshed Oldham Plan and the Corporate Plan set the operating framework for the Council.

The Oldham Plan

The Oldham Plan was updated during 2022/23. Our Future Oldham – A Shared Vision for 2030, was endorsed at the Council meeting of 7 September 2022 and was subsequently approved by all members of the Oldham Partnership. Our Future Oldham sets out the ambitious vision for the future of the borough which is shared by all Oldham Partnership member organisations. After extensive conversations with residents, businesses, community groups and organisations around the Borough, the agreed vision is that Oldham will be a place that uplifts every resident.

This plan establishes the shared aspirations for people living in Oldham covering education, work, neighbourhoods and communities. The plan set out:

- Who we are;
- What we know about the future;
- What residents want.

Making the vision of Our Future Oldham a reality is being driven by all Oldham Partnership organisations working together around a common set of goals. Each organisation, including the Council is placing Our Future Oldham at the heart of strategies and decision making.

The plan is to uplift every resident so that all will have:

- A well-rounded, enriching, lifelong education;
- The opportunity to get a decent job that pays well and offers security and flexibility;
- Quick, cheap, and easy transport to every part of the city region;
- A home that is affordable, well-maintained, and appropriate;
- Timely access to vital services to keep people healthy and safe;
- A clean, green, and healthy environment;
- Diverse opportunities to get together, with regular activities to boost physical health, mental health and community spirit; and
- A local area that meets people's needs and makes them proud.

Refreshed Corporate Plan

An updated Corporate Plan covering the period 2022- 2027 was presented to Cabinet on 22 August 2022 and approved at Council on 7 September 2022. This plan set out the Council's priorities, with specific actions for up to the end of 2026/27.

It set out five policy priorities as follows:

- Healthy, safe and well supported residents;
- A great start and skills for life;
- Better jobs and dynamic businesses;
- Quality homes for everyone;
- A clean and green future.

It also highlighted the Council's four operational priorities as:

- Resident focus;
- Place-based working;
- Digital;
- Working with communities to reduce need.

It works in parallel with the Our Future Oldham vision – a blueprint for the next decade. Residents have informed the Council that they feel more and more a part of Greater Manchester, and as the Greater Manchester Combined Authority (GMCA) acquires more powers through devolution it is vital that the Council takes advantage of its place in the city region. During 2022, the GMCA published a GM Strategy which prioritised growth, equality and the climate. The Council is aligning its efforts to these priorities.

The Corporate Plan describes how the Council will maximise the impact of its efforts and resources to improve the lives of residents in the Borough over the next five years. The plan, which (as outlined above) aligns with Our Future Oldham, focuses specifically on the impact on children and young people, establishing investment in children and young people as the top priority for the Council. It acknowledges the present and future challenges created by the cost of living crisis, and describes how services across the Council will be improved for residents.

Impact of COVID-19 on the Finances of the Council in 2022/23

Although the Government lifted the remaining COVID-19 restrictions in February 2022, the pandemic still continued to have a legacy impact on Council services and it was evident when preparing the 2022/23 budget that, whilst the Government ceased most of its COVID-19 specific funding streams, expenditure pressures would continue. Therefore, the Council, approved a sum of £12.000m within its budget for 2022/23 to compensate for the cessation of Government funding. The majority of this funding was required to support COVID-19 legacy pressures in Adult and Children's Social Care as explained later in the Narrative Report.

One funding stream that did operate throughout 2022/23 was the Contain Outbreak Management Fund (COMF) grant which was awarded to Council's in both 2020/21 and 2021/22 to support the costs of containing the spread of COVID-19 at a local level. The UK Health Security Agency (UKHSA) advised in December 2021 that any unused funds could be carried forward into 2022/23 to support COVID control and recovery, including mitigating any health inequalities as a result of COVID. COMF resources of £3.081m were therefore carried forward into 2022/23 with £2.058m utilised in year. UKHSA notified Councils in December 2022 that unspent COMF could be carried forward again into 2023/24 and a balance of £1.023m has therefore been included in the Revenue Grant Reserves as presented at Note 15 of the Statement of Accounts. This will be fully used in 2023/24.

In 2021/22 the Government announced the COVID Additional Relief Fund (CARF). The scheme was established and funded by Central Government to support those businesses impacted by the COVID-19 pandemic but could not adequately adapt and had not already received support through other Business Rate Relief schemes. This scheme was administered by the Council in 2022/23 through the application of £4.203m of Business Rates relief to reduce Business Rates liability for 2021/22. It was therefore treated as a Business Rates refund and accounted for through the Collection Fund.

During the pandemic, Council Tax and Business Rates collection was significantly reduced, however at the end of 2021/22 collection levels had recovered to almost pre-pandemic levels. However, due primarily to the increased number of residents claiming Council Tax reduction which peaked during the pandemic (and has gradually reduced during 2022/23), the Council Tax Taxbase for 2022/23, which determined the level of Council Tax that could be collected and therefore support Council spending plans, remained lower than pre-pandemic levels. This therefore reduced the Council Tax resources available to the Council and added to the budget pressures. However,

the Tax Base calculations undertaken during 2022/23 to inform 2023/24 budget setting showed an increase in the Tax Base reflecting an expected stabilisation in the number of households claiming Council Tax Reduction and an increase in the number of chargeable dwellings.

Impact of the Cost of Living and Macro-economic Factors

During 2022/23 the cost of living crisis replaced COVID-19 as the major factor impacting on the economy. This has resulted in UK households facing unprecedented reductions in living standards. For Oldham, which already has some of the highest rates of deprivation in the country, this has added to pressures on the Council with a significant increase in demand for financial assistance, advice and support.

During 2022/23, the Council has specifically supported residents through distributing resources including:

- £13.827m of payments (£13.207m acting as agent for Central Government and a further £0.610m through a discretionary scheme) to households through the Council Tax Energy Rebate scheme to help with increased energy costs;
- £4.839m of Household Support Fund payments, by administering the grant provided by the Department for Work and Pensions to help low-income households experiencing financial hardship;
- £1.435m of Holiday Activities and Food Programme Grant, by administering the scheme aimed at holiday provision for school aged children from reception to year 11 (inclusive) who receive benefits-related free school meals.

In addition, in September 2022 the Council approved a £3.000m investment in services, support and funding to help reduce the impact of the cost-of-living crisis on all Oldham households but also to widen the safety net for those residents most vulnerable to financial crisis. Specific aims of the initiative, which will carry on into 2023/24 are to:

- Offer advice, support and guidance to every household in Oldham;
- Maximise income for Oldham households – ensuring they are claiming all support to which they are entitled;
- Increase the safety net and support system for people in financial crisis so that there is enough support for people who need help with essentials like food, fuel, housing or childcare costs;
- Reach out proactively to those most vulnerable to the impact of rising cost-of-living including older people, those with families and those already facing poverty to make sure they have all the help and support they need.

Alongside the impact on residents, the challenging economic climate also directly impacted upon the Council itself through increases in:

- The cost of supplies and services which the Council purchases, in particular energy costs;
- Pay inflation;
- Interest rates and the associated impact on Council's cost of borrowing.

The section below covering the Finances of the Council in 2022/23 explains how the Council was able to manage and mitigate these challenges during the financial year.

Key Service Issues and Developments in 2022/23

Key service issues and developments in 2022/23 are set out in the following sections and as would be expected, also highlight the impact of the cost of living crisis and legacy impacts of COVID-19.

Health and Social Care Integration

Since April 2016, Greater Manchester has been working to deliver its own sustainable Health and Social Care system. Oldham Council and Oldham CCG jointly developed a Locality Plan for Health and Social Care Transformation initially covering the period 2016/17 to 2020/21 with a subsequent extension to 2023/24. The two organisations worked closely together and for a number of years have entered into a pooled funding agreement under the powers of Section 75 of the National Health Service (NHS) Act 2006, to facilitate a whole system approach to delivering care to the citizens of Oldham. Initially incorporating the Better Care Fund, the agreement was first expanded to include wider commissioning arrangements in 2018/19. Agreements made under the provisions of Section 75 allow a more flexible approach to service commissioning by the pooling of resources to enable the delegation of certain NHS and Local Authority functions to the other partner, thereby allowing joint decision making to benefit the Oldham health economy as a whole. The scope and value of services contained within the Agreement has increased each year.

The Council's Cabinet has delegated authority to the Commissioning Partnership Board (CPB) (membership comprised of NHS and Council nominees) to make decisions in respect of the Oldham Section 75 pooled funds Agreement.

On 11 February 2021, the Secretary of State for Health and Social Care presented to Parliament, Integration and Innovation: Working Together to Improve Health and Social Care for All, setting out legislative proposals for Health and Care reform. The proposals received Royal Assent on 28 April 2022 and this meant that CCG's ceased to exist with effect from 30 June 2022. The functions of NHS Oldham CCG continue to be carried out by the NHS, and a new body; NHS Greater Manchester Integrated Care Board (NHS Greater Manchester) came into operation with effect from 1 July 2022 and is now undertaking these functions, both in Oldham and in the other localities across Greater Manchester. At a locality level, an Oldham Integrated Health and Care System has been established, building on progress already made to deliver efficiencies, more effective services and to contribute to budget savings through collaboration, networks and alliances. During 2022/23, governance and oversight of health and social care integration services and developments remained through the CPB. Independent governance at the tier below was provided by the Management Board of the Council and the Locality Management Group on behalf of the health system.

The NHS Greater Manchester aspires for Greater Manchester to be a place where everyone can live a good life, growing up, getting on and growing old in a greener, fairer more prosperous city region. The Partnership has set out its five-year strategy and in doing so has set itself a plan with the four goals below at its core which will be delivered through six missions. It intends that Greater Manchester is a place where everyone:

- Has a fair opportunity to live a good life;
- Experience high quality care and support where and when they need it;
- Has improved health and wellbeing; and
- Works together to make a difference now and for the future.

In response to this, at a locality level the Oldham Integrated Care Partnership (ICP) has also set out a new strategic plan. The Locality Plan describes the strategic ambition for Oldham's Health and Care system and how the partners will address the challenges presented.

Oldham ICP recognises that the locality faces significant challenges without the added consequence of the pandemic. However, the pandemic undoubtedly changed the environment and added to the challenges. In recognition, the strategic plan sets out a five year journey to:

- Stabilise services in need of recovery together with operations and teams currently undergoing change management processes;
- Improve services in line with local regional and national targets and to address the wants and needs of the local population;
- Transform the whole system pathways to remove boundaries and make health and care a genuine patient centred journey;
- Shift to a more preventative focus.

The change in structure has had an impact on the value of services included in the Oldham 2022/23 Section 75 Agreement. For the first quarter, prior to the inception of NHS Greater Manchester the Agreement remained with Oldham CCG and the total value of the pooled services was £536.591m; funded by a contribution of £151.754m from the Council and £384.837m by Oldham CCG. The Council's contribution to the Agreement has increased significantly for 2022/23 with more areas of the Council's budget and expenditure, linked to the wider determinants of health, being brought within the scope of the Section 75 Agreement, including Children's Social Care, Public Health, Preventative Services and Youth Leisure and Communities. At month 9 the total value of pooled services reduced to £335.372m with the movement of services arising from the creation of the NHS GM Integrated Care Board – Oldham Locality; £155.186m by the Council and £180.186m being funded by the NHS GM Integrated Care Board – Oldham Locality. The final outturn expenditure is £373.043m, with the Council and NHS contributing £188.991m and £184.052m respectively.

Throughout 2021 and 2022 the Government set out its longer term vision for Adult Social Care in three White Papers: Building Back Better, People at the Heart of Social Care and Joining Up Care for People. The papers outlined a number of key reforms, including the introduction of a cap on how much individuals would pay for their care and a move to introducing a Fair Cost of Care. The reforms were expected to be introduced from April 2023 with preparatory work, including setting the Fair Cost of Care, being undertaken during 2022/23 to inform budget setting for 2023/24.

However, the Government's Autumn Statement of 17 November 2022, announced the deferring of the introduction of the social care cap for at least two years to October 2025 and this was subsequently confirmed in the Local Government Finance Settlement for 2023/24. Councils were, however, still expected to move towards the introduction of the principles of the Fair Cost of Care but now without a specific timeline. The Council adapted its 2023/24 financial planning processes to align with this change in emphasis.

The Autumn Statement also confirmed that funding for the implementation of the reforms would be maintained within the 2023/24 and 2024/25 Local Government funding envelope to enable Local Authorities to address Adult Social Care pressures as well as providing additional grant funding to be distributed through the Better Care Fund to enable Local Authorities and the NHS to work together to discharge people from hospital in a timely manner and into care settings to free up hospital beds and ease the pressure on the NHS. The 2023/24 budget and MTFs were therefore prepared having regard to the funding intentions and new resources available.

Education and Early Years

In October 2019, Cabinet approved an Education Provision Strategy to ensure there were enough school places available to local children and young people. Despite the challenges caused by the pandemic, this was taken forward during 2020/21 and 2021/22. The Council has the statutory duty to secure sufficient primary and secondary schools, although to provide this the Council collaborates with schools and other partners to deliver the places needed. Although there were some delays to the planned programme, capital expenditure of £6.806m was incurred on several school expansion projects during 2022/23 the largest being North Chadderton school expansion and activity took place across the Borough to both enhance current provision and provide new places for young people with good and outstanding providers. In this regard, the Cranmer Education Trust will open a new 1,200 pupil capacity school, the Brian Clarke Church of England Academy in the summer of 2023, replacing a temporary school building situated on the site of The

Blue Coat School that opened for Year 7 students in September 2022. Preliminary work is due to start on the Eton Star Sixth Form Project which is designed to open up Oxbridge and other elite Universities to Oldham's students. The new sixth form is planned to open September 2026.

The Oldham Learning initiative continued to progress in partnership with schools. Whilst this has historically been funded through grants, and may continue to be so in 2023/24, the intention is that it will be a self-sustaining offer for schools and academies in future years.

The fifth and final year of the Oldham Opportunity Area initiative covered the summer term of the 2021/22 academic year (April to August 2022) and together with unspent resources resulted in funding and expenditure of £0.944m in 2022/23 on activities designed to support school improvement.

As the Opportunity Area initiative ceased, in March 2022, the Schools White Paper identified 24 Priority Education Investment Areas (PEIAs), one of which is Oldham. PEIA's are a subset of the Education Investment Areas (EIAs) and Councils have been selected either because they were previously an Opportunity Area or due to combined levels of performance and deprivation. All EIA's receive support to improve educational achievement and outcomes linked into the Government's Levelling Up agenda. As well as the support offered to all EIAs, PEIA's received targeted investment in 2022/23 through the Local Needs Fund: Administered by the Department of Education, the aim of the fund is to provide the 24 PEIAs with additional funding for bespoke interventions to improve attainment at key stages 2 and 4. The Oldham allocation for 2022/23 was £1.319m.

As part of a PEIA, Oldham is participating in the Family Hubs and Start for Life programme over the period 2022 to 2025. The programme includes new investment for essential services in the Start for Life period from conception to age two, and services which support parents to care for and interact with their children. The programme's objective is to join up and enhance services delivered through transformed family hubs. In August 2022, Oldham was awarded a dedicated funding allocation, a mixture of revenue and capital resources, of between £3.510m to £3.648m (pending final confirmation) and is currently in the process of developing a detailed programme of work. During 2022/23, the Council received £0.845m of revenue grant of which £0.061m was spent in year and £0.784m has been carried forward into 2023/24 in the Revenue Grant Reserve.

The ringfenced Dedicated Schools Grant (DSG) is received from Central Government and administered by the Council and is the main source of income for the schools' budget. The Oldham DSG first fell into deficit during 2016/17 and it is an important element of the financial management of the Council that the DSG is not in a deficit position. Working collaboratively with the Schools Forum there has been sustained action to address the deficit and this included a transfer of DSG funding from the Schools Block to the High Needs Block in each of the years between 2016/17 and 2021/22. However, the increasing numbers of children with special needs entering the education system has offset some of the progress.

As the DSG was in a deficit position for a number of years, the Council was required to prepare a DSG Financial Recovery Plan to demonstrate how, at least a balanced position could be achieved. This was first submitted to the Department for Education in 2019. The Council has continued to be supported by the Education and Skills Funding Agency (ESFA) in its monitoring and management of the DSG with the Recovery Plan having been subject to review.

The Government, recognising the challenges faced by Authorities with DSG deficits, announced in early 2022 a new initiative, the Delivering Better Value (DBV) in SEND Programme and Oldham, together with 54 other Authorities was invited to participate. The DBV programme is designed to provide dedicated support and funding to help 55 Local Authorities with deficit issues in their High Needs Block of the DSG to reform their high needs systems, with the aim of putting more Local Authorities on a more sustainable footing so that they are better placed to respond to the

forthcoming special educational needs and/or disabilities (SEND) reforms. Oldham is participating in Wave 2 of the programme which commenced in autumn 2022.

The Government has initially provided independent consultancy advice to the Council via a series of workshops to enable it to plan and agree improvements and a change programme. There is also funding available to fund new activities identified through the DBV initiative. An initial sum of £0.045m was received and spent in 2022/23, with core funding of up to £1.000m being available to the Authority on successful submission to the Department for Education of a grant application in late June/ early July of 2023 that outlines the use and expected outcomes from the funding.

The Council has been working to reduce the DSG deficit and as can be seen at Note 6, the DSG deficit of £2.773m at the end of 2021/22 has become a surplus of £0.899m at the end of 2022/23. The achievement of a surplus for the first time since 2016/17 represents a major financial milestone for the Council. The Recovery Plan agreed with Schools Forum aims to ensure that a surplus position is maintained in 2023/24 and beyond. This will be further assisted by the work undertaken as part of the DBV programme referred to earlier. Further information on the DSG outturn is presented later in the Narrative Report.

On 1 April 2022 the Council entered into a Section 75 Partnership Agreement with the Northern Care Alliance NHS Foundation Trust (NCA) for the provision of 0-19 Children's Services. Taking over from the previous service provider, Bridgewater Community Healthcare NHS Foundation Trust, the NCA is delivering health related services in conjunction with the Council who incorporated Early Education and Children's Centre functions within the Councils Early Years' service from 1 April 2022. The combined cost of operations within the Agreement for 2022/23 was £8.309m. This was funded from resources allocated by the Public Health service and required the planned and approved use of £0.524m of one-off resources. A service redesign was initiated after the service transfer and this continues to move forward. One of the aims of the review is to deliver a service that is sustainable within the available recurrent budget. It is expected that the revised service structure will be implemented during 2023/24.

Children's Social Care

Against a backdrop of increased demand nationally and particularly in the North West, contextual factors such as poverty, deprivation, the pandemic, and cost of living crisis are having a significant impact on the ability of children and young people in Oldham to enjoy a happy, healthy, and safe childhood.

Correspondingly demand for Children's Services in Oldham has risen post-pandemic and remains at a high-level. There has been an increase in the number of people contacting Children's Social Care for advice and support and an associated increase in referrals for statutory social work services since March 2020. This has led to increases in the numbers of children and young people across all service cohorts; children in need, children subject to child protection plans and children looked after. This high level of volume and complexity of demand had been sustained throughout 2022 and increased further at the start of 2023.

The Children's Social Care Directorate has benefited from significant additional financial investment over recent years, predominantly due to the recognition of the demand pressures. Historically the resources have been invested to align budgets to expenditure in demand led services, strengthen the management structure and to expand the cohort of social workers. Pre-COVID this led to additional management capacity within the service to provide effective supervision and oversight of cases and more social workers carrying lower caseloads. The positive impact of the injection of resources has been recognised by Ofsted.

COVID-19 had a significant and prolonged impact in both 2021/22 and 2022/23 and the service experienced sustained demand and cost pressures as a result and this is obviously reflected in the outturn as referenced elsewhere. The main pressures result from the number and cost of children

placed out of borough and also the continued reliance on agency staff to address additional demand and also to help maintain a fully established workforce. The hourly rates paid to staff engaged in this manner has significantly increased in the last two years.

Recognising the on-going budgetary and operational pressures which were being reported to Cabinet in financial monitoring reports (the month 6 report presented to Cabinet on 12 December advised of an adverse Children's Social Care variance of £11.252m) and the need to invest to deliver the Council's priority of supporting children and young people, Cabinet at its meeting on 12 December 2022, approved the report 'Children's Services Investment Proposals'. This outlined an investment of £14.700m for 2023/24, comprising; recurrent funding of £11.800m to stabilise the financial position with further one-off investment of £2.900m funded from reserves to pump prime a number of invest to save initiatives aimed at improving services but also delivering budget reductions over the period to 2028/29. The financial impact of these invest to save initiative has been built into the Council's MTFS.

In order to drive forward the operational changes required and to facilitate delivery of the invest to save initiatives, the Children's Transformation Programme (CTP) was set up. Governance of the programme is through the CTP Board, chaired by the Managing Director of Children and Young People. The programme consists of six strands of activity, as outlined below. Strands 1-3 are in the main related to the Council's £14.700m investment into Children's Services as referred to above:

1. Placement sufficiency;
2. Workforce;
3. Early intervention and prevention;
4. Children and young people's mental health;
5. Speech, language, and communication;
6. SEND improvement.

The progress on delivering the initiative will be monitored not only by the CTP Board but also corporately.

The Service has undergone a number of Ofsted inspection in the last few years. There were focused visits in October 2020 and November 2021, the latter looking at children in need or subject to a protection plan. The headline findings concluded that, since the last assurance visit in 2020, "senior leaders have maintained a clear focus on keeping children safe and improving the quality of social work practice in Oldham. Children benefit from an effective range of support and services despite the continued disruption caused by the high rates of COVID-19 across the borough."

In addition, the Adolescent Support Unit and Gemini House children's homes were separately inspected by Ofsted in December 2021 and January 2022. Both homes demonstrated significant improvements in the service provided to young people and were rated 'good'.

The service is firmly in 'the window' for a full Ofsted inspection and is expecting the visit sometime during 2023.

Employment and Skills

Oldham is home to over 8,080 businesses (a 2% decrease since 2021/22) employing roughly 83,000 people. As is consistent with the North West economy, this is dominated by micro, small or medium-size enterprises (fewer than 10, 10 to 50 and fewer than 250 employees respectively). In 2022, 88.0% of businesses within Oldham are micro-businesses. This is in line with GM (88.8%) and the national rate (89.8%). Oldham's public sector employment (20.5%) is still one of the highest across GM, behind only Tameside (23.8%).

The employment rate in Oldham increased from 69.2%% (September 2021) to 71.7% (September 2022) and whilst having fluctuated over time has shown an upwards trend since 2018 (66.5%).

Oldham's employment rate is now level with GM's employment rate (71.7%) however there still remains a gap between Oldham's employment rate and the national rate (75.5%).

The unemployment rate was at 6.4% in February 2023, a reduction of 0.9% from March 2022. As at 31 March 2023 there were 33,519 Universal Credit claimants in Oldham. Oldham continues to have the highest claimant rate in GM, and higher than the England average.

Skills represent an additional challenge, particularly in adults. Despite improvements, there are a higher proportion of residents with no qualifications and fewer residents holding degree level qualifications compared to GM and national averages. In 2021 (the latest data currently available), 10.6% of residents had no qualifications (GM: 8.3% UK: 6.6%). This shows a significant improvement since 2010 when 16.5% of Oldham citizens had no qualifications (GM 12.8% and UK 11.3%). The percentage of citizens with a degree or equivalent has improved at a reasonable rate over the last 10 years progressing from 19.1% (2011) to 29.3% (2021) in line with the GM average 29.7% (2011) and 39.1% (2021).

The Oldham Lifelong Learning Service (OLLS) was negatively impacted by COVID-19. The return to classroom based delivery has now recovered with 5,115 enrolments by March 2023 compared to 4,428 by March 2022 (a marked increase from 2,761 enrolments by March 2021). The Service has sustained a high pass rate 97.85% up to March 2023 (part of the academic year 2022/23) compared to 98.84% for March 2022 – (part of the academic 2021/22) – the service benchmark is 95%. The retention rate was 90.83% for March 2023 which is a small reduction from 91.19% at March 2022 but above the service standard of 90%. OLLS was graded as 'good' across all areas in its latest Ofsted report (March 2022) under the new Education Inspection Framework.

The Get Oldham Working initiative once again succeeded in winning new contracts (Restart) and secured an extension and expansion to the National Careers Service contract. It has continued to help create work-related opportunities, more than 16,910 since its inception in May 2013. This includes nearly 12,600 jobs, 2,200 apprenticeships, 420 traineeships/Kickstart placements and more than 1,711 work experience placements, of which over 13,020 opportunities have been filled by Oldham citizens.

Housing

The Housing Strategy was approved in 2019 to help address increased demand for all types of housing, including supported accommodation, town centre living and larger affordable family housing, due to the on-going growth trends in Oldham's population. It is a strategic document to help promote future service models and seeks to place housing and place shaping at the heart of the Oldham Partnerships collective vision for the borough.

The delivery of the Housing Strategy objectives was disrupted by the COVID-19 pandemic. However, in line with the refreshed Creating a Better Place Strategy, work is progressing to develop and deliver a programme of town centre housing development currently focused on the identification and assembly of suitable residential development sites.

In October 2021, the Council introduced a new Homelessness Strategy and Temporary Accommodation Strategy with associated delivery plans aimed at preventing and reducing homelessness whilst procuring better value for money and improving the quality of its Temporary Accommodation offer. Progress continued in 2022/23 with the onboarding of cost-efficient, temporary accommodation rather than the more costly nightly-paid provision. Nevertheless, increasing demand pressures for this service presented a significant financial pressure in 2022/23 and increasing the quality and cost-effectiveness of the borough's temporary accommodation remains a priority.

The Housing Service in Oldham has, in line with Government and GMCA initiatives, provided continuing support to the homeless due to the on-going cost of living crisis. The Council received £1.765m of specific housing grants in 2022/23 which it utilised during the year in line with Government guidance and a further £1.659m of grant for housing services is available for 2023/24.

The Council has also helped progress the Green Homes Grant (GHG) scheme. The Council initially led this scheme across Greater Manchester, delivering grants to private and social housing which will save households money, cut carbon emissions, and create green jobs. Management of this scheme reverted to the GMCA at the start of the financial year. Phase 1 of the scheme saw £1.020m of green improvements to HRA properties in 2022/23.

Creating a Better Place

The Council's Creating a Better Place Strategy was established in 2019/20 and since then has been the key work stream of the Council's capital programme with most major schemes being incorporated within it. The Strategy is focused on building more homes for the borough's residents, creating new jobs through town centre regeneration and ensuring Oldham is a great place to visit. The Strategy complements the Oldham Green New Deal Strategy which aims to deliver carbon neutrality for the Borough by 2030.

A key element of Strategy was the acquisition in October 2020 of Spindles and Town Square Shopping Centres located in the heart of Oldham Town Centre. Amongst other transformational developments, the Council will relocate its office accommodation into Spindles and during the 2022/23 financial year it completed Phase 1 of the Spindles Office development. This allowed many of the Council's service teams to pilot working in the new office facilities for short periods during the second half of 2022/23. The Phase 2 office development is now being progressed with enabling works currently underway to facilitate the relocation of the Tommyfield Market, together with the Oldham Archive and Event Space sections of the development. Repurposing the space into a multi-functional retail and leisure site will also unlock other sites (including the Civic Centre) for redevelopment and to facilitate the provision of brand-new housing in the town centre.

The Creating a Better Place Strategy encompasses almost £217m of capital investment over a five year period from 2022/23 to 2026/27. Alongside an extensive review with the aim of streamlining the Council's property asset portfolio, recurrent revenue savings are expected of up to £8.058m per annum by 2026/27 (the value was revised at March 2023 Budget Council). The delivery of these savings has been incorporated into the Revenue Budget and MTFs, phased over several financial years.

The key programmes which form part of the Creating a Better Place strategy are:

- Asset Management – Implementing the Medium Term Property Strategy to achieve both cost savings and a more efficient use of the corporate estate, contributing to the delivery of £8.058m of annual revenue budget savings by 2026/27 (£0.798m was delivered in 2022/23) together with a reduced requirement for backlog maintenance. This programme also informs the development of an asset disposal programme to reduce the Council's holdings of surplus assets and to generate additional capital receipts (£4.519m of the capital receipts received in 2022/23 derived from this programme).
- New Homes – As highlighted previously, the aim of the Housing Strategy is to provide a diverse housing offer that is attractive and meets the needs of different sections of the population at different points in their lives and focusses on the dynamics between people, homes and the wider economy. During 2022/23 the Council undertook a procurement for a Strategic Development Partner to work with the Council to develop a Joint Venture to deliver significant town centre housing developments on the sites unlocked by the work on the Spindles, with the contract award to the winning bidder anticipated in early 2023/24.
- Town Centre Regeneration - In addition to the extensive work at Spindles/Town Square shopping centres, during 2022/23 work continued on the first phase of redevelopment at the Old Library site to bring it back into use and plans continue to be developed for a new Town Centre Performance Space, following the closure of the Oldham Coliseum at the end of March 2023.

- Borough-Wide Regeneration - The Council is investing in borough-wide regeneration initially via initiatives through housing and employment sites at Broadway Green (more new houses were completed during 2022/23) and Hollinwood but will take advantage of suitable development opportunities throughout Oldham in order to advance its regeneration objectives. In addition, 2022/23 saw the construction the Alexandra Park Eco-Centre continue, with completion expected in the 2023/24 financial year. In 2022/23 the Council was successful in its Levelling Up Fund bid for £20m of capital investment in a Green Technology and Innovation Network to deliver an Education Centre as part of the Northern Roots Project, Jubilee Park in the Town Centre and the Green Shoots Centre, which will provide incubation space for green business.
- Green Initiatives and Decarbonisation – In March 2020, the Council adopted the Green New Deal Strategy, which set carbon neutrality targets for Council buildings and street lighting (by 2025) and for the borough by 2030. There are ambitious plans to drive forward this agenda financed by a mix of Council/ private sector and Government grant resources. In 2022/23 the Council spent £0.582m specifically on Public Sector Decarbonisation Scheme Grant funded projects but a considerable amount of preparatory work was undertaken to enable bidding for additional grant funding to support new schemes in 2023/24.

Don't Trash Oldham

In September 2022, following the completion of the first year of the scheme, which saw positive results with 3,496 streets and 662 alleys cleaned across the whole borough, the Don't Trash Oldham Scheme was reviewed. The second year of Don't Trash Oldham was refocused to target known hotspot locations with enforcement, engagement and dedicated clean up to encourage behaviour change, and introduce a boroughwide 'betterment' plan to enhance local communities and establish a legacy effect. During the financial year, the Council addressed thousands of cases of environmental issues – actioning 4,000 fly tipping service requests, 35 prosecutions, 186 fixed penalty notices, 1,884 legal notices for waste issues and dealing with 55 abandoned cars.

Further details about the scheme and how Oldham residents can get involved to support the Council's programme of activity, can be found on the Council's website at <https://www.oldham.gov.uk/donttrasholdham>.

Unity Partnership Ltd.

On 1 April 2022, the business and assets of Unity Partnership Limited (UPL), including all staff (under TUPE), transferred to Oldham Council. This followed an options appraisal and full consultation process undertaken in 2021/22 and approval by Cabinet in January 2022.

The decision reflected the Council's priority of delivering resident focused services. Central to this was having one Council – delivering for residents, businesses and communities. Of particular importance was the creation of a unified workforce where the transfer of services and teams meant that there was the opportunity to:

- Remove any duplication of process and system and governance discrepancies;
- Take a more holistic approach across services to organisational and service transformation;
- Remove in-built inefficiencies and inter-organisational administration by redesigning services;
- Remove any risks around discrepancies in pay and conditions.

The services previously undertaken by UPL were transferred into the Council as follows:

UPL Function	Directorate Responsibility in 2022/23
Revenues & Benefits, Accounts Payable & Receivable	Finance
Business Change Services	Customer, Digital and Transformation
Customer Services & ICT	Customer, Digital and Transformation
Property Services & Highways	Place and Economic Growth
Payroll & Transactional HR	Human Resources & Organisational Development

The Unity Partnership Ltd. continued to trade but at a much-reduced level in 2022/23. Turnover for the 2022/23 financial year was £1.200m and predominantly comprised expenditure on contracts that were not novated to the Council until part way through 2022/23 and the associated recharge to the Council. The Company no longer employs any staff.

Due to the low level of financial activity in 2022/23, the accounts of the Company are not consolidated within the Group Accounts included within the financial statements.

Response to the Ukraine Conflict

A new initiative from February 2022 was to support Ukrainians who moved to Oldham because of the conflict in their country resulting in a significant community response from Oldhamers and the Council. As well as providing a range of support, advice, guidance and assistance, the Council administered the Governments Homes for Ukraine funding specifically provided to help assist those who came to Oldham as well as families who opened up their homes to provide accommodation. In this regard 306 payments of £350 totalling £0.107m were made direct to sponsoring households as “thank you” payments.

The Council itself received:

- Grant funding (Homes for Ukraine – Tariff) for each guest arriving prior to 31 December 2022 of £10,500 and £5,900 for arrivals after 1 January 2023. A total of £0.286m of Government grant was spent with £0.732m carried forward to 2023/24;
- Grant funding for the provision of education and childcare for children ages 2 to 18 who entered via the Homes for Ukraine visa route. A total of £0.139m of Government grant was spent during the year with £0.011m carried forward to 2023/24.

The Finances of the Council in 2022/23

The 2022/23 Revenue Budget Process

The 2022/23 revenue budget was approved on 2 March 2022. However, the process of setting the balanced budget effectively started at the 2021/22 Budget Council which considered the MTFs covering the period 2022/23 to 2026/27. This set out provisional spending plans for 2022/23 taking account of anticipated Government funding, income from Council Tax and Business Rates payers as well as demographic, legislative and other pressures. This highlighted that the initial budget reduction requirement to deliver a balanced budget for 2022/23 was £31.900m, however, this was offset by budget reductions with an impact in 2022/23 of £6.050m and a planned use of reserves of £12.297m to leave a balance of £13.553m. As would be expected, the budget reduction target was subject to constant review as new information became available including Government funding intentions.

When preparing budget updates for the 2022/23 budget, there remained in a high degree of estimation with regard to the lasting impact of COVID-19 and also with the emerging cost pressures in relation to utilities and fuel, the impact of cost of living pressures on pay awards, the implications

of the Ukraine conflict and also interest rates. The forecasting of the likely impact of all these factors on the Council's budget inevitably relied on a series of assumptions and issues which were both unpredictable and constantly changing.

Using the well-established Member review forum, chaired by the Leader of the Council and comprised of other members of the Cabinet and the Management Board (initial meetings were held under COVID-19 restrictions), there was a review of the financial pressures facing the Council alongside available funding and resources. Estimates were updated as new issues emerged, forecasts were confirmed and grant funding notified. A number of revenue budget reduction proposals were considered to help address the budget reduction requirement. This allowed Members to undertake a detailed review and examination of proposals and to consider acceptability in the context of the ethos of the Council.

Public consultation on 53 budget proposals opened on 20 January 2022 and ended on 20 February 2022. The proposals were also subject to Member scrutiny at the Policy Overview and Scrutiny Select Committee on 27 January 2022.

These budget reductions were formally agreed by Council at a value of £6.268m for 2022/23, with a further £1.895m for 2023/24 and £1.150m for 2024/25. There was a total full time equivalent (FTE) staffing impact of 22.6 for 2022/23. As the FTE reductions detailed within the budget proposals were comprised of a mix of vacant and filled positions and the number of filled positions proposed for deletion was below the legally set threshold of 20, there was no requirement for the issuance of a formal Section 188 notice to staff and Trades Unions.

The final budget reduction requirement for the 2022/23 budget was £37.496m (compared to the initial £31.900m) which reduced to £32.029m after taking into account budget reductions of £5.467m approved at 2021/22 budget setting (these had been adjusted down by £0.583m from an initial £6.050m as referred to above). This budget reduction requirement was high due to the identified budget pressures and funding changes but also:

- The requirement to include a technical adjustment of £13.092m related to the awarding by Government of Business Rates reliefs for retail, leisure hospitality and nursery businesses at a value of £8.888m after the 2021/22 budget was set. In addition, in December 2021, the Government announced the introduction of the COVID-19 Additional Relief Fund (note the accounting treatment changed after 2022/23 budget setting) at a value of £4.204m
- The inclusion of a budget of £12.000m to fund COVID-19 legacy costs based on the experience of 2021/22 and the removal of Central Government COVID grant funding (it was anticipated that this would mostly be used to fund pressure in Adult and Children's Social Services).

The 2022/23 budget was balanced by new recurrent budget reductions of £6.268m. It also relied on the use of one-off measures as follows:

- £2.500m by utilising the opportunity provided by the Government which allowed the flexible use of capital receipts to fund transformational projects;
- £10.074m of corporate reserves;
- £1.805m of specific reserves;
- A technical reserve adjustment of £13.092m addressing the Business Rates Relief issues outlined above; and
- A contribution to reserves of £1.710m to finance the payment required to GMCA relating to the gains derived from the piloting of the 100% Business Rates Retention scheme.

The initial net revenue expenditure budget of £260.686m was approved at the Budget Council meeting of 2 March 2022.

A separate MTFs report was prepared reverting back to a five-year financial planning timeframe (it had been reduced to three years at budget setting for 2021/22). However, the Local Government Finance Settlement only provided a one-year settlement for the financial year 2022/23 and an indicative settlement linked to the remaining two years of the Government's Spending Review period. The MTFs estimates for 2023/24 to 2026/27 were based on a series of assumptions and could therefore only be considered indicative.

Also approved at the same meeting were the budget for the Housing Revenue Account (HRA), the Council Tax Reduction Scheme, Capital Programme and Strategy, Treasury Management Strategy for 2022/23 and the Statement of the Chief Finance Officer on the Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments.

Council Tax for 2022/23

Council Tax is the largest single revenue stream that is used to support the Council's revenue budget. The Government allows Councils to raise an Adult Social Care Precept (ASCP) as well as charge Council Tax for general purposes. The revenue raised from the ASCP must be ring-fenced to support the increased costs of Adult Social Care, in part caused by Government sanctioned increases in the National Living Wage and the consequent impact on the cost for provision of care.

The Council Tax policy for 2022/23 approved within the 2021/22 budget was an increase in Council Tax of 1.99% for general purposes plus 2% for the ASCP (using the ability to raise 1% that was deferred from 2021/22 and an anticipated further 1% increase for 2022/23). This produced an overall increase of 3.99% which was the maximum allowed for 2022/23 without triggering a Council Tax referendum. This policy was not changed during the 2022/23 budget setting process and was confirmed at the 2022/23 Budget Council.

The revenue raised from the ASCP was used to support the increased costs of Adult Social Care and £0.990m (1%) was specifically allocated to enable the Council to work with Adult Social Care providers to implement the Living Wage Foundation National Living Wage for paid care staff from 1 October 2022. In total the Council budgeted to collect £12.549m from the ASCP reflecting the cumulative impact of the precept and increases since 2016/17.

The comparison of Council Tax Band D levels from 2021/22 to 2022/23 for Oldham Council is shown in the following table. This also shows the major precepts payable at Band D level for both years. These were the Greater Manchester Mayoral Police and Crime Commissioner Precept and the Greater Manchester Mayoral General Precept (including Fire Services). Precepts payable in relation to the two Parish Councils, payable only by residents who live in those Parish areas, are also shown.

Council Tax Raising Body	2021/22 £	2022/23 £	Increase £	Change %
Oldham Council <i>(Includes Adult Social Care Precept)</i>	1,722.94	1,791.68	68.74	3.99%
Greater Manchester Mayoral Police & Crime Commissioner Precept	218.30	228.30	10.00	4.58%
Greater Manchester Mayoral General Precept (incl. Fire Services)	90.95	102.95	12.00	13.19%
TOTAL BAND D COUNCIL TAX	2,032.19	2,122.93	90.74	4.47%
Saddleworth Parish Council Precept	23.51	24.31	0.80	3.40%
Shaw & Crompton Parish Council Precept	17.37	17.89	0.52	2.99%

Greater Manchester (GM) 100% Business Rates Retention Pilot Scheme

From 2017/18, the GMCA, Oldham Council and the nine other GM districts commenced a pilot scheme for the 100% local retention of Business Rates as a precursor to a potential revision to the Local Government finance system. The participants agreed to pilot full Business Rates Retention on the basis that no District would be worse off than they would have been under the standard funding arrangements. The pilot scheme continued into 2022/23 (and subsequently 2023/24) and has enabled additional Business Rates revenues to be retained within the city region and Oldham's share of these benefits has been used to support the budget over several financial years. The Council budgeted to use £51.850m of Retained Business Rates in the 2022/23 budget. This included a £3.421m gain arising from the Business Rates pilot scheme. The Council was able to retain 50% of this gain with 50% attributable to the GMCA. The Council's 2022/23 budget was therefore prepared with £1.711m of Business Rates Retention funding underpinning Council expenditure and a £1.710m transfer to reserves to support the payment to the GMCA of its share of the gain (as outlined earlier).

Projected Level of Balances

In setting the 2022/23 budget and the MTFs to 2026/27 there was an assumption about the level of balances that the Council would require to address any unexpected spending pressures. Balances need to reflect spending experience and risks to which the Council might be exposed. At the 2 March 2022 Council meeting the recommended balances (prepared using a risk-based analysis) were approved as £19.935m for 2022/23, £21.268m for 2023/24 and £21.415m for 2024/25 to 2026/27

The 2021/22 accounts were closed with balances of £20.012m which exceeded the anticipated level and provided additional financial assurance for 2022/23. As discussed later in this Narrative Report, the balances at the end of 2022/23 reduced to £18.865m as a result of the £1.147m overspend incurred during the year.

Revenue Budget Monitoring

The Council has well established and robust financial management procedures to monitor both revenue and capital budgets and mitigate any forecast over spending. Historically this has been very successful in monitoring the achievement of budget reductions and acting as an early warning that any approved savings are at risk of not being delivered. The process for the management and monitoring of budgets and savings continued to be refined to further ensure the sustainability of the Council's financial position over the longer-term.

In 2022/23, the revenue and capital budget monitoring information was reported to Cabinet and then scrutinised by the Performance Overview and Scrutiny Committee. For 2022/23, the reporting periods were months 3, 6, 8 and 9. This process allowed for a good level of challenge, including reviewing any potential impacts on service performance as a result of any local priorities and the wider economic environment including inflationary pressures and uncertainties. In addition to the monitoring reports, during 2022/23, the Committee also considered, amongst other things, the MioCare Group Annual Update on Financial Performance, an Update on Support and Provision of Children and Young People who have Special Educational Needs and Disabilities and the Children's Service Improvement Plan and Financial Update.

Whilst the management structure of the organisation was revised during 2022/23, the monitoring arrangements were unchanged. The budget monitoring format was however, revised to reflect new management portfolio responsibilities and is not directly comparable to the presentation during 2021/22.

The month 3 monitoring report for the period ending 30 June 2022 presented to Cabinet on 22 August 2022 advised that there would be a £5.833m adverse outturn without corrective action being taken or offsetting funding being made available. The adverse projection was primarily due to:

- The continuation of pressures in Community Health and Adult Social Care with £7.852m of a £8.851m adverse variance attributed to the on-going impact of the pandemic;
- Children's Social Care pressures leading to a £7.907m variance of which £4.137m was COVID related arising from increased demand for social care placements together with additional costs from the use of supernumerary agency workers to reflect the lasting increase in demand for services and the impact on case numbers;
- reprofiling of the forecast savings in respect of Creating a Better Place programme within the Place and Economic Growth Portfolio.

The COVID related pressures were offset against a corporate budgetary provision of £12.000m included in the budget to address COVID-19 legacy funding as outlined previously.

The forecast outturn position at month 6 for the period ending 30 September 2022 was a projected adverse variance of £4.452m after allowing for approved and pending transfers to and from reserves. This encompassed an operational deficit of £6.172m reduced by £1.720m with the anticipated effect of management actions and strengthened restrictions in relation to expenditure and recruitment which were introduced in order to take action to address the forecast overspending. The impact of COVID-19 was calculated at £10.989m across Adults and Children's Social Care which was offset in full by the £12.000m COVID-19 legacy budget leaving resources to support business as usual variances.

The month 8 monitoring position (to November 2022) was used to inform the 2023/24 budget and was considered alongside the suite of 2023/24 budget reports by the Scrutiny Committee and Cabinet. The forecast pressure of £2.233m comprised an operational deficit of £3.233m reduced by £1.000m with the anticipated effect of management actions. The £2.219m reduction from that reported at quarter 2 reflected the management processes and controls that had been strengthened across all service areas to review and challenge planned expenditure, control recruitment and to maximise income. At that point, it was anticipated that by the year end, the outturn deficit position would reduce further as the impact of these actions increased over the remainder of the year. The report did highlight that as expected, reserves had had to be used to support increased costs arising from the 2022/23 pay award, general inflationary pressures and continuing energy price inflation.

The final monitoring report for the period to month 9 (December 2022) was presented to Cabinet on 20 March 2023 at which point there was an estimated overspend of £1.280m after £0.775m of management actions. There were no new spending variations identified at month 9 and all trends were consistent with reporting throughout the year. The improved position compared to month 8 reflected the continued impact of the management actions referred to above. This forecast proved close to the final outturn position of a £1.147m overspend, as described in further detail as follows.

Revenue Outturn 2022/23

The Council's 2022/23 revenue outturn position is shown in the following table. It varies from that shown in the Budget Monitoring reports presented to Cabinet by the inclusion of the Collection Fund. Total net service expenditure (including the Collection Fund at £8.509m) was £318.871m with total financing of £317.724m. The increase from the original budget of £260.686m is due to the receipt of additional Government Grant funding in year. The overall result for the financial year was a deficit of £1.147m, which was slightly lower than the £1.280m projected in the month 9 Budget Monitoring report presented to Cabinet on 20 March 2023. This deficit has been debited to the General Fund balance, slightly reducing the Council's financial resilience for future years.

Revenue Outturn 2022/23	Budget £000	Actual £000	Variance £000
Net Revenue Expenditure			
Community Health and Adult Social Care	75,526	79,521	3,995
Children's Services	92,288	105,838	13,550
Public Health	28,446	27,765	(681)
Communities	10,464	10,145	(320)
Place & Economic Growth	84,795	89,729	4,934
Corporate Services	13,802	12,719	(1,083)
Capital and Treasury	5,611	(1,607)	(7,218)
COVID-19 Legacy Funding	12,000	-	(12,000)
Technical Accounting	(20,931)	(20,931)	-
Corporate and Democratic Core	6,850	6,850	-
Parish Precepts	333	333	-
Net Service Expenditure	309,184	310,362	1,178
Collection Fund	9,692	8,509	(1,183)
Net Expenditure	318,876	318,871	(5)
Financed by:			
Locally Generated Income	(155,096)	(155,096)	-
Government Grants	(106,042)	(106,073)	(31)
Capital Grants	(38,762)	(38,762)	-
Use of Earmarked Reserves - Collection Fund*	(8,807)	(8,807)	-
Transfer to Earmarked Reserves - Business Rates Retention Pilot Gain	1,710	1,710	-
Use of Earmarked Reserves - General	(11,879)	(11,879)	-
Technical Adjustment - Collection Fund	-	1,183	1,183
Total Financing	(318,876)	(317,724)	1,152
Current net overspend	-	1,147	1,147

*Release of earmarked reserve to finance the Collection Fund deficit resulting from the awarding of Business Rates Relief in 2021/22. The grant compensation was paid by Government in 2021/22 and transferred to an earmarked reserve which was applied in 2022/23.

A description of the Directorates and the performance of each is summarised below (net of the creation of reserves).

Community Health and Adult Social Care (CHASC)

The Community Health and Adult Social Care Portfolio operates around seven broad strands:

- Clusters;
- Commissioning;
- Community Business Services;
- Community Health & Social Care;
- Learning Disability;
- Mental Health; and
- Safeguarding.

The Adult Social Care Service (ASC) carries out statutory functions on behalf of the Council. The Portfolio therefore provides social care support to adults and carers across Oldham with the key aim of integrating and aligning work with health partners to achieve greater efficiency in service delivery and better outcomes for the resident or patient, in relation to both the commissioning and the provision of services. In 2022/23, this co-operation with health partners was used to provide integrated services to deal with on-going demographic pressures and the added demands arising from the pandemic for people with eligible needs. A remaining and key priority for ASC is the need to free up hospital beds and the discharge of patients into care facilities or with packages of care delivered in their homes.

The lasting effect of the pandemic is continuing to have a significant impact on the Portfolio, with a reported an adverse variance of £3.995m against a final budget allocation of £75.526m.

The main driver was a net £6.408m overspend on costs relating to COVID-19, this included the offset of non-recurrent funding of £2.409m from the 2022/23 iteration of the Adult Social Care Discharge Fund which significantly reduced the overall pressure derived from the legacy of the pandemic. The main element of the pressure related to care costs for individuals who, in the previous two financial years, having been discharged from hospital, had care costs for a limited period of time paid for through the Hospital Discharge Programme (HDP). The HDP funding ceased on 31 March 2022, and notwithstanding the Adult Social Care Discharge funding received in 2022/23, the Council continues to incur significant legacy costs as an ongoing consequence of the pandemic.

'Business as usual' activities, across the seven strands above have therefore generated a net surplus of £2.053m. In common with previous years, the main areas of pressure are in relation to Community Care, particularly amongst recipients requiring support with Mental Health and Learning Disabilities. The pressure on care costs has been offset by in year funding allocations in relation to the Community Discharge Grant (£1.428m) and funding for the now deferred Market Sustainability Fair Cost of Care (£0.758m) and also by a significant number of vacant posts within the service.

Children's Services

The Children's Services Portfolio is comprised of the Children's Social Care, Preventative Services, and Education, Skills & Early Years Directorates. The revenue outturn was an adverse variance of £13.550m compared to a budget of £92.288m.

The Children's Social Care Directorate provides the Council's statutory social work function for the care and protection of children in need and children and young people at risk of significant harm. Every Local Authority has statutory functions under the 1989 and 2004 Children Acts, including specific duties in relation to children in need and children suffering, or likely to suffer, significant harm, regardless of where they are found, under Sections 17 and 47 of the Children Act 1989. The main elements of Children's Social Care are:

- Initial Response Service;
- Safeguarding, Quality and Review Service;
- Long Term Social Work Teams;
- Contact Centres;
- Children with Disabilities Service;
- Looked After Children Services;
- After Care Services.

The revenue outturn for this Directorate was an adverse variance of £13.806m.

The financial year 2022/23 was a challenging year for the service, both operationally and financially. The adverse variance was directly the result of the:

- Overall social work caseloads being at high levels and as part of mitigating this risk going forward, additional teams were recruited both within the Fieldwork and Children's Assessment Team (CAT) services;
- Cost of placements which continued to rise, especially external residential provision and external semi independence units.

Mindful of the pressures experienced in 2022/23, the budget for 2023/24 has been increased to support the trends evidenced by the outturn as well as provide resources to support transformational change (as outlined above).

The Preventative Services Directorate has strategic responsibility for services including the Early Help service, the Multi Agency Safeguarding Hub (MASH) and Targeted Youth provision. This service reported a favourable variance of £0.050m at the end of 2022/23.

The Education, Skills and Early Years Directorate ensures that the Council meets its statutory duties in respect of education for those aged 0 to 19 years old and for High Needs pupils aged 0 to 25 plus the Lifelong Learning Service and Get Oldham Working. These services enable Oldham residents to gain the necessary education and skills to be able to access employment opportunities both within the Borough but also across the wider Greater Manchester conurbation and beyond. This Directorate, including schools reported a favourable variance of £0.206m.

Public Health

This Portfolio comprises Public Health and Heritage, Libraries and Arts services. The 2022/23 year-end position was a favourable variance of £0.681m against a budget of £28.446m. The primary reason for the underspend was due to staff vacancies within Public Health (£0.459m). The Heritage, Libraries and Arts services had an of underspend of £0.222m which relates to vacancies in the Libraries Service, increased income for Oldham Theatre Workshop and underspends within non pay budgets including the Libraries and Lifelong Learning PFI contract.

Communities

The Communities Portfolio comprises Community Cohesion, Community Safety, Leisure and Youth Services. The year-end position was an underspend of £0.320m against a budget of £10.464m, primarily due to vacancies in the District Partnerships team and the opportunity provided by the receipt of the Homes for Ukraine grant to fund eligible staff costs.

Place and Economic Growth

The Place and Economic Growth Portfolio encompasses the Environmental Services, Enterprise and Skills, Economic Development, Property and Highways divisions. The overall objective of the Place and Economic Growth Portfolio is to grow the economy of Oldham and support the Council's commitment to neighbourhood working. This is achieved by:

- Delivering services that maintain and improve the public realm;
- Creating the right environment for growth; and
- Focusing on key place making regeneration projects which will act as a catalyst for wider economic activity and investment which will create jobs.

The year-end position for the Place and Economic Growth Portfolio was an adverse variance of £4.934m, against a revised budget of £84.795m. The adverse variance is mostly within the Economic Development service with a reported £4.528m unfavourable variance. The key issues causing this adverse variance were:

- An overspend relating to the Corporate Landlord and Investment Estate of £3.682m due to pressures around the operational costs of property repair and maintenance, utility costs and security costs for the Corporate and Investment Estate. The planned savings from the Creating a Better Place Programme were reprofiled to future years meaning approximately £2.000m of savings have been deferred to future years. The other main cause of the variance was increased energy costs resulting from the price increases associated with the conflict in Ukraine which accounted for a further overspend of £1.670m;
- The under recovery of income of £0.353m for the Market Service;
- An overspend for the Strategic Housing Service of £0.292m due to the costs of placements into temporary accommodation;
- A reduction in the income received from Planning Fees leading to an overspend for the Planning Service of £0.226m;
- Additional costs incurred to support the delivery of the Creating a Better Place Strategy, leading to an overspend of £0.395m for the Regeneration Service.

Corporate Services

This Portfolio includes the budgets for the Council's Chief Executive, the Executive and Senior Management Team, the Human Resources and Organisational Development Service, Customer Digital and Transformation, the Finance Service and Legal Services. It also encompasses payments to external providers of corporate services; the Coroners service and services provided by the GMCA on behalf of the ten Districts of Greater Manchester.

Compared to a budget of £13.802m the revenue outturn of £12.719m was a favourable variance of £1.083m. The underspend is due to vacancies across the Directorate, the maximisation of COVID-19 grants, reduced levels of non-pay costs including GM wide corporate budgets and the Coroners Service. There were also underspends on non-pay Finance budgets and increased income grant income received for a number of European funded projects.

Capital and Treasury

This Portfolio holds the budgets associated with the Council's Treasury Management activities including interest payable on borrowing and interest receivable on investments. It also includes the Corporate Insurances and Housing Benefits budgets.

The favourable variance of £7.218m is due to positive non-pay variances including past pension costs, banking charges and increased investment income arising from interest rate increases, alongside a slight reduction in the Minimum Revenue provision payment for 2022/23 due to a lower than anticipated use of Prudential Borrowing to finance the Capital programme. There has also been a favourable variance in relation to Corporate Insurance and Housing Benefit services.

Covid 19 Legacy Funding

The 2022/23 budget was prepared with a centrally held budget of £12.000m to offset the legacy costs of COVID-19 which, based on the experience of 2021/22 were expected in total but could not be specifically attributed to services. This budget therefore partly offset the £17.545m combined adverse variance reported within CHASC and Children's Services, which was largely driven by the impact of COVID.

Technical Accounting

The Council is required to include within its accounts, a range of transactions that relate to the technical accounting entries required by both the Chartered Institute of Public Finance and Accountancy (CIPFA) and International Financial Reporting Standards (IFRS). These include the removal of depreciation, impairment charges and other capital transactions from the Council's service budgets to reflect the required reporting arrangements when preparing the Statement of Accounts to ensure there is no impact on the funding that would be required from the Council Taxpayer. The total adjustment required to address the accounting requirements is £20.931m.

Corporate and Democratic Core

Corporate and Democratic Core represents the revenue budgets concerned with the executive management of the Council and Elected Member related activities including policy making, representing local interests and democratic representation. Total expenditure was £6.850m with no variance to budget.

Parish Precepts

The budget and payments in respect of Parish precepts consist of the payments of £0.333m in 2022/23 made to the two Parish Councils, Saddleworth Parish Council and Shaw and Crompton Parish Council. These payments relate to Council Tax income collected by the Council on behalf of the Parish Councils and a separate grant of £0.019m paid by the Council.

Government Grants

In addition to the unringfenced grants totalling £106.073m detailed in the outturn table which underpin 2022/23 general expenditure, the Council also received a total of £276.177m of ringfenced grants (see Note 5) which must be used for specific purposes, the largest of which is the DSG which is discussed in more detail elsewhere in this Narrative Report.

As in 2020/21 and 2021/22, the Council received some COVID-19 related ringfenced grants from Central Government plus, as outlined in earlier paragraphs, grants to support the cost of living crisis and for those fleeing from the conflict in Ukraine. However, the overall volume and value of these additional grants was considerably less than in the two previous years.

Following the receipt of a grant, the Council had to determine whether in administering the grant it was acting as an agent or principal.

Where the Council was acting as agent the following conditions applied:

- It was acting as an intermediary between the recipient and the Government Department;
- It did not have “control” of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable (clearly for most grants, the Council is acting as principal).

As presented in the table below, in relation to non-schools related COVID-19 related grants:

- The Council brought forward £9.215m of unspent Government business grant resources. The Council had acted as an agent for Government in relation to a range of such grants in 2020/21 and 2021/22 and was therefore required to refund the unspent grant (the Council having maximised the payment of grants to eligible businesses). The grant repaid included the Closed Business Lockdown Grant (£3.453m) and Local Restrictions Grant (£4.887m).
- As previously advised, £1.023m of Contain Outbreak Management Fund still remains at the end of 2022/23 and will be used in 2023/24
- A number of smaller grants regimes including the mandatory and discretionary test and trace support payment scheme were concluded in 2022/23 and reconciled with Central Government.
- A new grant, the COVID-19 Targeted Testing grant at a value of £0.059m was received and fully used in year.

COVID-19 Grants - Non Schools	B/fwd £000	Grants Received 2022/23 £000	Total Available £000	The Council Acting as Agent £000	The Council Acting as Principal £000	Spend against grant 2022/23 £000	Grant repaid to / from Government £000	Grant Remaining as at 31 March 2023 £000
Grants to Businesses	(9,215)	0	(9,215)	(9,215)	-	-	9,215	-
Contain Outbreak Management Fund	(3,081)	0	(3,081)	-	(3,081)	2,058	-	(1,023)
Other COVID grants carried forward from 2021/22	(338)	0	(338)	76	(414)	57	281	-
COVID-19 Targeted Testing	-	(59)	(59)	-	(59)	59	-	-
Total COVID Grant/ Expenditure	(12,634)	(59)	(12,693)	(9,139)	(3,554)	2,174	9,496	(1,023)

The table below shows that, whilst £2.074m of COVID-19 related schools grant was brought forward into 2022/23, a further £2.240m of grant for which the Council acted a principal was received in year and paid to schools. No grant remained unspent at the year-end.

COVID-19 Grants - Schools	B/fwd £000	Grants Received 2022/23 £000	Total Available £000	The Council Acting as Agent £000	The Council Acting as Principal £000	Spend against grant 2022/23 £000	Grant Remaining as at 31 March 2023 £000
Recovery Premium	(1,036)	(1,435)	(2,471)	-	(2,471)	2,471	-
School-led Tutoring Grant Allocations	(1,038)	(124)	(1,162)	-	(1,162)	1,162	-
National Tutoring Programme	-	(637)	(637)	-	(637)	637	-
Mental Health Lead	-	(11)	(11)	-	(11)	11	-
Mass Testing	-	(16)	(16)	-	(16)	16	-
Vaccination Funding	-	(8)	(8)	-	(8)	8	-
COVID-19 Workforce Fund	-	(9)	(9)	-	(9)	9	-
Total COVID Grant/ Expenditure	(2,074)	(2,240)	(4,314)	-	(4,314)	4,314	-

The two tables above show (as presented in Note 5), that £2.299m of new ringfenced COVID grant funding was received in 2022/23.

Other new grants received by the Council as highlighted previously relating to the cost of living crisis and Ukrainian conflict are presented below and show two further instances of the Council acting as an agent of Government.

Having administered £13.408m of £150 mandatory Council Tax Energy Rebates to households and £0.605m of discretionary awards (for which £0.291m of new burdens grant was received) the Council will repay the Government the £0.186m funds remaining in 2023/24 (it is important to note that all eligible households received the funds due). The balance on the Homes for Ukraine grants will be utilised in 2023/24.

Other Grants	Grants Received 2022/23 £000	The Council Acting as Agent £000	The Council Acting as Principal £000	Spend against grant 2022/23 £000	Grant Remaining as at 31 March 2023 £000
Council Tax Energy Rebate Scheme	(14,013)	(13,408)	(605)	13,827	(186)
Council Tax Energy Rebate Scheme New Burdens	(291)	-	(291)	291	-
Homes for Ukraine - Tariff	(1,018)	-	(1,018)	286	(732)
Homes for Ukraine - Thank You Payment	(107)	(107)	-	107	-
Homes for Ukraine - Education and Childcare	(139)	-	(139)	128	(11)
Total Other Grants	(15,568)	(13,515)	(2,053)	14,639	(929)

Schools and the Dedicated Schools Grant (DSG)

Schools may carry forward any surplus or deficit in net expenditure from one financial year to the next. At the end of 2022/23 there were 64 schools (3 secondary, 60 primary, and 1 special) for which the year-end balances were included within the Council's Balance Sheet. Seven of the Council's schools finished the financial year with a deficit.

The total school balances at the end of 2022/23 were £8.381m which was a decrease of £1.811m compared to the 2021/22 total of £10.192m.

For 2022/23, the Oldham scheme for financing schools allowed 'excess balances' that represent more than 12% of a school's budget for the following year to be carried forward. Schools may only request excess balances to be carried forward when there is an appropriate plan in place to utilise the funds. At the end of 2022/23 there were 8 schools (primary and secondary) with excess balances. The 8 schools holding surplus balances have requested that these balances be carried forward. The requests will be considered by the Schools' Forum at its meeting on 14 June 2023.

The DSG is now in surplus, for the first time since 2016/17. This follows the efforts the Council has made to reduce the DSG deficit and it has now fallen from a deficit of £2.773m in 2021/22 to a surplus of £0.899m at the end of 2022/23, an overall in-year surplus of £3.672m. There is a clear Recovery Plan in place, agreed with Schools Forum, to ensure the DSG remains in surplus for 2023/24 and future years. In November 2020 there was a national change to accounting practice because of the increase in the level of DSG deficits and the potentially destabilising impact such deficits could have on the finances of a Local Authority. A Statutory Instrument was introduced to amend the Local Authorities (Capital Financing and Accounting) Regulations 2003. The aim was to ensure that legacy DSG deficits are ringfenced and held separately from General Fund

resources so that specific measures could be put in place to address the deficits without placing pressure on resources required for other essential services.

As a consequence, there is a legacy DSG deficit included within the Movement in Reserves Statement as an unusable reserve. The 2022/23 in year surplus amount of £3.672m is held in an account established and used solely for the purpose of recognising surpluses in respect of its schools' budget: the 'Dedicated Schools Grant Surplus Reserve', an earmarked reserve.

Housing Revenue Account (HRA)

The HRA is a ringfenced account specifically dealing with the provision of Local Authority housing. At the end of 2022/23, the Council's housing stock comprised of 2,094 properties, most of which are managed and maintained under two Private Finance Initiative (PFI) schemes.

By 31 March 2023, as can be seen at Section 4.1, the HRA generated an in-year surplus of £0.231m. After the required technical accounting adjustments, this resulted in an increase of £0.866m to the level of balances. This compared favourably with the original budgeted deficit of £1.808m which was approved at the Budget Council meeting of 2 March 2022. Overall balances have increased from £21.719m to £22.585m. Reasons for the favourable outturn and increase in the HRA level of balances include reprofiling of the HRA's contribution to capital projects within the borough partially being offset by increased utility costs incurred within the financial year. Furthermore, due to the ongoing cost of living crisis, Members have chosen to limit rent increases in 2023/24 to just 5%, significantly lower than the Government guidance of 11.1%. The Council has opted to use the current health of the HRA balance to limit the inflationary impact on tenants' rents in 2023/24 and in future years.

Collection Fund

The Collection Fund is a ringfenced account for the management of Council Tax and Business Rates income for the Council and major preceptors. The year-end Collection Fund position shown below includes a Collection Fund Deficit brought forward from 2021/22 totalling £9.133m.

Following the contribution from preceptors (including Oldham Council) to the previous years' deficits, the Collection Fund started 2022/23 with an overall £4.119m surplus, a Council Tax deficit of £0.084m and a £4.203m surplus attributed to Business Rates. The latter being due to the assumption in 2021/22 that the Business Rate Reliefs available under the COVID-19 Additional Relief Fund (CARF) scheme would be fully allocated in that year. This relief has instead been applied in 2022/23.

Despite having to allocate CARF in 2022/23 the Collection Fund has managed to establish a surplus position for Business Rates, primarily due to an increase in collection rates and an unwinding of the provision for Business Rate valuation appeals. The less favourable position on Council Tax, an in-year deficit of £0.326m, is a result of an increase in reliefs and exemptions together with an increase in the allowance for non-collection, bringing the provision to a level that is deemed prudent. The closing Collection Fund balance in 2022/23 is a surplus of £3.717m which will be rolled forward to 2023/24.

The table below summarises the movements in the Collection Fund during 2022/23:

Collection Fund	Council Tax £000	Business Rates £000	Total £000
Balance brought forward	2,958	6,175	9,133
Contribution Towards Previous Year's Deficit	(2,874)	(10,378)	(13,252)
Deficit for the year	326	76	402
Balance carried forward	410	(4,127)	(3,717)

Due to the impact on the Council's ability to collect both Council Tax and Business Rates, an important change to Collection Fund accounting was introduced in 2020/21 giving the ability to smooth the impact of COVID-19 related deficits from 2020/21 over three financial years, thus reducing the impact on the revenue budget. The Council's 2022/23 budget was prepared using this facility assuming a deficit of £2.192m from 2020/21 would be recovered from the General Fund in 2022/23. This was offset by an anticipated 2021/22 Collection Fund Surplus resulting in a net budgeted contribution to the Collection Fund of £0.885m for 2022/23. The outturn above incorporates this adjustment.

The technical accounting nature of Collection Fund entries require a range of adjustments to align them to the presentation of the Council's revenue outturn statement, hence the technical adjustment between the HRA and the General Fund shown on the Revenue Outturn table.

Further details in relation to the Collection Fund can be found in Section 4.2.

Reserves and Balances – Financial Resilience

The Statement of Accounts shows the General Fund balance (resources not earmarked for any specific purpose) at the end of 2022/23 of £18.865m. This is a decrease of £1.147m compared to the £20.012m at the end of 2021/22, reflecting the adverse 2022/23 General Fund outturn position. This is therefore lower than the risk assessed balance requirement for 2023/24 as approved at the Council meeting of 1 March 2023. Although disappointing, this does not present a significant challenge to the financial resilience of the Authority.

In addition to the General Fund balance, the level of earmarked General Fund reserves included in the Balance Sheet at £99.152m also underpins the financial resilience of the organisation. These reserves are held to manage future risks and expenditure priorities. These are split into Revenue Account Earmarked Reserves of £79.130m and Other Earmarked Reserves of £20.022m. The latter is comprised of Revenue Grant Reserves of £7.968m, Schools Reserves at a net sum of £8.381m and the new Dedicated Schools Grant surplus reserve of £3.672m which is a new reserve created in 2022/23 to contain any surplus in the DSG. This reserve offsets the DSG Unusable Reserve deficit position.

In overall terms, the level of reserves has reduced between 2021/22 and 2022/23 as follows:

- Revenue Account Earmarked Reserves from £99.228m to £79.130m;
- Revenue Grant Reserves from £10.731m to £7.968m;
- Schools Reserves from £10.192m to £8.381m;
- New Dedicated Schools Grant Surplus Reserve increase of £3.672m.

The most significant movement in Revenue Account Earmarked Reserves was the planned utilisation of the 2022/23 Balancing Budget Reserve which was comprised of funds to address the £8.807m technical adjustment included within the 2022/23 and £11.879m of general and specific reserves. The Revenue Grant Reserve decreased by £2.763m due to grants received in previous years being used during the 2022/23 financial year.

Information about the reserves is presented at Note 15 in the Statement of Accounts.

The level of reserves and balances are a key element in the CIPFA Financial Resilience Index which is explained later in the Narrative Report.

Treasury Management

The importance of treasury management cannot be understated and the Council's treasury management performance and risk management is under continual review by the Audit Committee. As a key component of the of the Council's operations, its main functions are:



Cash flow Planning – Ensuring cash is available when needed and investing surplus balances in a low risk way.



Funding Capital Plans – Capital plans often require longer term cash flow planning. This may involve arranging loans or using longer term cash flow surpluses.

Cash flows can come from a variety of sources and are split between revenue, those that can fund day to day service provision of the Council and capital which relates to non-current assets and liabilities such as buildings and vehicles.

The Council's Treasury Management Strategy contains a detailed examination of key treasury issues for the year ahead including the Investment and Borrowing strategies and treasury indicators. For 2022/23 the Strategy was approved by Council on 2 March 2022. Treasury management performance is reported to and scrutinised by the Audit Committee and then presented to Cabinet and Council. The 2022/23 Half Year Review Report was presented to the Audit Committee at its meeting on 1 November 2022 and subsequently to Cabinet on 14 November 2022 and Council on 14 December 2022. The 2022/23 outturn will be presented to the first available meetings in 2023/24.



Borrowing – as at 31 March 2023 the Council had borrowings (including interest) of £163.184m



Investing – as at 31 March 2023 the Council had cash investments of £55.780m

The Council's Investment Strategy set out a Council target for the benchmark average rate of return on its investments. However, this pursuit of a target rate of return, is balanced with the need to maintain sufficient cash reserves for the Council to operate on a day-to-day basis and the requirement that funds are invested with secure institutions.

During 2022/23, the levels of interest the Council was able to achieve on its investments was greater than previous years. This reflects the changing economic environment and the significant rise in the Bank of England base rate over the course of the year. In April 2022 the base rate stood at 0.75% finishing the financial year at 4.25%.

During the year and in line with the industry movement from the London Interbank Bid Rate (LIBID) to the Sterling Overnight Index Average (SONIA) the Council updated its measurement of performance to a SONIA benchmark. The table below shows the Council's performance against the investment benchmark. The benchmark for 2022/23 is based on the SONIA.

	Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	Actual Return %
Overnight	2.24%	2.35%	2.38%

The Council's investment in the Churches, Charities and Local Authorities (CCLA) Property Fund yielded dividends in year of £0.573m with an average return of 3.59%. This has dropped slightly compared to 2021/22 but continues to provide high returns compared to other investments the Council holds. The higher return reflects the long-term nature of the investment.

The Treasury Management strategy contains the Council's Minimum Revenue Provision (MRP) Policy Statement for 2022/23. This policy requires the Council to set aside a prudent amount in order to finance the repayment of debt where the Council has borrowed to finance capital expenditure. The MRP policy is set in line with Department for Levelling Up, Communities and Housing (DLUHC) guidance.

Capital Strategy, Capital Programme, Capital Outturn and Developments in 2022/23

The 2022/23 Capital Strategy and Capital Programme (approved at Council on 2 March 2022) provided the framework within which the Council's capital investment plans were to be delivered during the financial year. The Capital Strategy is presented so that it provides:



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.



The implications for future financial sustainability.

The following table shows the approved capital spending plan for 2023/24 and up to the financial year 2026/27 (revised to reflect the reporting structure adopted once the 2022/23 financial year started).

Portfolio	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Community Health & Adult Social Care	2,547	2,543	2,543	1,900	400
Children's Services	5,425	8,816	3,000	4,000	-
Communities	908	250	-	-	-
Place and Economic Growth	81,465	65,038	49,722	39,800	36,400
Housing Revenue Account	3,383	8,227	8,014	1,250	-
Corporate/Information Technology	1,500	69	138	138	-
Capital, Treasury & Technical Accounting	2,500	-	-	-	10,120
Funding for Emerging Priorities	2,520	2,050	836	1,722	163
Total Expenditure	100,248	86,993	64,253	48,810	47,083
Total Funding	(100,248)	(86,993)	(64,253)	(48,810)	(47,083)

The planned spend for the Capital Programme 2022/23 was originally approved at the Council meeting on the 2 March 2022 at £100.248m with the programme fully financed by available resources. In accordance with previous practice, the Annual Review of the Capital Programme took place during the year and was reported to Members. The review resulted in a significant re-profiling of expenditure into future years, and this was further refined and continually reassessed throughout in year. The final outturn position for 2022/23 was £58.787m. This was a significant reduction compared to the expenditure initially planned.

Capital Outturn

The capital programme was monitored on a monthly basis and was subject to a review (which took place over the summer months of 2022) to identify reprofiling requirements, variances and new funding opportunities. During 2022/23, capital monitoring reports were prepared monthly from month 3 (to 30 June 2022) to month 9 (31 December 2022). These reports highlighted and sought approval for the reprofiling of the programme (formal reporting to Cabinet was at months 3, 6, 8 and 9 alongside revenue budget monitoring information). The capital expenditure incurred during the year compared to the final month 9 forecast is shown in the table below.

Portfolio	2022/23 Forecast £000	2022/23 Actual £000	Variance £000
Community Health & Adult Social Care	2,382	3,006	624
Children's Services	5,901	8,392	2,491
Communities	54	6	(48)
Place and Economic Growth	37,342	42,133	4,791
Housing Revenue Account	-	210	210
Corporate/Information Technology	2,182	2,540	358
Capital, Treasury & Technical Accounting	2,500	2,500	-
Funding for Emerging Priorities	-	-	-
Total Expenditure	50,361	58,787	8,426

As highlighted above, the Council spent £58.787m against the revised Capital Programme in 2022/23, resulting in a variance of £8.426m compared to the position reported at month 9. The variance was mostly due to projects progressing more quickly than anticipated. In order to support this expenditure, it required the advancing into 2022/23 of funding that had been profiled for 2023/24 and future years.

Capital expenditure for 2022/23 was financed by Government Grants and Contributions, Capital Receipts, Revenue Contributions (of which £0.210m was from the HRA and £0.027m from the General Fund) and Prudential Borrowing as detailed in the table below.

Financing	2022/23 Forecast £000	2022/23 Actual £000	Variance £000
Government Grants & Contributions	33,361	32,411	(950)
Capital Receipts	3,700	9,271	5,571
Revenue Contributions	90	237	147
Prudential Borrowing	13,210	16,868	3,658
Total Financing	50,361	58,787	8,426

Other Achievements in 2022/23

The Narrative Report has highlighted the financial issues which had an influence during 2022/23, however it is important to reflect on some other achievements events and development impacting on Oldham Council and the Borough as a whole as follows:

- **£20m of Levelling-Up funding secured** – £20 million of funding has been secured through the Levelling Up fund for eco-friendly projects in Oldham, including a learning centre at Northern Roots; a new Green Shoots business centre, and an Oldham Greenway linking the areas;
- **Developing a health inequalities plan for Oldham** – the plan aims to reduce the gap in life expectancy and healthy life expectancy within Oldham, and between Oldham and the national average;
- **Becoming White Ribbon Accredited** – in November 2022 Oldham Council became accredited, making a commitment to ending men's violence against women, with improved training and awareness for staff, partners and residents;
- **Real Living Wage for care staff** – in October 2022, Oldham Council implemented the National Living Wage Foundation's 'real living wage' for all staff working across care services commissioned by the Council;
- **Strong action on food hygiene safety** – during the year the Council carried out 1,228 Food Safety and Food Standards visits, with actions for 59 premises and 10 Food Businesses closed because of poor standards leading to an imminent risk to health;
- **New Council offices opened in Spindles Shopping Centre** – moving staff into a trial space from September 2022, with further office space opening throughout 2023/24;
- **Launch of the Youth Hub** – creating a new space for young people to find work or training and gain new skills, which opened in March 2023;
- **Old Library progresses in major restoration** – significant refurbishment works to repurpose the Old Library into a new public gallery, community space, as well as a Council Chamber started in 2022, with the first phase completing in November 2022 and phase 2 plans revealed in March 2023. Work is due to finish by 2024;
- **The launch of District Business Networking events** – creating networking opportunities for businesses in Oldham plus knowledge sharing in all five Oldham districts;
- **New offices for Get Oldham Working** – moving the employment and skills support services of the Council into new offices alongside First Choice Homes (Oldham) Ltd, making access easier for residents looking for work or training;
- **Tree planting scheme creating a greener Oldham** - planting 445 individual trees and nearly 4 hectares of new woodland (10,000 saplings) between April 2022 and March 2023;
- **Largest residents survey in almost a decade as part of the Big Oldham Conversation** - undertaking a survey of 1,113 residents in November 2022, the largest survey since 2013, to understand satisfaction levels, resident experiences of Council services and life in Oldham, with findings being used to help shape service design and delivery;
- **A new three-year carers' strategy in collaboration with carers** - working in partnership with unpaid carers in Oldham to co-produce the new three-year carers strategy holding numerous events, focus groups and workshops to develop our new strategic priorities;
- **Stronger partnership working with mental health organisations** - providing children, young people and adults support they need by clearer signposting and understanding with providers such as Togetheral, Kooth and Qwell.

Council Performance

As the Council's main strategy document in 2022/23, the Corporate Plan/COVID-19 Recovery Strategy initially played a key role in shaping the performance management framework for the Council. The Council presented its performance management information to align to the corporate objectives in the refreshed Corporate Plan (agreed in September 2022) - which were monitored by Performance Overview and Scrutiny Committee on a quarterly basis.

For each objective, the Council Performance Report provides a range of detailed measures with performance presented for the previous and current month together with the direction of travel and supporting explanatory notes. Also presented is information which highlights the performance against Directorate Business Plan objectives. In order to provide effective scrutiny and challenge should there be any specific areas of under-performance, these can be called in for review by members of the Performance Overview and Scrutiny Committee.

At the time of finalising the draft Statement of Accounts, the 2022/23 full year Council Performance Report was still being prepared but the quarter 3 data presented to the Performance Overview and Scrutiny Committee on 23 March 2023 advised that;

- 89% (164/184) of actions were on track or completed;
- 71% (103/145) of risks were low, very low or closed; less than 2% (2/145) were high;
- 77% (40/52) of targeted measures were on or within target;
- 77% (36/47) of measures with end of year targets were predicted to achieve them.

The final performance outturn for 2022/23 will be presented for Member scrutiny in June 2023.

Oldham Councils Response to CIPFA Initiatives

The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code was first issued in 2019/20 with full guidance following in 2020. The objectives of this code are "to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability". The Code is based upon a series of principles which are supported by specific standards of practice which CIPFA considers necessary for a strong foundation and builds upon the success of the CIPFA Prudential Code. The initial implementation date of 1 April 2020 was revised to 1 April 2021.

The Finance Service undertook work throughout 2021/22 to ensure its compliance with this Code. This was reported by the Director of Finance to the Audit Committee on 17 January 2022 and advised Members that that the Council complied with the key requirements of the Code in the financial year 2021/22. However, several improvements were recommended, and during 2022/23 opportunities were taken to work towards implementing appropriate changes.

The overall position has been monitored during 2022/23 and there have been no substantial changes that would highlight any concerns, but a further detailed exercise to map compliance is planned for the first half of 2023/24. The findings will be reported to the Audit Committee.

In response to the challenges being experienced by a number of Local Authorities and to act as an early warning indicator to prompt discussion and action, CIPFA introduced its Financial Resilience Index, the first publication being in December 2019. The level of reserves and balances are a key element in the CIPFA Financial Resilience Index. On 21 December 2022, an updated Financial Resilience Index based on 2021/22 data was issued (the fourth publication of the Index).

The December 2022 Index, based upon 2021/22 data, highlighted that the indicator for change in Earmarked Reserves moved to high risk on the indicator of financial stress scale when compared to our nearest neighbour Local Authority comparator group and since the release of the Financial Resilience Index based on 2020/21 data. Alongside this, the indicator for Unallocated Reserves

moved from lower risk to medium risk. These increases are due to the use of reserves to support the revenue budget which is set to continue over the medium term. However, a number of indicators decreased in risk i.e., the Children's Social Care Ratio which moved to low risk and indicates the percentage of spend for this area against the Council's Net Revenue Expenditure is at an acceptable level. The remaining Oldham indicators were not considered to be extremely high risk or a cause for immediate concern.

The Index has provided some useful information and confirmed the position that, leading into 2022/23 the Council was financially resilient although it did highlight the reliance on Earmarked Reserves to support the budget.

Financial Planning for 2023/24 and Future Years.

Having considered the outturn for 2022/23, it is important to consider this in the context of 2023/24, for which all the financial planning work was undertaken during 2022/23 informed by the budget monitoring information and the changing Government funding position.

The 2023/24 budget process began with an assessment of the Council's future spending plans balanced against the expected funding from Government, Council Tax and Business Rates.

The Finance Service forecast the future financial position having regard to:



Relevant international, national and regional influences on Oldham Council.



Local factors which influence policy within the Council including the Administration's priorities of regenerating the borough and creating jobs.



The impact of Government policy, finance legislation and associated announcements.



Key Council policy initiatives.

The budget reduction requirement for future years is presented to Council as part of the budget setting process. For 2023/24, an initial budget reduction requirement of £29.528m (reduced to £16.711m once approved budget reductions and use of reserves were taken into account) was presented at the 2022/23 Budget Council meeting on 2 March 2022.

During 2022/23 the budget forecasts for future financial year were constantly reviewed. In addition to the Government policy and grant information, the issues that impacted on the Council from a local perspective during 2022/23 also influenced the forecasts for 2023/24. COVID-19 no longer had a significant impact on most Council activities, the exceptions being Adult Social Care and Children's Social Care where demand reflected the legacy of the pandemic. All unringfenced COVID-19 Government grant funding ceased at the end of 2021/22; therefore, the Council had to address on-going pressures from its own resources with additional funding being built into the budgets of Adults and Children's Social Care for 2023/24 and future years.

In addition to the pressures that were anticipated when the initial estimates for 2023/24 and future years were prepared, together with increased cost of the provision of Adults and Children's Social Care, significant international and national turbulence presented some unexpected challenges for the Council, every other Local Authority and the country as a whole. The challenges experienced during 2022 which influenced 2023/24 budget setting included the:

- Legacy of COVID-19 which disrupted international trade, particularly as China remained in partial lockdown much longer than other countries and this had the impact of reducing the supply of goods and materials;

- Impact of Brexit which affected trade arrangements with countries which remain within the EU;
- Conflict between Russia and Ukraine which had an impact on energy and the general supply of goods and materials including grain;
- Inflationary pressures impacting on energy and general commodity prices. This had a knock on effect to the general cost of living and has sparked wage inflation;
- Significant increases in interest rates and the cost of borrowing;
- Response from Central Government to the economic turbulence; and
- Revisions to Government policy and expenditure plans.

Members received regular budget forecast updates and the challenge seemed significant, especially as there was initially no clarity about Government funding intentions. However, once the Government issued the Autumn Statement (AS22) on 17 November 2022, estimates could be revised with greater certainty. The AS22 set out indicative funding intentions for 2023/24 and 2024/25 and was more positive than had been anticipated.

Based on AS22 and other relevant information including economic forecasts and the Council's 2022/23 financial performance up to month 6, on 12 December 2022, Cabinet received an update report which advised that the 2023/24 budget reduction requirement was £43.130m reducing to £27.975m after adjusting for already approved budget reductions, the flexible use capital receipt of £2.600m and the use of £8.900m of reserves (£6.000m in accordance with plans approved when the 2022/23 budget was set and £2.900m to support additional investment in Children's Social Care).

However, given the lack of detail in AS22, it was not until the Provisional Local Government Finance Settlement (PLGFS) was issued on 19 December 2022 that the detailed impact could be determined.

The PLGFS was a one-year settlement. Indeed, it was the fifth consecutive one-year Local Government Finance Settlement. However, it was clear that the emphasis was on providing stability and certainty by providing indications of policy direction for 2024/25 to assist with financial planning, alongside providing extra resources for priority areas, such as social care. The Settlement confirmed:

- The maximum Council Tax for general purposes could be increased by a maximum of 3% rather than 2% with the maximum ASCP increase moving from 1% to 2% per year from April 2023/24. A Council Tax increase of 3.99% was therefore proposed rather than the previously forecast 1.99%
- Confirmation of the continuation of the Business Rates Retention Pilot Scheme for 2023/24 allowing the Council to benefit from an anticipated increase in resources of £3.626m.
- The deferral of the introduction of the social care cap and the Fair Cost of Care reform until 1 October 2025, although Councils were expected to continue work on this area in advance of this introduction.

The Final Local Government Finance Settlement was issued on 6 February 2023 which in the main, confirmed the information in the Provisional Settlement.

As a result of Settlement information, confirmed Government grant funding levels, a revision to Council Tax policy with a proposed increase of 3.99%, and the Council's 2022/23 financial performance up to month 8, the budget reduction requirement was recalculated at £34.145m, a decrease of £8.985m compared to the December 2022 estimate. The Budget Council meeting of 1 March 2023 approved a balanced budget and an indicative budget for 2024/25. The budget was balanced by the approval of:

- A total of 45 budget reductions with a value of £16.313m;
- £3.655m of budget reductions approved in previous budget rounds;

- The flexible use of capital receipts of £2.600m;
- Net use specific and corporate Earmarked Reserves of £12.786m offset by a contribution to reserves of £1.209m, totalling £11.577m.

The following table shows the balancing of the 2023/24 budget and the potential budget reduction target remaining for the MTFS period 2024/25 through to 2027/28. The targets reflect the one-off measures used to balance 2023/24 and expected for 2024/25 to 2026/27.

Initial Forecast Budget Reduction Requirement 2023/24 to 2027/28	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2026/27 £000
Budget Reduction Requirement	34,145	29,425	19,440	13,852	11,110
Approved Actions to Balance the Budget/Reduce the Budget Reduction Requirement					
Budget Reductions approved in 2021/22	(1,872)	(300)	(303)	-	-
Budget Reductions approved in 2022/23	(1,783)	(1,150)	-	-	-
Reprofiled Approved Budget Reductions	-	(4,250)	(747)	(100)	-
Budget Reductions Approved for 2023/24	(16,313)	(6,969)	(1,135)	-	-
Return on Children's Social Care Investment	-	-	(2,186)	(1,293)	(998)
Flexible Use of Capital Receipts	(2,600)	(2,600)	-	-	-
Transfer to Reserves - GMCA 100% Business Rates Pilot Scheme Gain	1,209	-	-	-	-
Use of Specific Earmarked Reserves	(3,944)	(1,432)	-	-	-
Use of Corporate Earmarked Reserves	(8,842)	(2,500)	-	-	-
Forecast Budget Reduction Requirement	-	10,224	15,069	12,459	10,112

The 2022/23 to 2026/27 MTFS set out the Council's previously agreed programme of transformational activity based on four main themes plus a Cross Cutting programme of change along with a number of saving targets for each theme. The Transformation Programme was re-engineered during 2022/23 based on the development of an updated Corporate Plan and the Council's approach to delivery of its new corporate objectives. The themes of the Transformation Programme reflect changes to improve efficiency and at the same time deliver both better services and future savings. It is expected that there will be further savings from the transformation programmes above those already included in the 2023/24 budget; these will be developed with Services and will feed into future iterations of the MTFS.

The programme of change is based around three main objectives:

- Demand management - an essential element of controlling and reducing costs;
- Income Maximisation – taking forward the objectives of the income strategy, not only to increase the Council's income base, but to ensure improved income collection;
- Service Review – all services reviewing their budgets to identify potential savings and efficiencies including policy changes.

The programme is managed through the Change and Transformation Board which is chaired by the Deputy Chief Executive and comprised of Senior Council officers. The programme is based around six core themes and each of these is led by a Sponsor and a Senior Responsible Officer (SRO) with the Deputy Chief Executive taking overall responsibility for the initiative.

The core themes are focused around the areas set out below:

- Children's Change Programme including Social Care Demand Management;
- Adult Social Care Change and Improvement Programme and Integration with the NHS;
- The Creating a Better Place (CaBP) Programme;
- Place Based Integration to create stronger communities;
- Commissioning, Procurement and Contract Management;
- Income Maximisation.

Where possible the budget reduction targets to which services were already working have been retained within the financial strategy. In addition to core themes there is an Enabling Programme to support more efficient and effective service delivery and drive budget reductions across all service areas as outlined in the following paragraphs.

Clearly the Council still has much to do to balance its budgets in future years made more difficult by the uncertainty around the future funding for the sector, the legacy impact of COVID-19 on service provision and the inflationary pressures impacting upon wages, energy and supplies of services to the Council. However, the operating arrangements that have been established to drive change and monitor performance will support the delivery of budget reductions in line with plans.

Corporate Risks

The Council has an embedded process to manage risks and assist in the achievement of its objectives, alongside national and local performance targets. The Council refreshed its Risk Management Strategy and Framework in July 2022 and updated the approach to support the production of service business plans. Risk Management is incorporated into the Business Planning Process with all risks reviewed and monitored quarterly.

The Corporate Risk Register, which is refreshed quarterly, plays an integral role in supporting production of the Corporate Plan and is subject to regular review by the Audit Committee.

Key corporate risks are detailed in the Annual Governance Statement. They encompass:

- The internal control environment on Adult Social Care systems which did not sustain the improvements in the financial year 2022/23 for the fifth successive year compared to 2017/18. Issues identified in the 2022/23 internal audits will need to be implemented as a priority to improve internal control;
- Future changes to the Council's financial resilience due to uncertainty and matters outside of the Council's control such as the future level of Government support for areas of high deprivation identified through the Levelling Up Agenda not progressing until the next Spending Review, planned reforms to Adult Social Care being deferred, the capacity in the wider Local Government sector to obtain audited opinions on the Statement of Accounts and the cost of living pressures which impact on the Council's plans for change. An added pressure is that the Council's previous plans to deliver savings by transformation may continue to be constrained by the events outside its direct control. Also, the final outturn for the financial year indicates an overspend of £1.147m reducing the level of general balances to £18.865m which is below the level recommended at the 1 March 2023 Budget Council meeting;
- The key regeneration projects planned for the future as detailed in the CaBP programme. Should one of these high-profile projects not be delivered as planned it is likely to result in future loss of budgeted grant income, reputational damage and/ or an increase the financial financing of current plans. This is more challenging in 2023/24 due to the continued impact of inflationary pressures on construction contracts plus the time constraints on key grant programmes. In addition, the market conditions continuing in some instances making it difficult to obtain insurance;

- The audit opinion of the internal control environment for the operation of payroll including pension's administration failed to sustain the improvements made as of 31 March 2022 with the opinion downgraded to "inadequate" at the year-end. The system requires improvements to be delivered in the financial year 2023/24;
- The continued compliance with the National Transparency Agenda which has increased the risk to the Council of a future fraud enhanced by the general digital expertise of the population. Information included in the public domain and obtained under Freedom of Information Requests may be used to exploit the Council;
- The future reforms to health integration not resulting in the efficiencies anticipated due to increased demand caused by a number of factors including the residual impact of the recent increases in the cost of delivering services;
- The present contractual arrangements with a number of key suppliers linked into the administration of Framework contracts need to be reviewed and better detailed within Contract Procedure Rules. This would enable transformational savings required per the agreed programme to be maximised;
- There are outstanding legal matters linked into ongoing action against other Local Authorities which have the potential to impact on past custom and practice within the Authority which could have a significant future financial impact.

Main Changes to the Statements and Significant Transactions in 2022/23

The actuarial valuation of the Council's pension scheme shown on the Balance Sheet has moved from a deficit to surplus position during the year and created a Pension Asset of £4.908m held under Long Term Assets. This is a result of the changes in the financial assumptions used by the GMPF Actuary (Hymans-Robertson). These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation.

The Council has followed the guidance in the CIPFA Code of Practice on Local Authority Accounting 2022/23 and the CIPFA Bulletin 14 Closure of the 2022/23 Financial Statements issued in March 2023 to produce its 2022/23 Statement of Accounts. However, the Council has continued its policy of diverging from the Code in relation to the accounting treatment for the depreciation charge against Housing Revenue Account (HRA) dwellings. Details are provided in Section 4.1 of the Accounts. The Council's management believes that this alternative treatment is required in order to present a true and fair view of the financial position of the Council's HRA.

In accordance with the temporary relief offered by the update to the CIPFA Code Of Practice on Infrastructure Assets following the statutory override created by the coming into force of Statutory Instrument 2022 No. 1232, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 introduced Regulation 30M as an amendment of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The Council's financial statements were updated to incorporate the changes with a new Infrastructure Assets Note (Note 18) added to the Statement of Accounts.

Basis of Preparation and Presentation of the Accounts

The Council prepares its Statement of Accounts on a going concern basis, on the assumption that it will continue in existence into the foreseeable future. Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement, the decisions made by users of the accounts would be influenced. This could be due to the value or the nature of the disclosure.

The Council considers disclosures against an internally calculated materiality threshold which is reviewed each year. However individual items of income and expenditure over £6.000m which are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) are

considered to be significant and are disclosed in Note 8. Some disclosures are included due to their nature even if the value of transactions is not over the materiality threshold, an example of this is Note 9 Officers' Remuneration.

The assessment of materiality also influences the Council's decision to produce Group Accounts. Each year the Council assesses the entities it exerts control or significant influence over to identify which fall within the group boundary. If the value of transactions for the group as a whole is material, Group Accounts are produced. The accounts for 2022/23 therefore consolidate the MioCare Community Interest Company.

Explanation of the Statements to the Accounts

The Accounts and Audit (Amendment) Regulations 2022 require the Council to produce a Statement of Accounts for each financial year. These statements contain several different elements which are explained below:

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Authority and the Chief Financial Officer (Director of Finance).

Auditor's Report gives the auditor's opinion of the financial statements and of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources (this Report is not included in the draft accounts).

Financial Statements

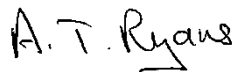
- **Comprehensive Income and Expenditure Statement (CIES)** shows the cost of providing services in the year in accordance with International Financial Reporting Standards. The top part of the CIES provides an analysis by Portfolio and reflects the Councils local reporting format. The bottom half of the statement deals with corporate transactions and funding.
- **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.
- **Balance Sheet** shows the value of the Council's assets, liabilities and reserves at a point in time.
- **Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the year and quantifies the movements in balances attributable to day to day running of the Council (operating activities), investing activities or financing activities.
- **Housing Revenue Account (HRA)** shows the in-year economic cost of providing housing services in accordance with generally accepted accounting practices.
- **Collection Fund Statement** shows the transactions of the Billing Authority in relation to the collection from taxpayers of Council Tax and Business Rates and its distribution to precepting bodies. For Oldham, the Council Tax precepts payable are for the Mayoral Police and Crime Commissioner precept and the Mayoral General precept (including Fire & Rescue Services).
- **Group Accounts** show the group position of the Council and its material subsidiaries. The Council considers the Group Statements to be of equal prominence to the single entity statements.

Receipt of Further Information

If you would like to receive further information about these accounts, please do not hesitate to contact Anne Ryans at the Finance Department, Oldham Council, West Street, Oldham, OL1 1UG.

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from the Finance team and other services, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

A handwritten signature in black ink that reads "A. T. Ryans". The signature is written in a cursive style with a prominent flourish at the end of the name.

Anne Ryans BA (Hons) FCPFA
Director of Finance, Section 151 Officer

2.0 Statements to the Accounts

2.1 Statement of Responsibilities for the Statement of Accounts

2.1.1 The Council's Responsibilities

The Council is required to:

- i. Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Oldham Council, that officer is the Director of Finance.
- ii. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- iii. Approve the Statement of Accounts.

2.1.2 The Director of Finance Responsibilities

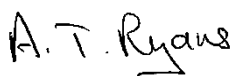
The Director of Finance is responsible for the preparation of Oldham Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- i. Selected suitable accounting policies and then applied them consistently.
- ii. Made judgements and estimates that were reasonable and prudent.
- iii. Complied with the Code of Practice on Local Authority Accounting.
- iv. Kept proper accounting records which were up to date.
- v. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

2.1.3 Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Oldham Council at 31 March 2023 and its income and expenditure for the year then ended.



Anne Ryans, BA (Hons) FCPFA

Director of Finance, Section 151 Officer.

Dated: 31/05/2023

Approval of Accounts

In accordance with the Accounts and Audit (Amendment) Regulations 2022, I certify that the Statement of Accounts was approved by the Audit Committee on (TBC).

Chair of Audit Committee

Dated:

2.2 Auditors Report

To be provided by the Council's External Auditors, Mazars LLP, on completion of the 2022/23 audit process.

Financial Statements and Explanatory Notes

3.1 Comprehensive Income and Expenditure Statement (CIES)

The Council restated the Comprehensive Income & Expenditure Statement for 2021/22. The 2021/22 Cost of Services figures are presented in the 2022/23 reporting structure to enable a comparison between the years.

	Restated 2021/22			Note	2022/23		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	122,713	(49,183)	73,530		136,450	(53,729)	82,721
	294,337	(205,880)	88,457		317,850	(219,187)	98,663
	36,429	(7,764)	28,665		33,091	(5,182)	27,909
	11,725	(3,021)	8,704		10,447	(1,375)	9,072
	88,532	(33,345)	55,187		89,384	(37,005)	52,379
	28,447	(11,551)	16,896		26,999	(11,678)	15,321
	37,705	(44,550)	(6,845)		40,952	(44,038)	(3,086)
	6,815	-	6,815		6,851	-	6,851
	19,820	(28,738)	(8,918)		18,559	(29,108)	(10,549)
	646,523	(384,032)	262,491		680,583	(401,302)	279,281
			300				314
			392				185
			33,089	12			33,289
			(2,013)				(2,094)
			31,768				31,694
			27,354	3			24,454
			(313,352)	4			(303,784)
			8,259				31,645
			(49,920)	16a			(73,528)
			1,260	16a			106
			(62)				(9,404)
			(213,931)	31			(497,759)
			-	31			172,016
			(262,653)				(408,569)
			(254,393)				(376,924)

3.2 Movement in Reserves Statement

2022/23	Note	Total Usable Reserves								Unusable Reserves	Total Reserves
		General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Usable Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserve		
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April Brought Forward		(20,012)	(120,150)	(140,161)	(21,721)	-	(884)	(15,947)	(178,714)	(115,857)	(294,571)
Movement in reserves during 2022/23				-					-		-
Total Comprehensive Income and Expenditure		31,875	-	31,875	(230)	-	-	-	31,645	(408,569)	(376,924)
Adjustments between accounting basis and funding basis under regulations	14	(9,730)	-	(9,730)	(634)	-	(120)	(6,351)	(16,835)	16,835	-
Net (increase)/decrease before transfers to Earmarked Reserves		22,145	-	22,145	(864)	-	(120)	(6,351)	14,810	(391,734)	(376,924)
Transfers to/from Earmarked Reserves	15	(20,998)	20,998	-	-	-	-	-	-	-	-
(Increase)/Decrease in Year		1,147	20,998	22,145	(864)	-	(120)	(6,351)	14,810	(391,734)	(376,924)
Balance at 31 March carried forward		(18,865)	(99,152)	(118,016)	(22,585)	-	(1,004)	(22,298)	(163,904)	(507,591)	(671,495)

2021/22	Note	Total Usable Reserves								Unusable Reserves	Total Reserves
		General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Usable Capital Receipts £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserve £000		
Balance at 1 April Brought Forward		(17,263)	(142,964)	(160,227)	(21,371)	-	(806)	(20,651)	(203,055)	162,878	(40,177)
Movement in reserves during 2021/22		-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure		6,830	-	6,830	1,429	-	-	-	8,259	(262,653)	(254,394)
Adjustments between accounting basis and funding basis under regulations	14	13,235	-	13,235	(1,779)	-	(78)	4,704	16,082	(16,082)	-
Net (increase)/decrease before transfers to Earmarked Reserves		20,065	-	20,065	(350)	-	(78)	4,704	24,341	(278,735)	(254,394)
Transfers to/from Earmarked Reserves	15	(22,814)	22,814	-	-	-	-	-	-	-	-
(Increase)/Decrease in Year		(2,749)	22,814	20,065	(350)	-	(78)	4,704	24,341	(278,735)	(254,394)
Balance at 31 March carried forward		(20,012)	(120,150)	(140,161)	(21,721)	-	(884)	(15,947)	(178,714)	(115,857)	(294,571)

3.3 Balance Sheet

31 March 2022 £000		Note	31 March 2023 £000
644,284	Property Plant & Equipment	17	710,436
161,587	Infrastructure Assets	18	165,298
19,770	Heritage Assets	19	21,141
19,801	Investment Property	20	20,791
5,780	Intangible Assets		5,350
43,092	Long Term Investments	22	48,246
38,235	Long Term Debtors	23	40,044
-	Pension Asset	31	4,908
932,549	Long Term Assets		1,016,214
27,676	Short Term Investments	22	20,390
533	Inventories		678
50,262	Short Term Debtors	23	58,966
57,854	Cash & Cash Equivalents	24	30,094
1,745	Assets Held For Sale (less than 1 year)		610
138,070	Current Assets		110,738
(8,293)	Short Term Borrowing	22	(1,690)
(91,314)	Short Term Creditors	25	(74,037)
(10,155)	Short Term Provisions	26	(5,918)
	Short Term Liabilities		
(8,959)	- Private Finance Initiatives	22,29	(10,716)
(315)	- Finance Leases	22	(262)
(6)	- Transferred Debt	22	(6)
(119,042)	Current Liabilities		(92,629)
(9,543)	Long Term Provisions	26	(6,864)
(161,504)	Long Term Borrowing	22	(161,494)
	Other Long Term Liabilities		
(280,671)	- Pension Liabilities	31	-
(203,826)	- Private Finance Initiatives	22,29	(193,110)
(303)	- Finance Leases	22	(213)
(38)	- Transferred Debt	22	(33)
(17)	- Deferred Credits		(17)
(1,104)	Capital Grants Receipts In Advance		(1,097)
(657,006)	Long Term Liabilities		(362,828)
294,571	Net Assets		671,495
(178,714)	Usable Reserves	MiRS	(163,904)
(115,857)	Unusable Reserves	MiRS,16	(507,591)
(294,571)	Total Reserves		(671,495)

3.4 Cash Flow Statement

	Notes	2021/22 £000	2022/23 £000
Net deficit on the provision of services		(8,259)	(31,644)
Adjustment to surplus or deficit on the provision of services for non-cash movements	32	108,400	60,680
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	(70,906)	(46,603)
Net cash flows from operating activities		29,235	(17,567)
Net Cash flows from Investing Activities	33	20,125	5,227
Net Cash flows from Financing Activities	34	(13,103)	(15,420)
Net increase or (decrease) in cash and cash equivalents		36,257	(27,760)
Cash and cash equivalents at the beginning of the reporting period		21,597	57,854
Cash and cash equivalents at the end of the reporting period		57,854	30,094

3.5 Index of Explanatory Notes to the Accounts

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3.6 Explanatory Notes to the Financial Statements

Introduction

The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and the Accounting Policies set out in Note 35. The Notes that follow (1 to 39, C1-3 and H1-2) set out explanatory information for readers of the accounts.

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year 2022/23 (i.e. Government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Council's Portfolio. Income and expenditure accounted for under GAAP is presented more fully in the CIES. Following a revision to the Council's Management structure, the format of the Directorate's has changed from 2021/22 thus the note has been re-aligned accordingly.

1a. Expenditure and Funding Analysis

2022/23	As reported for resource management (including HRA)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Portfolio	£000	£000	£000	£000	£000
Community Health and Adult Social Care	79,521	(1,192)	78,329	4,392	82,721
Children's Services	105,838	(33,488)	72,350	26,313	98,663
Public Health	27,765	(1,215)	26,550	1,359	27,909
Communities	10,145	(3,780)	6,365	2,707	9,072
Place and Economic Growth	89,729	(56,581)	33,148	19,231	52,379
Corporate Services	12,719	(4,072)	8,647	6,674	15,321
Capital, Treasury and Technical Accounting	(9,843)	46,321	36,478	(39,564)	(3,086)
Corporate and Democratic Core	6,851	-	6,851	-	6,851
Central Services	(17,793)	17,793	-	-	-
Housing Revenue Account	-	(11,184)	(11,184)	635	(10,549)
Net cost of services	304,932	(47,398)	257,534	21,747	279,281
Other income and expenditure	(303,785)	67,530	(236,255)	(11,381)	(247,636)
(Surplus) or Deficit	1,147	20,132	21,279	10,366	31,645

The table below shows the comparative information for 2021/22

2021/22 - Restated	As reported for resource management (including HRA)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Portfolio	£000	£000	£000	£000	£000
Community Health and Adult Social Care	79,802	(11,712)	68,090	5,439	73,529
Children's Services	97,914	(39,114)	58,800	29,657	88,457
Public Health	27,417	(785)	26,632	2,033	28,665
Communities	9,169	(3,429)	5,740	2,965	8,705
Place and Economic Growth	93,426	(66,224)	27,201	27,985	55,187
Corporate Services	11,560	(1,798)	9,762	7,133	16,895
Capital, Treasury and Technical Accounting	26,513	35,492	62,005	(68,851)	(6,845)
Corporate and Democratic Core	6,815	-	6,815	-	6,815
Central Services	(42,012)	42,012	-	-	-
Housing Revenue Account	-	(10,697)	(10,697)	1,779	(8,918)
Net cost of services	310,603	(56,254)	254,349	8,140	262,489
Other income and expenditure	(313,352)	78,718	(234,634)	(19,596)	(254,230)
Surplus or Deficit	(2,749)	22,464	19,715	(11,456)	8,259

The table below reconciles between the opening and closing balances of the General Fund (including earmarked reserves) and Housing Revenue Account (HRA) balances.

Additional information on the movements in General Fund and HRA balances can be found on the Movement in Reserves Statement (MiRS).

Movement in General Fund and HRA Balance	2021/22 £000	2022/23 £000
Opening General Fund and HRA Balance at 1 April	(181,598)	(161,883)
Add (Surplus)/Deficit on General Fund and HRA Balance in Year	19,715	21,281
Closing General Fund and HRA Balance at 31 March	(161,883)	(140,601)

1b. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund and HRA balances to arrive at the amounts in the CIES. The relevant transfers between reserves are explained in the MiRS.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement				Adjustments between Accounting Basis and Funding Basis 2022/23			
	Movement in Reserves £000	Other Adjustments £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustment for capital purposes (i & ii) £000	Net change for pension adjustment (iii) £000	Other Differences (iv) £000	Total Adjustments £000
Community Health and Adult Social Care	3,200	(4,392)	(1,192)	2,972	1,420	-	4,392
Children's Services	(1,519)	(31,969)	(33,488)	24,016	4,847	(2,552)	26,312
Public Health	1,744	(2,959)	(1,215)	1,499	596	(737)	1,358
Communities	(485)	(3,295)	(3,780)	2,462	367	(121)	2,708
Place and Economic Growth	2,548	(59,129)	(56,581)	16,672	4,408	(1,849)	19,231
Corporate Services	496	(4,568)	(4,072)	3,342	3,333	-	6,675
Capital, Treasury and Technical Accounting	(2,781)	49,102	46,321	323	9,618	(49,505)	(39,564)
Central Services	17,793	-	17,793	-	-	-	-
Housing Revenue Account	(864)	(10,320)	(11,184)	5,570	-	(4,936)	634
Net cost of services	20,132	(67,530)	(47,398)	56,857	24,589	(59,700)	21,745
Other income and expenditure from the Expenditure and Funding Analysis	-	67,530	67,530	-	-	(11,379)	(11,379)
Difference between General Fund (surplus)/deficit and Comprehensive Income and Expenditure Statement (surplus)/deficit	20,132	-	20,132	56,857	24,589	(71,079)	10,366

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement				Adjustments between Accounting Basis and Funding Basis 2021/22 - Restated			
	Movement in Reserves £000	Other Adjustments £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustment for capital purposes (i & ii) £000	Net change for pension adjustment (iii) £000	Other Differences (iv) £000	Total Adjustments £000
Community Health and Adult Social Care	(6,273)	(5,439)	(11,712)	2,549	2,890	-	5,439
Children's Services	(1,727)	(37,387)	(39,114)	23,648	9,351	(3,342)	29,657
Public Health	2,772	(3,556)	(785)	1,311	1,326	(604)	2,033
Communities	24	(3,452)	(3,429)	2,315	806	(156)	2,965
Place and Economic Growth	1,126	(67,351)	(66,224)	21,932	7,962	(1,909)	27,985
Corporate Services	4,868	(6,666)	(1,798)	2,953	4,180	-	7,133
Capital, Treasury and Technical Accounting	(19,988)	55,481	35,492	(4,893)	8,223	(72,182)	(68,851)
Corporate and Democratic Core	-	-	-	-	-	-	-
Central Services	42,012	-	42,012	-	-	-	-
Housing Revenue Account	(350)	(10,348)	(10,697)	7,576	-	(5,796)	1,779
Net cost of services	22,464	(78,718)	(56,254)	57,391	34,739	(83,989)	8,140
Other income and expenditure from the Expenditure and Funding Analysis	-	78,718	78,718	-	-	(19,596)	(19,596)
Difference between General Fund (surplus)/deficit and Comprehensive Income and Expenditure Statement (surplus)/deficit	22,464	-	22,464	57,391	34,739	(103,585)	(11,456)

(i) Adjustments for Depreciation/Rental Income

For resource management purposes, the Council includes depreciation in its reporting at Portfolio level. However, these charges are removed as they are not included in the net expenditure chargeable to the General Fund and HRA balances. Also, the Council includes rental income from investment properties in the Place and Economic Growth Portfolio. However, this is reported in the financial statements below the cost of services line and, therefore the table above shows the item being reallocated.

(ii) Adjustments for Capital Purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Finance and investment income and expenditure** – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under GAAP.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

(iii) Net Change for Pension Adjustments

The removal of pension contributions and the addition of the International Accounting Standard (IAS) 19 Employee Benefits pension related expenditure and income are reflected as follows:

- **For the net cost of services** – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs.
- **For financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

(iv) Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are set out below:

- **For financing and investment income and expenditure** - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts for Long Term Borrowing.
- **For taxation and non-specific grant income** - the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates to that which was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

2. Expenditure and Income Analysed by Nature

	2021/22 £000	2022/23 £000
Expenditure		
Employee benefit expenses	223,590	250,144
Other services expenses	372,412	382,916
Asset revaluations, depreciation, amortisation and impairment	51,245	44,429
Interest payments	35,974	34,103
Precepts and levies	33,389	33,603
Payments to the housing capital receipts pool	392	185
(Gain)/Loss on the disposal of assets	(2,013)	(2,094)
Movement on Pooled Investment Funding	(2,485)	2,743
Total expenditure	712,504	746,029
Income		
Fees, charges and other service income	(83,752)	(94,530)
Interest and investment income	(3,967)	(6,734)
Income from Council Tax and Business Rates	(143,526)	(158,949)
Government grants and contributions	(440,085)	(421,013)
Other revenue receipts	(32,914)	(33,158)
Total income	(704,245)	(714,384)
(Surplus)/Deficit on the Provision of Services	8,259	31,645

3. Financing and Investment Income and Expenditure

	2021/22 £000	2022/23 £000
Interest payable and similar charges	26,677	26,154
Net interest on the net defined benefit liability	9,297	7,948
Interest receivable and similar income	(3,417)	(5,260)
Income and expenditure in relation to investment properties and changes in their fair value	(2,839)	(2,556)
Other investment income	(550)	(1,474)
Expected Credit Loss	671	(3,101)
Fair Value movement on Pooled Investment Funds	(2,485)	2,743
Total	27,354	24,454

4. Taxation and Non-Specific Grant Income

The Council raises Council Tax, Business Rates and receives non-specific unringfenced grants from Central Government each year to finance revenue expenditure. This income is not attributable to specific services. The Council Tax, locally generated and retained Business Rates income together with non-specific unringfenced Government Grants underpin the overall expenditure of the Council. The Grants are set out below:

	2021/22 £000	2022/23 £000
Council Tax Income - General Purposes	(87,625)	(90,423)
Council Tax Income - Adult Social Care Precept	(10,523)	(12,549)
Retained Business Rates	(45,378)	(55,977)
Business Rates Top Up Grant	(41,912)	(42,922)
Grants in Lieu of Business Rates	(19,889)	(19,348)
COVID-19 General Unringfenced Grants	(8,088)	-
COVID-19 Other Unringfenced Grants	(1,591)	-
COVID-19 Local Council Tax Support Grant	(3,185)	-
Other Capital Grants and Contributions	(59,458)	(38,762)
Private Finance Initiative (PFI) Grant	(8,091)	(7,621)
Improved Better Care Fund Grant	(10,859)	(11,188)
Social Care Support Grant	(8,947)	(12,132)
Independent Living Fund Grant	(2,580)	(2,580)
Housing and Council Tax Benefit Administration Grants	(1,189)	(1,185)
New Homes Bonus Grant	(171)	(562)
Opportunity Area Grant	(1,799)	-
Lower Tier Services Support Grant	(407)	(437)
2022/23 Services Grant	-	(4,467)
Homes for Ukraine Grant	-	(1,018)
Family Hubs and Start for Life Programme Grant	-	(845)
Other Non-Ringfenced Government Grants	(1,661)	(1,768)
Total	(313,352)	(303,784)

5. Grant Income Credited to Services

The Council credited the following grants and contributions to the CIES:

	2021/22 £000	2022/23 £000
Government Grants		
Dedicated Schools Grant (DSG)	(161,361)	(168,686)
Housing Benefit Subsidy - Rent Allowances	(37,160)	(35,633)
Housing Benefit Subsidy - Rent Rebates	(5,759)	(5,341)
Private Finance Initiative (PFI) Credit	(23,978)	(24,447)
COVID-19 Support Grants	(13,764)	(2,297)
Household Support Fund	-	(4,839)
Pupil Premium	(8,980)	(9,635)
Discretionary Housing Payments	(605)	(427)
Education and Skills Funding Agency (ESFA) - Adult and Community Learning Income	(2,807)	(2,722)
Holiday Activities and Food Grant	-	(1,435)
Other Government Grants	(14,177)	(17,784)
Other Grants	(1,668)	(2,929)
Total	(270,259)	(276,177)

6. Dedicated School's Grant (DSG)

The Council's expenditure on schools is financed primarily by Dedicated Schools Grant (DSG) provided by the Education and Skills Funding Agency (ESFA). DSG is ring-fenced and can only be used to finance expenditure that is included in the School's Budget, as defined in the School Finance and Early Years (England) Regulations 2022. The School's Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each Council maintained school.

Details of the deployment of the DSG receivable for 2022/23 are as follows:

		2022/23		
		Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000
A	Final DSG for 2022/23 before academy and high needs recoupment			300,473
B	Academy and high needs figure recouped for 2022/23			(131,787)
C	Total DSG after academy and high needs recoupment for 2022/23			168,686
D	Plus: Brought forward from 2021/22			-
E	Less: Carry-forward to 2023/24 agreed in advance			(439)
F	Agreed initial budgeted distribution in 2022/23	24,367	143,880	168,247
G	In year adjustments	23	79	102
H	Final budget distribution for 2022/23	24,390	143,959	168,349
I	Less: Actual central expenditure	(24,415)		(24,415)
J	Less: Actual ISB deployed to schools		(140,701)	(140,701)
K	Plus: Local Authority contribution for 2022/23			-
L	In Year Carry-forward to 2023/24	(25)	3,258	3,233
M	Plus: Carry-forward to 2023/24 agreed in advance			439
N	Carry-forward to 2023/24			3,672
O	DSG unusable reserve at the end of 2021/22			(2,773)
P	Addition to DSG unusable reserve at the end of 2022/23			-
Q	Total of DSG unusable reserve at the end of 2022/23			(2,773)
R	Net DSG position at the end of 2022/23			899

- A Final DSG figure before any amount has been recouped from the Authority as published in March 2023, excluding an Early Years Block adjustment to be made based on January 2023 pupil numbers.
- B Figure recouped from the Authority in 2022/23 by the DfE for the conversion of maintained schools into academies and for high needs payments made by the ESFA.
- C Total DSG figure after academy and high needs recouplement for 2022/23, as published March 2023.
- D Balance brought forward (where in surplus) from 2021/22. As the DSG balance from 2021/22 was in deficit this will be shown against the unusable reserve.
- E The amount which the Authority decided after consultation with the School's Forum to carry forward to 2023/24 rather than distribute in 2022/23 (£0.439m).
- F Budgeted distribution of DSG as agreed with the School's Forum.
- G Changes to the initial distribution, for the final Early years Block adjustment re 2021/22.
- H Budgeted distribution of DSG as at the end of the financial year.
- I Actual amount of central expenditure items in 2022/23.
- J Amount of ISB distributed to schools in 2022/23.
- K Any Local Authority contribution for 2022/23 - there was no contribution from Oldham Council in 2022/23.
- L In year carry-forward to 2023/24.
- M Carry-forward to 2022/23 already agreed (£0.439m).
- N Carry-forward to 2022/23 (before any unusable reserve brought forward).
- O DSG unusable reserve at the end of 2021/22
- P Addition to DSG unusable reserve at the end of 2022/23
- Q Total of DSG unusable reserve at the end of 2022/23
- R Net DSG position at the end of 2022/23

At the end of 2022/23 the DSG had moved from a cumulative deficit of £2.773m to a surplus of £0.899m.

7. Material Items of Income and Expenditure

This note identifies material items of income and expenditure that are not disclosed on the face of the CIES. For the purposes of this note the Council considers material items to be those greater than £6.000m. For 2022/23 there were no material items of income and expenditure which are not disclosed elsewhere in the financial statements.

8. Members' Allowances

The Council paid the following amounts to Members during the year:

	2021/22 £000	2022/23 £000
Allowances	1,139	1,166

9. Officers' Remuneration

The remuneration of senior employees is detailed below.

	2021/22				2022/23			Note
	Fees, Salary and Allowances	Compensation for Loss of Office	Pension Contribution	Total	Salary, Fees and Allowances	Pension Contribution	Total	
	£000	£000	£000	£000	£000	£000	£000	
H Catherall, Chief Executive Oldham Council, Head of Paid Service	97	-	-	97	164	-	164	A
C Wilkins OBE, Chief Executive Oldham Council and Accountable Officer, NHS Oldham CCG, Head of Paid Service	80	93	15	188			-	B
Deputy Chief Executive: People Services	11	-	2	13	139	29	168	C
Executive Director: Place and Economic Growth	10	-	2	12	124	25	149	D
Assistant Chief Executive	41	-	8	49	98	20	118	E
Deputy Chief Executive	81	26	15	122	-	-	-	F
Strategic Director: Communities and Reform	95	59	-	154	-	-	-	G
Managing Director Children and Young People (Director of Children's Services)	130	-	27	157	132	27	159	
Managing Director Community Health and Adults Social Care Services (Director of Adult Social Services)	115	-	24	139	29	6	35	H
Director of Adult Social Care Services (Director of Adult Social Services)	-	-	-	-	84	17	101	I
Director of Finance and Chief Financial Officer (Section 151 Officer)	103	-	25	128	105	8	113	
Director of Legal Services and Monitoring Officer	103	-	21	124	105	22	127	
Director of Public Health	96	-	20	116	98	20	118	
Director of Education, Skills and Early Years (Chief Education Officer)	95	-	20	115	98	20	118	

Senior Officers served for the whole of 2021/22 and 2022/23 unless stated below:

- A The Chief Executive and Head of Paid Services: the appointment to the post of Chief Executive was confirmed at the Council meeting of 25 August 2021 with effect from 26 August 2021.
- B The Chief Executive and Accountable Officer for Oldham Clinical Commissioning Group (CCG): left the Council 23 August 2021.

The contribution to the salary and pension cost paid by the CCG was £49,031.
- C The Deputy Chief Executive: People Services: was appointed on 1 March 2022.
- D The Executive Director: Place and Economic Growth: was appointed on 1 March 2022.
- E The Assistant Chief Executive: was appointed on 1 November 2021.
- F The Deputy Chief Executive: left the Council on 31 December 2021.
- G The Strategic Director: Communities and Reform: left the Council on 31 December 2021.
- H The Managing Director Community Health and Adult Social Care (Director of Adult Social Services): left the Council on 30 June 2022.
- I The Director of Adult Social Care Services (Director of Adult Social Services): was appointed 1 July 2022.

All of the Council's employees (excluding the Chief Executive, other Executive Management Team members and Statutory Officers) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2021/22 Number of Employees Including Severance or Other Related Payments	2022/23 Number of Employees Including Severance or Other Related Payments
£50,000 - £55,000	124	149
£55,001 - £60,000	61	87
£60,001 - £65,000	27	46
£65,001 - £70,000	31	25
£70,001 - £75,000	18	20
£75,001 - £80,000	13	18
£80,001 - £85,000	13	16
£85,001 - £90,000	5	6
£90,001 - £95,000	4	4
£95,001 - £100,000	4	3
£100,001 - £105,000	2	3
£105,001 - £110,000	2	-
£110,001 - £115,000	-	2
£115,001 - £120,000	-	-
£120,001 - £125,000	-	1
Total	304	380

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit Package Cost band (including special payments)	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	£	£	£	£	£	£	£	£
£0 - £20,000	-	13	24	16	24	29	181,967	197,365
£20,001 - £40,000	1	3	4	6	5	9	134,900	249,890
£40,001 - £60,000	-	-	2	2	2	2	108,323	100,446
£60,001 - £80,000	-	-	1	-	1	-	78,030	-
£80,001 - £100,000	-	-	2	-	2	-	181,377	-
£100,001 - £150,000	-	-	2	-	2	-	223,279	-
Total	1	16	35	24	36	40	907,876	547,701

10. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts by the Council's External Auditors, which for both 2021/22 and 2022/23 was Mazars LLP.

	2021/22 £000	2022/23 £000
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor for the year.	104	126

11. Pooled Budget

Section 75 Agreement

Since April 2016, Greater Manchester has been working to deliver its own sustainable Health and Social Care system. Oldham Council and Oldham CCG jointly developed a Locality Plan for Health and Social Care transformation initially covering the period 2016/17 to 2020/21 with a subsequent extension to 2023/24. The two organisations have worked closely together and for a number of years have entered into a pooled funding agreement under the powers of the NHS Act 2006 to facilitate a whole system approach to delivering care to the citizens of Oldham.

The aims and benefits of the Partners in entering into the Section 75 Agreement are to;

- improve the quality and efficiency of service provision;
- meet the national conditions of funding streams, such as the Better Care Fund and local objectives;
- make more effective use of resources through the establishment and maintenance of an aligned fund for revenue expenditure on services;
- ensure that people in Oldham will be independent, resilient and self-caring so fewer people reach crisis point; and
- develop an integrated health and care system, for those that need it that enables people to proactively manage their own care with the support of their family, community and the right professionals at the right time in a properly joined up system.

On 11 February 2021, the Secretary of State for Health and Social Care presented to Parliament, Integration and Innovation: Working Together to Improve Health and Social Care for All, setting out legislative proposals for Health and Care reform. The proposals received Royal Assent on 28 April 2022 and this meant that CCG's ceased to exist with effect from 30 June 2022. The functions of NHS Oldham CCG continue to be carried out by the NHS, and a new body; NHS Greater Manchester Integrated Care Board (NHS Greater Manchester) came into operation with effect from 1 July 2022 and is now undertaking these functions, both in Oldham and in the other localities across Greater Manchester. At a locality level, the Oldham Integrated Care Partnership (ICP) has been established, building on progress already made to deliver efficiencies, more effective services and to contribute to budget savings through collaboration, networks and alliances within the framework of a new strategic plan: The Locality Plan, which describes the strategic ambition for Oldham's Health and Care system and how the partners will address the challenges presented. During 2022/23, governance and oversight of health and social care integration services and developments remained through the Commissioning Partnership Board.

The Section 75 Agreement for 2022/23 agreement was formally approved at the meeting of the Commissioning Partnership Board (a joint Committee of the Council and at that time Oldham CCG) on 26 May 2022. With the revised arrangements, the Agreement was with the CCG for the first quarter of the financial year and then novated to NHS Greater Manchester for the final nine

months of 2022/23, at which point the scope of services contributed by the NHS reduced. The Agreement incorporates the following:

- Better Care Fund (including the Disabled Facilities Grant, a capital grant with a value of £2.343m);
- Improved Better Care Fund ;
- Funding in relation to services commissioned by Oldham Council and services commissioned by Oldham CCG/NHS Greater Manchester; and
- Funding commissioned by Oldham Council and Oldham CCG/NHS Greater Manchester to facilitate hospital discharge and support the care provider market in response to the legacy of the COVID-19 pandemic.

The Section 75 Agreement relates to pooled funds. The pooled funds are split into two elements:

- A pooled budget that relates solely to the Integrated Community Equipment Service which is hosted by the Council but for which partners equally share the risk associated with any variance to budget; and
- A pooled aligned budget covering the majority of funding and expenditure where funds are held in the host organisation's budget.

As shown in the table below the Council spent pooled funds of £188,991m and the combined Oldham CCG and NHS Integrated Care Board - Oldham locality spent £184.052m; a total pooled fund of £373.043m. Each of the partner organisations accounts for their own contributions and details are contained within the respective organisation's annual accounts.

For the reasons outlined above the NHS contribution has decreased in 2022/23 compared to the previous year as more services are being commissioned and managed at a GM level. Conversely, the Council's contribution to the Agreement has increased as more areas of the Council's budget and expenditure were brought within the scope of the Section 75 Agreement linked to the wider determinants of health. This is to allow improved joint oversight of the collective spend, although the budget and associated expenditure remain with the Council as the host organisation.

The variance between funding provided to the pool and met from the pool by respective partners is due to funds being transferred from one partner to facilitate expenditure by the other partner.

Section 75 incorporating Better Care Fund & Improved Better Care Fund	2021/22 £000	2022/23 £000
Funding provided to the pooled budget:		
Council	(83,766)	(188,991)
Oldham CCG	(381,520)	(98,049)
NHS GM Integrated Care Board – Oldham Locality	-	(86,003)
	(465,286)	(373,043)
Expenditure met from the pooled budget:		
Council	98,527	215,886
Oldham CCG	366,759	91,654
NHS GM Integrated Care Board – Oldham Locality	-	65,502
	465,286	373,043
Net surplus arising on the pooled budget during the year	-	-

12. Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions shows the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax billing, Housing Benefit administration). Grants received from Government Departments are disclosed in Notes 4 and 5.

Elected Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2022/23 is disclosed in Note 8.

The Register of Members' Interests is open to public inspection at the Civic Centre during office hours, on application, and is also available on the Council's website. The Council is compliant in this regard with the requirements of the Localism Act 2012.

Any material transactions with entities disclosed by Members have been incorporated into the Related Party Transactions table below.

Officers

There are no material related party transactions identified between the entities disclosed by Chief Officers as interests/related parties during the 2022/23 financial year.

Other Public Bodies (subject to common control by Central Government)

The Council has a pooled fund (Section 75) arrangement. For the first quarter of the financial year this was with Oldham CCG. Following the introduction of legislative proposals for Health and Care reform on 1 July 2022 the agreement novated to the Greater Manchester Integrated Care Partnership (GMICP) for the remainder of the financial year. The agreement encompasses a range of Council services as follows, for further detail see Note 11 Pooled Budget.

- Adult Social Care budgets and CCG and GMICP commissioned expenditure, together with expenditure funded by the Better Care Fund, the Improved Better Care Fund and the Adult Social Care Discharge Fund ;
- Children's Social Care and Preventative Services;
- Public Health;
- Youth Leisure and Communities;
- Environmental Health; and
- Economic Development.

The Council also pays levies towards the services provided by the Greater Manchester Combined Authority (GMCA) for Waste Disposal and for Transport services (plus a statutory charge for Transport) and also to the Environment Agency. The levies payable are shown in the following table.

Levying Body/Statutory Charging Body	31 March 2022 £000	31 March 2023 £000
Greater Manchester Combined Authority - Waste Disposal	16,885	17,121
Greater Manchester Combined Authority - Transport (Levy and Statutory Charge)	16,094	16,057
Environment Agency	110	111
Total	33,089	33,289

GMCA approved its Waste Disposal levy for 2022/23 on 11 February 2022 at a value of £17.174m. Adjustments for usage in 2021/22 resulted in a credit of £0.033m being received in 2022/23 and usage in 2022/23 was also £0.020m lower than expected. This produced a net credit of £0.053m resulting in a final annual levy of £17.121m.

GMCA also approved its 2022/23 Transport Levy payable by the Greater Manchester Districts on 11 February 2022 at a value of £8.824m.

Following the GMCA (Functions and Amendment) Order being laid before Parliament in April 2019, the GM Mayor was given further powers for transport functions. The Order gave the GM Mayor the ability to make a statutory charge to District Councils in relation to transport functions (with a corresponding reduction in the Transport Levy). This statutory charge for 2022/23 was agreed at £7.233m.

In total therefore, the sum payable to GMCA for Transport Services in 2022/23 was £16.057m.

On 9 February 2022 the Environment Agency provided the Council with a confirmed levy charge for the 2022/23 financial year at a value of £0.111m.

The following table shows the receipts, payments and balances attributable to the Council's subsidiaries, associate companies, joint ventures and non-group entities where appropriate.

Related Party Transactions	Details of Arrangement	2021/22			2022/23		
		Receipts	Payments	Outstanding Balances / Commitments	Receipts	Payments	Outstanding Balances / Commitments
		£000	£000	£000	£000	£000	£000
Subsidiaries							
MioCare Group Community Interest Company (formerly Oldham Care Services Limited)	MioCare Group CIC is a care and support provider and is wholly owned by the Council. It delivers services through two subsidiaries: Oldham Care and Support Ltd (OCS); and MioCare Services Ltd (formerly Oldham Care and Support at Home (OC SH)).	(1,109)	16,056	66	(1,159)	17,076	(251)
Unity Partnership Limited (Unity)	On 2 July 2018 the ownership of Unity Partnership Ltd transferred to Oldham Council and Unity Partnership became a 100% wholly owned Council subsidiary company providing a variety of services within the Council and to residents. On 1 April 2022, the staff of th Unity Partnership Ltd were transferred back into the Council and the Company's functions were taken over by the Council.	(1,483)	21,337	(2)	(2,046)	2,385	202
Oldham Economic Development Association Limited (OEDA)	OEDA is a company without share capital which is wholly owned by the Council and was set up to aid economic development and regeneration across the Borough. The company has remained inactive in the past year because of the restrictions which apply to companies wholly owned by a Local Authority.	-	-	-	-	-	-
Southlink Developments Limited	The principal activity of the company is that of a property developer. However, the development land now owned by the company is reduced to a few acres located on Southlink Business Park. The continued inactivity of the company is the result of the restrictions which apply to companies wholly owned by a Local Authority.	-	-	-	-	-	-
Meridian Group	The Meridian Group is comprised of the Meridian Development Company Ltd and its subsidiary, Interurban, was created to enable the purchase and development of key sites in Oldham. In 2021/22, the Council became the sole shareholder of the Company.	-	1,297	-	-	89	-
Northern Roots (Oldham) Ltd	Northern Roots (Oldham) Ltd is a Charity limited by shares and a wholly owned Council company incorporated to develop and operate a new Urban Park in the Snipe Clough area of Oldham. The Council is the sole shareholder.	-	-	33	-	-	(107)
Associates							
Joint Ventures							
Oldham Property LLP (OP LLP)	OP LLP is a joint venture between the Council and Brookhouse Group Ltd and was incorporated on 13 February 2013. During 2021/22, the joint venture disposed of its only key site. The Council has retained a small shareholding in the company.	(2,710)	4,850	-	-	-	-
Community 1st Oldham (Chadderton) Ltd	Community 1st Oldham (Chadderton) Ltd was incorporated on 29 March 2008 and commenced trading on 30 April 2008. The principal activity of the company is the development and property management of a Multi-Purpose Health and Wellbeing Centre in Chadderton.	-	-	-	(137)	1,636	152
FO Development LLP	This joint venture was formed to deliver the development of the Foxdenton employment area in order to create a premium business location, new jobs and housing. The Council has a 20% shareholding.	(7)	-	-	-	-	-
Non-Group Entities							
Positive Steps Oldham	The Council has a number of contracts with Positive Steps which is a charitable trust that delivers a range of targeted and integrated services for young people, adults and families. It is a not for profit company for which Council Members occupy 4 of the 12 Trustee positions.	(21)	2,815	-	(17)	2,437	-
Total		(5,330)	46,355	97	(3,359)	23,623	(4)

13. Leases

The Council as Lessor

Operating Leases

The Council leases out property to third parties under operating leases, to include but not limited to, the following purposes:

- for the provision of community services, such as tourism services and community centres; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2021/22 £000	2022/23 £000
No later than 1 year	7,016	3,489
Later than 1 year and not later than 5 years	12,137	11,300
Later than 5 years	127,623	92,622
Total	146,775	107,411

14. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2021/22						2022/23					
	Usable Reserves					Movements in Unusable Reserves	Usable Reserves					Movements in Unusable Reserves
	General Fund Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000		General Fund Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:												
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:												
Charges for depreciation of non-current assets	(32,740)	(5,532)	-	-	-	38,272	(34,180)	(5,714)	-	-	-	39,894
Charges for impairment of non-current assets	(379)	(86)	-	-	-	464	(1,091)	-	-	-	-	1,091
Revaluation losses on Property, Plant and Equipment	(8,932)	(2,284)	-	-	-	11,216	(1,499)	(215)	-	-	-	1,714
Movements in the fair value of Investment Properties	983	-	-	-	-	(983)	869	-	-	-	-	(869)
Amortisation of intangible assets	(1,292)	-	-	-	-	1,292	(1,729)	-	-	-	-	1,729
Capital grants and contributions applied	50,019	-	-	-	-	(50,019)	25,340	-	-	-	-	(25,340)
Revenue expenditure funded from capital under statute	(11,507)	-	-	-	-	11,507	(12,597)	-	-	-	-	12,597
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,865)	(14)	-	-	-	9,879	(7,106)	(12)	-	-	-	7,118
Amounts written off on disposal of Academy Schools to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-	-	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:												
Statutory provision for the financing of capital investment	18,386	4,806	-	-	-	(23,192)	15,680	4,606	-	-	-	(20,286)
Capital expenditure charged against the General Fund and HRA balances	54	912	-	-	-	(966)	27	210	-	-	-	(237)
Adjustments primarily involving the Capital Grants Unapplied Account:												
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	9,439	-	-	-	(9,439)	-	13,422	-	-	-	(13,422)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	14,143	(14,143)	-	-	-	-	7,071	(7,071)
Adjustments primarily involving the Capital Receipts Reserve:												
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,823	340	(12,163)	-	-	-	8,978	371	(9,348)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	11,861	-	-	(11,861)	-	-	9,271	-	-	(9,271)
Contributions to the Capital Receipts Pool	(392)	-	392	-	-	-	(185)	-	185	-	-	-
Repayment of Long Term Loans	-	-	(89)	-	-	89	-	-	(108)	-	-	108

	2021/22						2022/23					
	Usable Reserves					Movements in Unusable Reserves	Usable Reserves					Movements in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments primarily involving the Major Repairs Reserve (MRR):												
Transfer of Excess of Depreciation over Notional MRA to MRR	-	(5,453)	-	5,453	-	-	-	(5,594)	-	5,594	-	-
Credit MRR with a sum equal to HRA Depreciation	-	5,532	-	(5,532)	-	-	-	5,714	-	(5,714)	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:												
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	294	-	-	-	-	(294)	294	-	-	-	-	(294)
Adjustments primarily involving the Financial Instruments Revaluation Reserve:												
Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	2,485	-	-	-	-	(2,485)	(2,743)	-	-	-	-	2,743
Adjustments primarily involving the Pensions Reserve:												
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	(53,896)	-	-	-	-	53,896	(46,641)	-	-	-	-	46,641
Employer's pension contributions and direct payments to pensioners payable in the year	19,157	-	-	-	-	(19,157)	22,052	-	-	-	-	(22,052)
Adjustments primarily involving the Collection Fund Adjustment Account:												
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	17,830	-	-	-	-	(17,830)	12,369	-	-	-	-	(12,369)
Adjustments primarily involving the Accumulated Absences Account:												
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	980	-	-	-	-	(980)	(991)	-	-	-	-	991
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account												
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	787	-	-	-	-	(787)	-	-	-	-	-	-
Total Adjustments	13,235	(1,779)	-	(78)	4,704	(16,082)	(9,729)	(634)	-	(120)	(6,351)	16,835

15. Earmarked Reserves

This note discloses the amounts set aside from the General Fund as Earmarked Reserves to provide financing for future expenditure plans. The note also discloses the value of transfers to or from General Fund Earmarked Reserves during 2021/22 and 2022/23. All Earmarked Reserves are managed in accordance with the Council's reserves policy.

	Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
Integrated Working Reserve	(17,380)	5,430	(6,433)	(18,383)	6,032	(600)	(12,951)
Transformation Reserve	(5,986)	590	(1,000)	(6,396)	2,643	(1,500)	(5,253)
Adverse Weather Reserve	(1,000)	-	-	(1,000)	-	-	(1,000)
Regeneration Reserve	(3,564)	1,646	(250)	(2,168)	1,061	(1,000)	(2,107)
Emergency and External Events Reserve	(2,000)	-	-	(2,000)	-	-	(2,000)
Levy Reserve	(340)	340	-	-	-	-	-
Council Initiatives Reserve	(2,891)	867	(920)	(2,944)	1,653	(700)	(1,991)
Fiscal Mitigation Reserve	(11,582)	6,933	(16,171)	(20,820)	61,397	(68,648)	(28,071)
Life Cycle Costs Reserve	(1,651)	1,680	(1,672)	(1,643)	125	-	(1,518)
Insurance Reserve	(9,985)	-	(35)	(10,020)	6,880	-	(3,140)
Directorate Reserve	(2,192)	923	(1,405)	(2,674)	1,983	(3,145)	(3,836)
Balancing Budget Reserve	(54,309)	42,012	(18,321)	(30,618)	20,686	(6,786)	(16,718)
District Partnership Reserve	(594)	247	(214)	(561)	207	(191)	(545)
Local Restrictions Support Grant Reserve	(37)	37	-	-	-	-	-
Total Revenue Account Earmarked Reserves	(113,512)	60,705	(46,421)	(99,228)	102,667	(82,570)	(79,130)
Other Earmarked Reserves							
Revenue Grants Reserve	(20,146)	12,208	(2,794)	(10,731)	5,545	(2,783)	(7,968)
Schools Reserve	(9,306)	9,312	(10,197)	(10,192)	10,195	(8,384)	(8,381)
Dedicated Schools Grant Surplus Reserve	-	-	-	-	-	(3,672)	(3,672)
Total Other Earmarked Reserves	(29,452)	21,520	(12,991)	(20,922)	15,740	(14,839)	(20,022)
Total Earmarked Reserves	(142,964)	82,225	(59,412)	(120,150)	118,407	(97,409)	(99,152)

Revenue Account Earmarked Reserves

Integrated Working Reserve - this represents funding that has been set aside to support initiatives arising from the Greater Manchester devolution agenda and Greater Manchester Places for Everyone Framework including joint working with the Greater Manchester Integrated Care Partnership around Health and Adult Social Care, other Greater Manchester Councils and the Greater Manchester Combined Authority.

Transformation Reserve – this represents funding that has been set aside to provide for any exceptional costs arising from implementing the budget reductions required by the Council's revenue budget for 2023/24 and also the programme of change as the Council moves to address funding reductions in future years by the continued transformation of its services.

Adverse Weather Reserve – this represents funds set aside to cover the exceptional costs of the winter maintenance of Oldham's roads due to adverse weather conditions.

Regeneration Reserve – the Council has an extensive and ambitious regeneration agenda and resources have been set aside to support a number of regeneration projects which span more than one financial year.

Emergency and External Events Reserve – this reserve has been established to ensure that the Council has sufficient resources to address costs arising from events such as flooding including the requirement to undertake emergency repairs.

Council Initiatives Reserve – there are a number of projects and programmes of work which the Council considers to be priority initiatives and has therefore set reserve funds aside to ensure that these can be undertaken.

Fiscal Mitigation Reserve – this reserve has been established to fund future costs expected to arise from reforms to Central Government Funding, pressures resulting from legislative change and the potential requirement to support performance improvement in selected services. This also includes funds set aside to strengthen the Council's financial resilience over the medium-term.

Life Cycle Costs Reserve – the Council has a number of service areas including PFI schemes which require reserves to ensure that there is funding to provide for future costs including unitary charge inflationary increases.

Insurance Reserve – this has been established in order to finance costs (e.g. claims and premium payments) associated with insurable risk. The Council also has an Insurance Fund and the Insurance Reserve will also meet expenditure relating to various types of future claims which are not covered by the Insurance Fund.

Directorate Reserve – there are a wide range of Directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet started. The Directorate Reserve will ensure that such initiatives can be completed.

Balancing Budget Reserve – this holds the sum of reserves required to balance the 2023/24 budget approved by Council on 1 March 2023 and the reserves required to balance the indicative 2024/25 budget (also approved on the 1 March 2023).

District Partnership Reserve – this represents sums set aside to fund projects already agreed by the District Executives which are programmed for a future financial year or span more than one financial year.

Other Earmarked Reserves

In addition to the reserves detailed above there are three Earmarked Reserves held in the Council's General Fund which have to be itemised separately given the nature of the funds held. These are:

- **Revenue Grants Reserve** - this represents income from grants received which have no conditions attached or where the conditions have been met but no expenditure has yet been incurred.
- **Schools Reserve** - this includes the balances held by Schools under the scheme of delegation.
- **Dedicated Schools Grant Surplus Reserve** – this reserve contains any surpluses in the DSG and offsets the DSG unusable reserve deficit position which is shown under unusable reserves within the MiRS.

16. Unusable Reserves

	Note	31 March 2022	31 March 2023
		£000	£000
Revaluation Reserve	16a	(338,166)	(390,514)
Financial Instruments Revaluation Reserve	16b	(9,224)	(15,885)
Capital Adjustment Account	16c	(88,234)	(108,132)
Financial Instruments Adjustment Account	16d	7,933	7,638
Deferred Capital Receipts	16e	(523)	(523)
Pensions Reserve	16f	296,246	(4,908)
Collection Fund Adjustment Account	16g	8,622	(3,747)
DSG Adjustment Account	16h	2,773	2,773
Accumulated Absences	16i	4,715	5,706
Total Unusable Reserves		(115,858)	(507,591)

All unusable reserves are described below. The movements in year for all reserves with a material balance are also disclosed.

(16a) Revaluation Reserve

The Revaluation Reserve includes the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; and
- disposed of and gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2021/22 £000	2022/23 £000
Balance at 1 April	(307,723)	(338,165)
Upward revaluation of assets	(63,305)	(81,118)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	14,645	7,695
Difference between fair value depreciation and historic cost depreciation	15,795	17,743
Accumulated gains on non-current assets sold or decommissioned (excluding Academies)	100	3,330
Accumulated gains on Academy school assets sold or decommissioned	2,323	-
Balance at 31 March	(338,165)	(390,515)

(16b) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; and
- disposed of and the gains are realised.

Financial Instruments Revaluation Reserve	31 March 2022 £000	31 March 2023 £000
Balance at 1 April	(6,677)	(9,224)
Revaluation of Shareholding in Manchester Airport	(62)	(992)
Reversal of Pooled Investment Funds	(845)	1,639
	(907)	647
Other movements	-	(8,412)
Financial Instruments held under Fair Value through Profit & Loss subject to DLUHC Statutory override*	(1,639)	1,104
Balance at 31 March	(9,224)	(15,885)

* The Department of Levelling Up, Housing and Communities previously the Ministry for Housing, Communities and Local Government (MHCLG) introduced a statutory override to protect the General Fund balance from any fluctuations in fair value movements in quoted investment funds. In the Council's case this relates to its investments in the Churches, Charities and Local Authorities (CCLA) Property Fund. This override expired on 31 March 2023. The Government intends to extend the statutory override to 31 March 2025.

(16c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement element of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 14 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2021/22 £000	2022/23 £000
Balance at 1 April	(41,571)	(88,234)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of non-current assets	38,272	39,894
Charges for impairment of non-current assets	464	1,091
Revaluation (gains)/losses on Property, Plant and Equipment	11,216	1,714
Amortisation of intangible assets	1,292	1,729
Revenue expenditure funded from capital under statute	11,507	12,597
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (excluding Academies)	6,216	7,110
Amounts written off on disposal or sale as part of the gain/loss on disposal of Academies to the Comprehensive Income and Expenditure Statement	3,663	8
Adjusting amounts written out of the Revaluation Reserve	(18,218)	(21,074)
Repayment of Long-Term Debtors	89	108
Capital financing applied in the year:		
Use of the Capital Receipts reserve to finance new capital expenditure	(11,861)	(9,271)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(50,019)	(25,340)
Application of grants to capital financing from the Capital Grants Unapplied Account	(14,143)	(7,071)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(23,191)	(20,286)
Capital expenditure charged against the General Fund and HRA balances	(966)	(237)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(983)	(869)
Balance at 31 March	(88,234)	(108,131)

(16d) Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts are credited to the CIES when they are incurred but reversed out of the General Fund Balance to the Account in the MiRS. Over time, the net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Taxpayers. In the Council's case this period is the unexpired term that was outstanding on loans when they were redeemed.

Financial Instrument Adjustment Account	2021/22 £000	2022/23 £000
Balance at 1 April	8,227	7,933
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(329)	(329)
Proportion of discounts received in previous financial years to be transferred to the General Fund Balance in accordance with statutory requirements	34	34
Balance at 31 March	7,933	7,638

(16e) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The balance of this reserve was £0.523m for the year end of 2021/22 and 2022/23.

(16f) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. In 2022/23, the actuarial valuation has seen a significant movement from a deficit to a surplus position. Under the International Accounting Standard (IAS 19) the Council must disclose the lower of the actuarial valuation or Asset Ceiling calculation. The Asset Ceiling calculation resulted in a lower valuation and has therefore been included within the accounts for 2022/23.

	2021/22 £000	2022/23 £000
Balance at 1 April	475,439	296,247
Remeasurement of net defined benefit liability	(213,931)	(497,759)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	53,896	53,778
Employer's pension contributions and direct payments to pensioners payable in the year	(19,157)	(29,189)
Asset Ceiling Adjustment	-	172,016
Balance at 31 March	296,247	(4,908)

(16g) Collection Fund Adjustment Account

The Collection Fund Adjustment Account is used to manage the differences arising from the recognition of Council Tax and Business Rates income in the CIES as it falls due from Council Tax and Business Rate

payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2021/22 £000	2022/23 £000
Balance as 1 April	26,452	8,622
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Non-Domestic Rates for the year in accordance with statutory requirements	(17,830)	(12,369)
Balance at 31 March	8,622	(3,747)

(16h) Dedicated Schools Grant (DSG) Adjustment Account

On 6 November 2020, the Secretary of State for the Department of Levelling Up, Housing and Communities previously the Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where the Council has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the Councils' General Fund for a period of three financial years.

This issue can only be fully resolved by closing the deficits. Therefore, the accounting treatment introduced by this regulation is limited to the financial reporting periods 2020/21, 2021/22 and 2022/23 to provide time for Government and the Council to look at budgetary and financial management strategies to reduce the deficit.

Dedicated Schools Grant Adjustment Account	2021/22 £000	2022/23 £000
Balance as 1 April	3,560	2,773
Adjustment for DSG reserve	(746)	
Restated Opening Balance	2,814	2,773
In year DSG over/(under) spend	(41)	
Balance at 31 March	2,773	2,773

(16i) Accumulated Absences Reserve

The Short-term Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year; e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2021/22 £000	2022/23 £000
Balance as 1 April	5,695	4,715
Accumulated Absence adjustment	(980)	991
Balance at 31 March	4,715	5,706

17. Property, Plant and Equipment

Movements on Balances

2022/23	Property, Plant and Equipment (PPE)						
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	PPE Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2022	83,486	551,919	41,372	3,231	10,261	3,623	693,892
Adjustments between cost/value & depreciation/impairment			(18)				(18)
Additions	390	28,371	2,663	29	256	-	31,711
Revaluation Increases/(decreases) to Revaluation Reserve	1,067	47,083	-	-	(3,861)	-	44,290
Revaluation Increases/(decreases) to Surplus/Deficit on the Provision of Services	(206)	(1,800)	-	-	71	-	(1,936)
Derecognition-Disposals	(151)	(3,988)	(174)	-	(295)	-	(4,608)
Reclassified to/from Held for Sale	-	-	-	-	-	-	-
Other Reclassifications	-	730	-	-	(850)	(15)	(135)
At 31 March 2023	84,585	622,315	43,842	3,260	5,582	3,608	763,193
Accumulated Depreciation and Impairment							
At 1 April 2022	5,799	5,959	31,007	3,231	-	3,608	49,603
Adjustments between cost/value & depreciation/impairment			(18)	-	-	-	(18)
Depreciation Charge	5,601	23,081	2,773	-	-	-	31,454
Depreciation written out on revaluation	(5,592)	(21,736)	-	-	-	-	(27,328)
Depreciation written out to (Surplus)/Deficit on the Provision of Services	-	(222)	-	-	-	-	(222)
Impairment losses/reversals to Revaluation Reserve	(180)	(1,545)	-	-	-	-	(1,726)
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	-	1,091	-	-	-	-	1,091
Derecognition-Disposals	(10)	(40)	(50)	-	-	-	(100)
Eliminated on reclassification to Held for Sale	-	-	-	-	-	-	-
Other Reclassifications	-	-	-	-	-	-	-
At 31 March 2023	5,618	6,588	33,713	3,231	-	3,608	52,756
Net Book Value							
At 31 March 2023	78,967	615,727	10,129	29	5,582	-	710,437
At 31 March 2022	77,687	545,960	10,365	-	10,261	15	644,286

Comparative Movements in 2021/22

2021/22	Property, Plant and Equipment (PPE)						
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000
Cost or Valuation							
At 1 April 2021	82,607	504,348	39,800	3,225	5,636	5,720	641,336
Additions	1,428	46,323	1,984	6	-	925	50,666
Revaluation Increases/(decreases) to Revaluation Reserve	1,806	22,253	-	-	96	-	24,155
Revaluation Increases/(decreases) to Surplus/Deficit on the Provision of Services	(2,205)	(9,179)	-	-	-	-	(11,385)
Derecognition-Disposals Reclassified to/from Held for Sale	(150)	(9,110)	(412)	-	-	-	(9,672)
Other Reclassifications	-	-	-	-	(1,210)	-	(1,210)
	-	(2,716)	-	-	5,738	(3,022)	-
At 31 March 2022	83,486	551,919	41,372	3,231	10,261	3,623	693,889
Accumulated Depreciation and Impairment							
At 1 April 2021	5,410	3,908	28,585	3,225	-	3,608	44,735
Depreciation Charge	5,460	21,406	2,800	-	-	-	29,666
Depreciation written out on revaluation	(5,236)	(19,834)	-	-	-	-	(25,070)
Depreciation written out to Surplus/Deficit on the Provision of Services Impairment losses/reversals to Revaluation Reserve Impairment losses/reversals to Surplus/Deficit on the Provision of Services	79	(247)	-	-	-	-	(168)
	-	564	-	-	-	-	564
	86	317	-	6	-	-	409
Derecognition-Disposals	-	(155)	(378)	-	-	-	(533)
At 31 March 2022	5,799	5,959	31,007	3,231	-	3,608	49,604
Net Book Value							
At 31 March 2022	77,687	545,960	10,365	-	10,261	15	644,286
At 31 March 2021	77,197	500,440	11,215	-	5,637	2,112	596,601

Depreciation

The following asset lives have been used in the calculation of depreciation:

Council Dwellings	Up to 50 years
Other Land and Buildings	Up to 50 years
Vehicles, Plant, Furniture and Equipment	Between 3 and 20 years

Capital Commitments

At 31 March 2023 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with outstanding contractual commitments of £22.852m (similar commitments were £11.197m at 31 March 2022). The major commitments are:

Scheme	Commitment £000
Creating a Better Place - Spindles	15,338
Royton Town Hall & Library	4,169
Alexandra Park Depot - Eco Centre	1,412
North Chadderton school expansion	1,188
Old Library Refurbishment	745
Total	22,852

Effects of Changes in Estimates

In 2022/23 the Council made no material changes to its accounting estimates for Property, Plant and Equipment excluding Infrastructure Assets. The categories of assets included within Property, Plant and Equipment has been revised to remove Infrastructure Assets in accordance with the temporary relief offered by the Update to the Code on infrastructure assets and Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022.

Infrastructure Assets are now recorded in a separate note within the financial statements at Note 18.

Revaluations

The Council undertakes a rolling programme of valuation that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Since 1 April 2022, valuations have been carried out internally by a team of suitably qualified professionals. Prior to 1 April 2022 the revaluations were carried out by a team of suitably qualified professionals employed by The Unity Partnership Limited, a company wholly owned by the Council.

The revaluation programme was carried out throughout the year and the effective date of each revaluation is the date that the valuation was carried out.

The significant assumptions applied in estimating current values (fair value for Surplus Assets) are that:

- good title can be shown, and all valid planning permissions and statutory approvals are in place;
- the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
- an inspection of those parts not inspected would not reveal defects that would affect the valuation;

- the testing of electrical or other services would not reveal defects that would cause the valuation to alter; and
- there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

In addition, the Council instructed its valuers to undertake a review of all assets held at depreciated replacement cost in the other land and buildings category to ensure that the carrying value of assets is not materially different from their current value.

The review concluded that the current value for assets valued at Depreciated Replacement Cost (DRC) experienced a significant change in values due to increases in building costs. As a result of this review, desktop valuations were conducted for all assets that are valued on a DRC basis.

Gross Valuations by Valuation Date	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	43,842	3,260	-	3,608	50,710
Valued at current value at:							
31 March 2023	79,105	510,360	-	-	1,378	-	590,845
31 March 2022	5,048	30,764	-	-	3,204	-	39,015
31 March 2021	432	25,535	-	-	1,000	-	26,967
31 March 2020	-	38,177	-	-	-	-	38,177
31 March 2019	-	17,480	-	-	-	-	17,480
Total Cost or Valuation	84,585	622,316	43,842	3,260	5,582	3,608	763,193

18. Infrastructure Assets

Movements on balances

Infrastructure Asset	2021/22 £000	2022/23 £000
Net Book value (modified Historical Cost)		
Balance as 1 April	157,859	161,587
Additions	12,342	12,152
Depreciation	(8,607)	(8,441)
Impairment	(7)	-
Net Book Value Balance at 31 March	161,587	165,298

In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets introduced through the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position of the Council to the users of the financial statements.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

The Council has an individual asset life for each of the components of its Highways Network. All asset life estimates have been calculated with the methodology and basis for estimation in consultation with the Council's internal Highways department and external highways partners. The following table indicate the asset life for each component of the network. Further information can be found in the Council's Accounting Policies in Note 35.

Category of the Highway Network	Useful Life Years
Carriageways	27
Footways and Cycle Tracks	45
Structures	107
Street Lighting	40
Street Furniture	40
Traffic Management Systems	15

19. Heritage Assets

Tangible and Intangible Heritage Assets

The three principal collections of heritage assets held in Gallery Oldham include:

- **Natural History** - Gallery Oldham holds an extensive natural history collection, made up of over 110,000 items of invertebrate, vertebrate and geological specimens.
- **Social History** - This collection consists of around 22,000 items and is of significant value as material evidence of the social history of Oldham and its people. The collections relate to the area's industrial history, archaeology, textiles and ephemera representing the everyday life of the Borough.

- **Fine and Decorative Art** - This collection consists of over 450 oil paintings, 500 watercolours and around 1,400 prints. Of particular interest are the Charles Lees collection of oil paintings, watercolours, drawings and engravings and 55 watercolours and drawings from the S. C. Turner Collection. A valuation in 2020 (see paragraph below) identified three paintings in the collection each with a market value in excess of £1.000m. These are works by J. W. Waterhouse. Alfred Munnings and William Orpen. There are also a small number of assorted photographic prints, drawings and mixed media works, sculptures and decorative arts.

Following a flood in 2018 the Council had the Gallery Oldham collections valued by external valuer, James Glennie (Arts & Antiques Appraisals). The valuation on a market value basis and assessed at £18.295m was undertaken by James Glennie at March 2020 (the opening balance has been amended to reflect the slight change the valuation).

In addition to the above three collections, the Council also has Civic Regalia which is either stored or displayed at the Civic Centre, an art collection and statues as discussed overleaf.

- **Civic Regalia** - The Council's Civic Regalia is reported in the Balance Sheet at the insurance valuation and at 31 March 2023 the value was £1.521m.
- **Statues/Other** - The assets within this category are deemed to have indeterminate lives, hence the Council does not consider it as appropriate to charge depreciation. Council owned statues are held on the Balance Sheet at their nominal value. An addition for 2022/23 is the Gothic Clock Tower, a listed heritage building. The Gothic Clock Tower is a non-operational asset and held as Heritage Asset for its historical qualities, principally for its contribution to knowledge and culture. At 31 March 2023, the Gothic Clock Tower is held at £1.274m.

Regularly, the Council's Gallery Team use their expert knowledge and understanding to determine if a change in insurance valuation is needed. This is based on the valuations given to items when agreeing loans to other museums and galleries as required. The 2020 valuation was based on wide research into sale prices at auctions around the world. This valuation was commissioned from Arts & Antiques Appraisals for the Gallery Oldham Collection, and this has been updated accordingly. It is the view of the Council that the most recent valuation is still relevant and there are no events which would materially change the financial statements

The following table summarises balances relating to Heritage Assets and the movements during the year:

	Art Collection £000	Civic Regalia £000	Statues/ other £000	Total Assets £000
Cost or Valuation				
1 April 2021	18,292	1,442	36	19,770
Additions	-	-	49	49
Impairment to CIES	-	-	(49)	(49)
31 March 2022	18,292	1,442	36	19,770
Cost or Valuation				
1 April 2022	18,292	1,442	36	19,770
Amendment to Opening Balance	3	-	-	3
Revaluation Gains/(Losses) Recognised in the Revaluation Reserve	-	79	-	79
Additions	-	-	1,274	1,274
Transfer from Assets Under Construction	-	-	15	15
31 March 2023	18,295	1,521	1,325	21,141

20. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line of the CIES:

	2021/22 £000	2022/23 £000
Rental Income from Investment Properties	(2,621)	(2,430)
Direct Operating Expenses (including repairs and maintenance)	1,037	877
Net Gain	(1,584)	(1,553)
Fair value movements on investment properties (Profit)/Loss on disposal	(983) (272)	(869) (134)
Total Income and Expenditure on relation to investment properties and changes in their fair value	(2,839)	(2,556)

The movement in the value of investment properties is disclosed below:

	2021/22 £000	2022/23 £000
Balance at 1 April	18,817	19,801
Disposals	(10)	(10)
Net (Loss)/Gain from Fair Value Adjustments	994	879
Transfers (to)/from Other Land and Buildings	-	120
Balance at 31 March	19,801	20,790

Fair Value Hierarchy

All the Council's investment properties have been valued as Level 2 on the fair value hierarchy for valuation purposes (see Note 35 Accounting Policy Section 1.23 for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment properties has been measured using a market approach, which considers quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Property Portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

21. Capital Expenditure and Capital Financing

The total value of capital expenditure incurred during the year is disclosed in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by the Council, the expenditure results in a decrease in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2021/22 £000	2022/23 £000
Opening capital financing requirement	491,713	469,012
Capital Investment		
Property Plant and Equipment	50,883	31,711
Infrastructure Assets	12,241	12,152
Heritage Assets	49	1,274
Revenue Expenditure Funded from Capital Under Statute	11,506	12,597
Intangible Assets	2,800	1,299
Sources of Finance		
Capital Receipts	(11,861)	(9,271)
Government Grants and Other Contributions	(64,162)	(32,411)
Sums Set aside from Revenue	(24,157)	(20,523)
Closing Capital Financing Requirement	469,012	465,840
Explanation of movements in year		
Decrease in Need to Borrow Supported by Government Financial Assistance	(2,742)	(2,742)
(Decrease)/Increase in Need to Borrow Unsupported by Government Financial Assistance	(20,449)	(675)
Assets Acquired Under Finance Leases	373	246
Increase/(Decrease) in Capital Financing Requirement	(22,818)	(3,172)

22. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and Government Grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders;
- Short-term loans from other Local Authorities;
- Lease payables detailed in note 13;
- Private Finance Initiative contracts detailed in note 29; and
- Trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
 - cash in hand;
 - bank current and deposit accounts with banks;
 - fixed term deposits with banks and building societies;
 - loans to other Local Authorities;
 - certificates of deposit and covered bonds issued by banks and building societies;
 - treasury bills and gilts issued by the UK Government;
 - loans to strategic partners made for service purposes;
 - lease receivables detailed in note 13; and
 - trade receivables for goods and services provided.
- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) consisting of equity investments in Manchester Airport Group, Oldham Property Partnership, Meridian Developments and Community 1st Oldham (Chadderton) Ltd held for service and strategic purposes, and;
- Fair value through profit and loss (all other financial assets) consists of pooled bond, equity and property funds managed by CCLA.

Financial assets held at amortised cost and some assets held at fair value through other comprehensive income are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Loans at Amortised Cost				
Principal sum borrowed	160,742	160,742	6,855	254
Accrued Interest	-	-	1,437	1,436
Effective Interest Rate (EIR) Adjustment	762	752	-	-
Total Borrowing *	161,504	161,494	8,292	1,690
Liabilities at Amortised Cost				
Finance Leases	303	213	315	262
PFI arrangements	203,826	193,110	8,959	10,716
Transferred Debt	38	33	6	6
Total Other Long-term Liabilities	204,167	193,355	9,280	10,984
Liabilities at Amortised Cost				
Trade Payables	-	-	48,036	52,543
Included in Creditors **	-	-	48,036	52,543
Total	365,671	354,850	65,608	65,217

* The total short-term borrowing includes £1.436m (2021/22: £8.037m) representing accrued interest [and principal repayments due within 12 months] on long-term borrowing.

** The creditors lines on the Balance Sheet include £20.799m (2021/22: £43.278m) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
At Amortised Cost				
Principal	3,045	226	27,500	20,000
Accrued Interest	-	-	26	245
At Fair Value Through Other Comprehensive Income				
Equity Investments elected FVOCI	23,408	34,123	-	-
At Fair Value Through Profit and Loss				
Fair Value	16,639	13,896	150	145
Total Investments *	43,092	48,246	27,676	20,390
At Amortised Cost				
Principal	-	-	57,846	30,015
Accrued Interest	-	-	8	79
Loss Allowance	-	-	671	(3,101)
At Fair Value Through Profit and Loss				
	-	-	-	-
Total Cash and Cash Equivalents	-	-	58,525	26,993
At Amortised Cost				
Trade Receivables	-	-	15,858	25,665
Loans made for service purposes	30,906	30,795	-	-
Accrued Interest	7,329	9,249	-	-
At Fair Value Through Other Comprehensive Income				
	-	-	-	-
Included in Debtors **	38,235	40,044	15,858	25,665
Total	81,327	88,290	102,059	73,049

* The total short-term investments includes £0.145m (2021/22: £0.150m) representing accrued interest on long-term investments.

** The debtors lines on the Balance Sheet include £33.301m (2021/22: £34.404m) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions or payments in advance.

Equity Instruments Elected to Fair Value through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair Value Level	Valuation technique used to measure Fair Value	Historic Cost		Fair Value	
			21/22 £000	22/23 £000	21/22 £000	22/23 £000
CCLA Property Fund	2	Unadjusted quoted prices in active markets for identical shares	-	-	16,639	13,896
Manchester Airport Shares	2	Earnings Based	-	-	18,608	20,100
Manchester Airport Car Park (1) Shares	2	Earnings Based	-	-	4,800	4,300
Oldham Property Partnership (OPP)	2	Earnings Based	-	-	-	2,256
Meridian Developments	2	Earnings Based	1,311	-	-	5,424
Community 1st Oldham (Chadderton) Ltd	2	Earnings Based	-	-	-	2,043
Total			1,311	-	40,047	48,020

The Council holds 3.22% shares in Manchester Airport Holdings Ltd, the shareholding is a strategic investment and not held for trading and therefore the Council has opted to designate it as fair value through Other Comprehensive Income. This means that there is no impact on the revenue budget and the decision to designate to fair value through other comprehensive income (FVOCI) is irrevocable. Any gains or losses on the valuation of the shareholding will therefore be transferred to a Financial Instruments Revaluation Reserve.

The Council along with the other nine Greater Manchester District Councils holds an equity investment in Manchester Airport Car Park (1) Limited. The Council's total original investment of £5.610m was to assist in funding the capital build of a car park in return for the issue of 3 C Shares in Manchester Airport Car Park (1) Limited. The value has decreased in year as can be seen in the above table. As in 2021/22, the shareholding is classed as a financial instrument and held at fair value on the Council's Balance Sheet. Under IFRS 9 the shareholding (investment) is designated as a strategic investment and not held for trading therefore the Council has opted to designate it as fair value through Other Comprehensive Income. This means that there is no impact on the revenue budget and the Council's decision to designate to fair value through other comprehensive income is irrevocable.

The Council also holds shares in both Oldham Property Partnership, Meridian Developments and Community 1st Oldham (Chadderton) Limited which during 2022/23 have been elected to be accounted as fair value through other comprehensive income. For further information see note 37 Critical Judgements in Applying Accounting Policies.

Financial Instruments Gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities at Amortised Cost £000	Financial Assets				2022/23 Total £000	2021/22 Total £000
		Amortised Cost £000	Fair Value through OCI £000	Elected to Fair Value through OCI £000	Fair Value through Profit & Loss £000		
Interest Expense	(26,155)	-	-	-	-	(26,155)	(26,677)
Losses on de-recognition	-	-	-	-	-	-	-
Losses from changes in fair value	-	-	-	(500)	(2,743)	(3,243)	(900)
Interest Payable and similar charges	(26,155)	-	-	(500)	(2,743)	(29,398)	(27,577)
Interest Income	-	1,687	-	3,573	-	5,260	3,417
Dividend Income	-	-	901	-	573	1,474	550
Gains from changes in fair value	-	-	-	9,904	-	9,904	3,409
Interest and investment income	-	1,687	901	13,477	573	16,638	7,376
Expected Credit Loss	-	(3,101)	-	-	-	-	671
Net Impact on surplus/(deficit) on provision of services	(26,155)	(4,788)	(901)	(13,977)	(3,316)	(46,036)	(34,282)

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the Council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair value of shares in Oldham Property Partnership, Meridian Developments and Community 1st Oldham (Chadderton) Limited, have been calculated from the company's balance sheet net assets.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for Local Authority loans;
- Discount rates for "Lender's Option Borrower's Option" (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.;
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;

- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made;
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield;
- No early repayment or impairment is recognised for any financial instrument; and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 – fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices, e.g. interest rates or yields for similar instruments; and
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The Council holds a 3.22% share in Manchester Airports Holdings Limited (MAHL) and 10% of the issued C Shares in Manchester Airport Car Park (1) Limited which represents a minority holding and does not confer any voting rights. The shares in both these companies are not traded in an active market; however, the fair value in MAHL shown above is based on a high degree of comparability to listed company data including any movement in share prices. The earnings-based method has been employed which takes as its basis the profitability of the company, assessing its historic earnings and arriving at a view of “maintainable” or “prospective” earnings.

The method involves the application of a price earnings ratio to maintainable or prospective earnings or post tax profits and draws on data from comparable quoted companies. The data is then adjusted by discount factors to allow for the fact that the shares are not publicly traded and that the Council holds a minority interest with no voting rights. These unobservable inputs have been developed using the best information about the assumptions that the market participants would use when pricing the asset.

The valuation has been made using the audited accounts of MAHL for the annual periods between 2019/20 and 2020/21 along with an interim 6-month report for the period ending 30 September 2022. These shares are subject to an annual valuation. In 2022/23 this has seen an increase in value of £1.492m.

The 10% holding in Manchester Airport Car Park (1) Limited is valued on the updated financial forecast and taking into account the Council valuation of its shareholding in MAHL. The data is then adjusted by discount factors to allow for the fact that the shares are not publicly traded and that the Council holds a minority interest with no voting rights.

The Council also holds units within the CCLA Property Fund. The fair value has been calculated using quoted share prices.

During 2022/23 the Council has changed the valuation method used for Oldham Property Partnership (OPP), Meridian Developments and Community 1st Oldham (Chadderton) Limited, to fair value and elected the investments through other comprehensive income. In line with IFRS 9 the shareholding investment is designated as a strategic investment and not held for trading, the Council’s decision to designate through FVOCI is irrevocable .

All other long-term investments are carried at historic cost, as these are the Council’s investments in subsidiaries and associates. The total value of the other long-term investments at 31 March 2023 is £0.226m.

	Fair Value Level	31 March 2022		31 March 2023	
		Balance sheet £000	Fair Value £000	Balance sheet £000	Fair Value £000
Financial Liabilities held at amortised cost:					
Long-term loans from PWLB	2	35,374	33,252	35,373	24,286
Long-term LOBO loans	2	87,165	129,734	87,153	105,869
Other long-term loans	2	47,258	67,040	40,659	35,123
Lease payables and PFI Liabilities	2	213,448	343,498	204,339	279,760
Total Financial Liabilities		383,245	573,526	367,524	445,038
Recorded on balance sheet as:					
Short-term creditors		48,037	-	52,543	-
Short-term borrowing		256	-	255	-
Total Financial Liabilities		431,538	573,526	420,322	445,038

The fair value of financial liabilities held at amortised cost is lower than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance Sheet date, where the value is higher this is due to interest rates payable on loans that are higher than current rates.

	Fair Value Level	31 March 2022		31 March 2023	
		Balance sheet £000	Fair Value £000	Balance sheet £000	Fair Value £000
Financial Assets held at Fair Value:					
Property funds ad non traded REITs	2	16,639	16,639	13,896	13,896
Strategic Partner Loans	2	36,994	40,657	38,914	52,753
Total Financial Assets		53,633	57,296	52,811	66,649
Recorded on balance sheet as:					
Short-term debtors		15,858	-	25,665	-
Short-term investments		27,526	-	20,245	-
Cash and cash equivalents		57,854	-	30,015	-
Long-term debtors		1,241	-	1,130	-
Long-term investments		26,453	-	34,349	-
Total Financial Assets		128,932	57,296	111,405	66,649

Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year, for the year 2022/23 this was approved at full Council 2 March 2022. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. This Strategy was set using the Treasury Advisors

Link Asset Services who were the appointed advisors at the time. This contract ended at the end of March 2023. Arlingclose Ltd. were appointed as Treasury Advisors for the financial year commencing April 2023.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Department for Levelling Up, Housing and Communities, Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk*: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council;
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time; and
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Overview

The Council is exposed to credit risk on the following categories of financial assets and commitments:

Exposure Category	31 March 2022 £000	31 March 2023 £000
Treasury Investments	90,300	70,780
Treasury Loan Commitments	38,235	40,044
Trade Receivables	17,769	22,792
Total Credit Risk Exposure	146,304	133,616

Credit Risk: Treasury Investments and Commitments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK Government, other Local Authorities and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made unless they meet the minimum requirements of the investment criteria outlined above and detailed below.

Oldham Council used the creditworthiness service provided by Link Asset Services for the financial year ending 31 March 2023. This service used a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as 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; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

Institutions are split into colour bandings to determine the maximum level and duration of the investment.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2022	31 March 2023
	Short - term	Short - term
	£000	£000
AAA	46,300	35,780
A +	4,000	
A -	30,000	10,000
Unrated Local Authorities	10,000	10,000
Total Credit Risk Investments	90,300	55,780

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 112% (2021/22: 67%) to adjust for current and forecast economic conditions. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2023, £0.008m (2021/22: £0.004m) of loss allowances related to treasury investments.

Credit Risk: Trade Receivables

The Council's credit risk on trade receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

Credit Rating	31 March 2023	
	Trade Receivables	Trade Receivables
	£000	£000
Neither past due nor impaired	8,879	5,649
Past due < 3 months	1,759	4,353
Past due 3 - 6 months	634	816
Past due 6 - 12 months	2,773	3,452
Past due 12 + months	7,437	8,521
Total Receivables	21,482	22,792

As at 31 March 2023, the Council had a balance of short-term debtors of £105.140m. A review of significant balances suggested that an expected credit loss of £46.174m was appropriate and sufficient. The calculation is based on the life-time expected credit losses for trade receivables, and they have been collectively assessed according to the groupings shown in the Note 23, for the purposes of calculating expected credit losses. Write offs occur only when all possible debt recovery procedures have been unable to secure payment. The Council's Long- Term Debtors have been reviewed and assessed for an Expected Credit Loss. This review has not identified that any impairment is required.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Credit Risk: Service Loans and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to a strategic partner. The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

Exposure Type	31 March 2022		31 March 2023	
	Balance Sheet £000	Risk Exposure £000	Balance Sheet £000	Risk Exposure £000
Loans at market rates	29,665	29,665	29,665	29,665
	29,665	29,665	29,665	29,665

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other Local Authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans. The Council holds £35.780m (2021/22: £46.300m) of liquid financial assets that can be withdrawn or sold at short notice if required to meet cash outflows on financial liabilities.

The maturity analysis of financial liabilities is as follows.

31 March 2023	< 1 yr	1 - 2 yrs	2 - 5 yrs	5 - 10 yrs	10 20 yrs	20 - 30 yrs	30 - 40 yrs	> 40 yrs	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing	57,190	5,000	27,500	12,741	5,000	5,000	5,000	45,001	162,432
Trade Payables	52,543	-	-	-	-	-	-	-	52,543
Financial Liabilities	109,733	5,000	27,500	12,741	5,000	5,000	5,000	45,001	214,976
Liquid financial assets	35,780	-	-	-	-	-	-	-	35,780
Net Liquidity Risk	73,953	5,000	27,500	12,741	5,000	5,000	5,000	45,001	179,196

31 March 2022	< 1 yr	1 - 2 yrs	2 - 5 yrs	5 - 10 yrs	10 20 yrs	20 - 30 yrs	30 - 40 yrs	> 40 yrs	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing	57,293	16,500	20,000	15,241	5,000	5,000	5,000	45,001	169,035
Trade Payables	48,036	-	-	-	-	-	-	-	48,036
Financial Liabilities	105,329	16,500	20,000	15,241	5,000	5,000	5,000	45,001	217,071
Liquid financial assets	46,300	-	-	-	-	-	-	-	46,300
Net Liquidity Risk	59,029	16,500	20,000	15,241	5,000	5,000	5,000	45,001	170,771

The Council has £85.500m (2021/22: £85.500m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option on set dates to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. The lender therefore has

the effective right to demand repayment and these loans are therefore shown in the tables above as maturing on the next option date.

Market Risk – Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense will rise;
- Borrowings at fixed rates – the fair value of the liabilities will fall;
- Investments at variable rates – the interest income will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2022 £000	31 March 2023 £000
Decrease in fair value of loans and investments at amortised cost	903	558
Decrease in fair value of fixed rate borrowing	(1,690)	(1,624)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

The Council has £85.500m (2021/22: £85.500m) of LOBO loans with maturity dates between 2053 and 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. In the current low interest rate environment, the likelihood of the lender increasing the rate is low; however, the likelihood will increase in later years should market interest rates rise.

Market Risks: Price Risk

The market prices of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk as described above.

The Council does not generally invest in equity shares or marketable bonds but does have shareholdings to the value of £48.246m in a number of joint ventures and in local companies. Whilst these holdings are generally illiquid, the Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

Of the shares mentioned above £34.123m have been elected as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) may occur, which would have resulted in a £1.604m gain or loss being recognised in the Financial Instrument Revaluation Reserve for 2022/23.

The Council holds investment units within the CCLA Property Fund that have been classified as Fair Value through Profit and Loss, however the Council has chosen to use the 5 year override as allowed by DLUHC that provides a statutory override which allows the Fair Value movements during the year (any gain or loss in price) to be taken to the Financial Instrument Revaluation Reserve. A loss of £2.743m was also recognised in 2022/23 in relation to the Council's holding in the CCLA Property Fund.

In 2022/23 the Council's holding in Manchester Airport, was re-valued resulting in a gain of £1.492m along with a loss of £0.500m in relation to the shareholding in Manchester Airport Car Park (1) Limited both of which were recognised in the Financial Instruments Revaluation Reserve.

The Council also holds shares in both Oldham Property Partnership, Meridian Developments and Community 1st Oldham (Chadderton) limited which during 22/23 have been elected to be accounted as fair value through other comprehensive income. Gains of £8.142m have been recognised in the Financial Instrument Revaluation Reserve.

Market Risks: Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies, and therefore has no exposure to loss arising from movement in exchange rates.

23. Debtors

The Council's short-term debtors (net of the expected credit loss) are as follows:

	31 March 2022 £000	31 March 2023 £000
Central Government Bodies	9,458	10,083
Other Local Authorities	1,750	803
NHS Bodies	5,051	3,572
Capital Debtors	4,181	7,908
Other Entities and Individuals	25,144	31,978
Payments in Advance	4,678	4,622
Total	50,262	58,966

The Council's long-term debtors (net of the expected credit loss) are as follows:

	31 March 2022 £000	31 March 2023 £000
Mortgages	6	6
Loans to Trusts, Community Interest Groups & Third Sector Organisations	409	301
Other Capital Loans & Advances	37,820	39,737
Total	38,235	40,044

24. Cash and Cash Equivalents

	31 March 2022 £000	31 March 2023 £000
Cash held by the Authority	126	113
Bank Current Accounts	68,506	41,414
Bank Overdraft	(10,779)	(11,433)
Total	57,854	30,094

25. Creditors

The Council's creditors are as follows:

	31 March 2022 £000	31 March 2023 £000
Central Government Bodies	(7,555)	(5,342)
Other Local Authorities	(746)	(1,510)
NHS Bodies	(2,093)	(3,009)
Capital Creditors	(4,333)	(3,867)
Other Entities and Individuals	(47,224)	(50,582)
Accumulated Absences	(4,715)	(5,706)
Receipts in Advance	(24,648)	(4,021)
Total	(91,314)	(74,037)

26. Provisions

The Council's provisions are as follows:

	Short Term		
	Insurance Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2022	(1,533)	(8,623)	(10,155)
Provisions released in 2022/23	939	3,381	4,320
Increase in Provision 2022/23	-	(83)	(83)
Balance at 31 March 2023	(594)	(5,325)	(5,918)

	Long Term			
	Insurance Provision £000	Pay and Reward Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2022	(5,042)	(2,001)	(2,500)	(9,543)
Provisions released in 2022/23	678	2,001	-	2,679
Balance at 31 March 2023	(4,364)	-	(2,500)	(6,864)

The Insurance Provision covers all historic legal liability claims including risks to employees whilst carrying out their duties, risks to the public and all other liability claims.

The Other Provisions represent amounts set aside to meet potential future liabilities; this includes a provision for Business Rates Appeals and changes in legislation.

27. Contingent Assets

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. The Council has identified the following contingent assets at 31 March 2023.

Housing Stock Transfer

The Housing Stock Transfer has resulted in two remaining contingent assets to the Council.

a) Right to Buy Sharing Agreement

As with other agreed housing stock transfers, the Council entered into an agreement with First Choice Homes Oldham (FCHO) and the Council's Housing PFI partners relating to the future sales under the Prescribed Right to Buy (PRTB) regulations. This relates to any future sales of the transferred stock to existing tenants.

The Council will receive capital receipts at the end of each financial year for any properties sold within the year. The value of the receipt is calculated using a formula that takes the net income forgone by FCHO/Housing PFI from the total proceeds from the sale of dwellings for that year.

b) VAT Shelter Arrangements

In normal circumstances, FCHO is not able to reclaim VAT on improvement works to dwellings. The VAT Shelter is an arrangement, used in every housing stock transfer since 2002, with HMRC's agreement, whereby FCHO can reclaim VAT on future improvement works to the transferred housing stock. Of the £229.792m of improvement works to be undertaken, an estimated £45.958m of VAT would be recoverable by FCHO over the 15 years post transfer.

The Council agreed a 50/50 share of the VAT Shelter with FCHO, after FCHO has retained its first tranche of recoverable VAT; this is a sum of £14.900m. This first tranche of VAT was utilised by FCHO during the first 4 years post transfer. FCHO also retained a second tranche of VAT shelter savings, totalling £6.000m. This second tranche was used solely for asbestos works that exceeded the amount estimated within the Stock Condition Survey of £7.200m, (net of inflation, fees, and VAT). This arrangement was agreed to mitigate the Council's overall risk of a contingent liability through an asbestos warranty. If the total amount of the second tranche is not needed, the remaining balance will be shared under the 50/50 sharing agreement.

The estimated value of VAT shelter savings for the Council is £14.900m. The amount received in any given year by the Council will be dependent on the value of works undertaken by FCHO on which VAT can be reclaimed. The Council received VAT savings totalling £5.893m up to 31 March 2023 and will continue to receive payments up to the values given above. The savings that are received by the Council will be treated as a capital receipt to support the Council's capital programme.

28. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liability at 31 March 2023.

1) Stock Transfer Warranties

The Council agreed to a number of warranties under the stock transfer agreements with First Choice Homes Oldham (FCHO) and other housing providers. Such arrangements gives rise to a possible obligation of the Council, which will be confirmed upon the occurrence or non-occurrence of the invocation of the warranties.

2) Historical Disputes

There is the potential that unforeseen future disputes based upon past working practices could give rise to a possible future financial obligation for the Council.

29. PFI and Similar Contracts

Oldham Library and Lifelong Learning Centre

The financial year 2022/23 was the eighteenth of a 25-year PFI contract for the construction, maintenance and operation of Information Technology (IT) and Facilities Management (FM) services of the Library and Lifelong Learning Centre in the town centre. The Council has rights under the contract to specify the opening times of the facility. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractor was obliged to construct the centres and to maintain them to a minimum acceptable condition, and to procure and maintain the plant and equipment needed to operate the facility. The building, and any plant and equipment installed, will transfer to the Council at the end of the contract for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement during the financial year.

Housing PFI Schemes

Sheltered Housing

The financial year 2022/23 was the seventeenth of a 30-year PFI contract with Oldham Retirement Housing Partnership (ORHP) for the demolition and new build (or refurbishment of), and the provision of management and maintenance services to, sheltered and warden supported properties in the Housing Revenue Account (HRA).

The dwellings will transfer to the Council at the end of the contract for nil consideration.

Gateways to Oldham Housing

The financial year 2022/23 was the twelfth of a 25-year PFI contract with Inspiral Oldham Limited (Inspiral) for the demolition and new build (or refurbishment of), and the provision of management and maintenance services to management of 620 HRA dwellings with. The contract also includes minor works to the external fabric of 153 leaseholder/owner occupied properties, for which the majority of associated costs will be met by the leaseholders/owner occupiers. The management of the dwellings within the HRA will transfer back to the Council at the end of the contract for nil consideration unless a separate contract is entered into either with Inspiral or an alternative contractor.

The Council has rights under both PFI housing contracts to specify arrangements around the demolition, new build and refurbishment of the dwelling together with the tenancy management services to be supplied. The contracts specify minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractors are obliged to demolish and rebuild/refurbish the dwellings and to maintain them to a minimum acceptable condition over the life of the contract.

The Council has rights to terminate the contracts in the event of non-performance but will be required to compensate the contractors, potentially including the repayment of any of the contractors' outstanding debt attributable to the contracts. There have been no changes to the arrangements during the financial year.

Chadderton Wellbeing Centre

The financial year 2022/23 was the fourteenth of a 30-year Local Improvement Finance Trust (LIFT) Lease Plus Agreement to build and maintain the Chadderton Wellbeing Centre. The Centre incorporates a library, sports centre, café and community rooms. The Council has rights under the contract to specify the opening times of the facility. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractor was obliged to construct the centre and to maintain it to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the facility. The Council has the option to purchase the Wellbeing Centre at the end of the contract and the cost of the eventual purchase has been factored into the Minimum Lease Payments. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement during the financial year.

Street Lighting PFI Scheme

The financial year 2022/23 was the twelfth of a 25-year joint PFI contract, with Rochdale Council, for the replacement of approximately 23,000 streetlights in Oldham in the first five years and the ongoing management and maintenance of the streetlights over the life of the contract. The Council has rights under the contract to detail the specification of the streetlights. The contract specifies minimum standards for the services to be supplied by the contractor, with deductions from the fee payable being made if performance is below the minimum standards. The contractor is obliged to replace and maintain the streetlights over the life of the contract. The streetlights will transfer to the Council at the end of the contract for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred, including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement during the financial year.

Education Services PFI Schemes

Schools (Radclyffe and Failsworth)

The financial year 2022/23 was the sixteenth of a 25-year PFI contract for the construction and maintenance of two secondary schools, Radclyffe and Failsworth, along with the provision of Facilities Management and IT services over the life of the contract. The schools and any plant and equipment installed in them will transfer to the Council at the end of the contract for nil consideration.

Building Schools for the Future

The financial year 2022/23 was the eleventh of a 25-year PFI contract for the construction and maintenance of a secondary school, The Blessed John Henry Newman RC Secondary School; along with provision of Facilities Management services, over the life of the contract.

The Council has rights, under both education services PFI contracts, to specify the opening times of the schools. The contracts specify minimum standards for the services to be provided by the contractors, with

deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractors were obliged to construct the schools and to maintain them to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the facility. The Council only has rights to terminate the contract, if it compensates the contractors in full for costs incurred including the repayment of any of the contractors' outstanding debt attributable to the contract. There have been no changes to the arrangements during the financial year.

Analysis of Payments due to be made under PFI and similar Contracts

The following table shows payments due to be made under PFI and similar Contracts in future financial years from 2023/24 onwards. All the payments under PFI and similar Contracts are linked in full or in part to Retail Price Index inflation and can be reduced if the contractor fails to meet availability and performance standards in any given financial year but are otherwise fixed. Lifecycle replacement costs have been included in the Service Charges element detailed in the table below.

	Library and Lifelong Learning Centre £000	Sheltered Housing £000	Gateways to Oldham Housing £000	Chadderton Wellbeing Centre £000	Street Lighting £000	Schools £000	Building Schools for the Future £000	Total £000
2023/24								
Repayment of Liability	799	3,483	1,936	34	567	2,841	1,055	10,715
Interest	795	6,822	3,480	955	1,368	2,525	2,450	18,395
Service Charges	1,526	6,877	4,316	557	2,647	3,983	2,277	22,183
Total	3,120	17,182	9,732	1,546	4,582	9,349	5,782	51,293
2024/25 to 2027/28								
Repayment of Liability	3,956	14,469	8,753	264	1,897	9,819	5,908	45,066
Interest	2,512	25,209	12,439	4,155	4,574	7,605	9,266	65,760
Service Charges	6,396	31,237	18,958	2,156	12,440	21,101	8,599	100,888
Total	12,864	70,915	40,150	6,575	18,911	38,525	23,773	211,714
2028/29 to 2032/33								
Repayment of Liability	3,836	22,352	17,933	813	6,035	18,195	9,035	78,199
Interest	1,188	27,532	14,198	6,083	5,424	4,217	7,438	66,080
Service Charges	4,476	43,890	21,048	2,292	13,541	26,741	14,820	126,810
Total	9,501	93,774	53,179	9,188	25,000	49,153	31,294	271,089
2033/34 to 2037/38								
Repayment of Liability	-	25,534	19,079	1,262	7,396	-	11,217	64,488
Interest	-	14,478	7,976	6,795	2,687	-	2,798	34,734
Service Charges	-	29,233	14,305	2,338	7,063	-	15,273	68,213
Total	-	69,245	41,360	10,395	17,146	-	29,288	167,435
2038/39 to 2040/41								
Repayment of Liability	-	-	-	5,356	-	-	-	5,356
Interest	-	-	-	2,245	-	-	-	2,245
Service Charges	-	-	-	852	-	-	-	852
Total	-	-	-	8,453	-	-	-	8,453
Repayments Total	8,592	65,839	47,701	7,728	15,896	30,854	27,216	203,826
Interest Total	4,496	74,041	38,094	20,233	14,052	14,347	21,952	187,214
Service Charges Total	12,399	111,236	58,627	8,195	35,691	51,826	40,970	318,943
Grand total	25,486	251,116	144,422	36,156	65,639	97,027	90,138	709,983

Analysis of Liabilities as a result of PFI and Similar Contracts

The payments to the contractor are described as Unitary Charges. They have been calculated to compensate the contractor for the fair value of the services the contractor provides, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liability to pay the contractors for capital expenditure incurred is as follows:

Scheme	Liability 31 March 2021	Repayments	Liability 31 March 2022	Repayments	Liability 31 March 2023
	£000	£000	£000	£000	£000
Library and Lifelong Learning Centre	9,933	(604)	9,329	(737)	8,592
Sheltered Housing	71,636	(2,947)	68,689	(2,851)	65,838
Gateways to Oldham	51,316	(1,859)	49,457	(1,755)	47,702
Chadderton Wellbeing Centre	7,977	(129)	7,848	(121)	7,727
Street Lighting	17,705	(865)	16,840	(943)	15,897
Schools	34,706	(2,307)	32,399	(1,545)	30,854
Building Schools for the Future	29,258	(1,035)	28,223	(1,007)	27,216
Total	222,531	(9,746)	212,785	(8,959)	203,826

Assets as a result of PFI and Similar Contracts

	Library and Lifelong Learning Centre £000	Sheltered Housing £000	Gateways to Oldham Housing £000	Chadderton Wellbeing Centre £000	Street Lighting £000	Schools £000	Building Schools for the Future £000	Total £000
Cost or Valuation								
At 1 April 2022	16,452	43,421	23,351	12,250	24,457	82,109	39,201	241,241
Additions	-	267	-	-	-	-	-	267
Revaluations recognised in Revaluation Reserve	1,690	853	(26)	900	-	11,823	5,662	20,902
Revaluations recognised in (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition-disposals	-	-	(139)	-	-	-	-	(139)
At 31 March 2023	18,142	44,541	23,186	13,150	24,457	93,932	44,863	262,271
Accumulated Depreciation & Impairment								
At 1 April 2022	-	3,745	1,630	-	4,817	-	-	10,192
Depreciation Charge	845	3,823	1,641	585	518	4,961	2,214	14,587
Depreciation Written out to Revaluation Reserve	(845)	(3,727)	(1,620)	(585)	-	(4,961)	(2,214)	(13,952)
Derecognition - Disposals	-	-	(10)	-	-	-	-	(10)
At 31 March 2022	-	3,841	1,641	-	5,335	-	-	10,817
Net Book Value at 31 March 2022	16,452	39,676	21,721	12,250	19,640	82,109	39,201	231,049
Net Book Value at 31 March 2023	18,142	40,700	21,545	13,150	19,122	93,932	44,863	251,454

	Library and Lifelong Learning Centre £000	Sheltered Housing £000	Gateways to Oldham Housing £000	Chadderton Wellbeing Centre £000	Street Lighting £000	Schools £000	Building Schools for the Future £000	Total £000
Cost or Valuation								
At 1 April 2021	15,410	42,187	22,216	11,420	24,457	75,103	35,771	226,564
Additions	-	36	748	-	-	-	-	784
Revaluations recognised in Revaluation Reserve	1,042	1,198	524	830	-	7,006	3,430	14,030
Revaluations recognised in (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition-disposals	-	-	(137)	-	-	-	-	(137)
At 31 March 2022	16,452	43,421	23,351	12,250	24,457	82,109	39,201	241,241
Accumulated Depreciation & Impairment								
At 1 April 2021	-	3,641	1,595	-	4,201	-	-	9,437
Depreciation Charge	731	3,745	1,630	502	616	4,107	1,851	13,182
Depreciation Written out to Revaluation Reserve	(731)	(3,641)	(1,595)	(502)	-	(4,107)	(1,851)	(12,427)
At 31 March 2022	-	3,745	1,630	-	4,817	-	-	10,192
Net Book Value at 31 March 2021	15,410	38,540	20,621	11,420	20,256	75,103	35,771	217,121
Net Book Value at 31 March 2022	16,452	39,676	21,721	12,250	19,640	82,109	39,201	231,049

30. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the cost by making contributions based on a percentage of scheme members' pensionable salaries.

The Scheme is technically a defined benefit scheme; however, the scheme is unfunded. The Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by Local Authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23, the Council paid £9.892m (£9.953m in 2021/22) to the Teachers Pensions Scheme in respect of teachers' retirement benefits, representing 22.80% (22.52% in 2021/22) of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. These costs are accounted for on a defined benefits basis and are detailed in Note 31.

31. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of the employment of its Officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS) which is administered locally by Tameside Metropolitan Borough Council. This is a funded defined benefit final salary pension scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by the employees rather than when they are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund through the MiRS. The following transactions have been made in the CIES and the General Fund Balance through the MiRS during the year:

	2021/22 £000	2022/23 £000
Service Cost		
Current service cost	(43,717)	(45,531)
Past service cost (including curtailments)	(882)	(1,670)
Effect of Settlements		1,371
Total service cost	(44,599)	(45,830)
Financing and Investment Income and Expenditure		
Interest income on scheme assets	21,564	33,770
Interest cost on defined benefit obligation	(30,861)	(41,718)
Total net interest	(9,297)	(7,948)
Total Post Employment Benefits Charged to the Deficit on the Provision of Services	(53,896)	(53,778)
Remeasurements of the Net Defined Liability Comprising:		
Return on plan assets excluding amounts included in net interest	99,228	(6,257)
Changed in demographic assumptions	12,515	14,529
Actuarial Gains/(losses) arising from changes in financial assumptions	103,143	601,642
Other experience and actuarial adjustments	(955)	(112,155)
Total Remeasurements Recognised in Other Comprehensive Income	213,931	497,759
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	160,035	443,981
Movement in Reserves Statement		
Reversal of net charges made to the deficit on the provision of services	53,896	53,778
Employers' Contributions Payable to the Scheme	(19,157)	(22,052)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

	2021/22 £000	2022/23 £000
Fair value of plan assets	1,185,190	1,341,433
Present value of funded liabilities	(1,430,565)	(1,134,538)
Present value of unfunded liabilities	(35,296)	(29,971)
Asset Ceiling Adjustment	-	(172,016)
Net Liability Arising From Defined Benefit Obligation	(280,671)	4,908

Asset Ceiling

Following the pensions valuation by the Councils actuary, Hymans Robertson LLP, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2023 resulting in a pension plan asset for the first time. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council's actuary's calculated the asset ceiling as the net present value of future service costs less net present value of future contributions.

The Council has therefore limited the Pension asset recognised in its balance sheet to the asset ceiling. The adjustment has been recognised within other comprehensive income and expenditure of the CIES.

Reconciliation of the Movements in Fair Value of Scheme Assets

	2021/22 £000	2022/23 £000
Opening fair value of scheme assets	1,094,303	1,185,190
Effect of Settlements	-	(1,275)
Effect of Business Combinations and Disposals	-	83,501
Interest income	21,564	33,770
Remeasurement Gain		
Return on plan assets excluding amounts included in net interest	99,228	(6,257)
Contributions from employer into the scheme	3,582	6,477
Contributions from employees into the scheme	5,499	6,563
Other Experience	-	74,153
Benefits paid	(38,986)	(40,689)
Closing Fair Value of Scheme Assets	1,185,190	1,341,433

The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. As such this estimate may differ from the actual assets held by the Pension Fund on 31 March 2023.

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	2021/22 £000	2022/23 £000
Opening fair value of scheme liabilities	1,538,591	1,465,861
Current service cost	43,717	45,531
Effect of Settlements	-	(2,646)
Interest cost	30,861	41,718
Effect of Business Combinations and Disposals	-	76,364
Contributions from scheme participants	5,499	6,563
Remeasurement Loss		
Actuarial (gains)/losses arising from changes in financial assumptions	(103,143)	(601,642)
Change to demographic assumptions	(12,515)	(14,529)
Other experience and actuarial adjustments	955	186,308
Past service cost	882	1,670
Benefits paid	(38,986)	(40,689)
Closing Fair Value of Scheme Liabilities	1,465,861	1,164,509

Pension Scheme Assets

	Period Ended 31 March 2022				Period Ended 31 March 2023			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage Total of Asset	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage Total of Asset
Equity Securities								
Consumer	92,223		92,223	8%	80,598		80,598	6%
Manufacturing	82,428		82,428	7%	74,160		74,160	6%
Energy and Utilities	56,128		56,128	5%	66,218		66,218	5%
Financial Institutions	123,919		123,919	10%	114,447		114,447	9%
Health and Care	63,226		63,226	5%	67,185		67,185	5%
Information Technology	63,337		63,337	5%	94,678		94,678	7%
Other	14,488		14,488	1%	15,251		15,251	1%
Debt Securities								
Corporate Bonds (investment grade)	47,354		47,354	4%	53,460		53,460	4%
UK Government	20,349		20,349	2%	32,057		32,057	2%
Other	35,145		35,145	3%	39,929		39,929	3%
Private Equity								
All	-	83,732	83,732	7%		100,340	100,340	7%
Real Estate								
UK Property	-	45,915	45,915	4%		52,190	52,190	4%
Investment Funds and Unit Trusts								
Equities	78,466		78,466	7%	71,654		71,654	5%
Bonds	122,298		122,298	10%	119,040		119,040	9%
Infrastructure	-	68,756	68,756	6%		107,196	107,196	8%
Other	23,946	134,473	158,419	13%	32,701	186,300	219,001	16%
Derivatives								
Other	(8,058)		(8,058)	-1%				0%
Cash and Cash Equivalents								
All	37,064		37,064	3%	34,029		34,029	3%
Totals	852,313	332,877	1,185,190	100%	895,407	446,026	1,341,433	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest valuation of the scheme as of 31 March 2023.

The significant assumptions used by the actuary have been:

	2021/22	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.3	19.8
Women	23.2	23.1
Longevity at 65 for future pensioners:		
Men	21.6	21.1
Women	25.1	24.9
Rate of increase in salaries	3.95%	3.75%
Rate of increase in pensions (CPI)	3.20%	2.95%
Rate for discounting scheme liabilities	2.70%	4.75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on possible changes to the assumptions occurring at the end of the reporting period. For each assumption change all other assumptions remain constant.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2021/22.

Change in Assumptions at 31 March 2023	Approximate % Increase to Employee Liability	Approximate Monetary Amount £000
0.1% decrease in real discount rate	2%	20,046
1 Year increase in member life expectancy	4%	46,580
0.1% increase in the salary increase rate	0%	2,045
0.1% increase in the pension increase rate	2%	18,297

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The contribution rate set by the current triennial valuation took effect from the financial year starting 1 April 2020.

The scheme has taken account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

In April 2020 the Council made an upfront payment of £46.726m to the Greater Manchester Pension Fund (GMPF) for the Council's employer contributions relating to the full triennial period 2020/21 to 2022/23.

The upfront payment allowed the Council to generate corporate savings as result of a lower employer contribution rate than would have otherwise been calculated. This reduced employer contribution rate was achievable based on the fact that upfront funds received by the GMPF were immediately being used to generate investment returns. The financial year 2022/23 was the last year covered by the upfront payment.

32. Cash Flow Statement - Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	2021/22 £000	2022/23 £000
Depreciation	38,272	39,894
Impairment and downward valuations	11,680	2,805
Amortisation	1,292	1,729
Increase/(decrease) in creditors	12,371	(17,343)
(Increase)/decrease in debtors	(5,474)	(6,985)
(Increase)/decrease in inventories	(16)	(144)
Movement in pension liability	50,314	40,163
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	9,172	5,618
Other non-cash items charged to the net surplus or deficit on the provision of services	(9,211)	(5,057)
	108,400	60,680
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(1,995)	8
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,453)	(7,849)
Any other items for which the cash effects are investing or financing cash flows	(59,458)	(38,762)
	(70,906)	(46,603)
The cash flows for operating activities include the following items:		
Interest received	122	3,126
Interest paid	(26,691)	(26,168)
Dividends received	550	1,474
	(26,019)	(21,568)

33. Cash Flow Statement - Investing Activities

	2021/22 £000	2022/23 £000
Purchase of property, plant and equipment, investment property and intangible assets	(63,560)	(46,657)
Purchase of short-term and long-term investments	(20,000)	(10,000)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,453	7,849
Proceeds from short-term and long-term investments	35,710	18,999
Other receipts from investing activities	58,522	35,036
Net cash flows from investing activities	20,125	5,227

34. Cash Flow Statement - Financing Activities

	2021/22 £000	2022/23 £000
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(10,151)	(9,324)
Repayments of short and long-term borrowing	(6,421)	(6,605)
Other payments for financing activities	3,469	509
Net cash flows from financing activities	(13,103)	(15,420)

34a. Reconciliation of Liabilities Arising from Financing Activities

	1 April 2022 £000	Financing cash flows £000	Acquisition £000	Other non-cash changes £000	31 March 2023 £000
Long-term borrowings	161,504	-	-	(10)	161,494
Short-term borrowings	8,293	(6,600)	-	(3)	1,690
Lease Liabilities	618	(365)	246	(24)	475
Transferred Debt	44	(5)	-	-	39
On balance sheet PFI Liabilities	212,785	(8,959)	-	-	203,826
Amounts included as part of (debtor)/creditor balances:					
Amounts owed to/from Collection Fund preceptors	(225)	509	-	-	284
Total Liabilities from financing activities	383,019	(15,420)	246	(37)	367,808

	1 April 2021 £000	Financing cash flows £000	Acquisition £000	Other non-cash changes £000	31 March 2022 £000
Long-term borrowings	168,355	(241)	-	(6,610)	161,504
Short-term borrowings	6,697	(5,000)	-	6,596	8,293
Lease Liabilities	651	(405)	373	-	619
Transferred Debt	1,224	(1,180)	-	-	44
On balance sheet PFI Liabilities	222,531	(9,746)	-	-	212,785
Amounts included as part of (debtor)/creditor balances:					
Amounts owed to/from Collection Fund preceptors	(3,696)	3,469	-	-	(227)
Total Liabilities from financing activities	395,762	(13,103)	373	(14)	383,018

35. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Amendment) Regulations 2022, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

Unless otherwise stated the convention used in this document is to round to amounts the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).

1.2 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a £10,000 de minimis limit for the recognition of Capital Expenditure.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets, infrastructure assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets – fair value, determined by the measurement of the highest and best use value of the asset;
- all other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio line(s) in the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant Portfolio line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer;
- infrastructure – See section below.

Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and/or whose life is significantly different to the life of the host (main) asset, the components are depreciated separately.

Components are recognised in the financial year where:

- there has been a revaluation of asset;
- there has been an acquisition of assets within the financial year; and
- enhancement expenditure has been incurred within the financial year.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value of disposals is not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. If the disposal relates to housing assets a proportion of the capital receipt is payable to the Government (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances). For 2022/23 and 2023/24 the Council can benefit from the flexibilities in the amendment on Right to Buy (RTB) receipts. The Council for the two specified years can retain 100% RTB receipts to finance capital expenditure on housing projects. The balance of receipts is required to be credited to the Useable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement).

Receipts are transferred to the Useable Capital Receipts Reserve from the General Fund Balance in the MiRS.

Infrastructure Assets

Infrastructure assets include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land which together form a single integrated system.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual's basis, provided that it is probable that the future economic benefit associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are measured at depreciated historical cost. This is, however, a modified form of historical cost. Opening balances for highways infrastructure assets were originally recorded in the balance sheet at amounts of capital undischarged for sums borrowed at 1 April 1994, which was deemed at the time to be historical cost.

Impairment

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives.

Annual depreciation is the depreciation amount allocated each year.

The useful lives of the various parts of the highways network are detailed below:

Elements of the Highway Network	Useful Life (Years)
Carriageways	27
Footways and Cycle Tracks	45
Structures	107
Street Lighting	40
Street Furniture	40
Traffic Management Systems	15

Disposal and Derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off the 'Other Operating Expenditure' line in the CIES as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the CIES, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written off amounts of disposal are not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate

arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the MiRS.

1.3 Heritage Assets

The Council holds the Council's Heritage Assets principally for their contribution to knowledge and/or culture. They are recognised and measured, including treatment of revaluation gains and losses, in accordance with the Council's Accounting Policies on Property Plant and Equipment. However, some of the measurement rules are relaxed allowing the Council's Heritage Assets to be included on the Balance Sheet at their insured value where available. Where insurance valuations are not available and the Council has no records of the original cost of the asset, then there is a narrative disclosure of the asset.

Heritage assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration to a Heritage Asset, or doubts arise to its authenticity, the value of the asset has to be reviewed.

1.4 Investment Property

Investment properties are those assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated, and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are charged to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MiRS and charged to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve.

1.5 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- The value of the services received during the year – debited to the relevant service in the CIES;

- Finance cost – an interest charge is raised on the outstanding Balance Sheet liability and debited to the Financing and Investment Income and Expenditure line in the CIES. The interest rate is calculated for each scheme so that the Balance Sheet liability is zero at the end of each contract;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- Payment towards liability – applied to write down the Balance Sheet liability;
- Lifecycle replacement costs – are split between revenue and capital costs. Revenue lifecycle costs are debited to the relevant service in the CIES. Capital lifecycle costs are debited to Property Plant and Equipment to reflect the enhancement of the PFI Asset.

1.6 Accounting for Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community;
- Voluntary Controlled;
- Voluntary Aided;
- Foundation; and,
- Foundation Trust.

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets or have had rights to use the assets transferred to them through a licence arrangement.

When a maintained school converts to an Academy, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Other Operating Expenditure in the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

1.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.8 Capital Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in the approved Minimum Revenue Provision policy. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is included in the MiRS with the Capital Adjustment Account charged with the difference between the two amounts.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for, in full in the year that the grant is received. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MiRS.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.23 Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI).

The Council has made an irrevocable election to designate two of its equity instruments as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The assets are initially measured and carried at fair value. The value is based on the principal that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuation.

Dividend income is credited to Financing and Investment Income and Expenditure in the CIES when it becomes receivable by the Council.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Instruments Entered into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

1.10 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Employee Accumulated Absence Accrual

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current

accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday entitlement occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services lines in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Greater Manchester Local Government Pension Scheme - administered by Tameside Metropolitan Borough Council;
- The Teachers' Pension Scheme - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE); and
- The NHS Pension Scheme - administered by EA Finance NHS Pensions.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the CIES is charged with the employer's contributions payable to Teachers' Pension Scheme in the year and also charged with the employer's contributions payable to the NHS Pension Scheme in the year. The Community Health & Adult Social Care Portfolio line in the CIES Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Greater Manchester Local Government Pension Scheme

The Greater Manchester Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on a basket of high-quality corporate bonds, Government gilts and other factors).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price; and
- property – market value.

The change in the net pension liability is analysed into following components:

- current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the CIES to the services for which the employees worked;
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs; and
- net interest on the net defined benefit liability - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- contributions paid to the Greater Manchester Pension Fund - cash paid as employer contributions to the pension scheme in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the accounting standards. In the MiRS this means that there are appropriations to and from the Pensions Reserve, to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund, and pensioners, and any such amounts payable but unpaid at the year-end. Where there is a negative balance that arises on the Pensions Reserve it measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not

be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

1.12 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of a change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.14 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payment; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants are credited to the CIES but have yet to be used to fund revenue expenditure, it is posted to the Revenue Grant Reserve. When eligible expenditure is incurred in future years the grant is transferred back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

1.15 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are further explained in the relevant policies.

1.16 Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council

has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

1.17 Tax Income

Council Tax, Retained Business Rates and Business Rates Top-up Grant income included in the CIES for the year will be treated as accrued income.

Business Rates, Business Rates Top-up Grant and Council Tax income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. As a Billing Authority, the difference between the Business Rates and Council Tax included in the CIES and the amount required by regulation credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the MiRS. Each major preceptor's share of the accrued Business Rates and Council Tax income is available from the information that is required to be produced in order to prepare the Collection Fund Statement.

Business Rates and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to the relevant services in accordance with the Authority's arrangements for accountability and financial performance, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation;
- Non-Distributed Costs – changes in past service costs and impairment losses chargeable on Assets Held for Sale.

Corporate and Democratic Core is identified as a separate heading in the CIES. Non-Distributed Costs form part of the Capital and Treasury Portfolio in line with the Council's local reporting format.

1.19 Value Added Tax (VAT)

Value Added Tax payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.20 Interests in Companies and Other Entities

The Council has material interests in external entities that are classified as subsidiaries and therefore group accounts have been prepared. In the Council's single entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the CIES.

1.21 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in Accounting Policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.22 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting Events - Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Non-Adjusting Events - Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.23 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the amount that would be received from the sale of an asset or paid over to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its non-financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

36. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2023/24 Code are:

- IFRS 16 Leases (but only for those Local Authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year);
- Where an Authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 Statements of Accounts;
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021; and
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Work on the implementation of the Code changes is still ongoing and the full impact on the Council's single entity and group accounts has not been fully assessed yet.

37. Critical Judgements in Applying Accounting Policies

The following disclosure sets out critical judgements applied to the Accounting Policies of the Council that have a significant impact on the presentation of the financial statements. Critical estimation uncertainties are described in the note.

Upfront Pension Payment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3-year period 2020/21 – 2022/23, the Council agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) could be paid as a single up-front payment. Subsequently, in April 2020 the Council paid £46.726m based on an estimated pensionable payroll of £79.874m per annum in order to make a budget saving. In line with the Council's accounting policies, in 2020/21 the amounts relating to 2021/22 and 2022/23 were offset against the pension liability on the Balance Sheet. These amounts will be reflected in the Pension Reserve in the years to which they relate.

At the close of the triennial period (2022/23) the pension reserve and the pension liability have been brought into line with each other. For further details see note 31 Defined Benefit Pension Schemes.

Accounting for Schools – Balance Sheet Recognition of Schools

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by Local Authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises school land and buildings on its Balance Sheet where it directly owns the assets or where the school or school Governing Body own the assets or where rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The Council has completed a school-by-school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The types of schools that have been assessed are shown below:

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Special Schools	Total
Community	24	1	1	26
Voluntary Controlled (VC)	5	-	-	5
Voluntary Aided (VA)	27	1	-	28
Foundation/Foundation Trust	4	1	-	5
Maintained Schools	60	3	1	64
Academies	25	10	6	41
Total	85	13	7	105

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

The Council has entered into Private Finance Initiative (PFI) agreements to build and operate three schools in the Borough. One is a VA school; one is a Foundation Trust school and the remaining school is an Academy. Whilst the land which the buildings are sited on has been transferred to the respective Diocese, Trust and Academy, the ownership of the buildings is determined by who holds the balance of control in line with accounting standards. The Council considers the buildings associated with these schools should be included on its Balance Sheet because:

- The reversion clause within the PFI agreement results in the Council having a residual interest in the buildings at the end of the agreement;
- The services provided and the use of the building is controlled by the Council through the PFI agreement;
- The PFI agreement is between the PFI contractor and the Council.

Legal ownership of VC school land and buildings usually rests with a charity, normally a religious body. Four VC schools are owned by the Diocese which have granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet. The remaining VC school land and buildings are owned by the Council and included on the Balance Sheet.

Legal ownership of the VA school land and buildings rests with the relevant Diocese. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. There are five Foundation schools in the Borough. For one school, the Governing Body has legal ownership of the land and buildings and thus these are included on the Council's Balance Sheet. For the remaining Foundation Trust school, a separate Trust owns the land and buildings so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. The land and building assets are not owned by the Council and are therefore not included on the Council's Balance Sheet.

Group Boundaries

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

Those entities which fall within the boundary and are considered to be material are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated if all of its business is with the Council and eliminated on consolidation – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk.

The Council has assessed its group boundary for 2022/23. The Council has identified one subsidiary who are considered to be material and will be consolidated into its group accounts. The subsidiary included is MioCare Group Community Interest Company (CIC). Further details can be found in the group accounts in section 5.

Investment Properties

Investment properties have been assessed using the identifiable criteria under the International Accounting Standards and are being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property, such as regeneration.

Equity Investments

The Council has equity investments in Oldham Property Partnership, Meridian Developments and Community 1st Oldham (Chadderton) Ltd. Following a review of the Council's equity investments under the accounting standard IFRS 9 Financial Instruments, the default valuation method of the Council's equity holdings would be Fair Value through Profit and Loss. However, these equity investments are strategic investments and not held for trading, therefore the Council, has designated the investment as fair value through Other Comprehensive Income. The decision to designate to fair value through Other Comprehensive Income is irrevocable and it is the Council view that this is a reasonable and reliable accounting policy for these investments.

38. Assumptions Made About the Future and Other Sources of Estimation Uncertainty

Pension Liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

During 2022/23 the Council's actuaries advised that the net pension liability had decreased by £457.595m to a surplus position of £176.924m. In line with the Code of Practice the Council requested an Asset Ceiling calculation from the actuary. This resulted in the creation of a Pension Asset of £4.908m to be held on the Balance Sheet under Long Term Assets.

The effect of changes in the individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £20.046m. A 0.1% increase in the assumed salary increase rate would result in a £2.045m increase in the pension liability and an increase of 0.1% in the assumed pension increase rate would increase the pension liability by £18.297m.

39. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance on 31 May 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4.1 Housing Revenue Account (HRA)

Housing Revenue Account Income and Expenditure Statement

HRA Income and Expenditure Statement	2021/22 £000	2022/23 £000
Expenditure		
Repairs and Maintenance	3,801	4,123
Supervision and Management	4,838	5,248
Rent, rates, taxes and other charges	3,134	3,113
Depreciation, impairment and revaluation losses of non-current assets	7,902	5,929
Debt management costs	145	145
Total Expenditure	19,820	18,558
Income		
Dwellings rents	(8,787)	(9,118)
Non-dwelling rents	(36)	(34)
Charges for services and facilities	(1,060)	(1,114)
Contributions towards expenditure	(56)	(44)
PFI Credits receivable	(18,799)	(18,799)
Total Income	(28,738)	(29,109)
Net Surplus relating to HRA Services as included in the Comprehensive Income and Expenditure Statement	(8,918)	(10,550)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
Gain on sale of HRA non-current assets	(326)	(359)
Movement for the allowance of bad debts	-	79
Interest payable and similar charges	10,674	10,867
HRA Interest and investment income	-	(268)
Deficit/(Surplus) for the year on HRA Services	1,429	(231)

Statement of Movement in the Housing Revenue Account

Movement on the HRA Statement	2021/22 £000	2022/23 £000
Opening Balance at 1 April	(21,370)	(21,719)
Surplus for the year on the HRA Income and Expenditure Statement	1,429	(231)
Adjustments between accounting basis and funding basis under statute	(1,779)	(634)
(Increase)/Decrease in the HRA Balance at 31 March	(350)	(866)
Closing Balance	(21,719)	(22,585)

Note to Movement on the HRA Statement	2021/22 £000	2022/23 £000
Analysis of adjustments between accounting basis and funding basis under statute		
Depreciation, impairment and revaluation losses of non-current assets	(7,916)	(5,941)
Minimum Revenue Provision	4,806	4,606
Gain or loss on sale of HRA fixed assets	340	371
Capital Expenditure funded by the HRA	912	210
Transfer to Major Repairs Reserve	78	120
Net Adjustment	(1,779)	(634)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Note on the Preparation of the Housing Revenue Account

The Council has followed the guidance in the CIPFA Code of Practice on Local Authority Accounting 2022/23 for the production of its 2022/23 Statement of Accounts. However, there is one area where, in order to achieve a true and fair view, the Council has departed from the guidance which is explained below.

From 2017/18 the transitional arrangements which allowed for the reversal of the depreciation charge from the HRA came to an end. The new Item 8 Determination issued by the Ministry of Housing, Communities and Local Government, now DLUHC on 24 January 2017 confirmed that depreciation should be charged to the HRA in accordance with proper accounting practices. Therefore from 2017/18 a charge equal to depreciation should have been made to the HRA and passed to the Major Repairs Reserve (MRR) for the purpose of future repairs and maintenance.

However, as the majority of the Council HRA dwellings are covered by Private Finance Initiative (PFI) contracts (until 2036), any future repairs and maintenance costs are already included within the unitary charge the Council pays on PFI schemes. The Council will therefore have no need to build up the MRR and the HRA would, in effect, be charged twice for repairs and maintenance of dwellings. If the Council began to charge the HRA with depreciation (without reversal) the HRA would quickly fall into deficit and build up a significant MRR that would not be required.

Previously, the Department of Levelling Up, Housing and Communities (formerly known as MHCLG) has confirmed that depreciation need not be charged to the HRA in respect of Oldham's PFI housing stock. Therefore, the Council will continue with the accounting treatment previously permitted under the transitional arrangements and has reversed the depreciation charge from the HRA to the Capital Adjustment Account.

The financial impact of the accounting treatment prescribed by CIPFA is shown in the table below.

	Current 2022/23 Balance £000	Adjustment for the Item 8 Determination £000	Adjusted 2022/23 Balance £000
Housing Revenue Account	(22,584)	5,627	(16,957)
Major Repairs Reserve	(885)	(5,627)	(6,512)

The HRA financial statements present a true and fair view of the Council's HRA financial position, financial performance and cash flows, the Council has complied with the CIPFA Code of Practice in all areas except that which is described above.

4.1.1 Explanatory Notes to the Housing Revenue Account

H1. Housing Stock – Numbers

At 31 March 2023, the Council had a total housing stock of 2,094 dwellings. This was comprised of 1,240 Houses and Bungalows, and 854 Flats and Maisonettes.

The balance sheet value of HRA assets was as follows:

	31 March 2022 £000	31 March 2023 £000
Dwellings	75,218	76,514
Other Operational Property	7,173	7,613
Plant and Machinery	763	946
Total	83,154	85,073

The Vacant Possession Dwellings valuation is £207.588m as at 31 March 2023. The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA shows the cost of providing Council housing at less than open market rents.

H2. Depreciation and Impairment of Assets

Depreciation and impairment of Property, Plant and Equipment is shown below.

Depreciation	Operational Assets £000
Balance at 1 April 2022	5,783
Depreciation written off during the year	(5,600)
Depreciation during the year – Dwellings	5,594
Depreciation during the year - Other land and Buildings/Plant & Machinery	120
Balance at 31 March 2023	5,897

Impairment and Revaluation Loss	Operational Assets £000
Balance at 1 April 2022	(3,980)
Revaluation loss during the year	(550)
Balance at 31 March 2023	(4,530)

The HRA assets are subject to an annual revaluation programme, as a result any impairments or revaluation losses are written off against the revised revaluation and reflected in the gross value.

4.2 Collection Fund

Collection Fund Statement

2021/22 Total £000		2022/23 Council Tax £000	2022/23 Business Rates £000	2022/23 Total £000	Note
	Income				
(119,122)	Council Tax Payers	(125,813)		(125,813)	C2 C3
(49,114)	Income from Business Ratepayers		(49,171)	(49,171)	
(168,236)		(125,813)	(49,171)	(174,984)	
	Expenditure				
	Precepts:				
98,852	- Oldham Council	103,246	-	103,246	
12,487	- Greater Manchester Mayoral Police and Crime Commissioner Precept	13,116	-	13,116	
5,202	- Greater Manchester Mayoral General Precept (including Fire and Rescue Services)	5,914	-	5,914	
	Contribution Towards Previous Year's Council Tax Deficit				
(1,119)	- Oldham Council	(2,438)	-	(2,438)	
(139)	- Greater Manchester Mayoral Police and Crime Commissioner Precept	(306)	-	(306)	
(61)	- Greater Manchester Mayoral General Precept (including Fire and Rescue Services)	(130)	-	(130)	
	Business Rates:				
51,166	- Payments to Oldham Council	-	51,850	51,850	
517	- Greater Manchester Mayoral General Precept (including Fire and Rescue Services)	-	524	524	
	Contribution Towards Previous Year's Business Rates Deficit				
(23,203)	- Payments from Oldham Council	-	(10,274)	(10,274)	
(234)	- Greater Manchester Mayoral General Precept (including Fire and Rescue Services)	-	(104)	(104)	
295	Cost of Collection	-	294	294	
231	Transitional Protection Payments Due for the Year	-	45	45	
1,854	Change in Allowance for Non Collection	3,863	(236)	3,627	
2,865	Write-offs charged to Collection Fund	-	-	-	
1,444	Change in provision for alteration of lists and appeals	-	(3,230)	(3,230)	
150,157		123,265	38,869	162,134	
(18,079)	Deficit/(Surplus) for the year	(2,548)	(10,302)	(12,850)	
	Collection Fund Balance				
27,212	Balance brought forward at 1 April	2,958	6,175	9,133	
(18,079)	Deficit/(Surplus) for the year	(2,548)	(10,302)	(12,850)	
9,133	Balance carried forward at 31 March	410	(4,127)	(3,717)	
	Allocated to:				
8,622	- Oldham Council	345	(4,086)	(3,741)	
315	- Greater Manchester Police and Crime Commissioner	45	-	45	
196	- Greater Manchester Mayoral General Precept (including Fire and Rescue Services)	20	(41)	(21)	
9,133		410	(4,127)	(3,717)	

Explanatory Notes to the Collection Fund

C1. General

The Council is required to maintain a separate agency Collection Fund account. The Collection Fund account includes all transactions relating to collection of Business Rates and Council Tax income from taxpayers and their distribution to Local Government bodies. The Collection Fund is accounted for separately from the General Fund.

Any Collection Fund surpluses or deficits declared by Oldham Council (the Billing Authority) in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For Oldham, the Council Tax precepting body is the Greater Manchester Combined Authority (GMCA) for both the Mayoral Police and Crime Commissioner Precept and the Mayoral General Precept (including Fire and Rescue Services).

Business Rates surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised Business Rate regulations. The Council continues to be part of the Greater Manchester 100% Business Rates Retention pilot scheme, therefore for 2022/23 the Oldham Council share is 99% with the remainder paid to the GMCA for the Mayoral General Precept (including Fire Service).

The financial year 2022/23 marks the third and final year of charges relating to the spreading of the 2020/21 exceptional balances for both Council Tax and Business Rates. The intention to implement the three-year local tax collection fund deficit phasing was announced by the Secretary of State on 2 July 2020. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament on 5 November 2020 and came into force on 1 December 2020. The regulations amended the rules governing the apportionment of Collection Fund surpluses and deficits for Council Tax and Business Rates set out in the Local Authorities (Funds) (England) Regulations 1992 and the Non-Domestic Rating (Rates Retention) Regulations 2013. The phasing of deficits relates only to the 'exceptional amount' (i.e. relating to COVID-19), therefore does not include any amount brought forward into the Collection Fund, relating to previous years surpluses or deficits.

C2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2022/23 was 57,450 (57,200 in 2021/22) and was approved at the Cabinet meeting on 24 January 2022, the Tax Base was calculated as follows:

Band	Equivalent Number of Dwellings after Discounts, Exemptions and Reliefs	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	152.50	5/9	85
A	43,735.50	6/9	29,157
B	15,657.75	7/9	12,178
C	14,944.50	8/9	13,284
D	6,623.50	9/9	6,623
E	3,193.75	11/9	3,904
F	1,475.25	13/9	2,131
G	861.75	15/9	1,436
H	56.25	18/9	113
Net effect of Local Council Tax Support Scheme (LCTSS) and other adjustments such as assumed tax base increases in 2022/23			(9,531)
Tax Base before adjustment for collection rate			59,380
Estimated collection rate			96.75%
Tax Base for the Calculation of Council Tax			57,450

Dwellings for residents entitled to 'disabled relief reduction' are reduced to the next lowest band for the calculation of Council Tax. As band 'A' is the lowest band, 'A reduced' has been introduced to give effect to this reduction for those who reside in Band A properties. Income received from Council Tax taxpayers in 2022/23 was £125.813m (£119.122m 2021/22).

C3. Business Rates

The Council collects Business Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

For 2022/23, the total non-domestic rateable value at 31 March 2023 is £155.560m (£156.833m in 2021/22). The Government once again decided to freeze the business rate multipliers, therefore for 2022/23 the multipliers were set at 49.9p for qualifying Small Businesses, and the standard multiplier being 51.2p for all other businesses (49.9p and 51.2p respectively in 2021/22).

5.0 Group Accounts

Introduction

The Council is a complex organisation and undertakes a broad range of activities, often in conjunction with external organisations. In some cases the Council has an interest in these organisations demonstrated through ownership or control/significant influence.

The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

As a subsidiary entity, MioCare Group CIC (MioCare), has been consolidated on a line by line basis with all intra-group transactions and balances removed.

5.1 Group Comprehensive Income and Expenditure Statement (CIES) The Council has restated the CIES for 2021/22. The 2021/22 Cost of Services figures are presented in the 2022/23 reporting structure to enable a comparison between the years.

2021/22 - Restated				2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
128,460	(52,880)	75,580	Community Health and Adult Social Care	137,759	(53,803)	83,957
293,238	(205,880)	87,358	Children's Services	317,849	(219,188)	98,662
35,706	(7,764)	27,942	Public Health	33,091	(5,182)	27,908
11,530	(3,021)	8,509	Communities	10,447	(1,375)	9,073
82,951	(32,408)	50,543	Place and Economic Growth	89,384	(36,730)	52,653
37,787	(13,149)	24,638	Corporate Services	26,944	(11,663)	15,281
37,642	(44,346)	(6,705)	Capital, Treasury and Technical Accounting	40,952	(44,038)	(3,086)
6,815	-	6,815	Corporate and Democratic Core	6,851	-	6,851
19,668	(28,738)	(9,070)	Housing Revenue Account	18,559	(29,108)	(10,550)
653,796	(388,186)	265,611	Cost of Services	681,836	(401,087)	280,749
			Other Operating Expenditure			
		300	Parish Council precepts			314
		392	Payments to Housing capital receipts to government pool			185
		33,089	Levies			33,289
		(2,013)	(Gains)/losses on the disposal of non-current assets			(2,094)
		31,769	Total Other Operating Expenditure			31,694
		27,923	Financing and Investment Income and Expenditure			24,417
		(313,352)	Taxation and Non-Specific Grant Income			(303,784)
		11,951	(Surplus) or Deficit on Provision of Services			33,076
		93	Tax expense of Subsidiaries			272
		12,044	Group (Surplus)/Deficit			33,348
		(49,920)	Other Comprehensive Income and Expenditure			
		1,260	Revaluation (gains)/losses non-current assets			(73,528)
		(62)	Impairment losses on non-current assets			106
		(243,696)	(Surplus) or deficit on revaluation of available for sale financial assets			(9,404)
		-	Remeasurement of net defined benefit liability			(498,715)
		-	Asset Ceiling Adjustment			172,016
		-	Deferred Tax relating to pension scheme			(182)
		-	Dividends Paid			-
		(292,418)	Total Other Comprehensive Income and Expenditure			(409,707)
		(280,374)	Total Comprehensive Income and Expenditure			(376,359)

5.2 Group Movement in Reserves Statement

This statement shows the movement in the year of the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and other reserves. The 'Surplus or Deficit on the Provision of Services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and Housing Revenue Account for Council Tax setting and dwelling rent setting purposes.

Movement in reserves during 2022/23	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Group reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Restated Balance at 1 April 2022/23	(20,011)	(120,150)	(140,161)	(21,721)	-	(884)	(15,947)	(178,713)	(115,856)	(294,569)	(706)	(295,275)
Council's Share of Unity Partnership following removal from Group Accounts	-	-	-	-	-	-	-	-	-	-	(1,568)	(1,568)
Restated Balance at 1 April	(20,011)	(120,150)	(140,161)	(21,721)	-	(884)	(15,947)	(178,713)	(115,856)	(294,569)	(2,274)	(296,843)
Total Comprehensive Income and Expenditure	15,957	-	15,957	(230)	-	-	-	15,727	(408,569)	(392,842)	16,483	(376,359)
Adjustments Between Accounting Basis and Funding Basis under regulations	(9,730)	-	(9,730)	(634)	-	(120)	(6,351)	(16,835)	16,835	-	-	-
Adjustments Between Group Accounts and Authority Accounts	15,917	-	15,917	-	-	-	-	15,917	-	15,917	(15,917)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	22,144	-	22,144	(864)	-	(120)	(6,351)	14,809	(391,734)	(376,925)	566	(376,359)
Transfers To/(From) Earmarked Reserves	(20,998)	20,998	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	1,147	20,998	22,144	(864)	-	(120)	(6,351)	14,809	(391,734)	(376,925)	566	(376,359)
Balance at 31 March	(18,865)	(99,152)	(118,017)	(22,585)	-	(1,004)	(22,298)	(163,904)	(507,590)	(671,494)	(1,708)	(673,202)

Movement in reserves during 2021/22	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	HRA	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Restated Unusable Reserves	Total Council Reserves	Council's Share of Group reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April Brought Forward	(17,263)	(142,964)	(160,227)	(21,371)	-	(806)	(20,651)	(203,055)	162,878	(40,177)	25,276	(14,901)
Balance at 1 April 2021	(17,263)	(142,964)	(160,227)	(21,371)	-	(806)	(20,651)	(203,055)	162,878	(40,177)	25,276	(14,901)
Movement in Reserves during 2021/22												
Total Comprehensive Income and Expenditure	(27,970)	-	(27,970)	1,429	-	-	-	(26,541)	(262,652)	(289,193)	8,819	(280,374)
Adjustments Between Accounting Basis and Funding Basis under regulations	13,235	-	13,235	(1,779)	-	(78)	4,704	16,082	(16,082)	-	-	-
Adjustments Between Group Accounts and Authority Accounts	34,801	-	34,801	-	-	-	-	34,801	-	34,801	(34,801)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	20,066	-	20,066	(350)	-	(78)	4,704	24,342	(278,734)	(254,392)	(25,982)	(280,374)
Transfers To/(From) Earmarked Reserves	(22,814)	22,814	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	(2,748)	22,814	20,066	(350)	-	(78)	4,704	24,342	(278,734)	(254,392)	(25,982)	(280,374)
Balance at 31 March	(20,011)	(120,150)	(140,161)	(21,721)	-	(884)	(15,947)	(178,713)	(115,856)	(294,569)	(706)	(295,275)

5.3 Group Balance Sheet

The Group Balance Sheet summarises the financial position of the Council and its two subsidiaries as a whole. It shows the value of group assets and liabilities at the end of the financial year.

31 March 2022 £000		31 March 2023 £000
644,459	Property Plant and Equipment	710,436
161,587	Infrastructure Assets	165,298
19,770	Heritage Assets	21,141
19,801	Investment Property	20,791
5,780	Intangible Assets	5,350
41,592	Long Term Investments	48,246
38,235	Long Term Debtors	40,044
-	Pension Asset	6,493
2,337	Deferred Tax Asset	(390)
933,561	Long Term Assets	1,017,409
27,676	Short Term Investments	20,390
533	Inventories	678
53,545	Short Term Debtors	58,771
62,342	Cash and Cash Equivalents	31,227
-	Current Tax Asset	188
1,745	Assets Held For Sale (Less than one year)	610
145,841	Current Assets	111,864
(8,293)	Short Term Borrowing	(1,690)
(96,288)	Short Term Creditors	(74,650)
(10,155)	Short Term Provisions	(5,918)
	Short Term Liabilities	
(8,959)	- Private Finance Initiatives	(10,716)
(315)	- Finance Leases	(262)
(6)	- Transferred Debt	(6)
(124,016)	Current Liabilities	(93,242)
(9,543)	Long Term Provisions	(6,864)
(161,504)	Long Term Borrowing	(161,494)
	Other Long Term Liabilities	
(283,777)	- Pension Liabilities	-
(203,826)	- Private Finance Initiatives	(193,110)
(303)	- Finance Leases	(213)
(38)	- Transferred Debt	(33)
(17)	- Deferred Credits	(17)
(1,103)	Capital Grants Receipts In Advance	(1,097)
(660,111)	Long Term Liabilities	(362,827)
295,275	Net Assets	673,204
(179,418)	Usable Reserves	(165,611)
(115,857)	Unusable Reserves	(507,591)
(295,275)	Total Reserves	(673,202)

5.4 Group Cash Flow Statement

	2021/22 £000	2022/23 £000
Net surplus or (deficit) on the provision of services	(11,022)	(33,348)
Adjustment to surplus or deficit on the provision of services for non-cash movements	111,099	62,235
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(70,907)	(46,603)
Net cash flows from operating activities	29,170	(17,716)
Net Cash flows from Investing Activities	20,125	5,227
Net Cash flows from Financing Activities	(13,103)	(15,420)
Net increase or (decrease) in cash and cash equivalents	36,192	(27,909)
Cash and cash equivalents at the beginning of the reporting period*	26,415	59,136
Cash and cash equivalents at the end of the reporting period	62,607	31,227

5.5 Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's single entity accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

G1. Group Accounting Policies

The Accounting Policies of the Council's subsidiary companies have been aligned with the Council's Accounting Policies contained in Note 35. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the subsidiary companies.

Inclusion within the Group Accounts

The Council has business relationships with a number of entities over which it has varying degrees of control or influence. These are classified into the categories of subsidiaries, associates and joint ventures. The meaning of these terms are outlined below:

Subsidiary - "A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent." MioCare Group CIC is classified as a subsidiary of Oldham Council and has therefore been consolidated. More detail regarding this organisation can be found in note G3.

Associate - "An associate is an entity over which an investor (the Council) has significant influence."

Joint Venture - "A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement"

The Council does not currently have any material associate or joint venture arrangements with any other entities.

A number of entities have not been included in the group accounts on the grounds of materiality, details of the Council's relationship with each of them can be found in note G2.

Consolidation of Subsidiaries

As a subsidiary entity, MioCare Group CIC (MioCare) has been consolidated on a line by line basis with all intra-group transactions and balances removed.

G2. Bodies Not Consolidated

The following have not been consolidated into Group Accounts.

Entity	Reason
Oldham Economic Development Association Limited	Subsidiary although not material.
Southlink Developments Limited	Subsidiary although not material.
Meridian Group	Subsidiary although not material.
Northern Roots (Oldham Ltd.)	Subsidiary although not material.
Foxdenton LLP	Joint venture although not material.
Community 1st Oldham (Chadderton) Ltd.	Joint venture although not material.
Oldham Property LLP	Joint venture although not material.

On 1 April 2022 all employees and services provided by Unity Partnership Ltd (Unity) transferred to the Council. As a result, Unity's Accounts have not been consolidated into the 2022/23 Group Accounts.

Further details can be found in Note 12 Related Parties.

G3. Bodies Consolidated

The Council has consolidated one Subsidiary in the 2022/23 Group Accounts, MioCare Group Community Interest Company (MioCare).

MioCare is a care and support provider and is fully owned by Oldham Council. It delivers services through two subsidiaries: Oldham Care and Support Ltd (OCS) and MioCare Services Ltd.

The draft accounts for the year to 31 March 2023 for MioCare have been summarised below, with comparator figures for the previous reporting period.

MioCare Group CIC	As at 31 March 2022 £000	As at 31 March 2023 £000
Net Assets	2,868	1,708
Deficit - before tax	(2,576)	(1,432)
Deficit - after tax	(2,576)	(1,704)

G4. Group Defined Benefit Pension Schemes

Transactions Relating to Post-employment Benefits

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance through the Group Movement in Reserves Statement during the year: Further details relating to the Council's pension schemes can be found in Note 30 and Note 31.

	2021/22 £000	2022/23 £000
Service Cost		
Current service cost	(49,450)	(48,126)
Past service cost (including curtailments)	(913)	(1,760)
Effect of Settlements	-	1,371
Total service cost	(50,363)	(48,515)
Financing and Investment Income and Expenditure		
Interest income on scheme assets	24,002	35,521
Interest cost on defined benefit obligation	(33,868)	(43,432)
Total net interest	(9,866)	(7,911)
Total Post Employment Benefits Charged to the Deficit on the Provision of Services	(60,229)	(56,426)
Remeasurements of the Net Defined Liability Comprising:		
Return on plan assets excluding amounts included in net interest	96,110	(6,608)
Change in demographic assumptions	13,072	16,156
Actuarial gains/(losses) arising from changes in financial assumptions	120,925	627,262
Other	(1,882)	(118,126)
Total remeasurements recognised in other comprehensive income	228,225	518,684
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	167,996	462,258
Movement in Reserves Statement		
Reversal of net charges made to the deficit on the provision of services	47,563	56,426
Employers' Contributions Payable to the Scheme	(21,463)	(23,261)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit scheme is as follows:

	2021/22 £000	2022/23 £000
Fair value of plan assets	1,330,886	1,315,415
Present value of funded liabilities	(1,579,367)	(1,579,367)
Present value of unfunded liabilities	(35,296)	(35,296)
Asset Ceiling Adjustment	-	(191,985)
Net Liability Arising From Defined Benefit Obligation	(299,248)	6,493

Reconciliation of the Movements in Fair Value of Scheme Assets

	2021/22 £000	2022/23 £000
Opening fair value of scheme assets	1,330,886	1,224,358
Effect of Settlements	-	(1,275)
Effect of Business Combinations and Disposals	-	83,501
Interest income	24,002	35,521
Remeasurement loss		
Return on plan assets excluding amounts included in net interest	111,581	(6,608)
Other Experience	-	72,670
Contributions from employer	5,888	7,686
Contributions from employees into the scheme	6,210	6,939
Benefits paid	(41,153)	(41,414)
Closing Fair Value of Scheme Assets	1,330,886	1,405,484

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	2020/21 £000	2022/23 £000
Opening fair value of scheme liabilities	1,697,490	1,527,067
Current service cost	49,450	48,126
Interest cost	33,868	43,432
Contributions from scheme participants	6,210	6,939
Remeasurement gain		
Actuarial losses arising from changes in financial assumptions	(120,925)	(627,262)
Change to demographic assumptions	(13,072)	(16,156)
Other	1,882	190,796
Past service cost	913	1,760
Benefits paid	(41,153)	(41,414)
Closing Fair Value of Scheme Liabilities	1,614,663	1,133,288

Pension Scheme Assets

	2021/22	2022/23
	£000	£000
Equities	792,991	728,087
Debt Instruments	210,201	254,092
Property	284,746	383,511
Cash	51,001	39,794
Derivatives	(8,058)	-
Total	1,330,886	1,405,484

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Council and MioCare have engaged Hymans Robertson LLP, an independent firm of actuaries to assess their respective pension schemes, estimates being based on the latest full valuation of the scheme as at 31 March 2023 for Oldham Council and MioCare and 31 March 2022 for The Unity Partnership Ltd.

The significant assumptions used by the actuary have been:

MioCare Services CIC	2021/22	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.3	19.1
Women	23.2	22.8
Longevity at 65 for future pensioners:		
Men	21.6	20.0
Women	25.1	24.4
Rate of increase in salaries	3.90%	3.75%
Rate of increase in pensions (CPI)	3.15%	2.95%
Rate for discounting scheme liabilities	2.75%	4.75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on possible changes to the assumptions occurring at the end of the reporting period and assumes for each assumption change all other assumptions remain constant.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method.

MioCare Group CIC Change in Assumptions at 31 March 2023	Approximate % Increase to Employee Liability	Approximate Monetary Amount £000
0.1% decrease in real discount rate	2%	897
1 year increase in member life expectancy	4%	1,700
0.1% increase in the salary increase rate	0%	158
0.1% increase in the pension increase rate	2%	752

The significant assumptions used to assess the Council's Pension scheme assets and liabilities can be found in Note 31, along with an associated sensitivity analysis.

G5. Fees Payable to the Group External Auditor

The Group has incurred the following costs in relation to the Group audit fees for the external audit of the Council's Statement of Accounts, the audit of the accounts of MioCare Group CIC by Mazars LLP.

	2021/22 £000	2022/23 £000
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor for the year for Oldham Council	104	141
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor for the year for The Unity Partnership Ltd.	26	-
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor for the year for MioCare Services CIC.	35	38
Total	165	179

6.0 Annual Governance Statement 2022/23

Scope of Responsibility

The Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The Authority also has a duty under the Local Government Act 1999 to plan to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going practice of not implementing Fair Funding reform.

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

The Authority has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance (LCCG) which has been refreshed and will be presented to the Audit Committee for acceptance at its meeting on 8 June 2023. The current LCCG is publicised on the Council's website.

The Annual Governance Statement sets out how the Authority has complied with the Code and complied with the Accounts and Audit (Amendment) Regulations 2022. This is the first full year the Council has operated under its Constitution following the pandemic which impacted on the financial years 2020/21 and 2021/22.

The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit (Amendment) Regulations 2022 in relation to the publication of a statement on internal control. It is subject to detailed review by the Audit Committee when it considers firstly the draft Statement of Account (which will be presented to the Audit Committee on 20 June 2023) and subsequently the final Statement of Accounts before they are formally approved. The accounts are reported to Cabinet and full Council for information after the scrutiny process and formal approval by the Audit Committee.

In respect of the CIPFA Financial Management Code the Finance Service undertook work throughout 2021/22 to ensure its compliance with this Code. This was reported by the Director of Finance to the Audit Committee on 17 January 2022 and advised Members that the Council complied with the key requirements of the Code during 2021/22. In 2022/23 opportunities have been taken towards implementing appropriate changes.

The overall position has been monitored during 2022/23 and there have been no substantial changes that would highlight any concerns, but a further detailed exercise to map compliance is planned for the first half of 2023/24. The findings will be reported to the Audit Committee.

The review identified that for 2022/23, the Authority's financial management arrangements were consistent with a number of the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The key principles for which there was compliance were that the Chief Financial Officer (Director of Finance):

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

In addition, the Statement requires that the Chief Financial Officer should report directly to the Chief Executive and ideally be a member of the leadership team, with a status at least equivalent to others. Whilst the Director of Finance (the Chief Financial Officer and designated Section 151 officer) was not a member of the Executive Management Team (EMT) which is comprised of the four most senior officers of the Council, the Chief Executive, the Deputy Chief Executive, the Assistant Chief Executive and the Executive Director Place and Economic Growth alongside the Greater Manchester Integrated Commissioning Lead, the officer reported directly to the Chief Executive throughout 2022/23. Whilst not a standing member of EMT, the Director of Finance was able to attend meetings when appropriate. During 2022/23, the Director of Finance was a member of the Management Board which is comprised of all senior officers at Director level, and above which met on a fortnightly basis. All Statutory Officers had access to the Chief Executive.

The Council considered that its management arrangements were therefore appropriate in the context of the CIPFA Statement and requirements of the CIPFA Financial Management Code.

The issues identified as significant governance issues and the progress made by management throughout the financial year 2022/23 to address these issues, have been reported regularly to the Audit Committee together with an assessment made in reducing the risk as part of its Governance role within the Council.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically (i.e. so they deliver value for money – efficiently, effectively, and economically).

The financial year 2022/23 was the first full year since the pandemic when decision-making processes adopted by the Authority did not require emergency decisions other than those required in a normal operational year. in compliance with its agreed Constitution.

The governance framework which was in place at the Authority for the year ended 31 March 2023 resulted in regular reports submitted to the Audit Committee on the progress made on issues identified in the previous Annual Governance Statement and identified any issues for consideration in this Statement. This has included issues arising from the response to the pandemic which have highlighted where future practice could be improved.

The Governance Framework

The Authority is a Metropolitan District which was set up in 1974 combining 7 Urban Districts, which provided services to the local population. Its strategic vision and Co-operative objectives are set out in the Council's Corporate Plan 2022/27. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes, and behaviours required to deliver good governance to all.

The key message and values are:

Communicating the Authority's Vision

The Authority's Vision for 2022/23 and future years was set out in both the Corporate Plan 2022/27 supplemented by the development of the Our Future Oldham Plan - Shared Vision until 2030. These plans are aligned to establish a clear link between; Local, Central Government and Greater Manchester regional priorities, including the devolution of health services and further future devolution within the Region. It establishes the Council's priorities developed in partnership with key stakeholders and the local community around the delivery of the core business of the Council.

The Council initially endorsed this vision on 7 September 2022. It is a collective action statement covering the period 2022 to 2027 for the Council and to the end of 2030 for key partnerships, setting out the areas that would add the most value to achieving the ambition that Oldham and the Region is a productive and co-operative place with healthy, prosperous, fairer with greener and cleaner communities.

The Oldham Council Corporate Plan applicable from 7 September 2022 was based around the vision for creating a future Oldham with a long term vision to deliver five key priorities. These are:

Healthy, safe and well supported residents

The Council's biggest responsibility is the effective safeguarding of its most vulnerable residents.

The Council's approach to safeguarding and supporting residents has become increasingly embedded in communities, so services are based where residents need them. This "place-based" approach enables the Council to be more responsive working with partners to provide more wrap around support. Utilising procedures and processes that are regularly tested and reviewed internally and by external bodies, and through continuous improvement, the Council's priority is to keep people safe. This includes actions to intervene as early as possible before a risk can develop.

The pandemic showed public services at their best, working closely with residents to keep people safe. Recent innovations in Oldham aim to deliver future improvements. As health

inequalities remain, a challenge is to take forward planned joint working to ensure residents are able to live healthier and more active lives.

A great start and skills for life

Recent years have seen improvements in outcomes for young people in Oldham with progress in early years, primary education, and A-level results. New school places have been provided including a new Saddleworth School which opened in March 2022 and the new Brian Clarke Academy which will open later in 2023.

Outside schools, young people will need opportunities to gain new skills and experience. Improving mental health of young people will remain a priority.

Better jobs and dynamic businesses

The link between decent work and life chances is a key objective. As an employer, the Council reflects this by ensuring all our staff and Adult Social Care suppliers are paid at least the Living Wage Foundation National Living Wage.

There is investment in Oldham with a regeneration strategy to create town centres that are great places to live, work and spend time. This programme is moving forward in part due to the success of bidding for funding via the Future High Streets Fund, Towns Deal Fund, Levelling Up Fund, UK Shared Prosperity Fund and Public Sector Decarbonisation Fund.

The plan is to support businesses and jobs through its employment programmes, schemes for business start-ups/ expanding existing businesses, creating space for building and service provision. Working in partnership, the Council aims to improve the access of local residents to the skills they will need to progress into well paid employment.

Quality homes for everyone

Oldham's Housing Strategy sets out a clear approach to deliver the homes required in the Borough. By implementing the Mills Strategy more heritage assets will be used to develop more brownfield housing and protect green spaces. The planned creation of 2,000 homes in the town centre which will revitalise the high street will remove the requirement to build on the green belt.

The Corporate Plan 2022/27 is consistent with the housing objectives set out in Places for Everyone (a spatial plan for Oldham and eight other Greater Manchester boroughs).

A clean and green future

This supports the Green New Deal targets to make the Council carbon-neutral by 2025 and the wider borough by 2030. This will position Oldham as a more pleasant and healthier place to live in both the short, medium, and long term. There are also commercial opportunities arising from the green agenda with a growing technology industry and green tourism.

Through "Don't Trash Oldham" the cleaning up of streets has progressed with enhanced plans to prosecute fly-tippers and redesign streets to make them easier and more pleasant in which to spend time.

Our Future Oldham: A shared vision for 2030 sets the direction for the Borough, based on extensive consultation with residents and partners. It sets out what key public services want to achieve overall and the minimum expectations every resident should have by 2030. The Corporate Plan 2022/27 sets out the Council's contribution.

To deliver improvements, the Council has committed to working closely and collaboratively with partners and residents. This includes supporting local leaders and regular reporting of the achievements set out in the Corporate Plan.

Co-operative Council in a Co-operative Borough

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

The Council is constantly looking at how we can work more effectively and efficiently in the interests of residents. Over the period of the Corporate Plan, it is planned to further embed core values and behaviours. This will enable change to be made by four transformational revisions to service delivery:

Residents First

This aims to make every service a good service and every experience a good experience by working with residents to improve performance. This will include the resident's voice being at the heart of decision-making.

Place-based Working

Residents want services to be delivered and available near where they live and tailored to the specific needs of the community. Place based working will be based on the five-district footprints agreed with partners integrating where possible with other public bodies.

Digital

Residents expect the convenience of being able to apply for services or solve problems through their computer or phone. This requires partnership working through the Greater Manchester One Network bringing high speed networks to Oldham and the City Region. Greater support will be provided to those whose skills need developing to better access the opportunities of digital services.

Working with Communities to Reduce Need

Taking a community-centred, preventative approach to public services benefits residents and the public purse. By working with key partners and residents this will focus on early help.

The ethos of the Co-operative Council supported by the Corporate Plan 2022/27 sets the framework for key Council strategies.

Like many other Local Authorities, Oldham Council has had to make significant budget reductions since the start of the Government's austerity programme and there has been a subsequent deferral of implementing Fair Funding Reform. The recent increase in inflation had a huge impact on the finances of the Council during 2022/23 and it has also influenced financial planning for future financial years. It is important to note that arising from Government announcements and the Emergency Budget, since the start of the austerity regime in May 2010, the Council has been required to balance its budget by making a significant level of budget reductions, which up to and including the recurrent budget reductions of £6.268m approved at the 2022/23 Budget Council, cumulatively totalled £204m.

Further recurrent budget reductions of £16.313m were agreed at the 2023/24 Budget Council meeting for implementation in 2023/24 plus there was confirmation of £3.655m of budget reductions with a 2023/24 impact that were initially presented for consideration at the 2021/22 and the 2022/23 Budget Council meetings. The total of budget reductions impacting on 2023/24 was £19.968m. The Medium Term Financial Strategy (MTFS) approved at the 1 March 2023 Budget Council also approved budget reductions of £6.969m that will have an impact in 2024/25 and £1.135m in 2025/26. Even after allowing for these forward commitments, there remains a significant savings target over the period covered by the current MTFS (2024/25 to 2027/28).

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

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

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

The ways in which the Council is doing this include:

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

Key elements of the Governance Framework

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

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

In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties against conflicts of interest. Both Members and Officers record any gifts and hospitality received in accordance with the Authority's agreed procedure. To enable third party challenges to Authority operations there is a publicised Complaints Procedure. There is also

a Whistleblowing Policy, last updated and approved by full Council in July 2020. This enables concerns to be raised in a confidential manner and dealt with in a proportionate manner.

The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions should this be required. The Scrutiny process was subject to a detailed review during 2022/23 and a revised approach is to be implemented following the Annual Council meeting in May 2023. When required, issues of governance/ scrutiny which highlight where improvements could be made in processes arising from lessons learned from other Local Authorities (based on information reported in the public domain), are reported to appropriate Committees to enable them to better discharge their roles. This included the continual review of partnership governance within the Council, which in 2022/23 was reported to both the Audit Committee (on two occasions) and also to the Performance Overview and Scrutiny Committee when required.

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

The Council is managed by a Cabinet system as set out in the agreed Council Constitution. This sets out the scheme of delegation between elected Members and Officers. In the financial year 2022/23 in accordance with Government guidelines, all formally constituted meetings (Executive and Regulatory) were held in person.

In order to encourage the community to engage in more co-operative activities, Members in their role as Community Champions often, either individually or in partnership with the District Elected Lead Member, network with key community groups and individuals to deliver local priorities. In order to demonstrate their achievements, each Councillor is encouraged to produce an annual report which is then published on the Council's website and included in a report to full Council.

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

Staff have been assisted in this aspect by the embedding of Let's Talk which replaced the Corporate Personal Performance Framework in the later part of 2021. Let's Talk is based on open two-way conversations which focus on wellbeing, performance, and development. The employer supported volunteering (ESV) programme helps Council employees to volunteer with organisations in Oldham. From using existing skills to taking on a new challenge, the scheme gives staff the time and support to volunteer to do their bit.

The agreed Procurement Policy focuses on procurement activity, which has the aim of ensuring the optimum balance between cost, quality, social value and local service value, whilst also ensuring that any significant commercial risks are identified and mitigated at the commissioning stage.

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

Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position as a Cooperative Council and will be vital in making a reality of both service changes and improvements to the borough.

The Corporate Peer Review findings formally received in March 2020, indicated this relationship works well in taking forward improvements within the Borough. Whilst the Authority hoped to take forward the recommendations over the past three financial years, it has not been possible to make the significant progress that was originally planned due to initially the pandemic and more recently the response to the increases in the cost of living. Now that the Council has returned to working practices developed pre-pandemic, it will be possible to introduce any remaining changes/improvements in 2023/24.

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

The Authority has also demonstrated its support of sustainability by appropriate self-financing of capital investment in renewable energy. In previous financial years it has supported the creation of an independent Community Interest Company which is now operating in a sustained and independent manner (with the potential to expand), administered the warm homes project to alleviate fuel poverty and provided oversight to the Greater Manchester Green Grants Scheme including overseeing energy improvements for social housing within Oldham. In 2018/19 approval was given to develop a new eco-centre at Alexandra Park with construction beginning in 2021/22 immediately following the completion of a Gateway Review. This is further supported by a project financed from the Government's Decarbonisation Fund which has installed an eco-friendly/ carbon efficient heating system including heat source pumps. This project has continued with construction during 2022/23 with an expected completion date of October 2023. In the financial year 2022/23 the Council was successful in securing Public Sector Decarbonisation Funding to support the development of reducing carbon emissions from the Spindles Shopping Centre which is currently under development. Further energy baseline information has been obtained to enable the Council to access future rounds of Public Sector Decarbonisation Funds as and when future bidding rounds are announced.

At its meeting on 11 September 2019, the Council agreed to declare a Carbon Emergency and set itself the challenging target of becoming Carbon Neutral by 2025 with an aspiration of Carbon Neutrality for the Borough by 2030. In addition, the Council supported specific green projects with a successful bid to the Levelling Up Fund to further develop the concept of Northern Roots which is a future eco-friendly sustainable development of an urban space consistent with the green aspirations of the Council. This project was on-going throughout 2022/23 with the Council creating a charitable company to further develop the concept and utilise Towns Fund and external funding from a number of sources to support future development works. In addition, a bid to the Levelling Up Fund for three projects linked into the Green Agenda was successful which will enable their future development. These projects

are the Jubilee Park, the Green Shoots development centre and Education Centre at Northern Roots

The planned development of a Solar Farm at the Wrigley Head site progressed during 2022/23 due to energy prices being at a level which supports the scheme and the Council's desire to facilitate the construction. The consideration to progress the scheme was agreed by Cabinet at its meeting on 23 January 2023.

The Green Agenda is a key element of the Creating a Better Place Initiative. To this end, funding was also secured during 2021/22 to undertake a feasibility study in 2022/23 into whether a District Heating Network using underwater mine heating sources could be developed for the town centre and associated residences. This work is on-going, and the project is working towards submitting a bid to the Government for construction should it be supported by the feasibility study.

The Council is also working on the Innovate Project in partnership with the GMCA. The intention is to implement the vision for the Green New Deal in Oldham via a partnership.

The Chief Executive of Oldham Council is the Head of Paid Service. When the Council recruited a new Chief Executive in 2021/22, the joint appointment as the Accountable Officer for Oldham Clinical Commissioning Group (CCG) ceased with the role of Accountable Officer for Oldham CCG being performed by an officer of the NHS. The two organisations have however, continued to work collaboratively throughout 2022/23 under the oversight of the Commissioning Partnership Board (CPB). Following proposals for Health and Social Care reform receiving Royal Assent on 28 April the CCG ceased to exist on 30 June 2022. The functions of the CCG were carried out by a new body NHS Greater Manchester Integrated Care Board (NHS Greater Manchester). At a locality level an Oldham Integrated Care Partnership (ICP) has been established with local oversight by the CPB. NHS Greater Manchester has four goals and six missions set out in a five year Strategy. In response to this at a locality level the ICP has agreed a new strategic plan. Financially in 2022/23 this impacted on the value of Services included in the Oldham 2022/23 Section 75 Agreement. The close working relationship is evidenced by the Place Lead for Oldham (an NHS officer) having membership of the Executive Management Team during 2022/23.

Cabinet portfolios are assigned on a functional basis rather than by operational management responsibilities but are subject to appropriate officer support. Shadow Cabinet Members from both of the main Opposition Parties also met with support officers on a regular basis throughout 2022/23 to ensure appropriate political scrutiny. As part of the budget process, Opposition Parties have the facility to prepare alternative proposals. During the latter part of 2022/23 both the Liberal Democrats and Conservative Opposition Parties presented alternative budgets for 2022/23 which were subject to scrutiny and Council consideration.

The Director of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided in-house, supported by a partnership with Salford Council for Computer Audit. The Internal Audit team achieved compliance with Public Sector Internal Audit Standards as evidenced by the Independent External Review of the service, undertaken in 2022/23. The Assistant Director of Corporate Governance and Strategic Financial Management at Oldham Council has direct access to all members of EMT and the Management Board as well as all Members and has utilised this discretion when appropriate. CIPFA's guidance on the Role of the Head of Internal Audit was issued in early April 2019 and a compliance review identifying the Council followed best practice was reported to the Audit Committee on 25 June 2019.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, which are incorporated within the Council's Constitution, and

comply with Good Practice. A substantial update of the Finance Procedure Rules was agreed by full Council at its meeting on 13 July 2022 after a detailed review during 2021/22. Control is based on regular management information, management supervision, and a structure of delegation and accountability. If there are fundamental failures in internal control these are subject to investigation.

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

In order to have appropriate scrutiny of the Authority the Audit Committee has the capacity to appoint three Independent Members. The Council has struggled to recruit to these roles. The recruitment of an Independent Chair was successful in 2022/23. The Audit Committee meeting on 28 March 2023 was chaired by the Independent Chair for the first time.

The Audit Committee members receive appropriate briefings supported by training from key officers and third parties to enhance the Governance Framework. and specific training was provided in two tailored sessions delivered by the Chartered Institute of Public Finance and Accountancy with more general financial skills training in 2022 delivered by an officer of the Local Government Information Unit.

The Standards Committee utilise independent investigators from outside the organisation to supplement in-house resources where appropriate to investigate any serious allegations into Member misconduct. There were a number of matters referred to the Standards Committee throughout 2022/23.

Principle B. Ensuring openness and comprehensive stakeholder engagement

The Authority, at the Council meeting on 7 September 2022 agreed its long-term Corporate Plan which set out the Authority's Co-operative vision and values, assimilating them into its strategic objectives for the period 2022/27. This linked the objectives through to outcomes, identifying the service areas responsible and performance indicators. The Authority works closely with other local public partners, community and voluntary groups via a partnership approach as set in the Our Future Oldham Plan 2030 to ensure effective delivery of its services. The operation of the Oldham Leadership Board recognises that the Council is a body that champions Oldham.

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

In addition to the above, the Council is a constituent District of the GMCA which exercises a number of new powers devolved from Central Government. The GMCA meetings are also held in the public domain and streamed live. The Leader of the Council is a constituent member of the GMCA. During 2022/23, the Leader of the Council was the GMCA lead for Equalities, Inclusion and Cohesion across the region. The Leader of the Council also led the GMCA response to the cost of living crisis.

Progress on delivering the Corporate Plan 2022/27 is communicated through a performance management framework. During 2022/23, the Performance Overview Scrutiny Committee

received quarterly reports on both performance against the Corporate Plan/ Objectives and budget monitoring. These quarterly reports focus by exception and set out corrective measures where key performance indicators or the agreed budget reductions have not been met or where there is overspending against budget.

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

During the financial year 2022/23 the Council embedded its scrutiny arrangements which were reviewed in 2021/22 as recommended by the Peer Review Process. This continued the requirement for scrutiny of the overall budget to be undertaken by the Policy Overview and Scrutiny Committee whilst budget monitoring scrutiny was undertaken by the Performance Overview and Scrutiny Committee. A review of the revised scrutiny arrangements was undertaken in the final quarter of 2022/23 with a revised structure approved by Council at its meeting on 24 May 2023.

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

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

The Council operates a system of a District Lead Elected Member supported by a system whereby individual ward members have a specific budget (£0.005m in 2022/23) to spend on local priorities. Working through their local contacts, these local representatives utilising their budgets were able to support in partnership a number of community groups during the financial year.

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

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

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

In order to ensure its message is effectively communicated to its citizens the Council's Communications function proactively prepares appropriate press releases to support the Co-operative vision of the Council. A user friendly and well-designed Oldham Council website ensures all citizens are aware of the co-operative vision, strategies, policies and initiatives available. This website which was redesigned in the 2019/20 financial year is subject to consistent review and ensures the communication medium with the Council and its residents remains up to-date. This was an important means of communication with citizens and source of information as the Council set new priorities as detailed in its Corporate Plan 2022/27.

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

The Authority has spent its resources within the overall agreed budget for the financial year 2022/23 with a small overspend of £1.147m. Initially, the Council was forecasting a significant overspend linked into the budgetary pressures within both Children's and Adult Social Care. Measures introduced by the Council during the financial year to control expenditure have been effective in reducing the overall level of the overspend.

Consideration and approval by the Authority of its budget for 2023/24 took place at its 1 March 2023 full Council meeting. Due to increasing cost pressures on Adult Social Care, the Council Tax recommendation resulted in a specific 2% Council Tax increase for the Adult Social Care Precept (ringfenced for use on Adult Social Care) and a 1.99% Council Tax increase for general purposes.

The 2023/24 budget was set having regard to the anticipated financial pressures linked into the current high level of inflation, the deferral of reforms to Adult Social Care and the impact on future financial resilience together with having regard to the continued deferral of Central Government undertaking their Fair Funding Review. The Council prepared its budget and its longer term financial forecasts on the basis that the national public finances were stretched and that the support from national Government would mostly remain static until 2027/28.

The Council's Four-Year Efficiency Plan was initially prepared to give certainty over the level of Central Government funding from 2016/17 to 2019/20, and effectively planned for year on year reductions to budgets. This was initially agreed by Cabinet on 5 September 2016 and the period the plan covered is now complete. This underpinned the MTFS of the Council at the time and supported the budget process until the end of the financial year 2019/20. It supported the financial resilience of the Authority enabling it to withstand unforeseen events and pressures by maintaining an appropriate level of reserves and balances to support on-going resilience and allow for the future development of efficiencies. Since then, the Government has provided single year financial settlements.

The principles of the 2023/24 financial settlement were set out in the Autumn Statement 2022. This was confirmed by the Local Government Finance Policy Statement and subsequent provisional/ final Local Government Finance Settlement. This confirmed funding and the deferring of planned Adult Social Care reforms which enabled the preparation of the MTFS including a range of key assumptions about future Government grant support. Whilst there is a national commitment to Levelling Up (although given recent changes around the national projections about overall Government spending and receipts there is little additional flexibility to increase spending), the present MTFS takes a prudent approach with no expectation of a significant increase in resources. It is expected that the Levelling Up agenda will take time to implement and therefore will not substantially benefit the Council over the MTFS period. An added pressure is that nationally the overall public finances based on current projections have very limited flexibility to increase overall Government expenditure particularly as inflation remains high increasing the cost of repaying national debt.

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

The availability of reserves during the 2023/24 budget process facilitated planned one-off financial support (over 2 financial years) to enable the efficient transformation of both the Council and the Locality with a plan of change and improved efficiency implemented in a

managed manner. It supports the continued pooling of resources with NHS partners to deliver future efficiencies and greater effectiveness in the use of resources.

With the pandemic and its residual impact occurring over three financial years, it impacted in the short-term on the plans for transformation for 2020/21, 2021/22 and 2022/23. It is the principle of the one-off use of reserves which supports short-term to medium term financial resilience so the Council can continue service provision, the managing of increased financial pressures linked into high inflationary increases in cost and allow further time for the transformational activity to be embedded.

The overall financial strategy following recent pressures enabled Council Tax rises to be set at a level, which balanced the needs of the Council in relation to on-going financial resilience with affordability to residents. It has also enabled the Council to manage continued pressures of demand around Adults and Children's Social Care within its overall 2022/23 budget.

The 2023/24 budget was set having regard to the inflationary pressures which the country is facing which are continuing and not reducing as quickly as national policymakers envisaged. The specific challenge to the Council of price rises for goods and services, energy and potentially pay awards have been addressed in the budget. However, the position will need to be monitored closely to ensure that the budgetary provision is sufficient, and the pressures don't continue longer than presently assumed. The Council has set aside specific reserves at the end of 2022/23 to address any inflationary pressures that arise. The impact of the cost of living pressures on Oldham citizens and hence potential increased demand for support from the Council will also be closely monitored.

Appropriate consultation was considered in the production and design of the detailed Authority Strategies which aim to deliver appropriate co-operative solutions to benefit both present and future generations.

The Get Oldham Working Initiative embedded in the Council has helped to create year on year work-related opportunities for our citizens. This led to the development of the Oldham Work and Skills Strategy which has 4 strategic goals to support the Council's co-operative vision. Already it is clear that this type of support will have to continue to adapt due to a significant number of Oldham residents facing real challenges due to the inflationary pressures and the disproportionate way this impacts a resident with a low income.

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

The Corporate Plan 2022/27, Our Oldham Plan supported by individual Service Business Plans, the work of the GMCA and the Locality Plan set out the immediate and long-term vision of the Council. The 2022/23 budget delivered with a modest overspend supported this vision.

The 2022/23 budget was set before the scale of cost inflation in part linked into the on-going conflict in Ukraine was fully apparent. The resources available to the Council reflected the changing operating environment linked into the continued increases in costs and the uncertainty as to how long inflationary pressures would remain above normal levels. Nonetheless, the business as usual objectives remained, and resources were deployed to continue to improve performance and reflect the agreed vision of a Co-operative Council in a Co-operative Borough as set out in the Corporate Plan 2022/27. These principles and aspirations of the Council have not changed but the implementation of the vision will require

review as the full impact from the inflationary increases to both service provision and on-going financial resilience.

Risk management is integral to the governance arrangements in the Authority and the key risks are considered by the Audit Committee. During the financial year 2019/20 the Risk Management Framework was refreshed. This revised approach was becoming embedded in the Council pre pandemic and was incorporated into the production of Service Plans from 2021/22 with the Corporate Risk Register reported to the Audit Committee on a regular basis. There was a refresh of the Risk Management Framework on 29 July 2021 and then again in July 2022 via a report to Management Board which updated the approach to support the production of service business plans.

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

The Authority's risk management framework consists of:

- A risk management policy statement;
- An Authority Risk Register and specific Risk Registers on key initiatives;
- Ensuring that risk management is integral to the planning process and linked to key Authority and contract objectives within business plans;
- Regular updates of the Annual Governance Statement produced for the Audit Committee;
- Allocated responsibilities;
- Systems for mitigating and controlling risks; and
- Systems for monitoring and reviewing risks and controls assurance

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

- Audit Committee;
- Standards Committee;
- Chief Executive;
- Deputy Chief Executive, Assistant Chief Executive, the Executive Director, Managing Directors and Directors;
- Directors of Finance and Legal Services;
- Statutory Officers for Children's Services, Education, Adults Social Services and Public Health Services;
- Internal/External Audit; and
- Appropriate scrutiny arrangements which hold the Cabinet to account.

In 2022/23 the reports produced by the Authority to support key decisions included appropriate risk comments.

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

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

All changes to Service are supported by an Equality Impact Assessment (EIA). The EIA process was refreshed during 2022/23. This results in alternative access arrangements being made where necessary, with information provided in multiple formats including on the website. This reflects the diverse nature of the wards that make-up the Authority. This is demonstrated in the Council budget meeting with high risk budget proposals being supported by an Equality Impact Assessment. It is also demonstrated in standard reports produced to support key decisions.

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

The management structure continued to be realigned during 2022/23 to take account of both the Co-operative Vision, continual challenging financial targets of the Authority, the continuing joint working of health and social care services, the appointment of a new Executive Management Team for the Council and realignment of the Council's relationship to NHS Greater Manchester and ICP which was created on 1 July 2022 following the abolition of Oldham CCG. This meant a shift in certain areas of management responsibility during the year.

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

The implementation of the agreed policies at officer level during the first part of 2022/23 was overseen by EMT supported by the Management Board.

In order to achieve the long-term financial targets, the Authority at its 2 March 2022 meeting set a budget for the financial year 2023/24 supported by an appropriate assessment of risk by the Director of Finance. All the expected risks including those occurring as a result of inflationary pressures as at 2 March 2022 were considered in the budget report. The future savings required by the Council with the planned achievement from future transformational activity were also presented. At this meeting the assessment of risk reflected the situation before the residual pressure of inflation remaining at a higher level for longer than forecast in part linked into the continued conflict in Ukraine became apparent. Since the March 2022 budget meeting, inflation has not reduced as quickly as forecast so the MTFs for 2023/24 to 2027/28 approved at the 1 March 2023 Budget meeting, reflected the updated position for these issues. The financial position will be closely monitored, and any on-going impact will be included within the future review of the MTFs forecast.

Financial resilience for 2022/23 demonstrated by the Section 25 Statement which accompanies the budget report was supplemented by an agreed Reserves Policy. This is subject to regular review underpinning the long-term financial resilience of the Council and supporting the vision of a Co-operative Council in a Co-operative Borough as set out in the Corporate Plan.

At the expiry of the 2016/27 to 2019/20 Government approved Efficiency Plan (which provided some certainty about Government funding intentions), the financial years 2020/21, 2021/22 and 2022/23 were all single year financial settlements. The Spending Review of October 2021 initially provided indicative high level funding allocations for three financial years 2022/23 to 2024/25 but was superseded by the Autumn Statement of 2022. This Statement confirmed in principle the level of expected grant funding for two financial years and confirmed the deferral of elements of Adult Social Care reform. This was supplemented by the Local Government Finance Settlement Policy Statement which set out more detail which was then presented at Local Authority level in the Local Government Finance Settlement. This provided funding certainty for only one year with a strong indication of funding in year 2 (2024/25). Without the detail for future years covering the period of the MTFs and with the potential for some significant changes to the Local Government Finance system and funding allocations, as well as deferring elements of reform impacting on Adult Social Care, the preparation of the MTFs was challenging. The financial projections that have been prepared and agreed by Members may require considerable revision when the Government provides the detailed information. However, given external factors such as the Ukraine conflict, the focus on the cost of living increases, potential turbulence linked into the United States around the debt ceiling and other changes such as increases in interest rates, economic predictions about the overall pace of economic growth worldwide, it is becoming increasingly unlikely that the Government will make Parliamentary time available for Local Government funding reform before the next General Election.

The reserves and balances available to the Council supporting its immediate financial resilience are therefore important in the context of managing a period of potential significant financial turbulence. The overspend at the year-end of £1.147m has reduced the overall level of General Balances as at 1 April 2023 to £18.865m which is below the risk assessed level of recommended balances reported to 1 March 2023 Budget Council of £20.012m. Going forward the Council has less general balances but this is not considered to present a significant challenge to the Council in the short to medium term.

As part of the MTFs it is recognised that income maximisation is a key theme within the Transformational Programme. In addition, within the Creating a Better Place Programme the future rationalisation of assets is key to deliver future savings on the on-going costs related to its Corporate Estate. These are key to ensure that the Council makes the most efficient and effective use of resources and its property assets and can also deliver approved budget reductions. The Council complies with the recent reforms introduced to Treasury Management and Capital Expenditure practices and to minimise the loss to Council Taxpayers from investments designed to deliver a purely commercial return which are now impacting on the financial resilience of a few Authorities.

All meetings of the Cabinet and key Committees are publicised and are open to public scrutiny. Since the beginning of the financial year 2021/22, all meetings have been held in-person with all decisions formally recorded. In addition, decisions taken under delegated powers are recorded electronically and reported via the Council's Electronic Decision Recording System. With the Council operating under its normal Constituted Procedures there were no special ad hoc meetings of Cabinet required to consider emergency items in 2022/23. This was a contrast to the previous years when several urgent decisions were required due to the pandemic.

The Audit Committee is an essential part of good governance. It reviewed the control environment for all the Council during 2022/23 and considered the progress made on issues highlighted in the Annual Governance Statement. The recruitment of an appropriately qualified Independent Chair whose role commenced on 1 March 2023 was a significant development to support elected Members undertake this vital scrutiny.

Internal and External Audit both have direct access to and support the Committee including the ability of the External Auditor to have direct contact, without Officers of the Authority being present. To support the Committee, specific training was provided in 2022 and as the Committee membership changed at the start of the municipal year, it was therefore important to ensure that new Members were appropriately skilled to carry out their functions. All meetings in 2022/23 were held in person.

The detailed matters reviewed by the Audit Committee during 2022/23 were:

- Treasury Management matters including Council borrowing including investment and loans;
- The Reserves Policy;
- Future Internal and External Audit Work;
- The findings of both External and Internal Audit on control matters, including both adult social care and payroll;
- Key developments impacting on financial resilience of other Local Authorities due to poor governance such as partnership governance;
- The 2021/22 Statement and Accounts and associated external audit findings;
- Progress on the 2020/21 Whole of Government Accounts audit;
- Issues linked into data protection and cyber security;
- The Local Code of Corporate Governance; and
- The Internal Audit Charter

The Council, in order to discharge its statutory functions in relation to overseeing all health matters in the Borough, operates a dedicated Scrutiny Committee which met throughout the year. Partnership working in the Borough between the Council, Health Services and other key partners is supported by the Health and Wellbeing Board which met on a number of occasions during 2022/23. This Committee has an objective to improve the public health in the area and to oversee integration of health and Local Authority service provision under the both the NHS Greater Manchester Strategic Plan and the Locality Plan (which was revised in 2022/23) both of which are produced under the Greater Manchester devolution remit. To improve scrutiny a specific Committee to review health matters was created during 2019/20. Its role on Health Scrutiny was unchanged after the wider scrutiny review was implemented in 2021/22. Going forward in 2023/24 after the Scrutiny review approved by Council on 24 May 2023, this role will be undertaken by the Adult Social Care and Health Scrutiny Board.

The Standards Committee reviews Members' conduct following the receipt of any complaints about official conduct on Council business by commissioning independent investigations. Where appropriate matters are reported and considered by full Council. The Standards Committee operated as expected throughout 2022/23 with a number of complaints received and outcomes determined where appropriate.

All Directors prepare Business Plans that contain key actions and performance targets necessary to deliver the co-operative objectives of the Council. Performance against targets is reported through the Council's performance framework.

Independent service reviews are carried out under the performance management framework which results in formal quarterly reports to both the Cabinet and the Performance and Overview Scrutiny Committee. Where performance is perceived to be below corporate standards, specific reports are presented to the Scrutiny Committee. In addition, in 2022/23 the Performance Overview and Scrutiny Committee reviewed budget monitoring reports on a quarterly basis.

Educational attainment in the Borough is acknowledged as a particular priority although the Oldham Opportunity Area status and funding ceased on 31 March 2022. The replacement initiative was that Oldham was identified as a Priority Education Investment Area (PEIA). The aim of the PEIA is to improve attainment at Key Stages 2 and 4. As part of the PEIA, the Council is participating in the Family Hubs and Start for Life programme over the period 2022 to 2025. This invests in services in the Start for Life period and supports parents to better care and interact with their children.

Following the most recent Ofsted Inspections which found the service had improved, during the financial year 2022/23 the Service instigated an improvement programme which has three phases of targeted service improvements.

Scrutiny of budget matters including those of the administration and alternative budget proposals from the two main opposition parties were, during 2022/23, carried out by the Policy Overview and Scrutiny Committee. This ensures openness and transparency in the way in which Officers/Members engage and had ownership in the budget challenge process. The versions of the MTFs and Capital Strategy approved for 2022/23 to 2026/27 reflected the estimated resources available to the Authority in the context of the projected level of Government grants supported by locally generated income (primarily Council Tax and Business Rates). The ability to collect these local funding streams was impacted by the pandemic (and the introduction of Business Rate Reliefs), thus making future budget setting, including the production of an updated MTFs, more challenging.

An initiative which has helped support the Council's long-term financial sustainability, is the Greater Manchester Business Rates Retention pilot scheme. In preparation for the reform of Business Rates and in support of the Greater Manchester devolution agenda, the Government piloted 100% Business Rates Retention in Greater Manchester (GM) which has enabled the ten Greater Manchester Authorities to test and shape the potential new financing regime whilst at the same time benefitting from funding gains offered to pilot Authorities. Recent announcements on the devolution deal within Greater Manchester indicate this arrangement will continue for another 10 years after 2023/24 giving some certainty in financial planning. The introduction of a new national Business Rates regime has been expected for several financial years and has been continually deferred. It is now becoming clearer that the fundamental reform of Business Rates will not be implemented in the immediate future. The only change implemented has been Business Rates revaluation which was introduced from 1 April 2023.

The Contract Procedure Rules (CPR) within the Constitution alongside the Co-operative Values and Behaviours set out in the Corporate Plan, clearly establish the Authority's requirements on social value. The CPRs were subject to revision in 2022/23 with Council agreeing the revisions on 13 July 2022.

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

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

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

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

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

The Authority implemented the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage Foundation National Living Wage (LWFNLW) for its entire staff and took a targeted approach to achieve that through its contractual arrangements (the budget confirmed during 2022/23 the commitment to provide resources which enabled Adult Social Care providers to pay the LWFNLW from 1 October 2022 using an increase in the Adult Social Care Precept).

A full training programme for both established and recently elected Members (the Local Leaders’ Programme) continued to be delivered in 2022/23 to support the vision of a Co-operative Council. This is included an Introduction to Local Government Finance module that was available to all Members. The content of the programme changes annually but the emphasis remains on all Members demonstrating community leadership. The planned programme is supported by ad hoc training for Members who have specific Committee responsibilities. Individual Members produce information published on the website which outlines their role in the Authority and achievements.

To ensure an independent review of its systems, the Council operates an Internal Audit Service which complies with best practice as set out by Public Sector Internal Audit Standards. The findings of Internal Audit are reported to the Audit Committee which includes an annual opinion on the internal control environment. The overall opinion, based on the work undertaken for 2022/23 is assessed as adequate, indicating the continuation of a well-managed Council.

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

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

The Constitution is reviewed on an annual basis and key updates including Finance and Contract Procedure Rules were undertaken in 2022/23.

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

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

The Council's Risk Management Framework which was refreshed during 2019/20 and updated in both 2021 and 2022 has been set out under Principle C of this Annual Governance Statement. This ensures there is continuous monitoring and reporting of risk.

Each year in the electoral cycle, new Members of the Council are inducted prior to the Authority's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision-making structure and the financial value of the transactions controlled by the Authority. There were elections in 2022/23 which resulted in the new members requiring specific training.

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

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

In addition to the quarterly performance reports, Cabinet receives financial monitoring reports. From 2021/22 and in 2022/23, with the impact of the pandemic subsiding, reporting reverted back to more traditional timelines with reports presented to Cabinet and for scrutiny presenting the financial position at the end of months 3, 6, 8 and 9. The reports present the estimated outturn against the approved budget. The 2022/23 month 9 budget monitoring report highlighted that the Council outturn was expected to reflect an overspend of £1.280m compared to the agreed budget. The final outturn showed a marginally reduced overspend compared to the month 9 projection.

During 2022/23, management of the use of reserves was in accordance with the agreed Reserves Policy and prudent financial stewardship has ensured that the final outturn, whilst showing an adverse variance, was reduced from the levels estimated during the course of the financial year. One impact of this overspend will be a modest reduction in general balances which has minimal impact on the short to medium-term financial resilience of the Council. Overall, there has also been a modest reduction in earmarked reserves which has no significant impact on the long term financial resilience of the Council. The level of reserves therefore remains appropriate to support the present budget strategy as set out at the meeting on 1 March 2023.

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

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

- A Risk Management Framework linked into the Authority Structure;
- An appropriate suite of Anti-Fraud and Corruption Policies;
- A balanced budget supported by appropriate reserves to underpin financial resilience;
- Audit and Standards Committees, which are supported by independent Members; and
- Targeted exercises undertaken where appropriate such as improving present debt collection processes overseen by the appropriate staff.

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

The findings were considered in the context of the refreshed Corporate Plan 2022/27 and incorporated into the production of service plans and priorities from 2023/24 onwards.

Going forward, the Council anticipates it will be subject to an Ofsted inspection. Work is ongoing to improve on the previous judgement of 'Requires Improvement'. There is a risk that the improvements within Children's Services are not recognised in the inspection.

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

The Authority is proactive in engaging with citizens and other key stakeholders, building on the ever closer working relationships with the NHS and accelerated integrated working developed during the pandemic.

The Authority in 2022/23 has demonstrated it was proactive in engaging and communicating with key stakeholders to boost and support the public. This has included working in partnership with the Towns Board to facilitate the delivery of the four projects agreed in the successful Towns Fund bid approved by the Department of Levelling Up, Housing and Communities.

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

- Taking part in the monthly meetings of the Combined Authority with the Leader representing the Council;
- Agreeing to both innovation and risk by piloting new initiatives at a regional level such as 100% Business Rates Retention;
- Locality working with the NHS at both NHS Greater Manchester wide level and with the ICP; and
- Supporting new initiatives such as increased devolution of Adult Education

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

The Authority, as part of the 2011 Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement at the Budget Council meeting prior to the start of 2022/23 to further support the Authority's preference for openness and transparency.

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

Internally there are well established and clear routes for consultation with staff and their representatives and involvement in decision making. These include programmed staff surveys, regular staff briefings, internal briefings, and team meetings and staff appraisals.

Mazars LLP has been the Council's External Auditor since 2018/19 and will undertake the 2022/23 audit. The audit of the Housing Benefit subsidy claims, and Teachers Pension Service Return are undertaken via arrangements agreed as a collaborative procurement across all Greater Manchester Councils and are currently undertaken by KPMG LLP.

All external audit work is conducted in accordance with the Code of Practice produced by the National Audit Office. Going forward certain changes are expected to external oversight as the recommendations from the Redmond Review are considered and are now in the process of being implemented. This includes the appointment within the Financial Reporting Council (FRC), of a local lead for Public Audit who will, via a signed Memorandum of Understanding with DLUHC, prioritise improvements within the oversight of external audit. For 2022/23, following the approval of the Audit and Accounts (Amendment) Regulations 2022, the deadline for the completion of the audit of the accounts has reverted from 30 November to 30 September. Given the Council has so far only received a draft audit opinion on the 2021/22 accounts, it is envisaged this deadline will be challenging to achieve.

Partnership Arrangements

The Authority currently delivers a wide range of services, which often involve working in partnership with others, many of which involve considerable levels of funding. In the financial year 2022/23 the Council transferred the staff and provision of services provided by the wholly owned Unity Partnership Ltd. (UPL) back in-house from 1 April 2022. No significant governance issues have been reported from this major change to Council working arrangements. The services previously operated by UPL were either transferred to an existing Directorate or were based in the Customer, Digital and Transformation Directorate which was created 1 April 2022.

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

In the previous financial year 2021/22 the Council acquired the remaining equity stake in a company (previously a joint venture with private investors) and voting shares in the company (Interurban Limited). Work has begun to integrate the company's assets into the Council's corporate estate and assess the work required to improve the condition of the assets. Going forward, the Council has the control of the site of the assets for future regeneration opportunities.

The Council has an equity stake in Oldham Property Partnerships linked into two other Regeneration Companies (Oldham Economic Development Association and Southlink). It also has an equity stake in Community First (Chadderton) which operates the Leisure Centre and Library in Chadderton. There is a further minority stake holding in Oldham Education

Partnership. No specific risks are envisaged at 31 March 2023 from these equity shareholdings.

The Council's vision to set up an urban farm has been reflected by a successful bid for funding from three separate grant funding sources (Towns Fund, Sport England, and the Levelling Up Fund). In order to enable this development to progress it has set up a wholly owned Charitable Company Northern Roots (Oldham Ltd) which will oversee the development of an Eco Park as set out in the present Masterplan. The Council will oversee the construction of a Visitors Centre and Educational Centre as per the grant funding obtained. In order to assess the risks, the Audit Committee reviewed the risks linked into the creation of this company at its meeting on 16 January 2023.

The Authority has continued its plans to integrate with NHS services to improve the efficiency of health related public services. Following the introduction of the revised devolution arrangements, CCG's ceased to exist with effect from 30 June 2022. The functions of NHS Oldham CCG continue to be carried out by the NHS, and a new body, NHS Greater Manchester came into operation with effect from 1 July 2022. At a locality level, the ICP, was established on the same date. Joint working within a Section 75 Agreement continues, building on the progress already made to deliver efficiencies, more effective services and to contribute to budget savings through collaboration, networks and alliances. In 2022/23, partnership working was enhanced with a separate Section 75 Agreement being prepared for 0-19 services.

In response to governance failures reported elsewhere in the public domain the Audit Committee continued to receive a six-monthly review of risks associated with the governance of wider partnerships linked into the Council. This review reported on the risk from the Council's involvement in all partnerships with a further report produced on the perceived risks should the Council set up a Housing Company. The conclusion was that risk is currently being well managed.

It is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that, "Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities". This has been undertaken via the continued development of the partnership dashboard with two reports submitted to the Audit Committee and one to the Performance Overview and Scrutiny Committee highlighting the risks. These reports were supplemented by specific reports to the Audit Committee detailing the risks on the setting up of Northern Roots and the possible creation of a Housing Company. This has been incorporated into the production of this Statement of Accounts and issues for consideration in the Annual Governance Statement.

Risks on Current Significant Projects

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

Given the complexity of some projects, the need to deliver the projects within the timescales specified in the grant conditions and changes in the construction market (including increases in the level of inflation and obtaining appropriate construction insurance) there remains an ongoing risk to manage in relation to the oversight of the long-term financial commitments arising from these projects. The Director of Finance has considered the latest position on this financial risk in both the Statement of Accounts and Reserves Policy. Individual reports to support investment in projects have been prepared for consideration by Cabinet in 2022/23 with appropriate comments by key officers to enable appropriate review of the issues including risks before a decision is made. This analysis of risk reflects the expenditure incurred on Creating a Better Place Projects and other significant capital projects.

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

Review of Effectiveness

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

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

An internal audit programme is undertaken, which in 2022/23 has focused on key items in the Audit Plan such as financial systems, systems assurance, grant audit and providing data for the National Fraud Initiative. This is reported to the Audit Committee in relation to the Governance, Treasury Management, Fundamental Financial Systems, and operational controls. There were no specific matters brought to the attention of Internal Audit that required investigation in accordance with the Policies of the Council. An added assurance on placing reliance on the work of Internal Audit is that in the financial year an independent review of the Service was undertaken against compliance with Public Sector International Auditing Standards. This review identified that the Service complied with these Standards.

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

The 2021/22 draft accounts were submitted for audit within the Council's deadline of 31 May 2022 and were presented to the Audit Committee for consideration at its meeting on 21 June 2022. At the time of the production of this Statement the completion of the audit for 2021/22 remains outstanding. This audit completion delay is due to two issues relating to pensions (one national and one local) not under the control of the Council. Despite the challenges in

finalising sign off of the 2021/22 accounts, the Auditor commented positively about the standard of the accounts and high quality working papers.

The inability of the Council to have its accounts signed off is part of a national issue whereby the Public Sector Audit Appointments (the body overseeing the procurement of External Auditors for Local Government) reported to the DLUHC Select Committee in March 2023, that over 500 audits relating to Local Authorities, as at 31 March 2023, had not been signed off by External Auditors. This is linked into capacity issues nationally within both Local Authorities and External Audit firms where a lack of capacity is delaying the process of both producing accounts to the required quality for an audit to be undertaken, and then the undertaking of the audit. This situation is not expected to improve with bringing forward of the date for the completion of the accounts to 31 May and the completion of the audit to 30 September. The recently appointed Head of Local Audit at the FRC has stated it is possible that there could be 1,000 outstanding audit opinions at 30 September 2023.

Significant Governance Issues

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

2022/23 Issues	Planned Management Action to Reduce Risk
<p>The internal control environment on Adult Social Care systems did not sustain the improvements in the financial year 2022/23 for the fifth successive year compared to 2017/18. Issues identified in the 2022/23 internal audits as in previous financial years need to be implemented as a priority to improve internal control.</p>	<p>Added impetus is being given to strengthen the financial processes linked into the Mosaic system as the services pressures related to the COVID-19 pandemic are receding. This will involve regular meetings of key staff responsible for the implementation of improvements identified. This will include a regular report to the Director of Finance on the progress made on emerging issues. An Annual Report on the Control Environment within the Service will be submitted to the Audit Committee with key improvements identified throughout the year.</p>
<p>There are future changes to the Council's financial resilience due to uncertainty and matters outside of the Council's Control such as the future level of Government support for areas of high deprivation identified in the Levelling Up Agenda not progressing until the next Spending Review, planned reforms to Adult Social Care being deferred, the capacity in the wider Local Government sector to obtain audited opinions on the Statement of Final Accounts and the cost of living pressures which impact on the Council's plans for change. An added pressure is that the Council's previous plans to deliver savings by transformation may continue to be constrained by the events outside its direct control.</p>	<p>During 2023/24, despite continuing to deal with the ongoing day to day pressures and statutory change, there are targeted plans to improve efficiency around:</p> <ul style="list-style-type: none"> • Delivering future transformation across targeted areas of the Authority via the plans to deliver budget savings. • Continued integration and co-operation with the NHS and key partners as per Our Future Oldham Plan. • Collection of revenues due to the Council. • Managing capital resources and expenditure and taking forward the regeneration programme within the Creating a Better Place initiative. • Realising the value of entities in which the Council has a financial interest. <p>This will be supported by:</p> <ul style="list-style-type: none"> • The Policy Team reviewing on-going updates of national and local policy.

2022/23 Issues	Planned Management Action to Reduce Risk
<p>In addition, the final outturn for the financial year indicates an overspend of £1.147m reducing the level of general balances to £18.865m which is below the level recommended at the 1 March 2023 budget Council meeting.</p>	<ul style="list-style-type: none"> • An agreed Reserves Policy subject to regular review. • Joint working with key partners such as the NHS in line with Our Future Oldham to better align resources. • Regular financial and performance monitoring which will highlight the achievement of budget reductions and efficiencies delivered by transformation. <p>The Director of Finance considered the risks as part of the closure of the 2022/23 accounts. Future financial monitoring arrangements for 2023/24 will also consider the risks.</p>
<p>The Council has a number of key regeneration projects planned for the future as detailed in the Creating A Better Place Programme. Should one of these high-profile projects not be delivered as planned it is likely to result in future loss of budgeted grant income, reputational damage and/or an increase in the overall financing of current plans from the Council's own resources. This is more challenging in 2023/24 due to the continued impact of inflationary pressure on the construction market as the cost of construction contracts are increasing plus the time constraints on key grant programmes. In addition, the market conditions are continuing in some instances, making it difficult to obtain insurance.</p>	<p>The Capital Investment Programme Board receives bi-monthly reports on the high value projects once construction is underway.</p> <p>From month 3 there is detailed monitoring of the capital programme and specific schemes which will provide early warnings of pressures.</p> <p>The Council's Reserves Policy is reviewed on a regular basis by the Director of Finance to reflect the agreed risks linked into the capital strategy.</p> <p>An annual review of major Regeneration Projects included within the agreed Capital Programme will be undertaken by the Council during 2023/24 to assess the affordability of the capital programme in light of the inflationary increases and continued uncertainty over long-term funding.</p> <p>There will be early engagement with the Department of Levelling Up, Housing and Communities who administer key grant programmes whereby there is considered a risk of slippage to discuss re-profiling expenditure to later financial years.</p> <p>The Director of Finance considered the risks as part of the closure of the 2022/23 accounts. Future financial monitoring arrangements for 2023/24 will also consider the risks.</p>
<p>The audit opinion of the internal control environment for the operation of payroll including pension's administration failed to sustain the improvements made as of 31 March 2022 with the opinion being downgraded to "inadequate" at the year-end. The system requires improvements to be delivered in the financial year 2023/24.</p>	<p>The administration of the payroll system will be subject to regular review by the Internal Audit Service.</p> <p>A report will be prepared for the Audit Committee at its meeting in January 2024 outlining the progress made in improving internal control informed by the half year Internal Audit Fundamental Financial System review of the system. The full year review completed at the end of 2023/24 will inform the completion of the 2023/24 AGS.</p>

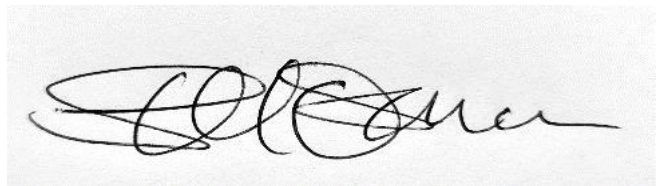
2022/23 Issues	Planned Management Action to Reduce Risk
<p>The continued compliance with the National Transparency Agenda has increased the risk to the Council of a future fraud and this has been enhanced by the improved general digital expertise of the population. Information included in the public domain and obtained under Freedom of Information requests is used to exploit the Council.</p>	<p>There are regular reviews of the internal control mechanism including documenting changes to procedures operated due to home working to ensuring adequate controls are in place to prevent third parties receiving inappropriate payments.</p> <p>On-going reviews of the published information which is a legislative requirement under the Transparency Agenda are undertaken to balance whether the wider public interest test is served by publication of the data.</p>
<p>The future reforms to Health Integration do not result in the efficiencies anticipated due to increased demand caused by a number of factors including the residual impact of the recent increases in the cost of delivering services.</p>	<p>The Council can with its current Decision Making Processes increase its flexibility to increase/ decrease the contribution to the pooled budget managed under a Section 75 Agreement with Oldham NHS partners in the locality (using the powers of the NHS Act 2006). This is on the assumption this flexibility will enable the whole health and care system to implement future efficiencies to generate overall savings/ improved service. This flexibility will be kept under continued review to maximise future opportunities for efficiency in Adult Social Care</p> <p>The Director of Finance considered the emerging risks arising from the transformation plans as part of the closure of accounts for 2022/23. This will be considered as part of the review of the Council's reserves/ financial resilience and on-going budget monitoring for 2023/24.</p>
<p>The present contractual arrangements with a number of key suppliers linked into the administration of Framework contracts needs to be reviewed and better detailed within Contract Procedure Rules. This would enable transformation savings required as per the agreed programme to be maximised.</p>	<p>A group of key officers led by the Director of Finance meets as and when required throughout 2023/24 to review the present Framework documentation in place for contracted suppliers. This will ensure that appropriate revisions are made to ensure future improvements are made.</p> <p>Should the Director of Finance require it, a report will be prepared by a Service Area to be presented to the Audit Committee outlining plans to contract and commission future services including the administration of Frameworks.</p>
<p>There are outstanding legal matters linked into on-going action against other Local Authorities which have the potential to impact on past custom and practice within the Authority which could have a significant future financial impact.</p>	<p>Key cases will be subject to regular review by Statutory Officers within the Council to assess the risk of an adverse financial impact.</p> <p>Regular reports which monitor the risk to the Council of issues highlighted in the Annual Governance Statement will be presented to the Audit Committee. The reports will advise of developments and any action taken or required.</p>

Summary

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



Councillor Arooj Shah
Leader of Oldham Council



Sayyed Osman
Deputy Chief Executive Oldham Council

7.0 Glossary of Terms

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Agency Services/Agencies

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Amortisation

A charge to the comprehensive income and expenditure statement which spreads the cost of an intangible asset over a number of years in line with the Council's accounting policies.

Appointed Auditors

The appointment of External Auditors to Local Authorities is undertaken by the Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. Mazars LLP is the Council's appointed auditor.

Asset

Items of worth that are measurable in terms of value. Current assets may change daily, but the Council is expected to yield the benefit within the one financial year (e.g. short-term debtors). Non-current assets yield benefit to the Council for a period of more than one year (e.g. land).

Associate Companies

An associate is an entity over which the Council has significant influence.

Association of Greater Manchester Authorities (AGMA)

AGMA represents the ten local authorities in Greater Manchester and works in partnership with Central Government, regional bodies and other Greater Manchester public sector bodies.

Balances

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

Better Care Fund (BCF)

The BCF was announced by Government in the June 2013 spending round to ensure a transformation in health and social care.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset, or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Financing Charges

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Central Services

Central support services which are recharged to frontline services as overheads to measure total cost.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

CIPFA LASAAC Local Authority Code Board

This board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom (the Code). The board is a partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

Collection Fund

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions relating to the collection of Council Tax and Business Rates and its distribution to Local Government bodies.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Contract Procedure Rules

The Council's Contract Procedure Rules form part of the Council's Constitution. They are in place to ensure that any procurement processes for goods and services achieve best value and are transparent, open and fair making it possible for all decisions to be audited satisfactorily.

Co-operative Council

This is the ethos of the Council embodied by the desire that citizens, partners and staff work together to improve the borough and create a confident and ambitious place.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and charges, General Fund Balances, specific grants and any funding from reserves.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Dedicated Schools Grant (DSG)

The DSG is a ringfenced grant payable to Local Authorities for the funding of both academies and maintained schools. It can only be used to finance expenditure that is included in the school's budget, as defined in the School Finance and Early Years (England) Regulations 2020/21. The schools budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each academy and Council maintained school.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council assets.

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Department for Education (DfE)

The Department for Education is a Central Government department responsible for children's services and education, including early years, schools, higher and further education policy, apprenticeships and wider skills in England.

Department for Levelling Up, Housing and Communities (DLUHC)

DLUHC (formerly Ministry of Housing, Communities and Local Government (MHCLG)) is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property, plant and equipment assets.

Depreciated Replacement Cost (DRC)

A method of valuation that provides a proxy for the market value of specialist assets.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Discounts

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Education & Skills Funding Agency (ESFA)

The ESFA brings together the former responsibilities of the Education Funding Agency (EFA) and Skills Funding Agency (SFA) to create a single agency accountable for funding education and skills for children, young people and adults.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fees and Charges

Income arising from the provision of services e.g. the use of trade waste services

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Management Code

Published by CIPFA it provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability.

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

Financial Reporting Council (FRC)

The Financial Reporting Council (FRC) promotes transparency and integrity in business. It regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.

Generally Accepted Accounting Principles (GAAP)

Generally accepted accounting principles, or GAAP, are standards that encompass the details, complexities, and legalities of accounting. The Financial Accounting Standards Board (FASB) uses GAAP as the foundation for its comprehensive set of approved accounting methods and practices.

General Fund

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

Greater Manchester Combined Authority (GMCA)

Created by the Local Government, Economic Development and Construction Act, the Greater Manchester Combined Authority (GMCA) assumed its powers and duties on 1 April 2011. It took over the functions previously the responsibility of the Greater Manchester Integrated Transport Authority (GMITA), which it replaced. It also took over responsibility for transport planning, traffic control and wide loads, assumed responsibility for the transportation resources allocated to the Greater Manchester region and regional economic development functions. From 1 April 2018 it took over responsibilities for activities previously undertaken by the Greater Manchester Waste Disposal Authority, the Greater Manchester Fire and Rescue Service, and the Greater Manchester Police and Crime Commissioner.

Greater Manchester Integrated Care Partnership

The Greater Manchester Integrated Care Partnership (Greater Manchester ICP) brings together all health and social care partners across Greater Manchester and wider public sector and community organisations to improve the health and wellbeing of the 2.8 million people who live in Greater Manchester.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits

paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of social housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

Non-current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period on the present value of the scheme liabilities which arises from the passage of time.

International Financial Reporting Standard (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment Properties

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Joint Venture

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

Leasing Costs

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

Lender Option Borrower Option (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum without penalty.

Lessor and Lessee

The **lessor** is the legal owner of the asset or property, and he gives the **lessee** the right to use or occupy the asset or property for a specific period. Although the **lessor** retains ownership of the asset, they have reduced rights to the asset during the course of the agreement.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Local Government Information Unit (LGiU)

The Local Government information Unit (LGiU) is a Local Government membership body, thinktank and registered charity. Established in 1983 as a membership organisation for UK local authorities, the LGiU aims to strengthen local democracy and put citizens in control of their own lives, communities and services.

Loss Allowance

The allowance for expected credit losses on financial assets, such as debtors.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about the Council.

Medium-Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years' financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. In Oldham it usually covers a four or five year timeframe.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Movement in Reserves Statement (MiRS)

The MiRS shows the movement during the year on the different reserves held by the Council, analysed into usable reserves (those that can be applied to fund expenditure or reduce taxation) and other unusable reserves.

Non Domestic Rates (NDR) (also known as Business Rates)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

NHS Oldham Clinical Commissioning Group (CCG)

The NHS Oldham Clinical Commissioning Group (CCG) was the NHS body responsible for commissioning and providing health services across the borough. The organisation closed at the end of June 2022 and its functions have been taken over by NHS Greater Manchester Integrated Care ('NHS GM').

NHS Greater Manchester Integrated Care ('NHS GM')

This new organisation is the statutory body in charge of NHS money and is responsible for making sure services are in place to put plans into action in regard to health provision in Greater Manchester including Oldham.

Ofsted

Ofsted is the Office for Standards in Education, Children's Services and Skills. Ofsted inspects services providing education and skills for learners of all ages and regulates services that care for children and young people.

Outturn

Actual expenditure and income compared to the budget.

Pension Asset Ceiling Adjustment

The pension asset ceiling adjustment is made to ensure sure that the Councils balance sheet properly reflects how the value of any defined benefit deficit or surplus is affected by the pensions scheme's rules and funding requirements.

Pooled Aligned Budget

A pooled fund, arising from a Section 75 Agreement between Oldham Council and Oldham CCG (to 30/06/2022) and subsequently with the Oldham Integrated Care Partnership (ICP), but the partners' respective financial contributions to such a fund are held in their own bank accounts.

Pooled Budget

A pooled fund, arising from a Section 75 Agreement between Oldham Council and Oldham CCG / ICP, comprising financial contributions from both partners hosted by one of the partners in its bank account.

Pooled Fund

This can be either a Pooled Budget or a Pooled Aligned Budget.

Precept

The amount collected by the Council on behalf of other bodies. For 2022/23 the major precepts were payable in relation to the GM Mayor as Police and Crime Commissioner and the Mayoral General Precept (including Fire Services).

Premiums

These are discounts that have arisen following the early redemption of long-term debt, which are written down over the lifetime of replacement loans where applicable.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Private Finance Initiative (PFI)

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Public Sector Audit Appointments (PSAA)

Public Sector Audit Appointments Limited (PSAA) is a company established in 2014 by the LGA which secures efficient and effective arrangements for the independent appointment of auditors and audit services for opted-in Local Government bodies.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long-term funding requirements for Local Authorities

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, and all senior officers. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Remeasurement of the Net Defined Benefit Liability

Remeasurement of the Net Defined Benefit Liability (asset) comprises:

- a) actuarial gains and losses
- b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
- c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Section 75 (S.75) Agreement

An agreement made between a Local Authority and an NHS body under the powers of the National Health Service Act 2006 which facilitates the pooling of resources to improve the delivery of health and social care. Locally the agreement is between Oldham Council and Oldham CCG / ICP

Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by the Council.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Trust Funds

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

TUPE (Transfer of Undertakings (Protection of Employment) Regulations)

TUPE regulations protect an employee's rights on transfer to a new employer.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Unusable Reserves

In addition to useable reserves, the Council also details unusable reserves within the financial statements. These reserves hold costs that the Council has accrued but not yet financed and they cannot be spent on Council services.



Report to Audit Committee

Draft Annual Governance Statement for 2022/23

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

Officer Contact: Mark Stenson – Assistant Director – Corporate Governance and Strategic Financial Management

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

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27 June 2023

The purpose of this report is to update the Audit Committee on the draft Annual Governance Statement included within the draft Statement of Accounts for the financial year 2022/23.

This report supports the draft Statement of Accounts and Annual Report by the Head of Internal Audit which are considered separately elsewhere on this Agenda.

Executive Summary

The Council, as part of its Statement of Accounts produces an Annual Governance Statement. This identifies the significant governance issues that the Council needs to consider at the financial year-end to reduce its future risk. In the Municipal Year 2022/23 there were two reports which presented the draft Annual Governance Statements to the Audit Committee. The first was at the meeting on 21 June 2022 which considered the draft Statement of Accounts. The second draft was to the meeting on 1 November 2022 to reflect changes (very minor) to update for matters occurring since 21 June 2022.

At regular meetings of this Committee, update reports have been produced highlighting the progress made on issues identified for improvement in the Annual Governance Statement which supported the Statement of Accounts for the financial year 2021/22 and the new issues that might require consideration for inclusion in a future Annual Governance Statement. This has informed the production of the Draft Annual Governance Statement for 2022/23 which is attached at Appendix 1.

Since the production of the Annual Governance Statement within the unaudited Statement of Accounts provided for audit by the Statutory deadline, an issue has been highlighted in correspondence with the Department of Education in respect of Note 6 and the reporting of the Dedicated Schools Grant (DSG) deficit covering the financial year 2021/22. As the Authority has accounted for DSG correctly in 2022/23 and the reporting changes impact on the financial year 2021/22, it does not materially impact on the Annual Governance Statement supporting the 2022/23 accounts and the 2021/22 accounts. It is therefore not considered appropriate to adjust the Annual Governance Statement, but has been included in this report for information to the Audit Committee.

Recommendations

The Committee notes the draft Annual Governance Statement included at Appendix 1 and within the draft Statement of Accounts for the financial year 2022/23 and the intention not to amend the 2021/22 Annual Governance Statement.

Draft Annual Governance Statement for 2022/23**1 Issues included in the previously agreed 2021/22 Annual Governance Statement**

- 1.1 The 2021/22 Annual Governance Statement (AGS) previously reported to this Committee identified a total of nine issues for the Council to monitor in the financial year 2022/23 to assess how the risk to the Council was being reduced. The issues highlighted included the need to strengthen internal control within both the operation of the Payroll Service and the financial administration of systems in Adult Social Care. Both matters have been long term issues for the Council to address and have therefore been included within the AGS produced in previous financial years.
- 1.2 In respect of the Payroll Service, there was optimism when the 2021/22 AGS was reported alongside the draft Statement of Accounts that the improvements in financial administration as reported to this Committee at the meeting on 21 June 2022 would be sustained. This has not proved to be possible as evidenced within the Annual Report from the Head of Audit and Counter Fraud which is elsewhere on this Agenda. As such, this remains an issue for the Committee to monitor and remains an issue within the 2022/23 AGS. The Work Programme agreed by this Committee on 8 June 2023 suggested that the January 2024 meeting received a detailed report outlining the progress made by the Council in resolving this matter.
- 1.3 As highlighted in the Annual Report of the Head of Internal Audit and Counter Fraud, the financial administration of Adult Social Care financial systems remains a concern. This is disappointing and has been an issue for successive AGSs. In 2020/21 and 2021/22 the Service was heavily impacted by the pandemic but although 2022/23 has seen activity return to more business as usual (albeit the pandemic has impacted on longer term demand) matters have not improved. There were control issues before the pandemic which were reported extensively to this Committee with assurances given that matters would improve. The Work Programme agreed by this Committee on 8 June 2023 suggested that the July 2023 meeting received a detailed report outlining the progress made by the Council in resolving this matter.
- 1.4 It is pleasing that of the nine issues identified in the 2021/22 AGS it has been possible to remove one issue from the 2022/23 draft AGS. This is detailed below:

- **Infrastructure Assets**

The initial reason that the Council's 2021/22 accounts could not be approved following the audit was a national issue relating to the agreed accounting arrangements for infrastructure assets. At the time the accounts were submitted this issue and challenges around it were understood, but it was hoped that an accounting solution could be agreed to enable the accounts to be signed off. On 11 January 2023 the Chartered Institute for Public Finance and Accountancy (CIPFA) issued Bulletin 12 Accounting for Infrastructure Assets Temporary Solution. This provided a temporary solution for accounting for infrastructure assets, particularly around highways. It also included a temporary relief not to report gross cost and accumulated depreciation which was problematic.

This issue was reported as "Green" in the 28 March 2023 update report to this Committee. It needs to be emphasised that a permanent solution needs to be agreed before the 31 March 2025. If this is not possible and this risk cannot be discounted in the future, this maybe an item to consider in the 2025/26 AGS.

2 Issues considered for Inclusion in and Exclusion from the 2022/23 AGS.

- 2.1 As set out in the regular reports to this Committee throughout the financial year 2022/23 there were no additional items considered for inclusion in the 2022/23 draft AGS.
- 2.2 One matter to which the draft AGS does refer is the challenge within Local Government of both submitting final accounts and then obtaining audited opinions in a timely manner. Prior to the production of the AGS there was consideration given to the fact that the audit of the 2021/22 accounts had not been finalised. It is not good practice in the opinion of the report author that the Council had to set its budget at full Council on 1 March 2023 for 2023/24 in advance of the audit of the 2021/22 accounts being finalised. However, given that the issue is in the main outside the control of the Council and to a degree our local auditors, on balance it was decided that a specific issue would not be included within the 2022/23 draft AGS. Going forward, if the Authority has accounts for earlier years not signed off by the auditor, it is not an unreasonable issue to consider for inclusion in a future AGS.

3 Dedicated Schools Grant (DSG) - Note to the Statement of Accounts

- 3.1 Local Authorities who administer the DSG for which the Department of Education (DfE) provides Parliamentary oversight, are required to submit information which is detailed within the DSG note in the Statement of Accounts. Since the last meeting of the Audit Committee, a query has been raised by the DfE on the disclosure note of the DSG, Note 6 in the Council's Statement of Accounts. The query relates to the year 2021/22 and the presentation of the DSG deficit brought forward from previous years. Following the recent identification on an error in a Statutory Instrument which dictates the treatment of DSG deficits, the DfE has requested that the Council present the deficit relating to 2021/22 in a manner which is different to how the Note was originally prepared. However, it should be highlighted that the Council prepared the DSG note in line with the guidance available in 2021/22.
- 3.2 The Council has prepared the Note to the accounts in 2022/23 in accordance with a new interpretation of the Statutory Instrument. Neither approach affects the overall balance of the DSG within the Council Statement of Accounts. With regards to 2021/22 the Council consulted with the External Auditor and has agreed an approach which does not involve the Council restating its accounts.
- 3.3 Whilst this will require the External Auditor to issue a revised Audit Completion Report for 2021/22 detailing an Unadjusted Error, it is considered the sensible way to progress the matter, given that the overall balance of DSG is correct, the movement related to 2021/22 is not material and it is likely that the Statutory Instrument will soon be amended to allow the Council's original approach.
- 3.4 A restatement would involve further external audit work for the 2021/22 accounts delaying the process further for an issue which is effectively a technical adjustment. Therefore, this matter is not considered as significant for the 2021/22 or 2022/23 AGS and does not warrant inclusion.
- 3.5 This issue needs to be considered in the context of the elimination of the DSG deficits reported by Oldham (overall nationally the indications are that for 2022/23 the reported DSG deficits will increase). Oldham now has an overall DSG surplus for the first time since 2015/16. As such the Council is in a position that should the present statutory override on DSG deficits not be applicable, then it would not impact on the financial resilience of the Council.

4 **Draft Annual Governance Statement for 2022/23**

4.1 Appendix 1 details the draft AGS for 2022/23.

5 **Options/Alternatives**

5.1 The options are that the Audit Committee:

- a) considers this report which details the Draft AGS for 2022/23 prepared as a key document within the Statement of Accounts.
- b) declines to consider the report and requests a further review.

6 **Preferred Option**

6.1 The preferred option is that the Audit Committee reviews the Draft AGS in accordance with the recommendation made.

7 **Consultation**

7.1 N/A.

8 **Financial Implications**

8.1 There is no direct impact upon the reported financial position of the Council (Anne Ryans).

9 **Legal Services Comments**

9.1 N/A.

10 **Cooperative Agenda**

10.1 N/A.

11 **Human Resources Comments**

11.1 N/A.

12 **Risk Assessments**

12.1 These are identified as specific issues in the Draft AGS (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 **Equality, community cohesion and crime implications**

17.1 N/A.

18 **Equality Impact Assessment Completed**

18.1 N/A.

19 **Key Decision**

19.1 N/A.

20 **Forward Plan Reference**

20.1 N/A.

21 **Background Papers**

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

File Ref: Background papers are included in Appendix 1.

Officer Name: Mark Stenson

Contact No: mark.stenson@oldham.gov.uk

22 **Appendices**

22.1 **Appendix 1:** Draft 2022/23 Annual Governance Statement

Scope of Responsibility

The Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The Authority also has a duty under the Local Government Act 1999 to plan to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going practice of not implementing Fair Funding reform.

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

The Authority has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance (LCCG) which has been refreshed and will be presented to the Audit Committee for acceptance at its meeting on 8 June 2023. The current LCCG is publicised on the Council's website.

The Annual Governance Statement sets out how the Authority has complied with the Code and complied with the Accounts and Audit (Amendment) Regulations 2022. This is the first full year the Council has operated under its Constitution following the pandemic which impacted on the financial years 2020/21 and 2021/22.

The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit (Amendment) Regulations 2022 in relation to the publication of a statement on internal control. It is subject to detailed review by the Audit Committee when it considers firstly the draft Statement of Account (which will be presented to the Audit Committee on 20 June 2023) and subsequently the final Statement of Accounts before they are formally approved. The accounts are reported to Cabinet and full Council for information after the scrutiny process and formal approval by the Audit Committee.

In respect of the CIPFA Financial Management Code the Finance Service undertook work throughout 2021/22 to ensure its compliance with this Code. This was reported by the Director of Finance to the Audit Committee on 17 January 2022 and advised Members that the Council complied with the key requirements of the Code during 2021/22. In 2022/23 opportunities have been taken towards implementing appropriate changes.

The overall position has been monitored during 2022/23 and there have been no substantial changes that would highlight any concerns, but a further detailed exercise to map compliance is planned for the first half of 2023/24. The findings will be reported to the Audit Committee.

The review identified that for 2022/23, the Authority's financial management arrangements were consistent with a number of the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The key principles for which there was compliance were that the Chief Financial Officer (Director of Finance):

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

In addition, the Statement requires that the Chief Financial Officer should report directly to the Chief Executive and ideally be a member of the leadership team, with a status at least equivalent to others. Whilst the Director of Finance (the Chief Financial Officer and designated Section 151 officer) was not a member of the Executive Management Team (EMT) which is comprised of the four most senior officers of the Council, the Chief Executive, the Deputy Chief Executive, the Assistant Chief Executive and the Executive Director Place and Economic Growth alongside the Greater Manchester Integrated Commissioning Lead, the officer reported directly to the Chief Executive throughout 2022/23. Whilst not a standing member of EMT, the Director of Finance was able to attend meetings when appropriate. During 2022/23, the Director of Finance was a member of the Management Board which is comprised of all senior officers at Director level, and above which met on a fortnightly basis. All Statutory Officers had access to the Chief Executive.

The Council considered that its management arrangements were therefore appropriate in the context of the CIPFA Statement and requirements of the CIPFA Financial Management Code.

The issues identified as significant governance issues and the progress made by management throughout the financial year 2022/23 to address these issues, have been reported regularly to the Audit Committee together with an assessment made in reducing the risk as part of its Governance role within the Council.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically (i.e. so they deliver value for money – efficiently, effectively, and economically).

The financial year 2022/23 was the first full year since the pandemic when decision-making processes adopted by the Authority did not require emergency decisions other than those required in a normal operational year. in compliance with its agreed Constitution.

The governance framework which was in place at the Authority for the year ended 31 March 2023 resulted in regular reports submitted to the Audit Committee on the progress made on issues identified in the previous Annual Governance Statement and identified any issues for consideration in this Statement. This has included issues arising from the response to the pandemic which have highlighted where future practice could be improved.

The Governance Framework

The Authority is a Metropolitan District which was set up in 1974 combining 7 Urban Districts, which provided services to the local population. Its strategic vision and Co-operative objectives are set out in the Council's Corporate Plan 2022/27. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes, and behaviours required to deliver good governance to all.

The key message and values are:

Communicating the Authority's Vision

The Authority's Vision for 2022/23 and future years was set out in both the Corporate Plan 2022/27 supplemented by the development of the Our Future Oldham Plan - Shared Vision until 2030. These plans are aligned to establish a clear link between; Local, Central Government and Greater Manchester regional priorities, including the devolution of health services and further future devolution within the Region. It establishes the Council's priorities developed in partnership with key stakeholders and the local community around the delivery of the core business of the Council.

The Council initially endorsed this vision on 7 September 2022. It is a collective action statement covering the period 2022 to 2027 for the Council and to the end of 2030 for key partnerships, setting out the areas that would add the most value to achieving the ambition that Oldham and the Region is a productive and co-operative place with healthy, prosperous, fairer with greener and cleaner communities.

The Oldham Council Corporate Plan applicable from 7 September 2022 was based around the vision for creating a future Oldham with a long term vision to deliver five key priorities. These are:

Healthy, safe and well supported residents

The Council's biggest responsibility is the effective safeguarding of its most vulnerable residents.

The Council's approach to safeguarding and supporting residents has become increasingly embedded in communities, so services are based where residents need them. This "place-based" approach enables the Council to be more responsive working with partners to provide more wrap around support. Utilising procedures and processes that are regularly tested and reviewed internally and by external bodies, and through continuous improvement, the Council's priority is to keep people safe. This includes actions to intervene as early as possible before a risk can develop.

The pandemic showed public services at their best, working closely with residents to keep people safe. Recent innovations in Oldham aim to deliver future improvements. As health

inequalities remain, a challenge is to take forward planned joint working to ensure residents are able to live healthier and more active lives.

A great start and skills for life

Recent years have seen improvements in outcomes for young people in Oldham with progress in early years, primary education, and A-level results. New school places have been provided including a new Saddleworth School which opened in March 2022 and the new Brian Clarke Academy which will open later in 2023.

Outside schools, young people will need opportunities to gain new skills and experience. Improving mental health of young people will remain a priority.

Better jobs and dynamic businesses

The link between decent work and life chances is a key objective. As an employer, the Council reflects this by ensuring all our staff and Adult Social Care suppliers are paid at least the Living Wage Foundation National Living Wage.

There is investment in Oldham with a regeneration strategy to create town centres that are great places to live, work and spend time. This programme is moving forward in part due to the success of bidding for funding via the Future High Streets Fund, Towns Deal Fund, Levelling Up Fund, UK Shared Prosperity Fund and Public Sector Decarbonisation Fund.

The plan is to support businesses and jobs through its employment programmes, schemes for business start-ups/ expanding existing businesses, creating space for building and service provision. Working in partnership, the Council aims to improve the access of local residents to the skills they will need to progress into well paid employment.

Quality homes for everyone

Oldham's Housing Strategy sets out a clear approach to deliver the homes required in the Borough. By implementing the Mills Strategy more heritage assets will be used to develop more brownfield housing and protect green spaces. The planned creation of 2,000 homes in the town centre which will revitalise the high street will remove the requirement to build on the green belt.

The Corporate Plan 2022/27 is consistent with the housing objectives set out in Places for Everyone (a spatial plan for Oldham and eight other Greater Manchester boroughs).

A clean and green future

This supports the Green New Deal targets to make the Council carbon-neutral by 2025 and the wider borough by 2030. This will position Oldham as a more pleasant and healthier place to live in both the short, medium, and long term. There are also commercial opportunities arising from the green agenda with a growing technology industry and green tourism.

Through "Don't Trash Oldham" the cleaning up of streets has progressed with enhanced plans to prosecute fly-tippers and redesign streets to make them easier and more pleasant in which to spend time.

Our Future Oldham: A shared vision for 2030 sets the direction for the Borough, based on extensive consultation with residents and partners. It sets out what key public services want to achieve overall and the minimum expectations every resident should have by 2030. The Corporate Plan 2022/27 sets out the Council's contribution.

To deliver improvements, the Council has committed to working closely and collaboratively with partners and residents. This includes supporting local leaders and regular reporting of the achievements set out in the Corporate Plan.

Co-operative Council in a Co-operative Borough

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

The Council is constantly looking at how we can work more effectively and efficiently in the interests of residents. Over the period of the Corporate Plan, it is planned to further embed core values and behaviours. This will enable change to be made by four transformational revisions to service delivery:

Residents First

This aims to make every service a good service and every experience a good experience by working with residents to improve performance. This will include the resident's voice being at the heart of decision-making.

Place-based Working

Residents want services to be delivered and available near where they live and tailored to the specific needs of the community. Place based working will be based on the five-district footprints agreed with partners integrating where possible with other public bodies.

Digital

Residents expect the convenience of being able to apply for services or solve problems through their computer or phone. This requires partnership working through the Greater Manchester One Network bringing high speed networks to Oldham and the City Region. Greater support will be provided to those whose skills need developing to better access the opportunities of digital services.

Working with Communities to Reduce Need

Taking a community-centred, preventative approach to public services benefits residents and the public purse. By working with key partners and residents this will focus on early help.

The ethos of the Co-operative Council supported by the Corporate Plan 2022/27 sets the framework for key Council strategies.

Like many other Local Authorities, Oldham Council has had to make significant budget reductions since the start of the Government's austerity programme and there has been a subsequent deferral of implementing Fair Funding Reform. The recent increase in inflation had a huge impact on the finances of the Council during 2022/23 and it has also influenced financial planning for future financial years. It is important to note that arising from Government announcements and the Emergency Budget, since the start of the austerity regime in May 2010, the Council has been required to balance its budget by making a significant level of budget reductions, which up to and including the recurrent budget reductions of £6.268m approved at the 2022/23 Budget Council, cumulatively totalled £204m.

Further recurrent budget reductions of £16.313m were agreed at the 2023/24 Budget Council meeting for implementation in 2023/24 plus there was confirmation of £3.655m of budget reductions with a 2023/24 impact that were initially presented for consideration at the 2021/22 and the 2022/23 Budget Council meetings. The total of budget reductions impacting on 2023/24 was £19.968m. The Medium Term Financial Strategy (MTFS) approved at the 1 March 2023 Budget Council also approved budget reductions of £6.969m that will have an impact in 2024/25 and £1.135m in 2025/26. Even after allowing for these forward commitments, there remains a significant savings target over the period covered by the current MTFS (2024/25 to 2027/28).

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

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

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

The ways in which the Council is doing this include:

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

Key elements of the Governance Framework

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

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

In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties against conflicts of interest. Both Members and Officers record any gifts and hospitality received in accordance with the Authority's agreed procedure. To enable third party challenges to Authority operations there is a publicised Complaints Procedure. There is also

a Whistleblowing Policy, last updated and approved by full Council in July 2020. This enables concerns to be raised in a confidential manner and dealt with in a proportionate manner.

The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions should this be required. The Scrutiny process was subject to a detailed review during 2022/23 and a revised approach is to be implemented following the Annual Council meeting in May 2023. When required, issues of governance/ scrutiny which highlight where improvements could be made in processes arising from lessons learned from other Local Authorities (based on information reported in the public domain), are reported to appropriate Committees to enable them to better discharge their roles. This included the continual review of partnership governance within the Council, which in 2022/23 was reported to both the Audit Committee (on two occasions) and also to the Performance Overview and Scrutiny Committee when required.

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

The Council is managed by a Cabinet system as set out in the agreed Council Constitution. This sets out the scheme of delegation between elected Members and Officers. In the financial year 2022/23 in accordance with Government guidelines, all formally constituted meetings (Executive and Regulatory) were held in person.

In order to encourage the community to engage in more co-operative activities, Members in their role as Community Champions often, either individually or in partnership with the District Elected Lead Member, network with key community groups and individuals to deliver local priorities. In order to demonstrate their achievements, each Councillor is encouraged to produce an annual report which is then published on the Council's website and included in a report to full Council.

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

Staff have been assisted in this aspect by the embedding of Let's Talk which replaced the Corporate Personal Performance Framework in the later part of 2021. Let's Talk is based on open two-way conversations which focus on wellbeing, performance, and development. The employer supported volunteering (ESV) programme helps Council employees to volunteer with organisations in Oldham. From using existing skills to taking on a new challenge, the scheme gives staff the time and support to volunteer to do their bit.

The agreed Procurement Policy focuses on procurement activity, which has the aim of ensuring the optimum balance between cost, quality, social value and local service value, whilst also ensuring that any significant commercial risks are identified and mitigated at the commissioning stage.

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

Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position as a Cooperative Council and will be vital in making a reality of both service changes and improvements to the borough.

The Corporate Peer Review findings formally received in March 2020, indicated this relationship works well in taking forward improvements within the Borough. Whilst the Authority hoped to take forward the recommendations over the past three financial years, it has not been possible to make the significant progress that was originally planned due to initially the pandemic and more recently the response to the increases in the cost of living. Now that the Council has returned to working practices developed pre-pandemic, it will be possible to introduce any remaining changes/improvements in 2023/24.

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

The Authority has also demonstrated its support of sustainability by appropriate self-financing of capital investment in renewable energy. In previous financial years it has supported the creation of an independent Community Interest Company which is now operating in a sustained and independent manner (with the potential to expand), administered the warm homes project to alleviate fuel poverty and provided oversight to the Greater Manchester Green Grants Scheme including overseeing energy improvements for social housing within Oldham. In 2018/19 approval was given to develop a new eco-centre at Alexandra Park with construction beginning in 2021/22 immediately following the completion of a Gateway Review. This is further supported by a project financed from the Government's Decarbonisation Fund which has installed an eco-friendly/ carbon efficient heating system including heat source pumps. This project has continued with construction during 2022/23 with an expected completion date of October 2023. In the financial year 2022/23 the Council was successful in securing Public Sector Decarbonisation Funding to support the development of reducing carbon emissions from the Spindles Shopping Centre which is currently under development. Further energy baseline information has been obtained to enable the Council to access future rounds of Public Sector Decarbonisation Funds as and when future bidding rounds are announced.

At its meeting on 11 September 2019, the Council agreed to declare a Carbon Emergency and set itself the challenging target of becoming Carbon Neutral by 2025 with an aspiration of Carbon Neutrality for the Borough by 2030. In addition, the Council supported specific green projects with a successful bid to the Levelling Up Fund to further develop the concept of Northern Roots which is a future eco-friendly sustainable development of an urban space consistent with the green aspirations of the Council. This project was on-going throughout 2022/23 with the Council creating a charitable company to further develop the concept and utilise Towns Fund and external funding from a number of sources to support future development works. In addition, a bid to the Levelling Up Fund for three projects linked into the Green Agenda was successful which will enable their future development. These projects

are the Jubilee Park, the Green Shoots development centre and Education Centre at Northern Roots

The planned development of a Solar Farm at the Wrigley Head site progressed during 2022/23 due to energy prices being at a level which supports the scheme and the Council's desire to facilitate the construction. The consideration to progress the scheme was agreed by Cabinet at its meeting on 23 January 2023.

The Green Agenda is a key element of the Creating a Better Place Initiative. To this end, funding was also secured during 2021/22 to undertake a feasibility study in 2022/23 into whether a District Heating Network using underwater mine heating sources could be developed for the town centre and associated residences. This work is on-going, and the project is working towards submitting a bid to the Government for construction should it be supported by the feasibility study.

The Council is also working on the Innovate Project in partnership with the GMCA. The intention is to implement the vision for the Green New Deal in Oldham via a partnership.

The Chief Executive of Oldham Council is the Head of Paid Service. When the Council recruited a new Chief Executive in 2021/22, the joint appointment as the Accountable Officer for Oldham Clinical Commissioning Group (CCG) ceased with the role of Accountable Officer for Oldham CCG being performed by an officer of the NHS. The two organisations have however, continued to work collaboratively throughout 2022/23 under the oversight of the Commissioning Partnership Board (CPB). Following proposals for Health and Social Care reform receiving Royal Assent on 28 April the CCG ceased to exist on 30 June 2022. The functions of the CCG were carried out by a new body NHS Greater Manchester Integrated Care Board (NHS Greater Manchester). At a locality level an Oldham Integrated Care Partnership (ICP) has been established with local oversight by the CPB. NHS Greater Manchester has four goals and six missions set out in a five year Strategy. In response to this at a locality level the ICP has agreed a new strategic plan. Financially in 2022/23 this impacted on the value of Services included in the Oldham 2022/23 Section 75 Agreement. The close working relationship is evidenced by the Place Lead for Oldham (an NHS officer) having membership of the Executive Management Team during 2022/23.

Cabinet portfolios are assigned on a functional basis rather than by operational management responsibilities but are subject to appropriate officer support. Shadow Cabinet Members from both of the main Opposition Parties also met with support officers on a regular basis throughout 2022/23 to ensure appropriate political scrutiny. As part of the budget process, Opposition Parties have the facility to prepare alternative proposals. During the latter part of 2022/23 both the Liberal Democrats and Conservative Opposition Parties presented alternative budgets for 2022/23 which were subject to scrutiny and Council consideration.

The Director of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided in-house, supported by a partnership with Salford Council for Computer Audit. The Internal Audit team achieved compliance with Public Sector Internal Audit Standards as evidenced by the Independent External Review of the service, undertaken in 2022/23. The Assistant Director of Corporate Governance and Strategic Financial Management at Oldham Council has direct access to all members of EMT and the Management Board as well as all Members and has utilised this discretion when appropriate. CIPFA's guidance on the Role of the Head of Internal Audit was issued in early April 2019 and a compliance review identifying the Council followed best practice was reported to the Audit Committee on 25 June 2019.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, which are incorporated within the Council's Constitution, and

comply with Good Practice. A substantial update of the Finance Procedure Rules was agreed by full Council at its meeting on 13 July 2022 after a detailed review during 2021/22. Control is based on regular management information, management supervision, and a structure of delegation and accountability. If there are fundamental failures in internal control these are subject to investigation.

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

In order to have appropriate scrutiny of the Authority the Audit Committee has the capacity to appoint three Independent Members. The Council has struggled to recruit to these roles. The recruitment of an Independent Chair was successful in 2022/23. The Audit Committee meeting on 28 March 2023 was chaired by the Independent Chair for the first time.

The Audit Committee members receive appropriate briefings supported by training from key officers and third parties to enhance the Governance Framework. and specific training was provided in two tailored sessions delivered by the Chartered Institute of Public Finance and Accountancy with more general financial skills training in 2022 delivered by an officer of the Local Government Information Unit.

The Standards Committee utilise independent investigators from outside the organisation to supplement in-house resources where appropriate to investigate any serious allegations into Member misconduct. There were a number of matters referred to the Standards Committee throughout 2022/23.

Principle B. Ensuring openness and comprehensive stakeholder engagement

The Authority, at the Council meeting on 7 September 2022 agreed its long-term Corporate Plan which set out the Authority's Co-operative vision and values, assimilating them into its strategic objectives for the period 2022/27. This linked the objectives through to outcomes, identifying the service areas responsible and performance indicators. The Authority works closely with other local public partners, community and voluntary groups via a partnership approach as set in the Our Future Oldham Plan 2030 to ensure effective delivery of its services. The operation of the Oldham Leadership Board recognises that the Council is a body that champions Oldham.

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

In addition to the above, the Council is a constituent District of the GMCA which exercises a number of new powers devolved from Central Government. The GMCA meetings are also held in the public domain and streamed live. The Leader of the Council is a constituent member of the GMCA. During 2022/23, the Leader of the Council was the GMCA lead for Equalities, Inclusion and Cohesion across the region. The Leader of the Council also led the GMCA response to the cost of living crisis.

Progress on delivering the Corporate Plan 2022/27 is communicated through a performance management framework. During 2022/23, the Performance Overview Scrutiny Committee

received quarterly reports on both performance against the Corporate Plan/ Objectives and budget monitoring. These quarterly reports focus by exception and set out corrective measures where key performance indicators or the agreed budget reductions have not been met or where there is overspending against budget.

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

During the financial year 2022/23 the Council embedded its scrutiny arrangements which were reviewed in 2021/22 as recommended by the Peer Review Process. This continued the requirement for scrutiny of the overall budget to be undertaken by the Policy Overview and Scrutiny Committee whilst budget monitoring scrutiny was undertaken by the Performance Overview and Scrutiny Committee. A review of the revised scrutiny arrangements was undertaken in the final quarter of 2022/23 with a revised structure approved by Council at its meeting on 24 May 2023.

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

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

The Council operates a system of a District Lead Elected Member supported by a system whereby individual ward members have a specific budget (£0.005m in 2022/23) to spend on local priorities. Working through their local contacts, these local representatives utilising their budgets were able to support in partnership a number of community groups during the financial year.

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

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

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

In order to ensure its message is effectively communicated to its citizens the Council's Communications function proactively prepares appropriate press releases to support the Co-operative vision of the Council. A user friendly and well-designed Oldham Council website ensures all citizens are aware of the co-operative vision, strategies, policies and initiatives available. This website which was redesigned in the 2019/20 financial year is subject to consistent review and ensures the communication medium with the Council and its residents remains up to-date. This was an important means of communication with citizens and source of information as the Council set new priorities as detailed in its Corporate Plan 2022/27.

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

The Authority has spent its resources within the overall agreed budget for the financial year 2022/23 with a small overspend of £1.147m. Initially, the Council was forecasting a significant overspend linked into the budgetary pressures within both Children's and Adult Social Care. Measures introduced by the Council during the financial year to control expenditure have been effective in reducing the overall level of the overspend.

Consideration and approval by the Authority of its budget for 2023/24 took place at its 1 March 2023 full Council meeting. Due to increasing cost pressures on Adult Social Care, the Council Tax recommendation resulted in a specific 2% Council Tax increase for the Adult Social Care Precept (ringfenced for use on Adult Social Care) and a 1.99% Council Tax increase for general purposes.

The 2023/24 budget was set having regard to the anticipated financial pressures linked into the current high level of inflation, the deferral of reforms to Adult Social Care and the impact on future financial resilience together with having regard to the continued deferral of Central Government undertaking their Fair Funding Review. The Council prepared its budget and its longer term financial forecasts on the basis that the national public finances were stretched and that the support from national Government would mostly remain static until 2027/28.

The Council's Four-Year Efficiency Plan was initially prepared to give certainty over the level of Central Government funding from 2016/17 to 2019/20, and effectively planned for year on year reductions to budgets. This was initially agreed by Cabinet on 5 September 2016 and the period the plan covered is now complete. This underpinned the MTFS of the Council at the time and supported the budget process until the end of the financial year 2019/20. It supported the financial resilience of the Authority enabling it to withstand unforeseen events and pressures by maintaining an appropriate level of reserves and balances to support on-going resilience and allow for the future development of efficiencies. Since then, the Government has provided single year financial settlements.

The principles of the 2023/24 financial settlement were set out in the Autumn Statement 2022. This was confirmed by the Local Government Finance Policy Statement and subsequent provisional/ final Local Government Finance Settlement. This confirmed funding and the deferring of planned Adult Social Care reforms which enabled the preparation of the MTFS including a range of key assumptions about future Government grant support. Whilst there is a national commitment to Levelling Up (although given recent changes around the national projections about overall Government spending and receipts there is little additional flexibility to increase spending), the present MTFS takes a prudent approach with no expectation of a significant increase in resources. It is expected that the Levelling Up agenda will take time to implement and therefore will not substantially benefit the Council over the MTFS period. An added pressure is that nationally the overall public finances based on current projections have very limited flexibility to increase overall Government expenditure particularly as inflation remains high increasing the cost of repaying national debt.

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

The availability of reserves during the 2023/24 budget process facilitated planned one-off financial support (over 2 financial years) to enable the efficient transformation of both the Council and the Locality with a plan of change and improved efficiency implemented in a

managed manner. It supports the continued pooling of resources with NHS partners to deliver future efficiencies and greater effectiveness in the use of resources.

With the pandemic and its residual impact occurring over three financial years, it impacted in the short-term on the plans for transformation for 2020/21, 2021/22 and 2022/23. It is the principle of the one-off use of reserves which supports short-term to medium term financial resilience so the Council can continue service provision, the managing of increased financial pressures linked into high inflationary increases in cost and allow further time for the transformational activity to be embedded.

The overall financial strategy following recent pressures enabled Council Tax rises to be set at a level, which balanced the needs of the Council in relation to on-going financial resilience with affordability to residents. It has also enabled the Council to manage continued pressures of demand around Adults and Children's Social Care within its overall 2022/23 budget.

The 2023/24 budget was set having regard to the inflationary pressures which the country is facing which are continuing and not reducing as quickly as national policymakers envisaged. The specific challenge to the Council of price rises for goods and services, energy and potentially pay awards have been addressed in the budget. However, the position will need to be monitored closely to ensure that the budgetary provision is sufficient, and the pressures don't continue longer than presently assumed. The Council has set aside specific reserves at the end of 2022/23 to address any inflationary pressures that arise. The impact of the cost of living pressures on Oldham citizens and hence potential increased demand for support from the Council will also be closely monitored.

Appropriate consultation was considered in the production and design of the detailed Authority Strategies which aim to deliver appropriate co-operative solutions to benefit both present and future generations.

The Get Oldham Working Initiative embedded in the Council has helped to create year on year work-related opportunities for our citizens. This led to the development of the Oldham Work and Skills Strategy which has 4 strategic goals to support the Council's co-operative vision. Already it is clear that this type of support will have to continue to adapt due to a significant number of Oldham residents facing real challenges due to the inflationary pressures and the disproportionate way this impacts a resident with a low income.

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

The Corporate Plan 2022/27, Our Oldham Plan supported by individual Service Business Plans, the work of the GMCA and the Locality Plan set out the immediate and long-term vision of the Council. The 2022/23 budget delivered with a modest overspend supported this vision.

The 2022/23 budget was set before the scale of cost inflation in part linked into the on-going conflict in Ukraine was fully apparent. The resources available to the Council reflected the changing operating environment linked into the continued increases in costs and the uncertainty as to how long inflationary pressures would remain above normal levels. Nonetheless, the business as usual objectives remained, and resources were deployed to continue to improve performance and reflect the agreed vision of a Co-operative Council in a Co-operative Borough as set out in the Corporate Plan 2022/27. These principles and aspirations of the Council have not changed but the implementation of the vision will require

review as the full impact from the inflationary increases to both service provision and on-going financial resilience.

Risk management is integral to the governance arrangements in the Authority and the key risks are considered by the Audit Committee. During the financial year 2019/20 the Risk Management Framework was refreshed. This revised approach was becoming embedded in the Council pre pandemic and was incorporated into the production of Service Plans from 2021/22 with the Corporate Risk Register reported to the Audit Committee on a regular basis. There was a refresh of the Risk Management Framework on 29 July 2021 and then again in July 2022 via a report to Management Board which updated the approach to support the production of service business plans.

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

The Authority's risk management framework consists of:

- A risk management policy statement;
- An Authority Risk Register and specific Risk Registers on key initiatives;
- Ensuring that risk management is integral to the planning process and linked to key Authority and contract objectives within business plans;
- Regular updates of the Annual Governance Statement produced for the Audit Committee;
- Allocated responsibilities;
- Systems for mitigating and controlling risks; and
- Systems for monitoring and reviewing risks and controls assurance

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

- Audit Committee;
- Standards Committee;
- Chief Executive;
- Deputy Chief Executive, Assistant Chief Executive, the Executive Director, Managing Directors and Directors;
- Directors of Finance and Legal Services;
- Statutory Officers for Children's Services, Education, Adults Social Services and Public Health Services;
- Internal/External Audit; and
- Appropriate scrutiny arrangements which hold the Cabinet to account.

In 2022/23 the reports produced by the Authority to support key decisions included appropriate risk comments.

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

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

All changes to Service are supported by an Equality Impact Assessment (EIA). The EIA process was refreshed during 2022/23. This results in alternative access arrangements being made where necessary, with information provided in multiple formats including on the website. This reflects the diverse nature of the wards that make-up the Authority. This is demonstrated in the Council budget meeting with high risk budget proposals being supported by an Equality Impact Assessment. It is also demonstrated in standard reports produced to support key decisions.

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

The management structure continued to be realigned during 2022/23 to take account of both the Co-operative Vision, continual challenging financial targets of the Authority, the continuing joint working of health and social care services, the appointment of a new Executive Management Team for the Council and realignment of the Council's relationship to NHS Greater Manchester and ICP which was created on 1 July 2022 following the abolition of Oldham CCG. This meant a shift in certain areas of management responsibility during the year.

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

The implementation of the agreed policies at officer level during the first part of 2022/23 was overseen by EMT supported by the Management Board.

In order to achieve the long-term financial targets, the Authority at its 2 March 2022 meeting set a budget for the financial year 2023/24 supported by an appropriate assessment of risk by the Director of Finance. All the expected risks including those occurring as a result of inflationary pressures as at 2 March 2022 were considered in the budget report. The future savings required by the Council with the planned achievement from future transformational activity were also presented. At this meeting the assessment of risk reflected the situation before the residual pressure of inflation remaining at a higher level for longer than forecast in part linked into the continued conflict in Ukraine became apparent. Since the March 2022 budget meeting, inflation has not reduced as quickly as forecast so the MTFs for 2023/24 to 2027/28 approved at the 1 March 2023 Budget meeting, reflected the updated position for these issues. The financial position will be closely monitored, and any on-going impact will be included within the future review of the MTFs forecast.

Financial resilience for 2022/23 demonstrated by the Section 25 Statement which accompanies the budget report was supplemented by an agreed Reserves Policy. This is subject to regular review underpinning the long-term financial resilience of the Council and supporting the vision of a Co-operative Council in a Co-operative Borough as set out in the Corporate Plan.

At the expiry of the 2016/27 to 2019/20 Government approved Efficiency Plan (which provided some certainty about Government funding intentions), the financial years 2020/21, 2021/22 and 2022/23 were all single year financial settlements. The Spending Review of October 2021 initially provided indicative high level funding allocations for three financial years 2022/23 to 2024/25 but was superseded by the Autumn Statement of 2022. This Statement confirmed in principle the level of expected grant funding for two financial years and confirmed the deferral of elements of Adult Social Care reform. This was supplemented by the Local Government Finance Settlement Policy Statement which set out more detail which was then presented at Local Authority level in the Local Government Finance Settlement. This provided funding certainty for only one year with a strong indication of funding in year 2 (2024/25). Without the detail for future years covering the period of the MTFs and with the potential for some significant changes to the Local Government Finance system and funding allocations, as well as deferring elements of reform impacting on Adult Social Care, the preparation of the MTFs was challenging. The financial projections that have been prepared and agreed by Members may require considerable revision when the Government provides the detailed information. However, given external factors such as the Ukraine conflict, the focus on the cost of living increases, potential turbulence linked into the United States around the debt ceiling and other changes such as increases in interest rates, economic predictions about the overall pace of economic growth worldwide, it is becoming increasingly unlikely that the Government will make Parliamentary time available for Local Government funding reform before the next General Election.

The reserves and balances available to the Council supporting its immediate financial resilience are therefore important in the context of managing a period of potential significant financial turbulence. The overspend at the year-end of £1.147m has reduced the overall level of General Balances as at 1 April 2023 to £18.865m which is below the risk assessed level of recommended balances reported to 1 March 2023 Budget Council of £20.012m. Going forward the Council has less general balances but this is not considered to present a significant challenge to the Council in the short to medium term.

As part of the MTFs it is recognised that income maximisation is a key theme within the Transformational Programme. In addition, within the Creating a Better Place Programme the future rationalisation of assets is key to deliver future savings on the on-going costs related to its Corporate Estate. These are key to ensure that the Council makes the most efficient and effective use of resources and its property assets and can also deliver approved budget reductions. The Council complies with the recent reforms introduced to Treasury Management and Capital Expenditure practices and to minimise the loss to Council Taxpayers from investments designed to deliver a purely commercial return which are now impacting on the financial resilience of a few Authorities.

All meetings of the Cabinet and key Committees are publicised and are open to public scrutiny. Since the beginning of the financial year 2021/22, all meetings have been held in-person with all decisions formally recorded. In addition, decisions taken under delegated powers are recorded electronically and reported via the Council's Electronic Decision Recording System. With the Council operating under its normal Constituted Procedures there were no special ad hoc meetings of Cabinet required to consider emergency items in 2022/23. This was a contrast to the previous years when several urgent decisions were required due to the pandemic.

The Audit Committee is an essential part of good governance. It reviewed the control environment for all the Council during 2022/23 and considered the progress made on issues highlighted in the Annual Governance Statement. The recruitment of an appropriately qualified Independent Chair whose role commenced on 1 March 2023 was a significant development to support elected Members undertake this vital scrutiny.

Internal and External Audit both have direct access to and support the Committee including the ability of the External Auditor to have direct contact, without Officers of the Authority being present. To support the Committee, specific training was provided in 2022 and as the Committee membership changed at the start of the municipal year, it was therefore important to ensure that new Members were appropriately skilled to carry out their functions. All meetings in 2022/23 were held in person.

The detailed matters reviewed by the Audit Committee during 2022/23 were:

- Treasury Management matters including Council borrowing including investment and loans;
- The Reserves Policy;
- Future Internal and External Audit Work;
- The findings of both External and Internal Audit on control matters, including both adult social care and payroll;
- Key developments impacting on financial resilience of other Local Authorities due to poor governance such as partnership governance;
- The 2021/22 Statement and Accounts and associated external audit findings;
- Progress on the 2020/21 Whole of Government Accounts audit;
- Issues linked into data protection and cyber security;
- The Local Code of Corporate Governance; and
- The Internal Audit Charter

The Council, in order to discharge its statutory functions in relation to overseeing all health matters in the Borough, operates a dedicated Scrutiny Committee which met throughout the year. Partnership working in the Borough between the Council, Health Services and other key partners is supported by the Health and Wellbeing Board which met on a number of occasions during 2022/23. This Committee has an objective to improve the public health in the area and to oversee integration of health and Local Authority service provision under the both the NHS Greater Manchester Strategic Plan and the Locality Plan (which was revised in 2022/23) both of which are produced under the Greater Manchester devolution remit. To improve scrutiny a specific Committee to review health matters was created during 2019/20. Its role on Health Scrutiny was unchanged after the wider scrutiny review was implemented in 2021/22. Going forward in 2023/24 after the Scrutiny review approved by Council on 24 May 2023, this role will be undertaken by the Adult Social Care and Health Scrutiny Board.

The Standards Committee reviews Members' conduct following the receipt of any complaints about official conduct on Council business by commissioning independent investigations. Where appropriate matters are reported and considered by full Council. The Standards Committee operated as expected throughout 2022/23 with a number of complaints received and outcomes determined where appropriate.

All Directors prepare Business Plans that contain key actions and performance targets necessary to deliver the co-operative objectives of the Council. Performance against targets is reported through the Council's performance framework.

Independent service reviews are carried out under the performance management framework which results in formal quarterly reports to both the Cabinet and the Performance and Overview Scrutiny Committee. Where performance is perceived to be below corporate standards, specific reports are presented to the Scrutiny Committee. In addition, in 2022/23 the Performance Overview and Scrutiny Committee reviewed budget monitoring reports on a quarterly basis.

Educational attainment in the Borough is acknowledged as a particular priority although the Oldham Opportunity Area status and funding ceased on 31 March 2022. The replacement initiative was that Oldham was identified as a Priority Education Investment Area (PEIA). The aim of the PEIA is to improve attainment at Key Stages 2 and 4. As part of the PEIA, the Council is participating in the Family Hubs and Start for Life programme over the period 2022 to 2025. This invests in services in the Start for Life period and supports parents to better care and interact with their children.

Following the most recent Ofsted Inspections which found the service had improved, during the financial year 2022/23 the Service instigated an improvement programme which has three phases of targeted service improvements.

Scrutiny of budget matters including those of the administration and alternative budget proposals from the two main opposition parties were, during 2022/23, carried out by the Policy Overview and Scrutiny Committee. This ensures openness and transparency in the way in which Officers/Members engage and had ownership in the budget challenge process. The versions of the MTFS and Capital Strategy approved for 2022/23 to 2026/27 reflected the estimated resources available to the Authority in the context of the projected level of Government grants supported by locally generated income (primarily Council Tax and Business Rates). The ability to collect these local funding streams was impacted by the pandemic (and the introduction of Business Rate Reliefs), thus making future budget setting, including the production of an updated MTFS, more challenging.

An initiative which has helped support the Council's long-term financial sustainability, is the Greater Manchester Business Rates Retention pilot scheme. In preparation for the reform of Business Rates and in support of the Greater Manchester devolution agenda, the Government piloted 100% Business Rates Retention in Greater Manchester (GM) which has enabled the ten Greater Manchester Authorities to test and shape the potential new financing regime whilst at the same time benefitting from funding gains offered to pilot Authorities. Recent announcements on the devolution deal within Greater Manchester indicate this arrangement will continue for another 10 years after 2023/24 giving some certainty in financial planning. The introduction of a new national Business Rates regime has been expected for several financial years and has been continually deferred. It is now becoming clearer that the fundamental reform of Business Rates will not be implemented in the immediate future. The only change implemented has been Business Rates revaluation which was introduced from 1 April 2023.

The Contract Procedure Rules (CPR) within the Constitution alongside the Co-operative Values and Behaviours set out in the Corporate Plan, clearly establish the Authority's requirements on social value. The CPRs were subject to revision in 2022/23 with Council agreeing the revisions on 13 July 2022.

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

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

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

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

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

The Authority implemented the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage Foundation National Living Wage (LWFNLW) for its entire staff and took a targeted approach to achieve that through its contractual arrangements (the budget confirmed during 2022/23 the commitment to provide resources which enabled Adult Social Care providers to pay the LWFNLW from 1 October 2022 using an increase in the Adult Social Care Precept).

A full training programme for both established and recently elected Members (the Local Leaders’ Programme) continued to be delivered in 2022/23 to support the vision of a Co-operative Council. This is included an Introduction to Local Government Finance module that was available to all Members. The content of the programme changes annually but the emphasis remains on all Members demonstrating community leadership. The planned programme is supported by ad hoc training for Members who have specific Committee responsibilities. Individual Members produce information published on the website which outlines their role in the Authority and achievements.

To ensure an independent review of its systems, the Council operates an Internal Audit Service which complies with best practice as set out by Public Sector Internal Audit Standards. The findings of Internal Audit are reported to the Audit Committee which includes an annual opinion on the internal control environment. The overall opinion, based on the work undertaken for 2022/23 is assessed as adequate, indicating the continuation of a well-managed Council.

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

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

The Constitution is reviewed on an annual basis and key updates including Finance and Contract Procedure Rules were undertaken in 2022/23.

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

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

The Council's Risk Management Framework which was refreshed during 2019/20 and updated in both 2021 and 2022 has been set out under Principle C of this Annual Governance Statement. This ensures there is continuous monitoring and reporting of risk.

Each year in the electoral cycle, new Members of the Council are inducted prior to the Authority's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision-making structure and the financial value of the transactions controlled by the Authority. There were elections in 2022/23 which resulted in the new members requiring specific training.

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

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

In addition to the quarterly performance reports, Cabinet receives financial monitoring reports. From 2021/22 and in 2022/23, with the impact of the pandemic subsiding, reporting reverted back to more traditional timelines with reports presented to Cabinet and for scrutiny presenting the financial position at the end of months 3, 6, 8 and 9. The reports present the estimated outturn against the approved budget. The 2022/23 month 9 budget monitoring report highlighted that the Council outturn was expected to reflect an overspend of £1.280m compared to the agreed budget. The final outturn showed a marginally reduced overspend compared to the month 9 projection.

During 2022/23, management of the use of reserves was in accordance with the agreed Reserves Policy and prudent financial stewardship has ensured that the final outturn, whilst showing an adverse variance, was reduced from the levels estimated during the course of the financial year. One impact of this overspend will be a modest reduction in general balances which has minimal impact on the short to medium-term financial resilience of the Council. Overall, there has also been a modest reduction in earmarked reserves which has no significant impact on the long term financial resilience of the Council. The level of reserves therefore remains appropriate to support the present budget strategy as set out at the meeting on 1 March 2023.

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

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

- A Risk Management Framework linked into the Authority Structure;
- An appropriate suite of Anti-Fraud and Corruption Policies;
- A balanced budget supported by appropriate reserves to underpin financial resilience;
- Audit and Standards Committees, which are supported by independent Members; and
- Targeted exercises undertaken where appropriate such as improving present debt collection processes overseen by the appropriate staff.

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

The findings were considered in the context of the refreshed Corporate Plan 2022/27 and incorporated into the production of service plans and priorities from 2023/24 onwards.

Going forward, the Council anticipates it will be subject to an Ofsted inspection. Work is ongoing to improve on the previous judgement of 'Requires Improvement'. There is a risk that the improvements within Children's Services are not recognised in the inspection.

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

The Authority is proactive in engaging with citizens and other key stakeholders, building on the ever closer working relationships with the NHS and accelerated integrated working developed during the pandemic.

The Authority in 2022/23 has demonstrated it was proactive in engaging and communicating with key stakeholders to boost and support the public. This has included working in partnership with the Towns Board to facilitate the delivery of the four projects agreed in the successful Towns Fund bid approved by the Department of Levelling Up, Housing and Communities.

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

- Taking part in the monthly meetings of the Combined Authority with the Leader representing the Council;
- Agreeing to both innovation and risk by piloting new initiatives at a regional level such as 100% Business Rates Retention;
- Locality working with the NHS at both NHS Greater Manchester wide level and with the ICP; and
- Supporting new initiatives such as increased devolution of Adult Education

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

The Authority, as part of the 2011 Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement at the Budget Council meeting prior to the start of 2022/23 to further support the Authority's preference for openness and transparency.

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

Internally there are well established and clear routes for consultation with staff and their representatives and involvement in decision making. These include programmed staff surveys, regular staff briefings, internal briefings, and team meetings and staff appraisals.

Mazars LLP has been the Council's External Auditor since 2018/19 and will undertake the 2022/23 audit. The audit of the Housing Benefit subsidy claims, and Teachers Pension Service Return are undertaken via arrangements agreed as a collaborative procurement across all Greater Manchester Councils and are currently undertaken by KPMG LLP.

All external audit work is conducted in accordance with the Code of Practice produced by the National Audit Office. Going forward certain changes are expected to external oversight as the recommendations from the Redmond Review are considered and are now in the process of being implemented. This includes the appointment within the Financial Reporting Council (FRC), of a local lead for Public Audit who will, via a signed Memorandum of Understanding with DLUHC, prioritise improvements within the oversight of external audit. For 2022/23, following the approval of the Audit and Accounts (Amendment) Regulations 2022, the deadline for the completion of the audit of the accounts has reverted from 30 November to 30 September. Given the Council has so far only received a draft audit opinion on the 2021/22 accounts, it is envisaged this deadline will be challenging to achieve.

Partnership Arrangements

The Authority currently delivers a wide range of services, which often involve working in partnership with others, many of which involve considerable levels of funding. In the financial year 2022/23 the Council transferred the staff and provision of services provided by the wholly owned Unity Partnership Ltd. (UPL) back in-house from 1 April 2022. No significant governance issues have been reported from this major change to Council working arrangements. The services previously operated by UPL were either transferred to an existing Directorate or were based in the Customer, Digital and Transformation Directorate which was created 1 April 2022.

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

In the previous financial year 2021/22 the Council acquired the remaining equity stake in a company (previously a joint venture with private investors) and voting shares in the company (Interurban Limited). Work has begun to integrate the company's assets into the Council's corporate estate and assess the work required to improve the condition of the assets. Going forward, the Council has the control of the site of the assets for future regeneration opportunities.

The Council has an equity stake in Oldham Property Partnerships linked into two other Regeneration Companies (Oldham Economic Development Association and Southlink). It also has an equity stake in Community First (Chadderton) which operates the Leisure Centre and Library in Chadderton. There is a further minority stake holding in Oldham Education

Partnership. No specific risks are envisaged at 31 March 2023 from these equity shareholdings.

The Council's vision to set up an urban farm has been reflected by a successful bid for funding from three separate grant funding sources (Towns Fund, Sport England, and the Levelling Up Fund). In order to enable this development to progress it has set up a wholly owned Charitable Company Northern Roots (Oldham Ltd) which will oversee the development of an Eco Park as set out in the present Masterplan. The Council will oversee the construction of a Visitors Centre and Educational Centre as per the grant funding obtained. In order to assess the risks, the Audit Committee reviewed the risks linked into the creation of this company at its meeting on 16 January 2023.

The Authority has continued its plans to integrate with NHS services to improve the efficiency of health related public services. Following the introduction of the revised devolution arrangements, CCG's ceased to exist with effect from 30 June 2022. The functions of NHS Oldham CCG continue to be carried out by the NHS, and a new body, NHS Greater Manchester came into operation with effect from 1 July 2022. At a locality level, the ICP, was established on the same date. Joint working within a Section 75 Agreement continues, building on the progress already made to deliver efficiencies, more effective services and to contribute to budget savings through collaboration, networks and alliances. In 2022/23, partnership working was enhanced with a separate Section 75 Agreement being prepared for 0-19 services.

In response to governance failures reported elsewhere in the public domain the Audit Committee continued to receive a six-monthly review of risks associated with the governance of wider partnerships linked into the Council. This review reported on the risk from the Council's involvement in all partnerships with a further report produced on the perceived risks should the Council set up a Housing Company. The conclusion was that risk is currently being well managed.

It is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that, "Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities". This has been undertaken via the continued development of the partnership dashboard with two reports submitted to the Audit Committee and one to the Performance Overview and Scrutiny Committee highlighting the risks. These reports were supplemented by specific reports to the Audit Committee detailing the risks on the setting up of Northern Roots and the possible creation of a Housing Company. This has been incorporated into the production of this Statement of Accounts and issues for consideration in the Annual Governance Statement.

Risks on Current Significant Projects

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

Given the complexity of some projects, the need to deliver the projects within the timescales specified in the grant conditions and changes in the construction market (including increases in the level of inflation and obtaining appropriate construction insurance) there remains an ongoing risk to manage in relation to the oversight of the long-term financial commitments arising from these projects. The Director of Finance has considered the latest position on this financial risk in both the Statement of Accounts and Reserves Policy. Individual reports to support investment in projects have been prepared for consideration by Cabinet in 2022/23 with appropriate comments by key officers to enable appropriate review of the issues including risks before a decision is made. This analysis of risk reflects the expenditure incurred on Creating a Better Place Projects and other significant capital projects.

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

Review of Effectiveness

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

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

An internal audit programme is undertaken, which in 2022/23 has focused on key items in the Audit Plan such as financial systems, systems assurance, grant audit and providing data for the National Fraud Initiative. This is reported to the Audit Committee in relation to the Governance, Treasury Management, Fundamental Financial Systems, and operational controls. There were no specific matters brought to the attention of Internal Audit that required investigation in accordance with the Policies of the Council. An added assurance on placing reliance on the work of Internal Audit is that in the financial year an independent review of the Service was undertaken against compliance with Public Sector International Auditing Standards. This review identified that the Service complied with these Standards.

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

The 2021/22 draft accounts were submitted for audit within the Council's deadline of 31 May 2022 and were presented to the Audit Committee for consideration at its meeting on 21 June 2022. At the time of the production of this Statement the completion of the audit for 2021/22 remains outstanding. This audit completion delay is due to two issues relating to pensions (one national and one local) not under the control of the Council. Despite the challenges in

finalising sign off of the 2021/22 accounts, the Auditor commented positively about the standard of the accounts and high quality working papers.

The inability of the Council to have its accounts signed off is part of a national issue whereby the Public Sector Audit Appointments (the body overseeing the procurement of External Auditors for Local Government) reported to the DLUHC Select Committee in March 2023, that over 500 audits relating to Local Authorities, as at 31 March 2023, had not been signed off by External Auditors. This is linked into capacity issues nationally within both Local Authorities and External Audit firms where a lack of capacity is delaying the process of both producing accounts to the required quality for an audit to be undertaken, and then the undertaking of the audit. This situation is not expected to improve with bringing forward of the date for the completion of the accounts to 31 May and the completion of the audit to 30 September. The recently appointed Head of Local Audit at the FRC has stated it is possible that there could be 1,000 outstanding audit opinions at 30 September 2023.

Significant Governance Issues

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

2022/23 Issues	Planned Management Action to Reduce Risk
<p>The internal control environment on Adult Social Care systems did not sustain the improvements in the financial year 2022/23 for the fifth successive year compared to 2017/18. Issues identified in the 2022/23 internal audits as in previous financial years need to be implemented as a priority to improve internal control.</p>	<p>Added impetus is being given to strengthen the financial processes linked into the Mosaic system as the services pressures related to the COVID-19 pandemic are receding. This will involve regular meetings of key staff responsible for the implementation of improvements identified. This will include a regular report to the Director of Finance on the progress made on emerging issues. An Annual Report on the Control Environment within the Service will be submitted to the Audit Committee with key improvements identified throughout the year.</p>
<p>There are future changes to the Council's financial resilience due to uncertainty and matters outside of the Council's Control such as the future level of Government support for areas of high deprivation identified in the Levelling Up Agenda not progressing until the next Spending Review, planned reforms to Adult Social Care being deferred, the capacity in the wider Local Government sector to obtain audited opinions on the Statement of Final Accounts and the cost of living pressures which impact on the Council's plans for change. An added pressure is that the Council's previous plans to deliver savings by transformation may continue to be constrained by the events outside its direct control.</p>	<p>During 2023/24, despite continuing to deal with the ongoing day to day pressures and statutory change, there are targeted plans to improve efficiency around:</p> <ul style="list-style-type: none"> • Delivering future transformation across targeted areas of the Authority via the plans to deliver budget savings. • Continued integration and co-operation with the NHS and key partners as per Our Future Oldham Plan. • Collection of revenues due to the Council. • Managing capital resources and expenditure and taking forward the regeneration programme within the Creating a Better Place initiative. • Realising the value of entities in which the Council has a financial interest. <p>This will be supported by:</p> <ul style="list-style-type: none"> • The Policy Team reviewing on-going updates of national and local policy.

2022/23 Issues	Planned Management Action to Reduce Risk
<p>In addition, the final outturn for the financial year indicates an overspend of £1.147m reducing the level of general balances to £18.865m which is below the level recommended at the 1 March 2023 budget Council meeting.</p>	<ul style="list-style-type: none"> • An agreed Reserves Policy subject to regular review. • Joint working with key partners such as the NHS in line with Our Future Oldham to better align resources. • Regular financial and performance monitoring which will highlight the achievement of budget reductions and efficiencies delivered by transformation. <p>The Director of Finance considered the risks as part of the closure of the 2022/23 accounts. Future financial monitoring arrangements for 2023/24 will also consider the risks.</p>
<p>The Council has a number of key regeneration projects planned for the future as detailed in the Creating A Better Place Programme. Should one of these high-profile projects not be delivered as planned it is likely to result in future loss of budgeted grant income, reputational damage and/or an increase in the overall financing of current plans from the Council's own resources. This is more challenging in 2023/24 due to the continued impact of inflationary pressure on the construction market as the cost of construction contracts are increasing plus the time constraints on key grant programmes. In addition, the market conditions are continuing in some instances, making it difficult to obtain insurance.</p>	<p>The Capital Investment Programme Board receives bi-monthly reports on the high value projects once construction is underway.</p> <p>From month 3 there is detailed monitoring of the capital programme and specific schemes which will provide early warnings of pressures.</p> <p>The Council's Reserves Policy is reviewed on a regular basis by the Director of Finance to reflect the agreed risks linked into the capital strategy.</p> <p>An annual review of major Regeneration Projects included within the agreed Capital Programme will be undertaken by the Council during 2023/24 to assess the affordability of the capital programme in light of the inflationary increases and continued uncertainty over long-term funding.</p> <p>There will be early engagement with the Department of Levelling Up, Housing and Communities who administer key grant programmes whereby there is considered a risk of slippage to discuss re-profiling expenditure to later financial years.</p> <p>The Director of Finance considered the risks as part of the closure of the 2022/23 accounts. Future financial monitoring arrangements for 2023/24 will also consider the risks.</p>
<p>The audit opinion of the internal control environment for the operation of payroll including pension's administration failed to sustain the improvements made as of 31 March 2022 with the opinion being downgraded to "inadequate" at the year-end. The system requires improvements to be delivered in the financial year 2023/24.</p>	<p>The administration of the payroll system will be subject to regular review by the Internal Audit Service.</p> <p>A report will be prepared for the Audit Committee at its meeting in January 2024 outlining the progress made in improving internal control informed by the half year Internal Audit Fundamental Financial System review of the system. The full year review completed at the end of 2023/24 will inform the completion of the 2023/24 AGS.</p>

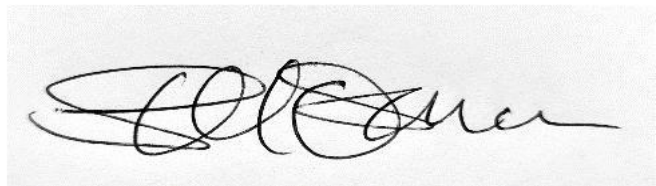
2022/23 Issues	Planned Management Action to Reduce Risk
<p>The continued compliance with the National Transparency Agenda has increased the risk to the Council of a future fraud and this has been enhanced by the improved general digital expertise of the population. Information included in the public domain and obtained under Freedom of Information requests is used to exploit the Council.</p>	<p>There are regular reviews of the internal control mechanism including documenting changes to procedures operated due to home working to ensuring adequate controls are in place to prevent third parties receiving inappropriate payments.</p> <p>On-going reviews of the published information which is a legislative requirement under the Transparency Agenda are undertaken to balance whether the wider public interest test is served by publication of the data.</p>
<p>The future reforms to Health Integration do not result in the efficiencies anticipated due to increased demand caused by a number of factors including the residual impact of the recent increases in the cost of delivering services.</p>	<p>The Council can with its current Decision Making Processes increase its flexibility to increase/ decrease the contribution to the pooled budget managed under a Section 75 Agreement with Oldham NHS partners in the locality (using the powers of the NHS Act 2006). This is on the assumption this flexibility will enable the whole health and care system to implement future efficiencies to generate overall savings/ improved service. This flexibility will be kept under continued review to maximise future opportunities for efficiency in Adult Social Care</p> <p>The Director of Finance considered the emerging risks arising from the transformation plans as part of the closure of accounts for 2022/23. This will be considered as part of the review of the Council's reserves/ financial resilience and on-going budget monitoring for 2023/24.</p>
<p>The present contractual arrangements with a number of key suppliers linked into the administration of Framework contracts needs to be reviewed and better detailed within Contract Procedure Rules. This would enable transformation savings required as per the agreed programme to be maximised.</p>	<p>A group of key officers led by the Director of Finance meets as and when required throughout 2023/24 to review the present Framework documentation in place for contracted suppliers. This will ensure that appropriate revisions are made to ensure future improvements are made.</p> <p>Should the Director of Finance require it, a report will be prepared by a Service Area to be presented to the Audit Committee outlining plans to contract and commission future services including the administration of Frameworks.</p>
<p>There are outstanding legal matters linked into on-going action against other Local Authorities which have the potential to impact on past custom and practice within the Authority which could have a significant future financial impact.</p>	<p>Key cases will be subject to regular review by Statutory Officers within the Council to assess the risk of an adverse financial impact.</p> <p>Regular reports which monitor the risk to the Council of issues highlighted in the Annual Governance Statement will be presented to the Audit Committee. The reports will advise of developments and any action taken or required.</p>

Summary

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



Councillor Arooj Shah
Leader of Oldham Council



Sayyed Osman
Deputy Chief Executive Oldham Council



Report to Audit Committee

Reserves Policy for 2022/23 to 2023/24

Portfolio Holder: Cllr A Jabbar MBE, Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans - Director of Finance
Ext. 4902

Report Author: Pam Myrie – Senior Accountant

27 June 2023

Reason for Decision

The purpose of this report is to present to Members the Audit Committee, the proposed Reserves Policy of the Council for the financial years 2022/23 to 2023/24 and incorporate any views into the final policy.

Executive Summary

Members will recall that the Council has developed a strategic approach to the creation and maintenance of reserves through the development of a Reserves Policy and the presentation of the Policy to the Audit Committee. The aim is to improve the transparency of the level of and the use of reserves.

There have been several reports issued on Local Government Financial Resilience over the last few years and as a response the Chartered Institute of Public Finance and Accountancy released its Financial Resilience Index, most recently in December 2022. This Index places an increased focus on the level of reserves held by Local Authorities and therefore its ability to be financially resilient. Members will also be aware that over the past few years a small number of Councils have issued notices under Section 114 of the Local Government Finance Act 1988 meaning they are not able to maintain a balanced financial position without the implementation of significant management action and that Government have appointed Commissioners to a number of Local Authorities over the last three financial years as more Authorities are experiencing financial distress.

The Reserves Policy is presented to the Audit Committee for review but also to provide assurance that the Council manages its reserves effectively.

The Reserves Policy is attached at Appendix 2 and presents the Council's strategic approach to the creation and maintenance of reserves.

Recommendations

That Members of the Audit Committee review the Reserves Policy for 2022/23 to 2023/24 and advise the Council on its suitability from a governance perspective.

Reserves Policy for 2022/23 to 2023/24**1 Background**

- 1.1 The preparation of a Reserves Policy is the means by which the Council demonstrates it has a strategic approach to the creation and maintenance of Earmarked Reserves. This approach is needed because funds set aside in reserves need to both support the priorities of the Council and prevent unforeseen expenditure/events impacting on year-on-year financial performance.
- 1.2 Members may recall that Government Ministers and Local Government commentators have expressed concerns that the level of reserves maintained by Local Authorities collectively has been too high. More recently there have been general concerns that reserves in some instances are too low. Indeed, the issuing by Authorities of notices under Section 114 of the Local Government Finance Act 1988, the applications to Government for financial assistance and the Government assigning Commissioners to support some Authorities, has highlighted that reserves, in some instances, have been run down below the level required to maintain a financially sustainable position.
- 1.3 An Audit Commission report produced a number of years ago recognised that there is no set formula for deciding the level of reserves that is appropriate but stated that having the right level of reserves was important. It advised that where reserves were low, there could be very little resilience to financial shocks and sustained financial challenges (the COVID-19 pandemic is a good example of an unforeseen event where financial resilience was brought under the spotlight). It also stated that where reserves are high, there is a risk that some Councils may retain certain funding which could otherwise be utilised as a one-off resource to address challenging savings targets and provide the time for transformation and change to deliver permanent financial savings.
- 1.4 It is important to have regard to the information and guidance contained in this Audit Commission publication. Even though it was prepared some years ago, there is nothing that cannot or should not be applied to 2023/24.
- 1.5 The Audit Commission report concluded that Councils needed to consider the following when making decisions about the level of reserves:
- Undertaking an annual review to ensure reserves align with Medium Term Financial Plans;
 - Having clarity about the purpose of Earmarked Reserves;
 - Ensuring Earmarked Reserves held to mitigate financial risk reflect an up-to-date assessment of that risk;
 - Monitoring the level and use of reserves over recent years and comparing the Council's approach to other organisations facing similar circumstances;
 - Budget monitoring and forecasting to give Elected Members greater awareness of likely year-end movements on reserves; and
 - Ensuring significant or unexpected variations to budget are dealt with.
- 1.6 Members can be assured that the Council already meets the criteria detailed above through the regular review of reserves, the Revenue Budget Monitoring reports being presented to Cabinet and Scrutiny Committee in 2022/23 and Scrutiny Board in 2023/24, the Statement of the Chief Financial Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments Report presented as an integral element of the Revenue Budget Report to Council and the production of an annual Reserves Policy.

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- 1.7 Members of Audit Committee will recall previous reports that advised of the introduction by the Chartered Institute of Public Finance and Accountancy (CIPFA) of the Financial Resilience Index which is aimed at supporting the Local Government sector as it faces continued financial challenges. The most recent Index (the Fourth such publication) was issued in December 2022 using 2021/22 data.
- 1.8 The December 2022 Index (based on 2021/22 Local Authority accounts) highlighted that the indicator for change in Earmarked Reserves moved to high risk on the indicator of financial stress scale when compared to our nearest neighbour Local Authority comparator group, this being for the first time since the release of the Financial Resilience Index based on 2020/21 data. Alongside this, the indicator for Unallocated Reserves moved from lower risk to medium risk. These increases are due to the use of reserves to support the revenue budget which is set to continue over the medium term. However, a number of indicators decreased in risk i.e., the Children's Social Care Ratio which moved to low risk and indicates the percentage of spend for this area against the Council's Net Revenue Expenditure is at an acceptable level. The remaining Oldham indicators were not considered to be extremely high risk or a cause for immediate concern.
- 1.9 The Index has provided some useful information and confirmed the position that, leading into 2022/23 the Council was financially resilient although it did highlight the reliance on Earmarked Reserves to support the budget.
- 1.10 Members will also recall that a report on the Financial Administration in Local Authorities was presented to this Committee on 8 September 2022. As highlighted within the report, a number of Authorities and related organisations had been identified as having sustainability issues at that time. It presented details of four Councils where a Section 114 Notice had been issued, two of which were related to the Councils in question not having adequate reserves/ general resources to cover day to day to expenditure (the London Borough of Croydon and Slough Borough Council) and for which the Government had agreed capitalisation directions (allowing expenditure normally classified as revenue to be treated as capital expenditure and therefore be supported by prudential borrowing).
- 1.11 There have subsequently been two further Section 114 Notices issued by Councils relating to the organisation not having adequate resources to cover day to day expenditure. The first was a further Section 114 Notice at the London Borough of Croydon. This followed a review by the recently appointed Section 151 Officer who identified the financial position was more serious than previously reported. This Section 114 Notice remains in place alongside the Government appointed Commissioners. One flexibility agreed with Croydon to enable it to improve long-term financial resilience was the ability to increase Council Tax by 15% for 2023/24.
- 1.12 The second related to Thurrock Council which is a Unitary Authority located in the Southeast. Its investment strategy which, with the benefit of hindsight, has not been successful has resulted in the Council having a significant budget deficit in both 2022/23 and projected for 2023/24. It was also given additional powers to increase its Council Tax for 2023/24, but by 10%. A neighboring Authority (Essex County Council) has been appointed by the Government as a Best Value Commissioner. This intervention was in response to concerns about levels of financial risk and debt and a clear 'Best Value' failure. The Commissioner has full control of the financial functions of Thurrock Council and powers to assess what action may be needed to limit any risks to service provision. An independent review has been undertaken and a report has been produced highlighting the perceived failings in governance at the Council.
- 1.13 Since the start of the financial year 2023/24 a further Authority, Woking Borough Council (a small District in Surrey) has issued a Section 114 Notice arising from the level of borrowing and its ability to service that debt from its existing revenue budget and reserves.

1.14 As shown above, the level of Local Authority reserves is a key issue when discussing the funding of Council services and it is therefore considered appropriate to present this Reserves Policy for scrutiny by the Audit Committee.

2 Reserves Policy for 2022/23 to 2023/24

2.1 The 2022/23 to 2023/24 Reserves Policy has been prepared, following the finalisation of the financial position at the end of 2022/23 and after a risk-based review by the Director of Finance having regard to corporate priorities. There are 12 major Earmarked Reserves included in the Policy to align to the presentation of reserves at Note 15 in the Statement of Accounts (see Appendix 1). As can be seen from the Appendix and also in the Statement of Accounts, the accounts were closed with a balance of:

- Earmarked Reserves of £79.130m compared to £99.228m at the end of 2021/22.

It should however be noted that the £99.228m included resources of £8.807m to address Business Rate Reliefs awarded by Central Government and this must be considered a technical accounting reserve. Although there was a reduction in reserves of £20.098m, the correct comparison is to an adjusted figure of £90.432m and a reduction of £11.291m.

- Revenue Grant Reserves of £7.968m (a reduction of £2.763m);
- Schools Reserve of £8.381m (a reduction of £1.811m) (maintained schools only); and
- A newly created Dedicated Schools Grant (DSG) Surplus Reserve of £3.672m (which offsets the rolled forward DSG deficit position which is held in an unusable reserve).

2.2 The level of reserves held at the end of 2022/23, which are detailed within the reserves policy are deemed sufficient to ensure the Council's financial resilience for 2023/24. It should be noted that there was an immediate call on Earmarked Reserves at the start of the current financial year to reflect the use of reserves to balance the budget of £12.786m. There is also a forward commitment of £3.932m to balance the budget in 2023/24. As advised in the Policy, there are plans to use other reserves to support corporate initiatives.

2.3 As presented in the Reserves Policy, it is important to note that given the accelerated timeline for the closure of the accounts, decisions will need to be taken around the use and creation of reserves without the opportunity to formally report these to Management Board/Members in advance. Key issues arising in relation to reserves in such instances will be determined at the discretion of the Director of Finance having regard to the overall financial position of the Council and will be reported after the accounts have been closed.

2.4 This Policy document also sets out the rationale for the creation of the reserves, the arrangements for their management and the approval process for use. The Policy is detailed at Appendix 2.

3 Conclusions

3.1 An appropriate Reserves Policy subject to scrutiny is considered good governance for a Local Authority.

4 Options

4.1 Option 1 - That Members approve the approach to the creation and maintenance of reserves as set out in Appendix 2.

4.2 Option 2 – That Members suggest an alternative approach to the creation and maintenance of reserves.

5 **Preferred Option**

5.1 Option 1 is the preferred option.

6 **Consultation**

6.1 To demonstrate the appropriateness of the Earmarked Reserves maintained by the Council this Reserves Policy is subject to a detailed review by the Audit Committee.

7 **Financial Implications**

7.1 In order to increase the transparency of the Earmarked Reserves held by the Council, the Reserves Policy has been developed and is now subject to annual review. This has enabled the Council to align its Earmarked Reserves to the Corporate and Strategic Objectives of the Council.

7.2 As shown in the Statement of Accounts, which can be found elsewhere on the agenda, the outturn for 2022/23 resulted in an overspend of £1.147m. Although reserves have reduced at the end of 2022/23, the Reserves Policy at Appendix 2 shows the Council still maintains a robust financial position to meet the challenges for 2023/24 and future years. In order to manage its medium-term financial position effectively, the Council is using reserves to support the budget process. However, appropriate action will need to be taken to support the future financial sustainability of the Council.

7.3 In view of the accelerated timeline for the closure of the accounts, decisions have to be taken around the use and creation of reserves without the opportunity to formally report these to Management Board/Members in advance. Key issues arising in relation to reserves in such instances will be determined at the discretion of the Director of Finance (Section 151 Officer) having regard to the overall financial position of the Council and reported after the Council's accounts have been closed. (Anne Ryans)

8. **Legal Services Comments**

8.1 N/A

9. **Cooperative Agenda**

9.1 N/A

10 **Human Resources Comments**

10.1 N/A

11 **Risk Assessments**

11.1 It is important in managing its finances that an Authority achieves a balance of both setting aside Earmarked Reserves which are appropriate supporting Corporate Priorities and Objectives whilst retaining financial resilience to secure its medium and long term financial stability. (Mark Stenson)

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- 12 **IT Implications**
- 12.1 N/A
- 13 **Property Implications**
- 13.1 N/A
- 14 **Procurement Implications**
- 14.1 N/A
- 15 **Environmental and Health & Safety Implications**
- 15.1 N/A
- 16 **Equality, community cohesion and crime implications**
- 16.1 None
- 17 **Equality Impact Assessment Completed?**
- 17.1 No
- 18 **Key Decision**
- 18.1 No
- 19 **Key Decision Reference**
- 19.1 N/A
- 20 **Background Papers**
- 20.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:
- File Ref: Background papers are included at Appendices 1 and 2
Officer Name: Anne Ryans
Contact No: 0161 770 4902
- 21 **Appendices**
- 21.1 Appendix 1 – Summary Earmarked Reserves
Appendix 2 - Reserves Policy for 2022/23 to 2023/24.

Earmarked Reserves 2022/23 (extract from Note 15 of the Statement of Accounts)

	Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
Integrated Working Reserve	(17,380)	5,430	(6,433)	(18,383)	6,032	(600)	(12,951)
Transformation Reserve	(5,986)	590	(1,000)	(6,396)	2,643	(1,500)	(5,253)
Adverse Weather Reserve	(1,000)	-	-	(1,000)	-	-	(1,000)
Regeneration Reserve	(3,564)	1,646	(250)	(2,168)	1,061	(1,000)	(2,107)
Emergency and External Events Reserve	(2,000)	-	-	(2,000)	-	-	(2,000)
Levy Reserve	(340)	340	-	-	-	-	-
Council Initiatives Reserve	(2,891)	867	(920)	(2,944)	1,653	(700)	(1,991)
Fiscal Mitigation Reserve	(11,582)	6,933	(16,171)	(20,820)	61,397	(68,648)	(28,071)
Life Cycle Costs Reserve	(1,651)	1,680	(1,672)	(1,643)	125	-	(1,518)
Insurance Reserve	(9,985)	-	(35)	(10,020)	6,880	-	(3,140)
Directorate Reserve	(2,192)	923	(1,405)	(2,674)	1,983	(3,145)	(3,836)
Balancing Budget Reserve	(54,309)	42,012	(18,321)	(30,618)	20,686	(6,786)	(16,718)
District Partnership Reserve	(594)	247	(214)	(561)	207	(191)	(545)
Local Restrictions Support Grant Reserve	(37)	37	-	-	-	-	-
Total Revenue Account Earmarked Reserves	(113,512)	60,705	(46,421)	(99,228)	102,667	(82,570)	(79,130)
Other Earmarked Reserves							
Revenue Grants Reserve	(20,146)	12,208	(2,794)	(10,731)	5,545	(2,783)	(7,968)
Schools Reserve	(9,306)	9,312	(10,197)	(10,192)	10,195	(8,384)	(8,381)
Dedicated Schools Grant Surplus Reserve	-	-	-	-	-	(3,672)	(3,672)
Total Other Earmarked Reserves	(29,452)	21,520	(12,991)	(20,922)	15,740	(14,839)	(20,022)
Total Earmarked Reserves	(142,964)	82,225	(59,412)	(120,150)	118,407	(97,409)	(99,152)



Appendix 2

RESERVES POLICY

FOR

2022/23 to 2023/24

RESERVES POLICY

1 Background

- 1.1 It is important to have a strategic approach to the creation and maintenance of reserves. Having established a reserves policy for the first time for the closure of the accounts for 2014/15 and the financial year 2015/16, this updated policy addresses key issues arising from the 2021/22 accounts closure and 2022/23 financial year.

2 Policy

- 2.1 It is essential to ensure that any funds set aside in reserves are considered appropriately so that they have maximum effect. Following established practice, the process of identifying reserves continues to have regard to the addressing of corporate priorities.
- 2.2 This Policy sets out agreed priority areas and enables any identified additional resources to be directed to the priority areas, however, it does allow for some flexibility as and when required.
- 2.3 It is also essential to determine by means of a risk-based review on a case by case basis, the appropriate level of reserve to be held in each priority area. Clearly there will be the opportunity for the recommended level of required reserve to change, but it is proposed that once each reserve has reached the maximum recommended level, then resources will be directed to the next priority reserve. Once all these reserves have reached the proposed maximum, then any other available resources can be made available for individual budget holder business case requests.
- 2.4 The COVID-19 pandemic changed the financial landscape of Local Government and the Council, and highlighted the importance of financial resilience. It is therefore essential to ensure that reserves are available to support the Council and maintain financial resilience.

3 Establishing the Priorities

- 3.1 The closure of the 2022/23 accounts has enabled a detailed review of the Council's reserves and categorisation of these reserves into twelve major areas. There are in most instances, a number of reserves within these major areas including the priority reserves.

For clarity, the **twelve major reserves** and the reserves created to support **corporate priorities** within them are set out and explained in this policy as follows.

1) Integrated Working – £12.951m at 2022/23 accounts closure

This reserve represents resources that have been set aside to support initiatives arising from the Greater Manchester devolution agenda including:

- Joint working with the Oldham Clinical Commissioning Group (CCG) and its successor body (Integrated Care Partnership) from 1 July 2022 and other health partners to support health and social care integration;
- Other Greater Manchester Councils; and
- The Greater Manchester Combined Authority.

The priority reserves within this category are:

a) Oldham Locality Transformation Fund (formerly the Health and Social Care Integration Reserve)

The balance of the reserve is £8.875m as at 31 March 2023. It is hosted by the Council and held to provide resources to support further integration between health and social care providers in line with Government policy and the local direction of travel. Any use of the fund must evidence clear value for money and demonstrate a return against any investment to maximise the value that can be realised from the fund. For 2023/24 any requests against the Oldham Locality Transformation Fund must be supported by the Oldham Integrated Care Partnership (ICP) the membership of which has representation from all partner organisations. A recommendation on the use of the reserve will be made by the Place Lead for Oldham / Chief Finance Officers of the ICP and Oldham Council with reporting via the Commissioning Partnership Board.

All bids for resources will be via a business case that must support the dual aim of performance recovery and financial sustainability and which will initially be assessed by the Finance and Sustainability Group, which again has representation from all partners before recommendation (or otherwise) to the ICP and then through formal reporting arrangements for approval.

It is important to note that the use of the funds must align to the legislative and local financial frameworks applicable to Oldham Council given that the reserve is held in the accounts of the Council.

b) Adult Social Care – White Paper Reform

This reserve of £1.500m was established at the end of the 2021/22 financial year to support the preparation for and the implementation of changes to policy and service delivery to ensure the provision of Adult Social Care services is compliant with Government reforms. With particular emphasis placed on housing, the workforce, charging reform and preventive measures, the reserve will strengthen the ability of the Community Health and Adult Social Care Portfolio to deliver the vision in relation to service user choice, control, quality, fairness and accessibility. The intended reforms were deferred part way through 2022/23 and implementation is therefore delayed. It is however considered prudent to retain the reserve pending future developments and a range of commitments have been identified.

c) Adult Social Care – Fair Cost of Care Reform

Established at the end of the 2021/22 financial year and with a current value of £0.742m, this reserve was created to ensure the Council has the necessary resource and infrastructure in place to conduct the requirements of a fair cost of care exercise. As with other Adult Social Care reform, the implementation of the Fair Cost of Care has also been delayed, however the Authority is still required to deliver certain elements of the reforms and whilst there is uncertainty it is again considered prudent to retain the reserve, pending future developments.

d) Adult Social Care – Thriving Communities

This reserve was established to fund Oldham's Thriving Communities Programme which was initiated as part of the GM Transformation Programme in

2017/18. At the centre of the programme are three funded elements which are the:

- Social Prescribing Innovation Partnership;
- Social Action Fund VCFSE investments; and
- Fast Grants micro grant funding.

These initiatives are continuing into 2023/24. The balance of the reserve at the end of the financial year was £0.726m.

e) Places for Everyone

A reserve was established in previous years to cover costs expected to be incurred in relation to specialist advice and support in the continued development of the revised Places for Everyone Strategic Development Framework (formerly the Greater Manchester Strategic Framework) and Local Plan development. The balance of this reserve at 31 March 2023 was £0.258m.

2) Transformation Reserve - £5.253m at 2022/23 accounts closure

This reserve holds resources set aside to provide for any costs of implementing the Council's budget requirements for 2022/23 and later years and also the on-going programme of change as the Council continues the transformation of its services both to support the budget process and improve service provision.

The priority reserves within this category are:

a) Transformation/Invest to Save Reserve

In order to facilitate transformational change across the Council, some funding is needed for pump priming items such as dual running of systems and project management. The total held within the reserve at 31 March 2023 was £2.056m.

b) Redundancy/Efficiency Reserve

As part of the agreed budget strategy for 2015/16, the corporate redundancy base budget was reduced by £2.000m. As a consequence, it was agreed that funding of any redundancy costs will be provided by using a reserve. The reserve balance at the end of the 2022/23 financial year was £3.000m. If the reserve is used then it will be replenished the following the year.

c) Special Educational Needs and Disabilities (SEND) Initiatives

This reserve was established in 2021/22 to provide resources so that the Council is able to maintain SEND statutory compliance. The total reserve held at the end of 2022/23 was £0.197m

3) Adverse Weather Reserve - £1.000m at 2022/23 accounts closure

The 2015/16 budget setting process approved the reduction in the Winter Maintenance base budget by £0.100m and an increase of the already established adverse weather reserve to compensate. A reserve of £1.000m is considered sufficient to fund the costs of several severe winters and the reserve was held at this value at the closure of the 2022/23 accounts.

4) Regeneration Reserve - £2.107m at 2022/23 accounts closure

The Council has an extensive and ambitious regeneration agenda and resources have been set aside to support a number of regeneration projects which span more than one financial year. The priority reserves within this category are:

a) Creating a Better Place Reserve

A report was presented to Cabinet on 28 March 2018 approving revenue resources of £2.879m to support the Creating a Better Place Programme. A subsequent report increased this requirement to £3.147m. These funds are to be held in reserve until required. During 2022/23, funds were released to support expenditure incurred in this regard. The balance at the end of the financial year is held at £1.857m.

b) Capital Schemes and Grants Submissions Reserve

This reserve was established to provide pump priming funding for feasibility and related work to facilitate capital scheme preparation and bids for grants. The balance of the year at 31 March 2023 was £0.250m.

5) Emergency and External Events Reserve - £2.000m at 2022/23 accounts closure

This reserve was established in 2015/16 to ensure that the Council has sufficient resources to address costs arising from events such as flooding including the requirement to undertake emergency repairs. These reserves are topped up if required so they are maintained at recommended levels. The priority reserves in this category are:

a) Commissioning and Legal Challenges Reserve

As the Council has changed from being a deliverer in many service areas to becoming a commissioner of services including Private Finance Initiative (PFI) schemes, Adult Social Care and Public Health, it removes the Council from the day to day direct delivery of services, but introduces a range of contract management challenges which require close monitoring. There are instances where this process has led to disputes and the Council has had to seek expert advice to support and defend its position. The reserve has been maintained to support such funding requirements.

b) Equipment Replacement/Building Maintenance Costs Reserve

The Council has a reserve to fund requests for the emergency replacement of equipment or the undertaking of immediate building maintenance. This ensures a source of funds is readily available to support such costs in an emergency.

c) Flood Protection Reserve

Following the floods of December 2015 and the impact on neighbouring Authorities, a reserve was set aside to fund required flood protection measures in the Borough and the balance of this reserve stands at £0.250m at the end of the 2022/23 financial year.

d) Emergency Incident, Threat or Hazard Reserve

In order to discharge its Statutory Responsibility for Emergency Planning, the Council prepared a financial procedure to facilitate the incurring of expenditure in the case of an emergency or incident in the Borough which may result in hardship to a group of residents or the Council having to incur expenditure in the interests of public safety. This procedure required the creation of a reserve of £0.250m and this has been retained for 2022/23. It will be necessary to ensure that a fund of £0.250m is permanently available in order to comply with the Council's Financial Procedure Rules.

6) Council Initiatives Reserve - £1.991m at 2022/23 accounts closure

There are a number of projects and programmes of work which the Council considers to be priority initiatives. Reserves have been set aside to ensure that these can be undertaken during future years. The major priority reserves are:

a) Learning and Attainment Reserve

There is a political priority to support the learning and attainment agenda to promote the improvement of results in schools. A reserve of £1.000m was created in 2014/15 to be used over future years. At the end of 2022/23, £0.272m remained in the reserve.

b) Place Marketing

This reserve was created to help the Council deliver the corporate priorities to support the delivery of economic and business priorities expected within the refreshed Oldham Plan/ Corporate Plan. The reserve is to be used to enable the Council to attract new investors and visitors to the borough, as well as promoting those businesses who are already located here to new audiences.

c) Local Welfare Provision

As a result of Central Government withdrawing direct funding for Local Welfare Provision several years ago, the Council has continued to provide support for those in need, primarily through the provision of white goods, essential furniture, bedding, carpets and household set up packs. This support is funded via a reserve which at the end of 2022/23 was £0.731m.

d) Corporate Priorities

This reserve is available to address corporate priorities which are identified during the financial year for which provision has not been included in the Council's budget.

7) Fiscal Mitigation Reserve - £28.071m at 2022/23 closure

This reserve has been established to fund future costs expected to arise from reforms to Central Government Funding which might impact on the financial position of the Council and also pressures that result from legislative changes or local initiatives. The main priority reserves within this category are:

a) Fiscal Mitigation

This reserve is to support the financial resilience of the Council over the medium term and has been enhanced during 2022/23, by the decommissioning of some reserves (after management review) as they were no longer considered a priority.

b) Pay Award

With the 2022/23 NJC Pay Award not being agreed until late in the financial year and with uncertainty around future pay awards, as advised in the 2023/24 Revenue Budget report, it was deemed appropriate to hold a reserve to support any additional increase over that which has been allowed for within the revenue budget for 2023/24 and the Council's Medium Term Financial Strategy (MTFS). This reserve is held at £3.000m.

c) Treasury Management Income

This reserve was established at the end of the 2021/22 financial year, in effect a risk reserve to offset any shortfall in Treasury Management income given the volatility that has been experienced in this area over recent years.

d) Energy Costs

This reserve was established in 2021/22 to provide for any additional costs as a result of the national increase in energy costs. Whilst additional resources have been allocated to the Council's base budget for 2023/24 and future years, the prevailing position at the financial year end indicated that this may not be sufficient to cover the impact of price increases should the volatility in the energy market continue. The balance of this reserve at 31 March 2023 was £2.500m.

e) General Demand Pressures

This reserve with a value of £2.000m was created in 2022/23 to support the general increase in the demand for services and also in the cost of care in relation to demand within Adults and Children's Social Care. This reserve is also available to support other Council services which experiences an upturn in demand.

8) Life Cycle Costs Reserve – £1.518m at 2022/23 accounts closure

The Council has a number of Private Finance Initiatives (PFI) and other schemes that operate in a similar manner to PFIs. The life cycle costs of these schemes vary over the period of the contract and sinking funds are required to support the transition of the asset back into Council ownership at the end of the contract life. The life-cycle costs have been smoothed for budget purposes and therefore require a transfer to and from reserves to meet the commitments. The balance held at 31 March 20213 was £1.518m.

9) Insurance Reserve - £3.140m at 2023/24 accounts closure

It is essential that reserves are held to ensure that there are adequate resources available to support insurance claims against the Council. The requirement for this reserve is closely linked to the claims profile of the Council and was assessed as part of the 2022/23 year-end closedown process.

10) Directorate Reserve - £3.836m at 2022/23 accounts closure

There are a range of Directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet utilised. The Directorate Reserve will ensure that such initiatives can be completed.

11) Balancing Budget Reserve - £16.718m at 2022/23 accounts closure

During the budget setting process for 2023/24, it was agreed that reserves would be used to balance the budget for 2023/24 with an indicative use of reserves to support the 2024/25 budget. At the end of 2022/23, the reserve was at a value of £16.718m to balance the 2023/24 and 2024/25 budget. The use of reserves over the MTFS period was approved by Budget Council on 1 March 2023. Resources of £12.786m will be used to balance the 2023/24 budget leaving £3.932m to support budget setting for 2024/25.

12) District Partnership Reserve - £0.545m at 2022/23 accounts closure

This reserve represents sums set aside to fund projects already agreed by Members which are either programmed for a future financial year or span more than one financial year.

Management of Reserves

Creation/ Decommissioning of Reserves

- 4.1 A list of areas/initiatives for which an additional reserve might be created or where an existing reserve might be increased in value will be presented to Senior Managers for consideration before the year end. The approval or otherwise of the reserve requests will be considered on a case by case basis and in the context of the overall projected financial position of the Council. The recommended creation of reserves will be considered by the Director of Finance at the year-end and action taken as appropriate.
- 4.2 A report to Senior Managers will also present those reserves deemed to be no longer required or no longer considered to be priority areas. This will allow for the utilisation of the resources for other purposes, either the reallocation to other reserves, or to support the budget.
- 4.3 The financial resilience of the Council is a major factor in budget setting and in the general consideration of the financial position of the Council. The level of reserves available to support the budget or specific initiatives plays an important part in determining the financial resilience of the Council. As such, the Director of Finance is able to decommission any reserves where it is deemed necessary to do so to support the Council in delivering a balanced budget.

Schools Related Reserves

- 4.4 There are some schools related initiatives which may require funding on an academic year basis rather than financial year. It is proposed that such reserves are created as required.

District Partnership Reserve

- 4.5 It should be noted that the District Partnership reserve operate under separate arrangements which allows the carry forward of any unspent resources at the year-end.

Flexibility at the Year End

- 4.6 In addition, given the accelerated timeline for the closure of the accounts, decisions will need to be taken about the use and creation of reserves without the opportunity to formally report these to Management Board/Members in advance. Key issues arising in relation to reserves in such instances will be determined at the discretion of the Director of Finance and will be reported after the Council's accounts have closed.

5 Approval of the Use of the Reserves

- 5.1 Reserves can only be recommended for use as follows:

- a) After a review and agreement by Senior Managers as to the rationale for their use:

- Adverse Weather Reserve
- Regeneration Reserve
- Council Initiatives
- Integrated Working Reserve (except for the £8.875m Oldham Locality Transformation Fund).

- b) After a review and agreement by the Integrated Care Partnership and the Place Lead for Oldham / Chief Finance Officers of the Integrated Care Partnership and Oldham Council with reporting via the Commissioning Partnership Board:

- Oldham Locality Transformation Fund Reserve (£8.875m)

- c) After review and agreement by the Management Board and the Director of Finance:

- Transformation Reserve (except for the £2.056m Transformation Reserve approved by Change Board)
- Directorate Reserve

- d) After review and agreement of the Director of Finance:

- Emergency and External Events Reserve
- Fiscal Mitigation
- Balancing Budget Reserve
- Life Cycle Costs Reserve
- Insurance Reserve

- e) After review and agreement of respective Ward Members:

- District Partnership Reserve

- 5.2 The decision to use reserves will only be made once the in-year and future impact of use on the overall financial position of the Council has been considered by the Director of Finance.

- 5.3 The use and creation of reserves in year will be incorporated into the revenue budget monitoring report which is discussed with the Cabinet Member for Finance and Corporate Services and presented to Cabinet for approval. At the end of the financial year, as advised at 4.6, there will be a requirement to allow the Director of Finance discretion to address reserve issues as deemed appropriate in the context of the overall financial position of the Council.

6 Other Key Reserves Matters

6.1 There is an accounting requirement to identify three separate reserves outside the scope of this policy:

- a) **Schools Reserve** – this includes the balances held by mainstream Schools under the scheme of delegation. The use of these reserves is at the discretion of schools and as at the 31 March 2023 £8.381m was held in reserves.
- b) **Revenue Grants Reserve** – this represents income from grants received which have no conditions attached or where the conditions have been met but no expenditure has yet been incurred. The use of these reserves will be determined by the relevant service Director and the Director of Finance. The balance held in this reserve at the end of the financial year was £7.968m.
- c) **Dedicated Schools Grant (DSG) Surplus Reserve** – this reserve has been created following the issue of a Statutory Instrument with regard to the presentation of DSG resources arising from the increase in DSG deficits. It represents the underspend of DSG resources in 2022/23. The reserve offsets the cumulative DSG deficit which is held in unusable reserves. The balance held in this reserve at the end of the financial year was £3.672m.

Report to Audit Committee

Treasury Management Review 2022/23

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

Officer Contact: Anne Ryans, Director of Finance

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Ext. 6608

27 June 2023

Reason for Decision

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2022/23 the minimum reporting requirements were that full Council should receive the following reports:

- an annual treasury strategy in advance of the year (approved by Council on 2 March 2022)
- a mid-year (minimum) treasury update report (approved by Council on 14 November 2022)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirements under the Code to give prior scrutiny to the treasury strategy and the mid-year update. The Audit Committee is charged with the scrutiny of treasury management activities in Oldham and is therefore

requested to review the content of this annual report prior to its consideration by Cabinet and Council (to ensure full compliance with the Code for 2022/23).

Executive Summary

During 2022/23, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual Prudential and Treasury Indicators	2021/22 Actual £000	2022/23 Revised £000	2022/23 Actual £000
Actual capital expenditure	76,989	59,113	58,787
Total Capital Financing Requirement:	468,895	464,182	465,723
Gross borrowing	167,597	160,997	160,742
External debt	381,045	365,528	365,082
Investments			
· Longer than 1 year	15,000	15,000	15,000
· Under 1 year	90,300	69,510	55,780
· Total	105,300	84,510	70,780
Net Borrowing (Gross borrowing less investments)	62,297	76,487	89,962

As can be seen in the table above, actual capital expenditure was slightly less than the revised budget estimate for 2022/23 presented within the 2023/24 Treasury Management Strategy report considered at the Council meeting of 1 March 2023. The outturn position was less than the £100.248m original capital budget for 2022/23 as approved at Budget Council on 2 March 2022.

Other prudential and treasury indicators are to be found in the main body of this report.

The Director of Finance confirms that the statutory borrowing limit (the authorised limit) was not breached during 2022/23.

The financial year 2022/23 has seen the Bank of England increase the official Bank rate to 4.25% by March 2023. From 0.75% in March 2022, the Monetary Policy Committee (MPC) has pushed through increases at every subsequent meeting over the period taking the Bank Rate to 4.25% at the end of 2022/23, with the aim of trying to reduce inflationary price rises.

Recommendations

Audit Committee is recommended to:

- 1) Approve the actual 2022/23 prudential and treasury indicators presented in this report
- 2) Approve the annual Treasury Management Review report for 2022/23
- 3) Commend this report to Cabinet

Treasury Management Review 2022/23

1 Background

1.1 The Council has adopted the Revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2021. The primary requirements of the code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities;
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management Policies and Practices and for the execution and administration of treasury management decisions. In Oldham, this responsibility is delegated to the Section 151 Officer (Director of Finance); and
- Delegation by the Council of the role of scrutiny of the Treasury Management Strategy and policies to a specific named body. In Oldham, the delegated body is the Audit Committee.

Treasury management in this context is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”

1.2 The report therefore summarises the following the:-

- Council’s capital expenditure and financing during 2022/2;
- Impact of this activity on the Council’s underlying indebtedness (the Capital Financing Requirement);
- Actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity

2 Current Position

2.1 The Council's Capital Expenditure and Financing during 2022/23

2.1.1 The Council undertakes capital expenditure when it invests in or acquires long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- Financed by borrowing if insufficient immediate financing is available, or a decision is taken not to apply available resources, the capital expenditure gives rise to a borrowing need.

2.1.2 The actual capital expenditure forms one of the required prudential indicators (these indicators are all summarised in Appendix 1). The table below shows the actual level of capital expenditure and how this was financed. As can be seen in the table below, actual capital expenditure in 2022/23 was slightly less than the revised budget estimate. The revised budget estimate is based on the month 8 2022/23 reported position to align with the Annual Treasury Management Strategy 2023/24 report approved on 1 March 2023, and not the latest reported position (month 9 report on 20 March 2023). All prudential indicators in the 2022/23 strategy are based on this revised budget.

	2021/22 Actual £000	2022/23 Revised £000	2022/23 Actual £000
Non-HRA capital expenditure	76,309	59,113	58,577
HRA capital expenditure	680	-	210
Total capital expenditure	76,989	59,113	58,787
Resourced by:			
• Capital receipts	11,861	6,163	9,271
• Capital grants	31,829	37,326	32,411
• Donated Asset	32,333	-	-
• HRA	912	-	-
• Revenue	54	90	237
• Prudential Borrowing	-	-	-
Unfinanced capital expenditure	-	15,533	16,868

2.2 The Council's Overall Borrowing Need

2.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

2.2.2 Part of the Council's treasury activity is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets) or utilising temporary cash resources within the Council.

Reducing the CFR

2.2.3 The Council's (non-Housing Revenue Account [HRA]) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-HRA borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

2.2.4 The total CFR can also be reduced by:

- The application of additional capital financing resources (such as unapplied capital receipts); or
- Charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

2.2.5 The Council's 2022/23 MRP Policy (as required by Government) was approved as part of the Treasury Management Strategy report for 2022/23 at the Council meeting on 2 March 2022.

2.2.6 The Council's CFR for the year is shown in the table below and represents a key prudential indicator. It includes PFI and leasing schemes held on the balance sheet, which increase the Council's borrowing need. In 2022/23 the Council had seven PFI schemes in operation; however, no borrowing is actually required against these schemes as a borrowing facility is included within each contract.

Capital Financing Requirement	2021/22 Actual £000	2022/23 Revised £000	2022/23 Actual £000
Opening balance	491,713	468,895	468,895
Add unfinanced capital expenditure	-	15,533	16,868
Add adjustment for the inclusion of on-balance sheet PFI and leasing schemes (if applicable)	373	-	246
Less MRP/VRP*	(2,742)	(2,742)	(2,742)
Less PFI & finance lease repayments	(20,449)	(17,504)	(17,544)
Closing balance	468,895	464,182	465,723

* Includes voluntary application of capital receipts and revenue resources

2.2.7 Borrowing activity is constrained by prudential indicators for net borrowing, the CFR and by the authorised limit.

Gross Borrowing and the CFR

2.2.8 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2021/22) plus the estimates of any additional capital financing requirement for the current (2022/23) and next two financial years.

2.2.9 This essentially means that the Council is not borrowing to support revenue expenditure.

2.2.10 This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2022/23 if so required. This flexibility was not used. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	2021/22 Actual £000	2022/23 Revised £000	2022/23 Actual £000
Gross borrowing position	381,045	365,528	365,082
CFR - including PFI / Finance Leases	468,895	464,182	465,723
(Under) / Over funding of the CFR	(87,850)	(98,653)	(100,641)

The table above shows the position as at 31 March 2023 for the Council's gross borrowing position and CFR. This shows, compared to the revised budget position:

- Small movement in the gross borrowing position, due to lower than expected finance leases.
- A slight increase in the CFR due to the additional Prudential Borrowing used to finance the Capital Programme for 2022/23.

The Authorised Limit

2.2.11 The authorised limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003 and was set at £497.500m. Once this has been set, the Council does not have the power to borrow above this level.

The Operational Boundary

2.2.12 The operational boundary is the expected borrowing position of the Council during the year and was set at £472.500m. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. The Council operated well within this boundary in 2022/23.

	2022/23 Actual £000
Authorised Limit	497,500
Operational Boundary	472,500

Actual financing costs as a proportion of net revenue stream

- 2.2.13 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 and is within expected levels.

	2022/23 Actual £000
External Debt	160,742
PFI / Finance leases	204,339
Actual External Debt (Gross Borrowing)	365,082
Financing costs as a proportion of net revenue stream (General Fund)	8.81%

- 2.2.14 The table above splits the gross borrowing position of the Council between actual external debt (loans) and PFI / Finance lease debt. As can be seen above the gross borrowing position is well within the Authorised Limit and Operational Boundary.

2.3 The Council's Debt and Investment Position

- 2.3.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

2.3.2 At the end of 2022/23 the Council's treasury position was as follows:

	31 March 2022 Principal £000	Average Rate/ Return	Average Life years	31 March 2023 Principal £000	Average Rate/ Return	Average Life years
Fixed rate funding:						
-PWLB	35,241			35,241		
-Stock	6,600			0		
Market	125,756			125,501		
Total borrowings	167,597	4.16%	36.05	160,742	4.01%	34.17
PFI & Finance Lease Liabilities	213,448			204,339		
Total External Debt	381,045			365,082		
CFR	468,895			465,723		
Over/ (under) borrowing	(87,850)			(100,641)		
Investments:						
Financial Institutions/LA's	90,300	0.21%		55,780	2.00%	
Property	15,000	3.83%		15,000	3.59%	
Total investments	105,300			105,300		
Net Debt	62,297			62,297		

2.3.3 The maturity structure of the debt portfolio was as follows:

	2021/22 Actual %	Upper Limit %	Lower Limit %	2022/23 Actual %
Under 12 months	33%	40%	0%	34%
12 months and within 24 months	10%	40%	0%	3%
24 months and within 5 years	12%	40%	0%	17%
5 years and within 10 years	9%	40%	0%	8%
10 years and above	36%	50%	0%	28%

2.3.4 The investment portfolio and maturity structure was as follows:

Investment Portfolio	Actual 31 March 2022 £000	Actual 31 March 2022 %	Actual 31 March 2023 £000	Actual 31 March 2023 %
Treasury Investments				
Banks	25,000	23.74%	10,000	14.13%
Building Societies	5,000	4.75%	-	0%
Local Authorities / Public Bodies	14,000	13.30%	10,000	14.13%
Money Market Funds (MMF's)	46,300	43.97%	35,780	50.55%
Total Managed In House	90,300	85.75%	55,780	78.81%
Bond Funds	-		-	
Property Funds	15,000	14.25%	15,000	21.19%
Cash Fund Managers	-		-	
Total Managed Externally	15,000	14.25%	15,000	21.19%
TOTAL TREASURY INVESTMENTS	105,300	100%	70,780	100%
TOTAL NON TREASURY INVESTMENTS	-	0%	-	0%

	2021/22 Actual £000	2022/23 Actual £000
Investments		
Longer than 1 year	-	-
Under 1 year	90,300	55,780
Property Fund	15,000	15,000
Total	105,300	70,780

2.3.5 Key features of the debt and investment position are:

- a) Over the course of the year 2022/23, investments have decreased by £34.520m compared to the investments held as at 31 March 2022. The large decrease relates to the accelerated spend on the Capital Programme during the final month of the year but also from a comparative perspective, in March 2022 (at the end of 2021/22), the Council received additional Government grant funding, to enable it to administer the Council Tax Energy Rebate scheme that was to be distributed in 2022/23.
- b) The average rate of return on investments with Financial Institutions increased from 0.21% in 2021/22 to 2% in 2022/23. The year 2022/23 has seen the Bank of England increase the bank rate from 0.75% in March 2022 to 4.25% in March 2023. The Monetary Policy Committee (MPC) has pushed through rises at every subsequent meeting over the period finishing the year with a Bank Rate to 4.25%. Therefore, over the course of the year,

the Council has received greater returns on its investments. The increase in Bank Rate is expected to continue over the first two quarters of 2023/24.

2.4 Economic Background 2022/23

- 2.4.1 The economic backdrop during the January 2022 to March 2022 period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending. The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession.
- 2.4.2 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates during 2022/23, even in the face of potential economic slowdowns in those regions.
- 2.4.3 Starting the financial year in April 2022 at 5.5%, the annual Consumer Price Index (CPI) measure of UK inflation rose strongly to hit 10.1% in July 2022 and then 11.1% in October 2022. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February 2023. Annual headline CPI registered 10.4% in February 2023, up from 10.1% in January 2023, with the largest upward contributions coming from food and housing. The Retail Price Index (RPI) followed a similar pattern during the year, hitting 14.2% in October 2022. In February 2023 RPI measured 13.8%, up from 13.4% in the previous month.
- 2.4.4 Following the decision by the UK Government under Prime Minister Rishi Sunak and Chancellor Jeremy Hunt to reverse some of the support for household energy bills announced under the Liz Truss leadership, further support in the form of a cap on what energy suppliers could charge household was announced in the March 2023 Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April 2023.
- 2.4.5 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of 2022/23. The unemployment rate 3mth/year eased from 3.8% April-June 2022 to 3.6% in the following quarter, before picking up again to 3.7% between October - December 2022. The most recent information for the period December 2022 - February 2023 showed an unemployment rate of 3.7%.
- 2.4.6 The inactivity rate was 21.3% in the December 2022 – February 2023 quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December 2022 – February 2023 at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.
- 2.4.7 Despite household budgets remaining under pressure, consumer confidence rose very slightly to -36 in March 2023, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in

September 2022. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June 2022 period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December 2022 period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Quarter 4 was 0.6%.

- 2.4.8 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with hikes of 50bps in December 2022 and February 2023 and then 25bps in March 2023, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February 2023 Monetary Policy Report. The February 2023 vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.
- 2.4.9 After reaching 9.1% in June 2022, annual US inflation slowed for eight consecutive months to 6% in February 2023. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March 2023 meeting.
- 2.4.10 From the record-high of 10.6% in October 2023, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March 2023, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

Financial Markets

- 2.4.11 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and questions about how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.
- 2.4.12 Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September 2022 before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

Credit Review

- 2.4.13 With regard to the credit ratings of Local Government bodies (who have chosen to have a rating), early in the period, Moody's affirmed the long-term rating of

Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

- 2.4.14 In July 2023 Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive.
- 2.4.15 In September 2022 Standard & Poor (S&P) revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.
- 2.4.16 The following month Fitch revised the outlook on the UK sovereign rating to negative from stable. Moody's made the same revision to the UK sovereign rating, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander. During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March 2023, the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.
- 2.4.17 Credit Default Swap (CDS) prices had been rising since the start of the year due to the invasion of Ukraine, and in the UK rose further in September/October 2022 at the time of the then-Government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike arising from the heightened uncertainty. However, they had moderated somewhat by the end of the year in March 2023 as fears of contagion subsided, but many are still above their pre-March 2023 levels reflecting that some uncertainty remains.
- 2.4.18 As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list will continue to remain under constant review. Local authorities remain under financial pressure, but the positive view of the sector is that its credit strength remains to be high. Section 114 notices have been issued by only a handful of authorities with specific issues.

2.5 Borrowing Strategy and control of interest rate risk

- 2.5.1 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 2.5.2 A cost of carry remained during the majority of the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

-
- 2.5.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 2.5.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Treasury Management Team and the Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks
- if it had been felt that there was a significant risk of a sharp **fall** in long and short term rates, (e.g., due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
 - if it had been felt that there was a significant risk of a much sharper **rise** in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.
- 2.5.5 Interest rate forecasts throughout 2022/23 have been rising which has seen gradual rises in medium- and longer-term fixed borrowing rates during 2022/23 and the two subsequent financial years mainly due to inflation concerns. Internal, variable, or short-term rates, were the cheaper form of borrowing over the period.
- 2.5.6 The Authority continues to hold £85.500m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.
- 2.5.7 During 2023/24 and given the rising of the Bank Rate throughout 2022/23, the Council in conjunction with its treasury advisors will be assessing its LOBO portfolio, as these loans from some banks may present restructuring opportunities with substantial value from a negotiated settlement with the bank. The benefits, include restructuring savings and the opportunity to reduce exposure to medium/long-term optionality.

2.6 Borrowing Outturn for 2022/23

Treasury Borrowing

- 2.6.1 Due to high cash balances and investment concerns, both counterparty risk and low investment returns at the start of the year, no borrowing was undertaken during the year.

Debt Rescheduling

- 2.6.2 There was no rescheduling of debt during the year. As interest rate have been steadily raising the Council will look at debt scheduling opportunities during 2023/24.

Repayment of Debt

- 2.6.3 In September 2022, the Council repaid its loan stock of £6.600m which yielded a rate of 12%. No additional cost were incurred in the repayment as the maturity date had been reached.

Borrowing in Advance of Need

- 2.6.4 The Council has not borrowed in advance of its needs.

2.7 Investment Outturn

Investment Policy

- 2.7.1 The Council's investment policy is governed by the Department for Levelling up, Housing and Communities (DLUHC), previously the Ministry of Housing, Communities and Local Government (MHCLG) investment guidance. This has directed the preparation of the annual investment strategy which for 2022/23 was approved by Council on 2 March 2022. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

- 2.7.2 Both the CIPFA Code and Government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

- 2.7.3 Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April 2022, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6–12-month maturities by the end of the year. By the end of March 2023, the rates on Debt Management Account Deposit Facility (DMADF)

deposits ranged between 4.05% and 4.15%. The return on the Council's sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between 0.9% - 1.1% per annum in early April and between 4.04% and 4.12% at the end of March 2023.

Resources

2.7.4 The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2022 £000	31 March 2023 £000
Balances General Fund	(20,012)	(18,865)
Balances HRA	(21,721)	(22,585)
Earmarked Revenue Reserves	(99,228)	(79,130)
Revenue Grant Reserve	(10,731)	(7,968)
School Reserve	(10,192)	(8,381)
Provisions	(19,698)	(12,782)
Total	(181,582)	(149,711)

Investments at 31 March 2023

2.7.5 The Council managed all of its investments in house with the institutions listed in the Council's approved lending list. At the end of the financial year the Council had £70.780m of investments as follows:

Institution	Type	Amount £000	Term/ Days	Rate%	Start Date	End Date
CCLA Property	Property	15,000		3.59%		
		15,000				
Stirling Council	Fixed	5,000	182	3.40%	21-Nov-22	22-May-23
Wrexham Council	Fixed	5,000	182	3.50%	22-Nov-22	22-June-23
Close Brothers Ltd	Fixed	5,000	181	3.50%	22-Nov-22	22-June-23
Close Brothers Ltd	Fixed	5,000	182	4.10%	29-Dec-22	29-June-23
Total Fixed Deposits		20,000				
Morgan Stanley MMF*	MMF	20,000	366	4.12%	31-Mar-22	01-Apr-23
Federated MMF*	MMF	10,000	5	4.04%	27-Mar-23	01-Apr-23
Total Money Market Funds (MMF)		35,780				
Total Investments		70,780				

* Money Market Funds (MMF)

2.7.6 The Council's investment strategy as set in March 2022, was to maintain sufficient cash reserves to give it necessary liquidity, whilst trying to attain a benchmark average rate of return of London Interbank Bid Rate (LIBID) on the relevant time deposit multiplied by 5%, whilst ensuring funds were invested in institutions which were the most secure. LIBID ceased to be used by the Bank of England at 31 December 2021, with SONIA (Sterling Overnight Index Average) replacing it. During the year and in line with the industry movement from LIBID to SONIA the Council updated its measurement of performance to a SONIA

benchmark. The table below shows the Council's performance against the investment benchmark. The benchmark for 2022/23 is based on the SONIA.

	Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	Actual Return %
Overnight	2.24%	2.35%	2.38%

2.7.7 The Council's investment in the Churches, Charities and Local Authorities (CCLA) Property Fund yielded dividends in year of £0.573m with an average return of 3.59%. This has dropped slightly compared to 2021/22 but continues to provide high returns compared to other investments the Council holds. The higher return reflects the long-term nature of the investment.

2.8 Other Key Issues

International Financial Reporting Standards (IFRS) 9 – Financial Instruments Pooled Investment Fund Statutory Override

2.8.1 The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English Authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

3 Options/Alternatives

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

4 Preferred Option

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

5 Consultation

5.1 There has been consultation with the Council's, Treasury Management Advisors.

5.2 The presentation of the Treasury Management Review 2022/23 to the Audit Committee for detailed scrutiny on 27 June 2023 will be in compliance with the requirements of the CIPFA Code of Practice. The report will then be presented to Cabinet and then subsequently Council for approval.

6 **Financial Implications**

6.1 All included in the report.

7 **Legal Services Comments**

7.1 None

8 **Cooperative 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 cooperative ethos of the Council.

9 **Human Resources Comments**

9.1 None

10 **Risk Assessments**

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

11 **IT Implications**

11.1 None

12 **Property Implications**

12.1 None

13 **Procurement Implications**

13.1 None

14 **Environmental and Health & Safety Implications**

14.1 None

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

15.1 None

16 **Equality Impact Assessment Completed**

16.1 No

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 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 Appendix 1
Officer Name: Lee Walsh
Contact No: 0161 770 6608

20 **Appendices**

Appendix 1 Prudential and Treasury Management Indicators

Appendix 1: Prudential and Treasury Indicators

TABLE 1: Prudential indicators	2021/22	2022/23	2022/23	2022/23
	Outturn	Original	Revised	Outturn
Capital Expenditure				
Non – HRA	76,989	96,865	59,113	58,577
HRA		3,383	0	210
TOTAL	76,989	100,248	59,113	58,787
Ratio of financing costs to net revenue stream				
Non – HRA	9.65%	12.00%	9.63%	9.65%
In year Capital Financing Requirement				
Non – HRA	(22,818)	51,352	(4,713)	(3,172)
TOTAL	(22,818)	51,352	(4,713)	(3,172)
Capital Financing Requirement as at 31 March				
	468,895	520,247	464,182	465,723

TABLE 2: Treasury Management Indicators	2021/22	2022/23	2022/23	2022/23
	Outturn	Original Budget	Revised	Outturn
Authorised Limit for External Debt				
Borrowing	302,500	336,500	285,000	285,000
Other long term liabilities	220,500	211,500	212,500	212,500
TOTAL	523,000	548,000	497,500	497,500
Operational Boundary for External Debt				
Borrowing	282,500	316,500	265,000	265,000
Other long term liabilities	215,500	206,500	207,500	207,500
TOTAL	498,000	523,600	472,500	472,500
Actual external debt	381,045			365,082
Upper limit for total principal sums invested for over 364 days	50,000	50,000	50,000	50,000

Maturity structure of fixed rate borrowing during 2021/22	Upper Limit	Lower Limit	Actual
Under 12 months	40%	0%	35%
12 months and within 24 months	40%	0%	3%
24 months and within 5 years	40%	0%	17%
5 years and within 10 years	40%	0%	8%
10 years and above	50%	0%	28%

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Report to Audit Committee

Public Sector Internal Audit Standards (PSIAS) External Quality Assessment (EQA) 2022/23

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

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

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

Contact: john.miller@oldham.gov.uk

27 June 2023

Reason for Decision

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once every 5 years from 1 April 2013.

This report details the outcome of the external assessment undertaken during March 2023. In previous years the Audit Committee has undertaken a self-assessment of the System of Internal Audit using a Balanced Scorecard approach.

Executive Summary

Oldham's first independent external assessment was conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2017/18, and the second, and latest, review has been conducted in March 2023, again by CIPFA.

There are three overall opinions on which the External Assessor can conclude. These are that the Service either:

- Generally Conforms to the Standard;
- Partially Conforms to the Standard; or,
- Does not Conform to the Standard.

The overall opinion of the latest external assessment of the Internal Audit Service at Oldham, undertaken by CIPFA, is that the service Generally Conforms to the Public Sector Internal Audit Standards.

The assessor also highlights that there are no areas where Oldham's Audit Service partially conforms with the standard, or where the Audit Service does not conform with the standard.

The full Revised Draft Report is reproduced as Appendix 1 to this report:

- **Appendix 1:** External Quality Assessment of Conformance to the Public Sector Internal Audit Standards, Oldham Metropolitan Borough Council's Internal Audit Service. Revised Draft Report 1 June 2023.

Recommendations

Members are requested to note the the outcome of the most recent CIPFA PSIAS EQA assessment which concludes the Internal Audit Service Generally Conforms to the Standard.

Public Sector Internal Audit Standards (PSIAS) External Quality Assessment (EQA) 2022/23

1. Background

- 1.1 Internal audit within the public sector in the United Kingdom and how it undertakes its work is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1 April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service’s own self-assessment at least once in a five-year period.
- 1.2 Oldham’s Internal Audit Service undertakes an annual self-assessment of its conformance with the PSIAS Standards. This has previously been undertaken via a Balanced Scorecard approach and reported to the Audit Committee. This approach will be reviewed going forward in line with any future developments to the PSIAS requirements. Oldham’s first external assessment was conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2017/18, and the second, and latest, review has recently been conducted in March 2023, again by CIPFA.

2 Current Position

Summary outcome of the CIPFA PSIAS EQA 2022/23

- 2.1 There are three overall opinions available to the External Assessor. These are that the Service either:
 - Generally Conforms to the Standard;
 - Partially Conforms to the Standard; or,
 - Does not Conform to the Standard.
- 2.2 The overall opinion of the latest external assessment of the Internal Audit Service at Oldham, by CIPFA, is reproduced below:

It is our opinion that the self-assessment for Oldham Metropolitan Borough Council’s Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service **GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

- 2.3 In addition, the assessment also provides an opinion of the level of conformance with the PSIAS and LGAN in each of the areas assessed. The table below shows the Internal Audit Service’s level of conformance to the individual standards as assessed during EQA was:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms

Standard / Area Assessed	Level of Conformance
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

- 2.4 The assessment goes on to conclude that there are no areas where Oldham’s Audit Service only partially conforms with the standard, and no areas where the Audit Service does not conform with the standard.
- 2.5 The assessment has made one Low Priority recommendation, and eight Advisory Points. How the Council should consider these priority levels is detailed below:

Low priority	The Internal Audit Service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service’s conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

2.6 The only low priority recommendation and the proposed response is detailed in the table below. The Advisory Points are also summarised below, with the proposed response. The rationale behind the only Recommendation and the Advisory points are set out in the EQA report at Appendix 1.

Recommendation	Agreed Action
<p>All audits in the audit plan should be aligned to the Council’s objectives. (Low Priority)</p> <p>The Service publishes a risk-based operational audit plan that is designed to provide the Council with relevant assurance on their governance, risk management and control frameworks. Each audit in the published audit plan is categorised and prioritised, but they are not mapped or aligned to the Council’s priorities or corporate objectives, or the strategic risks, although this exercise has been carried out by the Service as part of their annual planning process. Cross referencing the audits in the published plan to the priorities and strategic risks would enhance transparency and demonstrate how Internal Audit fits into the Council’s governance framework.</p>	<p>This recommendation is accepted. Cross referencing of the published Annual Audit Plan to Corporate Objectives and Strategic Risks will be included from the 2024/25 plan to be taken to the Audit Committee from March 2024.</p>
Advisory Points	Agreed Action
<p>Add a statement on impairments to the annual report and opinion (Advisory)</p>	<p>The advisory point is accepted. The following sentence has been added to the Head of Internal Audit’s Annual Opinion Report for 2022/23, to be presented to the Audit Committee 27 June 2023.</p> <p>“There have been no impairments to the independence or objectivity of the HIA in arriving at this opinion.”</p>
<p>Consider obtaining and using a specialist data analytics software application (Advisory)</p>	<p>The Service already uses a variety of data analysis and reporting tools. These include MS Excel and also the inbuilt functionality available in the systems used by the Council, e.g. Mosaic, Agresso and iTrent. Whole population testing is undertaken using both Mosaic (e.g. workflow analysis) and Agresso (e.g. user access control</p>

	<p>testing). Data matching is undertaken regularly as part of the National Fraud Initiative and also as part of routine audit work, e.g. duplicate creditors and duplicate creditor payments.</p> <p>The Service accepts the principle of the advisory point and will review the packages available to enhance capabilities in this area.</p>
<p>Consider using the MS Power BI application for data analytics and reporting (Advisory)</p>	<p>The Service already uses a variety of data analysis and reporting tools. These include MS Excel and also the inbuilt functionality available in the systems used by the Council, e.g. Mosaic, Agresso and iTrent. Whole population testing is undertaken using both Mosaic (e.g. workflow analysis) and Agresso (e.g. user access control testing). Data matching is undertaken regularly as part of the National Fraud Initiative and also as part of routine audit work, e.g. duplicate creditors and duplicate creditor payments.</p> <p>The Service accepts the principle of the advisory point and will review the potential uses of MS Power BI to enhance the audit process.</p>
<p>Use of benchmarking data when scoping audits (Advisory)</p>	<p>The advisory point is accepted. Whilst currently benchmarking data is utilised in audit reviews, there are potential benefits of bringing the examination of this data forward to the planning stage. To enhance the process a pre-planning checklist has been developed and distributed to the Audit Team, and review of available benchmarking data is part of the checklist now in place.</p>
<p>Adopt a consistent approach to using Pentana that is aligned to the Service's audit methodologies (Advisory)</p>	<p>The advisory point is accepted. The Audit Team has established a common approach to the filing of documentation within Pentana.</p>
<p>Enhancements to the audit reports (Advisory)</p>	<p>The advisory point is accepted. The following two statements are now included in all Audit reports produced from April 2023:</p> <p>“This report is made solely as an internal management report to the Officers of the Council identified on the report distribution list as an aid to the effective management of Council resources, and for no other purpose. Our audit work has been undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017), and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN). To the fullest extent permitted by law, we do not</p>

	<p>accept or assume responsibility to anyone, other than those Officers for whom the report was produced, for our audit work, for this report, or for the opinions we have formed.”</p> <p>“This review has been conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017), and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN).”</p>
Consultation on the International Professional Practice Framework (IPPF) (Advisory)	The advisory point is accepted. The Head of Internal Audit, supported by the Director of Finance, will continue to maintain a watching brief on developments to the Standards.
Frequency of meetings for the Audit Committee (Advisory)	<p>The advisory point is accepted subject to annual review. The Authority is in the process of undertaking a review of the Audit Committee’s effectiveness utilising Interactive Appendices E & F from CIPFA’s Audit committees: practical guidance for local authorities and police 2022 edition – The audit committee member in a local authority. It is planned to report on this review to the September 2023 meeting.</p> <p>The current level of meetings reflects a previous operating environment of the Council where the early production of the Statement of Annual Accounts was a key priority. Going forward from the September 2023 review of the Audit Committee there will be engagement with Committee Services to agree the future dates for the Municipal Year.</p> <p>In agreeing the frequency of meetings the Council will need to be mindful of external matters outside its direct control such as the number of years accounts where an external audit opinion has not yet been given.</p>

2.7 A more detailed analysis of the outcomes of the external assessment is included as Appendix 1 to this report. Appendix 1 reproduces the full Revised Draft Report and Management Responses to the recommendation and advisory points contained in the Action plan at the back of the report. When CIPFA has received Management Responses to the Revised Draft report they will issue the Final Report. The final report will be the Revised Draft plus the Management comments received. Therefore, the report attached at Appendix 1 is, effectively, the final report.

3. Options/Alternatives

3.1 The Audit Committee can either choose to accept and note the contents of this report or choose to not do so and request an alternative approach.

- 4. **Preferred Option**
- 4.1 The preferred option is that the Audit Committee accepts and notes the Annual Report.
- 5. **Consultation**
- 5.1 N/A.
- 6. **Financial Implications**
- 6.1 N/A.
- 7. **Legal Services Comments**
- 7.1 N/A.
- 8. **Cooperative Agenda**
- 8.1 N/A.
- 9. **Human Resources Comments**
- 9.1 N/A.
- 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 No.
- 17. **Forward Plan Reference**
- 17.1 N/A.

18. **Key Decision**

18.1 No.

19. **Background Papers**

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

File Ref: Background papers are included as Appendix 1
Officer Name: John Miller
Contact: john.miller@oldham.gov.uk

20. **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1:** External Quality Assessment of Conformance to the Public Sector Internal Audit Standards, Oldham Metropolitan Borough Council's Internal Audit Service. Revised Draft Report 1 June 2023.

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Oldham Metropolitan Borough Council's Internal Audit Service

Revised Draft Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Quality Assessment: Diana Melville, FCPFA

1 June 2023

Oldham Metropolitan Borough Council's Internal Audit Service

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 The Internal Audit Service provides internal audit, consultancy, counter-fraud, and direct payments audit services to Oldham Metropolitan Borough Council and the Council's wholly owned subsidiary company Miocare. The Chief Audit Executive is the Council's Head of Audit and Counter Fraud. He is supported by a team of ten staff made up of two Assistant Audit Managers (one for Internal Audit and one for Counter Fraud and Direct Payments Audits), three Senior Auditors, one Auditor, three specialist Direct Payments and Individual Budgets Auditors, and one Internal Audit apprentice.
- 2.2 The Head of Audit and Counter Fraud is an experienced internal audit professional who is a CCAB accountant (CIPFA). The two Assistant Managers are also experienced internal audit or counter fraud professionals. The Assistant Manager for Internal Audit is also a CCAB accountant (FCCA). The rest of the Team members either hold relevant accountancy or counter fraud qualifications, several of the team hold graduate and/or post graduate level qualifications, some of which are in relevant subjects.
- 2.3 From an operational perspective, the Internal Audit Service is part of the Finance Directorate and the Head of Audit and Counter Fraud reports directly to the Director of Finance, who is the Council's Section 151 Officer. The Head of Audit and Counter Fraud meets frequently with the Section 151 Officer and attends regular meetings of the Finance Directorate Management Team and attends meetings through the year with the External Auditor and the Council's Monitoring Officer. He attends all meetings of the Council's Audit Committee (currently seven planned meetings a year, increased to eight during 2022/23) and has direct access to the Chair of the Audit Committee. Regular reports on the audit plan, including progress on delivering the plan, and the annual opinion and outturn, are made to the Corporate Leadership Team and the Audit Committee.
- 2.4 The Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment (EQA) that they have commissioned, the previous one being in 2018 and was also undertaken by CIPFA.
- 2.5 Internal Audit has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit, consultancy assignment, fraud investigation or a direct payments and individual payments audit. The Service uses standard templates for all the terms of reference, engagement working papers, testing schedules, and audit reports and these are embedded in their Pentana audit management application. Completed documents are held in the Service's Pentana system. Supervision of the engagements takes place at every stage of the process.
- 2.6 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements, a recently introduced post-audit client feedback survey, and final clearance of all completed reports by the Head of Audit and Counter Fraud, all of which feed into the Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the Service's self-assessment comprised a combination of a review of the evidence provided by Internal Audit; a review of a sample of completed internal audits; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 3.2 The Internal Audit Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:
- self-assessment against the standards;
 - quality assurance and improvement plan (QAIP);
 - evidence file to support the self-assessment;
 - the audit charter;
 - the annual report and opinions
 - the audit plan and strategy;
 - audit procedures manual;
 - a range of documents and records relating to the team members;
 - progress and other reports to the Audit Committee.
- All the above documents were examined during this EQA.
- 3.3 The main phase of the validation process was carried out during the week commencing 27 March 2023, with further work and interviews undertaken during the following weeks. This phase of the EQA involved a review of a sample of audit files and interviews with a wide sample of key stakeholders. Overall, the feedback from the interviewees was positive with clients valuing the professional, knowledgeable, and objective way the Internal Audit Service delivered their services.
- 3.4 A survey was sent to a range of key stakeholders and the results analysed during the review. Details of the survey findings have been provided to the Head of Audit and Counter Fraud and a summary table has been included in this report.
- 3.5 The assessor reviewed examples of completed audits, to confirm his understanding of the audit process used at the Council, and to determine how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for Oldham Metropolitan Borough Council's Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

- 4.1 The table below shows the Internal Audit Service’s level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 **Core Principles for the Professional Practice of Internal Auditing**

The Core Principles, taken as a whole, articulate an Internal Audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in Internal Audit's procedures and working methodologies and they are a very competent, experienced and professional Service that generally conforms to all ten elements of the Core Principles.

5.3 **Code of Ethics**

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Service operates.

5.4 **Attribute Standard 1000 – Purpose, Authority and Responsibility**

The purpose, authority and responsibility of the Internal Audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There is an audit charter in place, and this is reviewed on an annual basis. We reviewed this document and found it to be comprehensive and well written and contains all the elements that the PSIAS expects to be included in an audit charter. We are satisfied that the Internal Audit Service generally conforms to attribute standard 1000 and the LGAN.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the Internal Audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of any Internal Audit Service's culture. The Head of Audit and Counter Fraud reports in his own name directly to the Corporate Leadership Team and to the Audit Committee. All employees declare any potential impairment to their independence or objectivity on an annual basis.

We have reviewed the Internal Audit Service's procedures and their standard documentation; their quality assurance and improvement plan; and a small sample of completed audit files. We have also reviewed their reporting lines and their positioning within the organisation. The Head of Audit and Counter Fraud has responsibilities for the Council's Counter Fraud and Direct Payments Audit functions, and these are set out clearly in the audit charter, along with the mechanism that will be followed when any of

these functions are being audited, to ensure the independence and objectivity of the Head of Audit and Counter Fraud and the Internal Audit Service as a whole are maintained. Where there have not been any impairments to the independence and objectivity of either the Head of audit and counter fraud, or the Service as a whole, it is good practice to include a statement confirming this in the Head of Audit and Counter Fraud's annual report.

We have made one advisory suggestion regarding these observations in Appendix A of this report. We are, however, satisfied that the Internal Audit Service generally conforms with attribute standard 1100 and the LGAN.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires the Internal Audit Services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that the Internal Audit Service has a professional, experienced, and suitably qualified workforce. The Head of Audit and Counter Fraud is an experienced internal audit professional who is a CCAB accountant (CIPFA). The two Assistant Managers are also experienced internal audit or counter fraud professionals. The Assistant Manager for Internal Audit is also a CCAB accountant (FCCA). The Assistant Manager for Counter Fraud and Direct Payments Audits holds a relevant Counter Fraud qualification (PinS). The three Senior Auditors all hold relevant accountancy or counter fraud qualifications (1 x ACCA, 1 x CIMA finalist and 1 x PinS counter fraud qualified). Most of the rest of the staff either hold relevant qualifications (mainly AAT), or are studying for one, and several of the team hold graduate and/or post graduate level qualifications.

The Service has a contract with another Greater Manchester Local Authority for specialist IT audit services, although, the Team members have sufficient knowledge of the operation of high-level IT controls that they can incorporate these in their testing for the audits they undertake.

The Standards require Internal Audit Services to consider the use of data analytics when performing their audit reviews. The individual Team members have access to software that can be used for a limited degree of data analysis, such as MS Excel, but the Service does not currently have access to a specialist data extraction and analysis tool, such as 'IDEA', 'ACL' or 'Arbutus', although there are members of the Team that have used IDEA in the past. The Service does not currently carry out much data analytics as part of their audit methodologies. Where they do so, it is performed by utilising MS Excel, however this application has a limited range of functionality compared to the specialist data analytics applications. Whilst we acknowledge that there is a cost attached to obtaining a specialist tool, we believe the Internal Audit Service should consider purchasing a suitable product as it would enhance their capabilities, such as undertaking data matching and data mining exercises, and developing the continuous auditing / monitoring of the key systems such as the fundamental financial systems. In addition, such an application would also enable the Service to provide enhanced assurance by testing the whole data population when carrying out audits with large quantities of electronically held data, such as the fundamental financial systems, rather than sample testing and extrapolating the results to the whole population. We have included this as an advisory action in Appendix B.

The Service should also consider using the powerful business reporting application MS Power BI for reporting purposes and analysing data from the Council's core systems. It is likely that the Council already has access to Power BI as it often comes with the MS Office 365 software package. We have also included this as an advisory action in Appendix B.

There is an opportunity to further broaden the use of data analytics by making use of external sources of data that can be used for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Council should already have access to. These are now adaptable tools that should not be overlooked, particularly when auditors are preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking. We have included this as an advisory action for management to consider in Appendix B.

It is evident from this review that the Internal Audit Service's employees are experienced and well qualified and perform their duties with due professional care. We are, therefore, satisfied that the Internal Audit Service generally conforms with attribute standard 1200 and the LGAN.

5.7 Attribute Standard 1300 – Quality Assurance and Improvement Programmes

This standard requires the Head of Audit and Counter Fraud to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Internal Audit Service has developed a quality assurance process that feeds into their quality assurance and improvement programme and is designed to ensure engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages of the audit process, and evidence is recorded in the audit files, although there is scope to enhance this as set out below in paragraph 5.8 - performance standard 2000. The Service has reintroduced the use of post audit client satisfaction surveys for every audit they undertake, and in addition to the quinquennial EQA, carry out annual self-assessments of their conformance to the Standards and the LGAN. All these sources of data feed into their quality assurance and improvement plan (QAIP). Updates on completing the actions in the QAIP are made to the Audit Committee.

We have examined the supporting evidence provided by the Internal Audit Service during this EQA and we are satisfied that they generally conform to attribute standard 1300 and the LGAN.

5.8 Performance Standard 2000 – Managing the Internal Audit Activity

The remit of this standard is wide and requires the Chief Audit Executive to manage the Internal Audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when Internal Audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit and Risk Committee for their review and approval. The Chief Audit Executive must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the Internal Audit activity, and to share information, co-ordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Audit Committees on Internal Audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include

significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committee.

The Internal Audit Service has a comprehensive audit manual in place that covers all aspects of the Internal Audit Service's operations.

The Service have developed comprehensive planning processes that take into consideration the Council's risks and objectives; the risk management and governance frameworks; the Council's objectives and priorities; any other relevant and reliable sources of assurance that are available; key issues identified by managers during planning meetings; the Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations. The Service produces an audit strategy and a prioritised risk-based audit plan that is designed to provide the Council with relevant assurance on their governance, risk management and control frameworks. The Service maps the audits to the Council's priorities and the strategic risk register as part of their planning processes, and although the audit strategy sets out all the Council's priorities, none of the individual audits in the audit plan are cross referenced to them in the published plan. Cross referencing the audits in the published plan to the priorities and strategic risks would enhance transparency and demonstrate how Internal Audit fits into the Council's governance framework. The audit plan is reviewed and approved by the Corporate Leadership Team and the Audit Committee. We have included this as an action for the Head of Audit and Counter Fraud to consider.

Details of the completed audits, together with regular updates on the progress being made on delivering the audit plan and the performance of the Internal Audit Service, are reported regularly to the Corporate Management Team and the Audit Committee. An annual report and opinion are also issued at the end of the year and presented to the Corporate Management Team and the Audit Committee.

The indication from this EQA is that the Internal Audit Service is managed effectively and generally conforms to performance standard 2000 and the LGAN.

5.9 **Performance Standard 2100 – Nature of Work**

Standard 2100 covers the way the Internal Audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Internal Audit Service and is embedded in their working methodologies. During this EQA, we reviewed a sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit's own methodologies. The Service has introduced the Pentana audit management system as its main repository for all the audit documentation. During our review of the sample of audits we noted that Pentana is being used in an inconsistent way making it difficult to follow the audit trail and examine the supporting evidence for some audits. Regardless of this issue, we were able to find the evidence that we need to see and as such we can confirm that the audits conformed to the Standards and the LGAN, but not necessarily to the Service's own procedures. We have, therefore, included an action in Appendix B regarding this observation.

The indication from this EQA is that the Internal Audit Service generally conforms to performance standard 2100 and the LGAN.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires Internal Auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

The Service has an audit manual and robust supervision processes in place that include engagement planning and meets the requirements of the PSIAS. From the sample of audit files that we examined during the EQA we found that they all conformed to performance standard 2200, and the LGAN, but conformance to the Service's own audit procedures could be enhanced. The main enhancement has already been mentioned in section 5.9 above. There is, however, another enhancement that should be considered and this is the introduction of a formal engagement planning schedule to provide greater consistency around this stage of the audit process.

The indication from this EQA is that the Service generally conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that Internal Auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As we have mentioned above, the Internal Audit Service has an audit manual, sound supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the Service's self-assessment, together with a sample of audit files to see if they conformed to the standards, and Internal Audit's own working methodologies. We found that all the evidence we examined conformed to the standards and the LGAN but conformance to the Service's own audit procedures could be enhanced. The main enhancement has already been mentioned in section 5.9 above. We therefore conclude that Internal Audit generally conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires Internal Auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committee and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The Service's procedures and supervision processes cover the communication of results of individual audits and meet the requirements of the Standards and the LGAN. During the EQA we reviewed the evidence provided in support of the Service's self-assessment and the audit reports issued for a sample of audits to establish if they conformed to the Standards. We found that all the evidence we examined generally conformed to the standards and Internal Audit's own procedures and methodologies, although there are two enhancements to the reports that could be made. The first relates to the inclusion of a disclaimer and limitations of use statement in each report. The second relates to the inclusion of a statement in the reports to acknowledge that the work has been carried out in accordance with the PSIAS.

We also reviewed the progress and annual reports presented to the Audit Committee and found that these also conformed to the standards and the Service's own internal procedures.

We therefore conclude that the Internal Audit Service generally conforms to performance standard 2400 and the LGAN.

5.13 Performance Standard 2500 – Monitoring Progress

There is a comprehensive follow-up process in place, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the Audit Committee. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 Performance Standard 2600 – Communicating the Acceptance of Risk

Standard 2600 considers the arrangements which should apply if the Chief Audit Executive has concluded that management at the client's services have accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Survey results

8.1 Overall, the results of the survey of key stakeholders were positive with respondents valuing the services provided by them. There were no 'do not agree' responses, and the number of "don't know" responses were low, with most respondents agreeing or partially agreeing with the survey statements. The detailed findings from the survey have been shared with the Head of Audit and Counter Fraud to enable them to explore the responses in more depth. A summary of the survey results is included in this report at Appendix A.

9. Issues for management action

9.1 From this EQA we have made one observation where conformance to the standards can be enhanced, and we have included this as an action in Appendix B.

We have also identified eight advisory issues from this EQA that need to be considered. Six relate to the operation of the Service and not their conformance to the standards. One is a generic issue relating to the future of the PSIAS for the Head of Audit and Counter Fraud to consider and one relates to the frequency of the Audit Committee Meetings. These are all set out in the management action plan at Appendix B.

The co-operation of the Head of Audit and Counter Fraud and the Assistant Manager in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the Chair of the Audit Committee and the key stakeholders that made themselves available for interview during the EQAs and/or completed the survey.

Ray Gard, CPFA, FCCA, FCIIA, DMS

1 June 2023

10. Definitions

Level of Conformity	Description
Generally Conforms	The Internal Audit Service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual Standard, the element of the Code of Ethics, and the Local Government Application Note in all material respects. This means that there is general conformance to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note, and at least partial conformance to the others.
Partially Conforms	The Internal Audit Service is endeavouring to deliver an effective service however, they are falling short of achieving some of their objectives and/or generally conforming to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the Standards, elements of the Code of Ethics, and/or the Local Government Application Note. The Internal Audit Service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of Internal Audit and may result in actions for Senior Management or the Board of the organisation to address.
Does Not Conform	The Internal Audit Service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual Standards, elements of the Code of Ethics, or the Local Government Application Note. These deficiencies will usually have a significant adverse impact on Internal Audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to Internal Audit. Some identified deficiencies may be beyond the control of Internal Audit and may result in recommendations to Senior Management or the Board of the organisation.

Action Priorities	Criteria
High priority	The Internal Audit Service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The Internal Audit Service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within a reasonable time scale, for example six months.

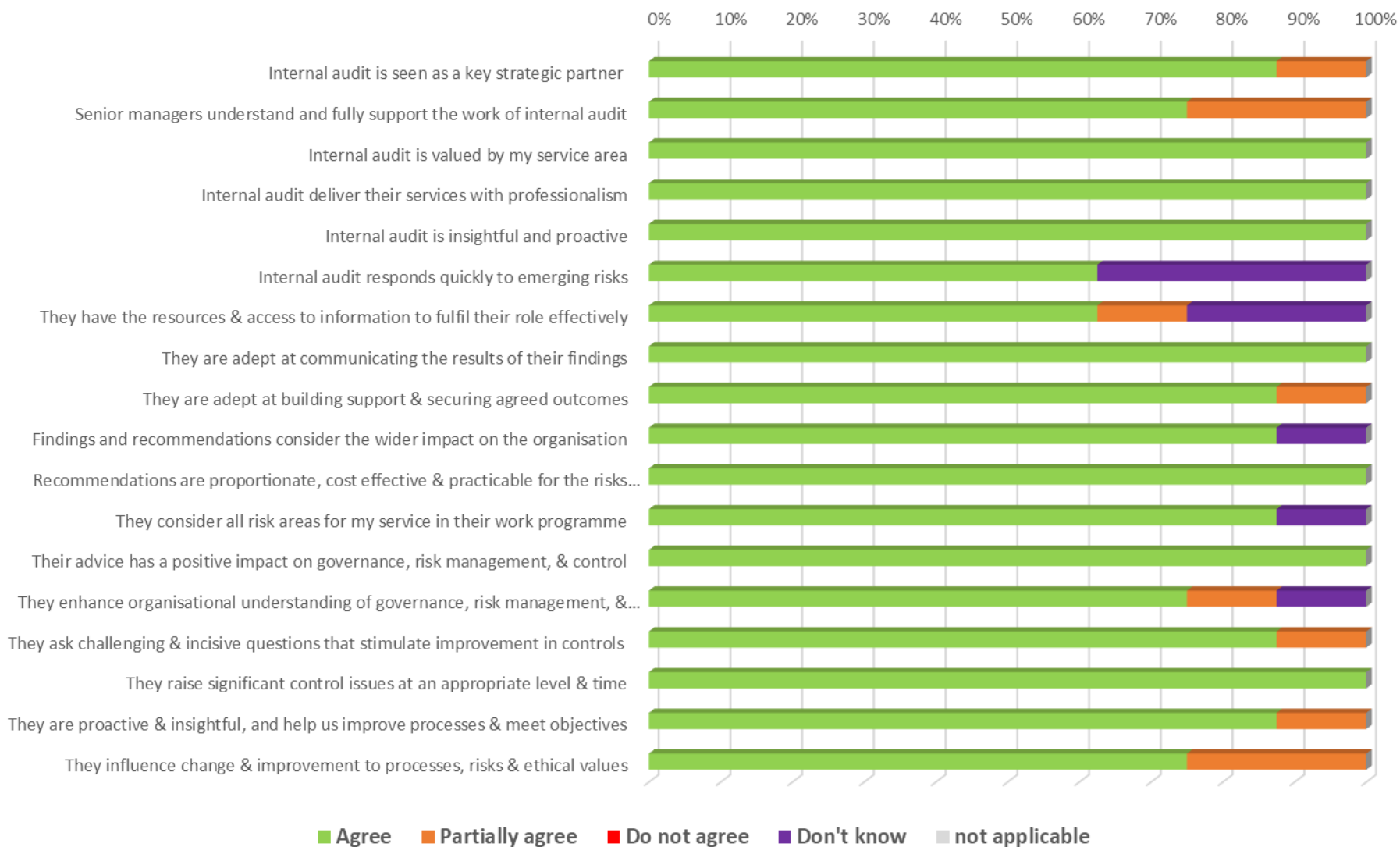
Low priority	The Internal Audit Service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

11. Disclaimer

This report has been prepared by CIPFA at the request of Oldham Metropolitan Borough Council, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of Oldham Metropolitan Borough Council's Internal Audit Service, including the Officers and elected Members of the Council, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Oldham Metropolitan Borough Council's Internal Audit Service - EQA - Survey Responses



Management action plan

1. Add a statement on impairments to the annual report and opinion (Advisory)	
Rationale	Agreed Action
<p>The audit charter includes a section on the independence and objectivity of the Internal Audit Service, including the process that will be followed should there be an impairment to the independence of the Head of Audit and Counter Fraud or the Service as a whole. The audit charter is, however, designed to be a forward-looking document, whereas the annual report and opinion is a reflection on the audit year that has just ended. It is, therefore, good practice to include a statement in the annual report confirming that there have not been any impairments to the independence or objectivity of the Head of Audit and Counter Frauds or the Internal Audit Service. If there has been an impairment, these should be included in the annual report, together with details of the action taken to resolve the issue.</p>	<p>The advisory point is accepted. The following sentence has been added to the Head of Internal Audit's Annual Opinion Report for 2022/23, to be presented to the Audit Committee 27 June 2023.</p> <p>"There have been no impairments to the independence or objectivity of the HIA in arriving at this opinion."</p>
Action Responsibility	Head of Internal Audit
Deadline	Complete

2. Consider obtaining and using a specialist data analytics software application (Advisory)	
Rationale	Agreed Action
<p>The Service does not currently have access to a specialist data extraction and analysis tool, such as 'IDEA', 'ACL' or 'Arbutus'. While we acknowledge that there is a cost attached to obtaining such a tool, consideration should be given to purchasing a suitable product as it would enhance their capabilities, such as undertaking data matching and data mining exercise, and developing continuous auditing / monitoring of the key systems, such as the fundamental financial systems that are audited twice a year. In addition, such an application would also provide enhanced assurance as the whole data population can be tested when carrying out audits with large quantities of electronically held data, such as the fundamental financial systems, rather than sample testing and extrapolating the results to the whole population.</p>	<p>The Service already uses a variety of data analysis and reporting tools. These include MS Excel and also the inbuilt functionality available in the systems used by the Council, e.g. Mosaic, Agresso and iTrent. Whole population testing is undertaken using both Mosaic (e.g. workflow analysis) and Agresso (e.g. user access control testing). Data matching is undertaken regularly as part of the National Fraud Initiative and also as part of routine audit work, e.g. duplicate creditors and duplicate creditor payments.</p> <p>The Service accepts the principle of the advisory point and will review the packages available to enhance capabilities in this area.</p>
Action Responsibility	Head of Internal Audit
Deadline	September 2023

3. Consider using the MS Power BI application for data analytics and reporting (Advisory)	
Rationale	Agreed Action
<p>The Service should consider using the powerful business intelligence and reporting application MS Power BI for reporting purposes and analysing data from the Council's core systems. It is likely that the Council already has access to Power BI as it often comes with the MS Office 365 software package.</p>	<p>The Service already uses a variety of data analysis and reporting tools. These include MS Excel and also the inbuilt functionality available in the systems used by the Council, e.g Mosaic, Agresso and iTrent. Whole population testing is undertaken using both Mosaic (e.g. workflow analysis) and Agresso (e.g. user access control testing). Data matching is undertaken regularly as part of the National Fraud Initiative and also as part of routine audit work, e.g. duplicate creditors and duplicate creditor payments.</p> <p>The Service accepts the principle of the advisory point and will review the potential uses of MS Power BI to enhance the audit process.</p>
Action Responsibility	Head of Internal Audit
Deadline	September 2023

4. Use of benchmarking data when scoping audits (Advisory)	
Rationale	Agreed Action
There is an opportunity to further broaden the use of data analytics by making use of external sources of data for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Council should already have access to. These are now adaptable tools that should not be overlooked, particularly when auditors are preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking.	The advisory point is accepted. Whilst currently benchmarking data is utilised in audit reviews, there are potential benefits of bringing the examination of this data forward to the planning stage. To enhance the process a pre-planning checklist has been developed and distributed to the Audit Team, and review of available benchmarking data is part of the checklist now in place.
Action Responsibility	Head of Internal Audit
Deadline	Complete

5. All audits in the audit plan should be aligned to the Council's objectives. (Low)	
Rationale	Agreed Action
The Service publishes a risk-based operational audit plan that is designed to provide the Council with relevant assurance on their governance, risk management and control frameworks. Each audit in the published audit plan is categorised and prioritised, but they are not mapped or aligned to the Council's priorities or corporate objectives, or the strategic risks, although this exercise has been carried out by the Service as part of their annual planning process. Cross referencing the audits in the published plan to the priorities and strategic risks would enhance transparency and demonstrate how Internal Audit fits into the Council's governance framework.	This recommendation is accepted. Cross referencing of the published Annual Audit Plan to Corporate Objectives and Strategic Risks will be included from the 2024/25 plan to be taken to the Audit Committee from March 2024.
Action Responsibility	Head of Internal Audit
Deadline	March 2024

6. Adopt a consistent approach to using Pentana that is aligned to the Service's audit methodologies (Advisory)

Rationale	Agreed Action
The Service needs to review the way that Pentana has been set up to ensure that it is aligned to the audit methodologies and ensure that all staff use the application in a consistent way. This may require changing the audit methodologies to fit in with the functionality of the application, rather than trying to change the way the application is designed to work.	The advisory point is accepted. The Audit Team has established a common approach to the filing of documentation within Pentana.
Action Responsibility	Head of Internal Audit
Deadline	Complete

7. Enhancements to the audit reports (Advisory)	
Rationale	Agreed Action
<p>There are two enhancements to the audit reports that the Head of internal audit should consider. The first relates to the inclusion of a disclaimer and limitations of use statement in each report.</p> <p>An example of such a statement would be “This report is confidential and has been prepared solely for use by officers named on the distribution list and, if requested, the Council’s External Auditor and its Audit Committee to meet legal and professional obligations. It would, therefore, not be appropriate for this report or extracts from it to be made available to third parties and it must not be used in response to FOI or data protection enquiries without the written consent of the Head of Internal Audit. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it”.</p> <p>The second relates to the inclusion of a statement in the final audit reports to acknowledge that the work has been carried out in accordance with the PSIAS.</p>	<p>The advisory point is accepted. The following two statements are now included in all Audit reports produced from April 2023:</p> <p>“This report is made solely as an internal management report to the Officers of the Council identified on the report distribution list as an aid to the effective management of Council resources, and for no other purpose. Our audit work has been undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017), and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than those Officers for whom the report was produced, for our audit work, for this report, or for the opinions we have formed.”</p> <p>“This review has been conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017), and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN).”</p>
Action Responsibility	Head of Internal Audit
Deadline	Complete

8. Consultation on the International Professional Practice Framework (IPPF) (Advisory)	
Rationale	Agreed Action
<p>Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors global International Professional Practice Framework (IPPF) which is incorporated into the PSIAS, commenced on 1 March 2023. Whilst this will not impact on the Service's current level of conformance, any changes to the Standards arising from the consultation may affect the Service's conformance in the medium term. It is, therefore, suggested that the Head of Audit and Counter Fraud considers the contents of the consultation document and keeps a watching brief on the developments to the Standards and how this may impact the Service in the medium term.</p>	<p>The advisory point is accepted. The Head of Internal Audit, supported by the Director of Finance, will continue to maintain a watching brief on developments to the Standards.</p>
Action Responsibility	Head of Internal Audit
Deadline	Ongoing in line with developments

9. Frequency of meetings for the Audit Committee (Advisory)	
Rationale	Agreed Action
<p>The Audit Committee currently has seven scheduled meetings a year, compared to other local authority audit committees where the average number of meetings tends to fall in the range of four to six meetings a year. Given the number of meetings per year is above the average, we suggest that the Council considers the guidance in the CIPFA Position Statement on Audit Committees, “authorities should conduct an assessment of their audit committees using the CIPFA Position Statement on Audit Committees in Local Authorities and Police (2022 edition) and the supporting guidance publication. This review should take into account the number and effectiveness of their meetings”.</p>	<p>The advisory point is accepted subject to annual review. The Authority is in the process of undertaking a review of the Audit Committee’s effectiveness utilising Interactive Appendices E & F from CIPFA’s Audit committees: practical guidance for local authorities and police 2022 edition – The audit committee member in a local authority. It is planned to report on this review to the September 2023 meeting.</p> <p>The current level of meetings reflects a previous operating environment of the Council where the early production of the Statement of Annual Accounts was a key priority. Going forward from the September 2023 review of the Audit Committee there will be engagement with Committee Services to agree the future dates for the Municipal Year.</p> <p>In agreeing the frequency of meeting the Council will need to be mindful of external matters outside its direct control such as the number of years accounts where an external audit opinion has not yet been given.</p>
Action Responsibility	Head of Internal Audit
Deadline	September 2023

