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AUDIT COMMITTEE
Agenda

Date	Monday 15 January 2024
Time	6.00 pm
Venue	Crompton Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL
Notes	1. DECLARATIONS OF INTEREST- If a Member requires advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or constitutional services at least 24 hours in advance of the meeting.

2. CONTACT OFFICER for this agenda is Tel. 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 noon on Wednesday, 10 January 2024.

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

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

MEMBERSHIP OF THE AUDIT COMMITTEE
Councillors Akhtar, Al-Hamdani, Arnott, S. Bashforth, Birch, Davis, Ghafoor, Salamat and Sykes

Item No

1 Apologies For Absence

2 Urgent Business

Urgent business, if any, introduced by the Chair

3 Declarations of Interest

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

4 Public Question Time

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

5 Minutes of Previous Meeting (Pages 1 - 14)

The Minutes of the Audit Committee Meeting held on 31st October 2023 are attached for approval.

6 Internal Control Matters; Adult Social Care (Pages 15 - 28)

Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of Direct Payments and Community Home Care.

7 Internal Control Matters; Payroll (Pages 29 - 42)

Joint Report of the Head of Internal Audit and Assistant Director of HR & Organisational Development on the 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of the Council's Payroll Service.

8 External Audit Progress Report (Pages 43 - 62)

This report provides the Audit Committee's 15 January 2024 meeting with an update on the status of the 2021/22 and 2022/23 Audit.

9 Treasury Management Strategy Statement 2023/24 (Pages 63 - 88)

Treasury Management Strategy Statement 2024/25 Including the Borrowing Strategy, Annual Investment Strategy and Prudential Indicators

10 Audit and Counter Fraud Progress Report (Pages 89 - 100)

2023/24 Q3 Internal Audit and Counter Fraud Progress Report

11 Proposed Audit Committee Work Programme for the remainder of 2023/24 (Pages 101 - 110)

Proposed Audit Committee Work Programme for 2023/24

12 Exclusion of the Press and Public

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

13 Review of Council Owned Companies and Partnerships (Pages 111 - 122)

Review of Council Owned Companies and Partnerships

14 Update on the Corporate Risk Register

Report to follow

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AUDIT COMMITTEE
31/10/2023 at 6.00 pm

Present: Councillor Mr G. Page (Independent Chair)
Councillors Akhtar, Al-Hamdani, Arnott, S. Bashforth, Davis, Ghafoor, Islam, Salamat and Sykes

Also in Attendance:

Chris Kelsall	Assistant Director – Finance
Paul Rogers	Constitutional Services
Anne Ryans	Director of Finance

1 **APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

There were no public questions for this meeting to consider.

5 **MINUTES OF PREVIOUS MEETING**

Resolved – that the minutes of the meeting of the Audit Committee held on 5 September 2023 be approved as a correct record.

6 **UPDATE ON EXTERNAL AUDIT MATTERS**

The Committee received and discussed a report form the External Auditor which sets out the Draft Audit Completion Report for the year ending 31 March 2023.

The report sets out progress to date on the audit of the 2022/23 Statement of Accounts. This is presented in the format of a Draft Audit Completion Report and highlights that there is still some work to be finalised before the audit of the 2022/23 accounts can be completed. As the reports advises, there remains only a limited number of areas that still require finalising and the work completed so far does not highlight any major areas for concern.

Danial Watson, External Auditor, informed the Committee that they have now received a signed set of accounts and letter of representation for 2021-22 and that should be signed off this week. They have assurances from the Pensions Fund Auditor which is good news. There is a relatively small error in the Pension Fund where the final version does not show the Council's proportion of that area of pension Fund assets. He informed the Committee that the Pension Fund requires amendment but that it is due to a timing issue when the Pension Fund Auditor produced their report. The amount is £70 million and the Council has a small share of that amount which will be shown in the final version.

Daniel Watson referred to a few queries left outstanding on the Council's valuation of Property Equipment which is currently being worked through with the Council's Finance Team. The main area where there is a change in the accounts is in relation to the Asset Ceiling calculation which is referred to later in the report. With regard to the Valuation of Investment Properties, that is now complete and there are no issues arising. He drew attention to the asset ceiling calculation where the Actuary makes the assumption that the working life of the Council is 7 years. The Council's Auditor feels that as a public body the working life of the Council should be indefinite which will increase the asset ceiling. The External Auditor is working with the Actuary to get a revised ceiling calculation which will recognise all of the Council's assets in the final version. It will mean that that the Council has a much larger pension fund surplus. There are no significant findings in the Management of Override Controls. The final area of risk is in relation to the shareholders in the Manchester Airport that work is complete and there are no matters to bring the Committee's attention.

Danial Watson informed the Committee that the Council has provided a good quality set of accounts in line with agreed timescales and support from the Council's officers. He referred to the Summary of Misstatements which show relatively small errors and they wouldn't expect the Council to adjust the accounts for such small errors. Value for money is work in progress.

In response to points raised by the Chair, Daniel Watson informed the Committee that there is work on going at a national level regarding addressing the backlog of audit opinions. Part of this is the Controller Auditor General is looking at the scope of work for local audit for 2023-24 onwards so it is envisaged that the work required in local pensions and property requirements and equipment is reduced thereby giving less delays. Regarding related pay transactions he advised that the External Auditor needs to be satisfied that these are complete and accurate. Where officers circumstances change they need to be picked up when the officers are producing the accounts. With regard to Councillors, they declare their interests at meetings. The External Auditor will make sure that management actions are completed and included in the final accounts.

The Director of Finance informed the Committee that in accordance with the Committee's wishes from the previous meeting, a letter was written to the Greater Manchester Pension Fund regarding the delays in the pension fund but a response had not yet been received.

Resolved – that the Committee notes and endorses the Draft Audit Completion Report by the External Auditor.

7 **UPDATE ON GENERAL MATTERS**

The Committee received and discussed a report submitted by the Director of Finance which gave an update on issues which have previously been reported to the Audit Committee, including financial challenges being experienced at other Local Authorities and the current position in relation to the audit of the Councils accounts for 2021/22 and 2022/23.

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

Members were reminded that at previous Audit Committee meetings there have been reports which have advised on a number of financial issues impacting on the whole Local Government sector and specific matters relating to Oldham Council. This report provides some follow up information in relation to issues previously raised.

Members were further reminded that the Committee had received information about the matters which have resulted in the S151 Officers of several Local Authorities issuing a Notice under the powers of S114(3) of the of Local Government Finance Act 1988 (a Section 114 Notice) that the expenditure of the Authority would exceed the resources available to finance it. These Authorities include the London Borough of Croydon, Slough Borough Council, Woking Borough Council and Thurrock Council.

Each of the above Councils is still facing a substantial challenge to stabilise its financial position and it will take many years to address the consequences of the issuing of the 114 Notices. Details relating to the issue of Section 114 Notices in relation to Nottingham City Council, Northumberland County Council and Birmingham City Council are set out in paragraphs 2.3 to 2.5 of the report.

The Director of Finance drew attention to a further four Councils that are facing financial challenges and are at risk of Section 114 Notices being issued, paragraphs 2.6(a) to 2.6(d) refers.

In response to a query about the Section 114 Notice issued to Birmingham City Council relating to financial liabilities regarding Equal Pay claims and an in-year financial gap within its budget which at the time stood in the region of £87m and how this Council stood on such matters, the Director of Finance informed Members that the Council did a very extensive exercise on equql pay when the issues first arose back in 2011-12 when a review was undertaken. We were able to rectify our equal pay position and payments were made to a range of qualified individuals. The Council's process around pay in respect of grading and evaluation should stand the test of any challenges unlike Birmingham who did not set up the process properly.

The Director of Finance advised the Committee that in accordance with the Committee's instruction at the previous meeting a letter had been written to the Greater Manchester Audit Office regarding the delay to the audit of the 2022-23 Statement of Accounts but as yet no response had been received.

Resolved – that

(i) the Committee notes the receipt from the External Auditor of a letter advising of a delay to the audit of the 2022-23;

(ii) the report be noted.

8 **TEACHERS' PENSION AGENCY 2022/23 END OF YEAR CERTIFICATION**

The Committee received a report submitted by the Director of Finance regarding Teachers' Pension Contributions. These are paid over to the Teachers' Pension Agency and are subject to a specific external audit review, which results in an annual certification. The report details the outcome for the financial year 2022/23.

The audit of the Teachers' Pension Contributions paid over to the Teachers' Pension Agency is undertaken by KPMG LLP. The End of Year Certificate for the 2022/23 review is attached at Appendix 1 to the report. As can be seen, there were very few issues highlighted by the audit which is a good and an improvement compared to 2021/22. The Teachers' Pension Agency has confirmed its agreement to the contributions paid over to them by the Council for the financial year 2022/23.

Resolved – that the Committee notes the Certification of the Teachers' Pension Return for the financial year 2022/23.

9 **TREASURY MANAGEMENT HALF YEAR REVIEW REPORT 2023/24**

The Committee considered and discussed a report submitted by the Director of Finance which advised the Audit Committee of the performance of the Treasury Management function of the Council for the first six months of 2023/24 and provides a comparison of performance against the 2023/24 Treasury Management Strategy and Prudential Indicators.

The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's

(CIPFA) Code of Practice on Treasury Management (revised 2021). This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. This report therefore sets out the key Treasury Management issues for Members' information and review.

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

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested with low-risk counterparties, providing adequate liquidity initially before considering optimising investment returns.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

As a consequence, treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

With regard to the Treasury Management Code of Practice

The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (Revised 2021) (the CIPFA Code) which requires the Authority to produce a quarterly treasury management update report; a requirement in the 2021 Code which is mandatory from 1 April 2023.

The Treasury Management Quarter 1 Update Report was presented to the Audit Committee for scrutiny on 5 September 2023. This report provides the Treasury Management position at the end of September 2023.

The Council's Treasury Management Strategy for 2023/24 was approved at a meeting on 1 March 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's Treasury Management Strategy.

This Half Year Review report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

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

The Treasury and Prudential Indicators are incorporated at Appendix 1 to this report.

In summary, the following key issues were brought to the Committee's attention:

1) Compliance with Statutory and CIPFA requirements

The 2021 Prudential Code requires Treasury Management to be reported quarterly from the financial year 2023/24. The presentation of the Treasury Management Half Year Review Review 2023/24 to Audit Committee (this meeting) to enable scrutiny prior to presentation to Cabinet (13 November 2023), full Council (13 December 2023) ensures that the Council complies with its statutory requirements.

2) The Council's Capital Expenditure and Financing During the first half of 2023/24

The level of capital expenditure forms one of the required prudential indicators. The 2023/24 projected outturn, based on actual expenditure to month 6 is £76.595m, a reduction of £33.710m compared to the original budget expenditure of £110.305m and a further reduction of £27,153m compared to quarter one forecast position. These projects and their associated financing packages will be reprofiled into 2024/25 and future years.

Capital Grants (£29.464m), capital receipts (£7.050m), Revenue and other resources (£1.079m) and prudential borrowing (£39.002m) were the sources of capital financing of the revised position.

3) The Councils Overall Borrowing Need

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 debt position. 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 sufficient cash is available to meet the capital plans and cash flow requirements.

At the end of 2022/23, the CFR was £465.723m, and was forecast for the year 2023/24 to be £503.278m, the estimated Half Year Review CFR, based on the projected expenditure referred to above is £487.634m. The decrease is as a result of the projected reduction in actual capital expenditure 2022/23 and the projected position in 2023/24.

4) Treasury Position at 30th September 2023

At the end of September 2023, the Treasury position was such that the net borrowing position was £87.401m. This was made up of:

a) Total external borrowing £160.996m

b) Investments £73.595m

Comparing this to the estimated borrowing CFR (CFR less PFI) of £293.847m means that the Council is estimating to be under-borrowed by £120.351m, compared to actual 2022/23 under borrowed position of £100.338m, and £113,341m under borrowed as forecast at the end of June 23 as illustrated in the table below:

	2022/23 31 March Actual £'000	2023/24 30 June Actual £'000	2023/24 30 Septembe[r] Actual £'000
Total Borrowing	160,996	160,996	160,99[6]
Investments	(70,780)	(80,480)	(73,595[)]
Net Borrowing	**90,216**	**80,516**	**87,40[1]**
Borrowing CFR (year-end position)	261,384	299,337	293,84[7]
Under Borrowed Position	**100,388**	**113,341**	**120,35[1]**

5) Borrowing Position

No borrowing or debt rescheduling has been undertaken to date in the current financial year, it is anticipated that if the capital programme expenditure continues as projected then £12.5m of new borrowing will be required to fund this. The value of new borrowing is well within the approved £39.002m of prudential borrowing in the programme. Furthermore, it is confirmed that the Council operated within the prudential indicators as set out in the annual treasury management strategy for the first quarter of the 2023/24 financial year

6) Investment Portfolio

The key investment portfolio issues to note are as follows:

a) The Council held £73.595m of investments at 30 September 2023, including property funds (£15m), a slight increase of £2.815m compared to £70.780m held at 31 March 2023, but a reduction of £6,885m from the quarter one position. With the exception of the property fund, all the investments held are scheduled to mature within 12 months.

b) The Treasury Team measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates. The investment returns are measured against the Sterling Overnight Index Average (SONIA). The average rate of interest earned in the first quarter exceeds the budgeted position and average SONIA rate, however the average rate earned is slightly less than the benchmark SONIA which expects to gain 5% on top of average SONIA rate. This is due to the fast-moving interest rate environment and SONIA moves quicker than any fixed investments that have been placed. These can be seen in the table below.

	Budgeted Performance Rates / Benchmark SONIA Return %	**Benchmark SONIA Return % Plus 5%**	**Actual Return %**
Budgeted Investment Rates	4.400%		4.710%
Overnight SONIA	4.751%	4.989%	4.896%

7) Authorised Limit and Operational Boundary

The authorised limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003 and represents a control on the maximum level of borrowing. The operational boundary is the expected borrowing position of the Council during the year and reflects the maximum anticipated level of external debt.

Due to the change in the capital expenditure forecast it is recommended to reduce both the Authorised Limit and Operational Boundary, the revised limits are in the table below.

Prudential Indicator 2023/24	**Original £'000**	**Recommended £'000**
Authorised Limit	533,500	519,000

Operational Boundary	508,500	494,000

8) Liability Benchmark

This is another new indicator which compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making.

The liability benchmark calculation expects the Council to be a long-term borrower to finance the expected capital spend. There could be timing differences between when the Council externally borrows compared to when the expenditure is required due to the nature of capital works, but new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.

Conclusion

As Members of the Audit Committee are aware, 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 have previously been acknowledged in both Internal and the External Auditors' Reports presented to the Audit Committee.

The Treasury Management activities followed the pattern of the established experience and good practice further evidenced with a rating of 'good' (the highest possible rating) in the recently issued Fundamental Financial Systems (FFS) audit undertaken by Internal Audit on the Treasury Management function.

In response to a query on the possible use of projected savings in capital expenditure from this year into transformation plans for the next financial year, the committee was informed that this would generally not be the case.

The Chair made reference to the recent very informative Treasury Management training delivered by Arlington Close and suggested that if there was a demand from those Members who could not attend could a further training day be offered.

The Committee was informed that the suggestion for further Treasury Management Training would be taken forward and that the suggestion would be put to Members who were unable to attend.

Resolved – that

(i) the Committee accepts the proposed revisions to the Operational Boundary and Authorised Limit as presented at paragraph 2.6.9 in the report;

(ii) commends the report to Cabinet; and

(iii) the recent Treasury Management Training be offered to those Members who were unable to attend and subject to demand an appropriate date be arranged in the near future.

10 **2023/24 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**

The Committee received and discussed a report submitted by the Head of Audit and Counter Fraud which provides Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for Q2 of the 2023/24 financial year which alongside:

• further progress reports on Q3 and Q4 for 2023/24 to be provided to the Committee during the year;

• the Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2023/24; and,

• joint reports to the Audit Committee on Actions to address agreed service areas;

assists the Committee in discharging it's responsibilities as set out in the Audit Committee's Terms of Reference, which form part of the Council's Constitution.

The report summarises the work carried out by the team from 1 April 2023 to 30 September 2023. During the first half of the year the team prioritised the Council's Fundamental Financial Systems (FFS) reviews to provide assurance in respect of the 2022/23 Financial Statements, and the Annual Opinion Report of the Head of Audit and Counter Fraud for 2022/23.

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

• Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information in respect of grants received.

• Completion of a variety of other planned Audit reviews and reports on St Theresa's Primary School, St. Joseph's Primary School and Licensing Income.

• Ongoing work on audit reviews of Street Lighting, Energy Management, Land Sales, the Contract Register, Spindles Procurement, the Music Service and Burnley Brow Primary School, and the Council's Music Service.

• Corporate Counter Fraud activities have identified £123,626 of fraud, errors and overpayments. The Direct Payments Audit

Team (Children and Adults) have continued to deliver significant recovery outcomes which have generated £31,289 and £1,343,777 (respectively) for the period 1 April 2023 to 30 September 2023.

In response to Cllr Hamdani's query about why the accounts receivable report had been split into 2 reports, the Committee was informed that the Draft Accounts Receivable report has, at final stage, been split into two separate reports and re-issued. The first report, of the same name, now covers only the day-to-day Accounts Receivable functions, and now has an opinion of Adequate. A second report in respect of the Council's Debt Recovery processes has been issued in order focus management attention on this area. The Debt Recovery process was the reason for the original Draft Opinion on Accounts Receivable being Inadequate. This opinion now transfers to the new Debt Recovery report where the audit opinion is Inadequate.

In response to a query, the Head of Audit reminded Members that they will receive reports on management actions to address recommendations arising on both the Direct Payments and Payroll FFS reports in January.

The Committee discussed a way forward whereby medium and high risk actions coming out of individual audits could be reported as a condensed view which shows management actions against timeframe indicators. The Head of Audit agreed to look at how this might best be reported to the committee.

Resolved – that 2023-24 Q2 Audit and Counter Fraud Progress report be noted.

11 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2022/23 AND NEW ISSUES**

The Committee considered and discussed a report submitted by the Assistant Director of Finance (Capital & Transformation) which updated Members of the Audit Committee on the Annual Governance Statement for 2022/23 and new issues for 2023/24 by:

a) Outlining the progress made to reduce the risk of issues arising for the Council to address, where matters were identified as areas requiring improvement in internal control within the Annual Governance Statement for 2022/23; and

b) Highlighting any new issues which would be considered if the Annual Governance Statement was to be produced as at 31st October 2023.

This report provides an update on the issues identified within the 2022/23 Annual Governance Statement and any other issues which will impact on a future iteration of the Annual Governance Statement .

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

Appendix 2 to the report details those new issues that may be considered for inclusion in the draft 2023/24 Annual Governance Statement should it have been produced as of 31 October 2023. It also gives an opinion on the present risk at the production of the Annual Governance Statement based upon a Red/ Amber/ Green (RAG) rating.

The Assistant Director of Finance (Capital & Transformation) made reference to the Council's long term resilience and the challenges the Council is facing and particularly the increased demand for Council services this year which has been reflected in the quarterly monitoring statement. He also referred to regeneration plans of the Council and the potential impact on the Capital Program and the assurance framework that has been required to show that the programes meet those objectives and the outputs required. Also that the governance arrangements, procurement processes and expenditure are accurate.

In response to a query regarding information release by officers, for example messaging and data in public reports, the Committee was advised that officers are aware of the need to pdf spread sheets so that the data behind those spread sheets is inaccessible. Officers and Members can access on line training to learn more about how information produced and protected.

Reference was made to problems arising where private childrens care homes close resulting in the Council needing cover the costs to provide the necessary infrastructure to house those children displaced. This problem could also be mirrored in relation to adult homes.

The Director of Finance acknowledged the fact that there are care facilities which are struggling financially. The Director made reference to Chadderton Total Care facility which has become an Oldham Council facility and drew attention to the fact that the Chadderton facility is a residential and nursing facility with 100 residents. The other residential homes are much smaller and if there was a need to relocate them these homes are much smaller and more manageable.

Resolved – that the Committee endorses the progress made on the issues identified in the 2022/23 Annual Governance

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

12 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2023/24**

The Committee considered the Audit Committee Work Programme for 2023-24. The Head of Audit and Counter Fraud informed Members that the Work Programme is continually being refreshed and currently includes issues and elements where the Committee has requested additional material and updates on Audit matters.

Resolved – that the Work Programme be endorsed for 2023-24.

13 **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 paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

14 **UPDATE ON THE CORPORATE RISK REGISTER**

The Committee received and discussed a report which updated Members of the Audit Committee on the Corporate Risk Register as at the end of September 2023. As the Committee charged with governance it is part of the role of the Audit Committee to scrutinise the Corporate Risk Register.

The Council has an agreed Risk Management Strategy and Framework which was refreshed for 2023/24 and considered and approved by the Audit Committee at its meeting on 20 July 2023. Most risks are linked to the business planning process and refreshed quarterly by services.

The Corporate Risk Management Strategy and Framework were refreshed in July 2023 and presented to the Audit Committee at its meeting on 20 July 2023 for consideration and approval. A key part of this Strategy is the production of the Corporate Risk Register. The document attached at Appendix 1 to the report is the Corporate Risk Register for the period to 30 September 2023.

An integral part of the Risk Management process is the integration of the production of Service Risk Registers in the Business Planning Process which are updated quarterly. A quality assurance process agreed by both the Performance Improvement and Corporate Risk teams is in place to ensure consistency in risk scoring and quality of information provided against risks. Service Risk Registers are reviewed and any key risks are incorporated into the Corporate Risk Register.

In response to a query in relation to the report indicating dates when risks are checked, the Director of Finance advised that every risk is regularly reviewed. The Committee was informed that future reports can be refined to include dates when risks are checked.

The Chair referred to the officer time employed on reviewing Red risks there was also a need not to lose site of the Green risks. The Committee was assured that Green risks were continually monitored on a level shown to Red risks. Members were informed that the report does focus on high risks but the officers allocate risks on a priority basis with each risk showing the potential problems each risk could pose on the Council. Every service has its own business plan and those plans are monitored and risks moved around as necessary depending on the measure of risk.

Resolved – that the Committee notes and endorses the Risk Register as at September 2023.

15 **SENIOR INFORMATION RISK OWNER UPDATE**

The Committee received and considered a report from the Senior Information Risk Owner (SIRO) which updated the Committee on information security breaches, risk issues / actions as an interim (mid year) update before the end of the financial year 2023/24.

This is the mid-year report of the SIRO to the Audit Committee highlighting information security incidents and related matters which have occurred from 1 April 2023 to 30 September 2023.

Members of the current position regarding the SIRO officer and responsibilities of the SIRO officer, Section 5 in the report refers.

Sections 6 and 7 in the report make reference to Information Security Incidents and in particular a Cyber incident earlier in the year.

Resolved – that the report be endorsed and noted.

The meeting started at 6.00 pm and ended at 7.23 pm

Report to Audit Committee

Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of Direct Payments and Community Home Care

Portfolio Holders: Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources
Cllr Barbara Brownridge, Cabinet Member for Health and Social Care

Officer Contacts: John Miller – Head of Audit and Counter Fraud
Jayne Ratcliffe – Director of Adult Social Care

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15 January 2024

Reason for Decision

4.4.2 The Audit Committee shall:
a) be responsible for oversight of the Council's Internal Audit arrangements and will;
(ii) review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary;

This joint report is to advise Members of the Audit Committee of the outcome of the 2022/23 Fundamental Financial Systems (FFS) Audit Review of Direct Payments and Community Homecare and the agreed actions that the Adult Social Care Service are taking to address and take forward the recommendations made in that report.

This report will assist the Committee in discharging it's responsibilities as set out in the Audit Committee's Terms of Reference, which form part of the Council's Constitution alongside:

- progress reports on Q1 to Q4 for 2023/24 to be provided to the Committee; and,
- the Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2023/24.

Executive Summary

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

The Direct Payments and Community Home Care audit and has received an audit opinion of 'Inadequate' in each of the eight years from 2014/15 to 2021/22. In light of this our overall opinion for 2022/23 was subsequently downgraded to Weak.

This report sets out the agreed actions for the Adult Social Care Service to take forward to address the recommendations made in the latest 2022/23 FFS Audit Report.

Recommendations

Members are requested to:

1) Note the the outcome of the most recent 2022/23 Fundamental Financial Systems Audit Review of Direct Payments and Community Homecare
2) Approve the agreed actions for the Adult Social Care Serviice to take forward to address the recommendations made in that report.

Audit Committee **15 January 2024**

Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of Direct Payments and Community Home Care.

1. Background

1.1 The Community Health & Adult Social Care (CHASC) Portfolio administers the Personal Budget and Community Homecare services for clients. The team allocates services to clients, visiting clients directly at their homes, and provides Personal Budgets to those clients who wish to retain greater control over their own affairs and who can procure services to assist in their own care needs.

1.2 The total budgeted gross expenditure for 2022/23 for Direct Payments and Community Homecare are included in the table below in alongside the actual 2022/23 outturn value:

2022/23	Budget £m	Outturn – Actuals £m	Overspend/ (Underspend) £m
Direct Payments	18,231	20,931	2,700
Direct Payment Recovery	(1,916)	(4,359)	(2,443)
Total Direct Payments	**16,315**	**16,572**	**257**
Community Homecare	11,981	13,137	1,156
COVID Homecare Packages	1,840	1,840	0
Total Homecare	**13,821**	**14,977**	**1,156**

1.3 The service has received an audit opinion of 'Inadequate' each year from 2014/15 to 2021/22. The current Director of Adult Social Care has been in post since mid- 2022.

2 2022/23 Audit Opinion

2.1 The latest 2022/23 FFS review of Direct Payments and Home Care found that systems and controls remained inadequate.

2.2 Six of the ten recommendation made in 2022/23 have been made in previous audit reports and remained outstanding. Four of these recommendations are high priority recommendations, and two are medium priority.

2.3 As noted at 1.3 above, the service received an audit opinion of 'Inadequate' in each of the eight years from 2014/15 to 2021/22. Our overall opinion for 2022/23 was, therefore, subsequently downgraded to **Weak**.

2.4 The ten recommendations made in 2022/23, and Management's reported progress to date to address these recommendations, are set out in the Action Plan in **Appendix 1.**

3 2022/23 Adult Social Care (ASC) Response

3.1 Significant work has been undertaken by Adult Social Care to respond to the historic system challenges since the audit. There has been joint working between Adult Social Care & Audit to offer support and constructive guidance. The impact of the work undertaken can be reviewed in the action plan. The programme of work is undertaken programmed to run continuously throughout the year, to highlight challenges in the system and a system response to remedy this

3.2 To fully address the auditing recommendations, in October 2022 the service undertook an exercise to restructure and repurpose its portfolios. The restructure of the service aligned the brokerage service within the commissioning portfolio, re-aligned the Client Finance Service and created a portfolio of Reform and Improvement.

3.3 Since July 2022, the service has devised a complete system transformation and improvement plan, aligned to Adult Social Care improvement which is expected to support the service to become more efficient and effective in managing demand and meeting the needs of vulnerable residents, who have been assessed as having care and support needs, in accordance with statutory responsibilities **Appendix 2**. In addition, the service has devised a new target operating model **Appendix 3**.

3.4 The directorate continues to review its brokerage service, which is responsible for overseeing cashflow and that timely payments are made to providers. This has seen the realignment of CHC recharges to be managed within Brokerage to enable a more streamlined approach, reducing handovers and minimising delays.

3.5 The service is also undertaking a redesign of the Mosaic system, ensuring workflows between frontline operational staff and the Brokerage and Client Finance teams are aligned.

4 ASC Workforce Challenges

4.1 It should be recognised the ASC Directorate are currently experiencing significant workforce challenges, which are reflected locally, regionally, and nationally. This has impacted the Directorate's ability to respond in a timely way to competing priorities and demands. To respond to the audit recommendations, a working group has been established which programmes and oversees the recommendations, alongside improvement work.

4.2 This risk is being mitigated with increased HR support to the service, to support the development of a workforce strategy to promote retention, recruitment, and staff well-being.

5 Options/Alternatives

5.1 The Audit Committee can either choose to accept and note the contents of this report or choose to not do so and suggest an alternative approach.

6 Preferred Option

6.1 The preferred option is that the Audit Committee accepts and notes the Report.

7 Consultation

7.1 N/A.

8 Financial Implications

8.1 N/A.

9 Legal Services Comments

9.1 N/A.

10 Cooperative Agenda

10.1 N/A.

11 Human Resources Comments

11.1 N/A.

12 Risk Assessments

12.1 N/A

13 IT Implications

13.1 N/A.

14 Property Implications

14.1 N/A.

15 Procurement Implications

15.1 N/A.

16 Environmental and Health & Safety Implications

16.1 N/A.

17 Equity, Community Cohesion and Crime Implication

17.1 N/A.

18 Equality Impact Assessment Completed

18.1 No.

19 Forward Plan Reference

19.1 N/A.

20 Key Decision

20.1 No.

21 Background Papers

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

File Ref: Background papers are included as Appendices 1, 2, 3, 4 & 5
Officer Names: John Miller & Hayley Eccles

22 Appendices

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** 2022/23 Direct Payments and Community Home Care FFS Review Action Plan
- **Appendix 2:** Adult Social Care Transformation and Improvement plan.
- **Appendix 3:** The Adult Social Care Target Operating Model.
- **Appendix 4:** Case Closure Checklist.
- **Appendix 5:** FFS Monitoring Arrangements and Data.

Appendix 1

2022/23 Direct Payments and Community Home Care FFS Review Action Plan

High Priority - Significant risk to the Council or Service, the recommendation is essential for sound or effective control.
Medium Priority - Moderate risk to the Service it is important that the recommendation is completed
Low Priority - Small risk to the Service it would improve control if the recommendation were to be completed.

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Update- December 2023	Monitoring
1	**Workflow** The service should continue in the implementation of their recovery plan to address outstanding workflow requirements. **Brought forward from previous audit reports.**	High	The service is undertaking a phased implementation approach to a Transformation Programme (Target Operating Model). This will help assist in the efficiency of the workflow requirements.	Assistant Director of Commissioning and Market Management	Actions complete Ongoing monitoring will be scrutinized at BAU	Training has been completed on the correct process for progressing, closing, and transferring cases. This includes ensuring appropriate actions are completed for open workflows. Sessions were completed by the brokerage team and were mandated for operational staff. The sessions were completed on 2nd & 7th November 23. A checklist has been implemented to support the closure of cases. Reporting has been improved to monitor the position with open workflows an. The Mosaic Health Check and the ongoing system review have identified actions that can be taken to mitigate the risk of workflow steps not being completed. This will improve data quality and reporting. Changes will be implemented as the SBA process is rolled out.	
2	**Statutory Annual Care Review** Strategy and Performance reports	High	The Service has commenced a review of the client records where a care review is shown as overdue.	Assistant Director of Operations	Previous Actions completed. Annual review status will	Monthly meetings with GM ADASS to review the current position with all LA and learning shared to improve practice.	

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Update- December 2023	Monitoring
	should be used to highlight service users who are overdue an annual care review. The service should utilise the benchmarking information available in comparison to other Northwest region authorities to identify where Oldham would appear to perform less well than neighbouring Councils. Where areas for improvement are identified because of benchmarking, the service should approach and liaise with better performing Council to identify any improvements which may be made. **Brought forward from previous years.**		This has revealed that a number of these records are incorrect and that the review date recorded on our systems is inaccurate due to staff having re-assessed clients prior to their recorded review date but not having updated the next annual review date. The Service will look to resolve these data issues to provide a more accurate reflection of the work done. The Service is in the process of conducting a review of its data across the board to standardise the usage and reporting from the system. The Service liaises monthly with colleagues across the Northwest ADASS (Association of Directors of Adult Social Services) The CQC (Care Quality Commission) Peer		continue to be monitored and reported monthly.	A commissioned team of agency workers through REED were appointed in August 2023 and have so far completed approximately 450 reviews/re-assessments Managers reports have been implemented to support managers in monitoring team performance. The review workflow will be simplified and streamlined as part of the Mosaic redesign.	

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Update- December 2023	Monitoring
			Review recognised the challenges presented by the Mosaic system and the current adult social care climate. In comparison with other Local Authorities with the same demographics Oldham is within the average bracket for performance in this area. The service currently has a total of 57 vacancies. The service expects the ongoing data review to reflect this in its performance going forward. The Service also expects the ongoing Transformation Programme to improve efficiencies and performance. Additionally, further, to pending approval at Cabinet of the Mosaic system contract, a full system health check will be completed with the provider to				

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Update- December 2023	Monitoring
			address workflow & process issues.				
3	**Notice to Close** Income and Payments team should be informed promptly of a death, or other circumstances resulting in a "Notice to Close" to correctly pay the provider and stop invoices in respect of client's contributions. **Brought forward from 2020/21**	High	The Service has reminded staff to ensure that the NTC process is adhered to. Communications were sent to staff 30th May 2022 and 30th May 2023. The Service will continue to remind staff of this requirement and monitor progress in this area. The Service is also undertaking ongoing quality assurance checks on closed cases to give feedback to the practitioner and manager on any areas of improvement required.	Assistant Director of Operations	Completed	Communications have been sent to staff on 30 May 2023 and a checklist has been implemented for the closure of cases. Reports are monitored monthly to ensure that required actions are being completed in a timely manner and to monitor the number of episodes open. As part of the Mosaic redesign consideration is being given to mandating parts of the process to ensure that appropriate next actions are selected, and work flows through to the brokerage team. When the data was checked in December 2023 there were no 'Notice to Close' episodes waiting to be completed by the Brokerage team.	See Appendix 5: FFS Audit Monitoring Arrangements and Data
4	**Duplicate Records** A training reminder for staff is required to ensure that a record does not already exist for a client before setting up a new one.	Medium	Completed. Communications issued to staff in February 2022 and again in February 2023. This will also be picked up via	Assistant Director of Operations	Completed	Communications were issued to staff in February 2023 on the process to follow when creating a new record. Monthly reporting is in place to monitor the number of duplicate records and allow corrective actions	See Appendix 5: FFS Audit Monitoring Arrangements and Data

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Update- December 2023	Monitoring
	Brought forward from previous years.		regular reporting in this area.			to be completed. The number of duplicate records now stands at 5.	
5	**<u>Direct Payment Audit Invoices</u>** Invoices to recover overpaid funds to be issued by the D.P. Audit Team and not to be duplicated by other teams. **New recommendation 2022/23**	Medium	Agreed. The Service will ensure this does not happen again.	Assistant Director of Operations	Completed	Invoices for the recovery of funds are being raised by the Direct Payment Audit team with invoices for unpaid client contributions being worked flowed through to the brokerage team for raising. The allocated REED team have carried out reviews/re-assessments for those where a claw back was required. Further plans being agreed to improve joined up approach with audit team.	
6	**<u>Unallocated Service Users</u>** All service users should be allocated to a Team. The service should review the report produced by the Performance Team and ensure unallocated service users are allocated promptly.	High	The Service will review the users identified and ensure that where a team is required then the user will be allocated appropriately.	Assistant Director of Operations	Actions complete. Once the remaining 257 cases have been actioned, this will be monitored at BAU.	Monthly monitoring is in place and a programme of data cleansing activity is being completed. Communication has been issued to the teams in November 2023 regarding the recording of allocated teams. The number of cases with no allocated team has been reduced by 2/3's and this activity will have been completed by mid-January. The number of unallocated cases as of 2 January is 257.	See Appendix 5: FFS Audit Monitoring Arrangements and Data

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Update- December 2023	Monitoring
	New recommendation 2022/23						
7	**Client Contributions** Invoices to clients for their contribution cease, in a timely manner, when payments to the care provider end. **New recommendation 2022/23**	Medium	Agreed. This will be picked up as part of the case closure audits implemented during 2023 in preparation for the Council's anticipated CQC review.	Assistant Director of Commissioning and Market Management	completed	A case closure checklist has been implemented and monthly monitoring of notice to close episodes is in place.	
8	**CHC (Continuing Health Care) Income** Amounts invoiced to ICB (Integrated Care Boards) for jointly funded cases should reflect the agreed split of funding. Amounts invoiced should be adjusted when costs change and in the event of back dated adjustments to the care provider.	High	Agreed. The Service has a weekly "High Cost" Panel which is jointly chaired with the ICB which reviews jointly funded cases. The Service will look to develop a feedback and review mechanism to ensure that invoices to the ICB accurately reflect the costs of care.	Assistant Director of Commissioning and Market Management	Previous actions met. Ongoing actions to be reviewed again March 24	Weekly meetings are in place with ICB colleagues to work through queries. Reconciliation activity is being completed ahead of the CHC recharge process transferring to the brokerage team in January 2024.This has significantly reduced the number of historic queries outstanding and has resulted in the ICB being correctly recharged where applicable. This will now lead to a smooth transition for the Brokerage Team to continue working collaboratively with ICB colleagues.	

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Update- December 2023	Monitoring
	New recommendation 2022/23						
9	**Incomplete Forms** Purchase Request forms should be fully completed on the Mosaic system. **Brought forward from 2020/2021**	Medium	Agreed.	Assistant Director of Commissioning and Market Management	Completed. Ongoing progression and monitoring will take place at BAU	A Case closure checklist has been implemented and the brokerage team have completed training sessions with operational teams on the correct processes to follow on 2nd & 7th November. Reports are in place for incomplete episodes on Mosaic which are reviewed monthly. As part of the redesign process changes will be made to make workflow processes more streamlined and improve reporting on incomplete forms and episodes. The changes will go live as the SBA process is rolled out; implementation plans are currently under development.	
10	**Proposed ASC Debt Recovery Process** The action plan to address outstanding debt presented to DMT in July 2021 should be progressed. **Brought forward from previous years.**	High	The Service meets regularly with the Officers involved with the Council's overall Debt Recovery / Income Maximization initiatives to progress this issue.	Assistant Director of Operations	12/07/2023	Ongoing joint work is being progressed with Debt recovery to manage ASC debt. Work is underway with the transformation team to map areas for improvement and will form part of discussions in January. A report was taken to DMT in December and follow up meetings	See Appendix 5: FFS Audit Monitoring Arrangements and Data

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date	Update- December 2023	Monitoring
						are being arranged for January 2024.	

Appendix 2 - ASC Improvement Plan

Appendix 3 - ASC Target Operating Model (TOM)

Appendix 4 - Case Closure Checklist

Appendix 5 - FFS Monitoring Arrangements and Data

Report to Audit Committee

Joint Report of the Head of Internal Audit and Assistant Director of HR & Organisational Development on the 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of the Council's Payroll Service

Portfolio Holders:	Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources
Officer Contacts:	John Miller – Head of Audit and Counter Fraud Vikki Morris – Assistant Director of HR & Organisational Development
Report Authors:	John Miller – Head of Audit and Counter Fraud Vikki Morris – Assistant Director of HR & Organisational Development
Contact:	john.miller@oldham.gov.uk vikki.morris@oldham.gov.uk

15 January 2024

Reason for Decision

4.4.2 The Audit Committee shall:
a) be responsible for oversight of the Council's Internal Audit arrangements and will;
(ii) review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary;

This joint report is to advise Members of the Audit Committee of the outcome of the 2022/23 Fundamental Financial Systems (FFS) Audit Review of the Council's Payroll Service and the agreed actions that the Service has taken to address the recommendations made in that report.

This report will assist the Committee in discharging it's responsibilities as set out in the Audit Committee's Terms of Reference, which form part of the Council's Constitution alongside:

- progress reports on Q1 to Q4 for 2023/24 to be provided to the Committee; and,
- the Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2023/24.

Executive Summary

The Council's Payroll audit received an audit opinion of 'Inadequate' in each of the 3 years from 2018/19 to 2020/21. During 2021/22 the Service implemented the iTrent Payroll system which addressed a number of system weaknesses and the audit opinion in that year was upgraded to 'Adequate'. Following this improved opinion the Service experienced significant turnover in staff in key roles leading to a weakening in control and a subsequent downgrading of the audit opinion in 2022/23 back to 'Inadequate'.

This report sets out the agreed actions for the Payroll Service to take forward to address the recommendations made in the latest 2022/23 FFS Audit Report, and their progress to date.

Recommendations

Members are requested to:

1) Note the the outcome of the most recent 2022/23 Fundamental Financial Systems Audit Review of Payroll.
2) Note the agreed actions for the Service to take forward to address the recommendations made in that report, and progress against these actions to date.

Audit Committee **15 January 2024**

Joint Report of the Head of Internal Audit and Assistant Director of HR & Organisational Development on the 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of the Council's Payroll Service.

1. Background

1.1 The Council's Payroll Service was, until April 2022, provided as part of the package of services delivered by the Unity Partnership. In April 2022 the Service transferred back in-house and is now delivered directly by the Council itself.

1.2 Audit Opinions on the Council's Payroll system from 2015/16 to 2022/23 are shown in the table below

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Weak	Weak	Weak	Inadequate	Inadequate	Inadequate	Adequate	Inadequate

During 2021/22 the Service implemented the iTrent Payroll system. This addressed a number of system weaknesses and the audit opinion in that year was upgraded to 'Adequate'. Following this improved opinion the Service experienced significant turnover in staff in key roles leading to a weakening in control and a subsequent downgrading of the audit opinion in 2022/23 back to 'Inadequate'.

2 2022/23 Audit Opinion

2.1 The final audit report for 2021/22 contained five recommendations for improvement, two High, two Medium and one Low priority, and recognised the progress made during that year by the Service in addressing longstanding control issues. Our opinion for 2021/22 was, therefore, raised to adequate.

2.2 The final report for 2022/23 contains 14 recommendations, ten High, three Medium and one Low priority, and re-iterates all five of the recommendations made in 2021/22 which were found to be partially complete.

2.3 The Service suffered from the loss of a number of staff in key roles following the 2021/22 review and this is the primary reason for the service falling behind in the progress they had previously made. The Service has since been successful in recruiting to some posts, and continues to try to recruit appropriately skilled and experienced staff to fill remaining vacant roles.

2.4 The recruitment and retention of suitable staff is crucial to the service once again being able to make progress in the areas identified for improvement and address the overriding control weakness within the Service in relation to staffing.

2.5 In light of the above, the 2022/23 Audit Assessment was that the systems and controls in connection with the payroll system were <u>Inadequate</u>.

2.6 Appendix 1 to this report sets out the agreed actions for the Payroll Service to take forward to address the recommendations made in the latest 2022/23 FFS Audit Report, and progress to date as reported by the Service.

3. Options/Alternatives

3.1 The Audit Committee can either choose to:

a) accept and note the contents of this report, or
b) not accept and note the contents of this report and suggest an alternative approach.

4. Preferred Option

4.1 The preferred option is that the Audit Committee accepts and notes the 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

20. **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1:** 2022/23 Payroll FFS Audit Review Action Plan.

Appendix 1

2022/23 Payroll FFS Audit Review Action Plan

High Priority - Significant risk to the Council or Service, the recommendation is essential for sound or effective control.
Medium Priority - Moderate risk to the Service it is important that the recommendation is completed
Low Priority - Small risk to the Service it would improve control if the recommendation were to be completed.

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
1	Payroll Reconciliations Monthly Payroll Reconciliations should be carried out in a timely manner. The review noted that there were delays. The working group already established should continue to take steps to address the issues identified in connection with the payroll to General Ledger reconciliation process. This recommendation has been assessed as partially incomplete. **Brought forward from 2021/22**	**High**	Agreed HR Employment Service Manager 02/08/2023 – A meeting between Payroll and HR was held to discuss on-going issues. It was reported that there are particular issues with statutory payments and shared cost AVC's. Examples of errors from the costing reports were provided that need investigating with Midland HR. 03/08/2023 initial discussions with Finance were held, further meetings to discuss on-going issues to be arranged in the near future. 02/10/2023 - fortnightly meetings have been set up with Finance to discuss on-going issues. Finance Manager (Corporate Control) Issues are still ongoing despite the workaround activities identified	HR Employment Services Manager Finance Manager (Corporate Control)	31 January 2024

			above. This is still leading to issues and delays in the Corporate Control Teams ability to undertake meaningful payroll reconciliations.		
2	<u>Pre-employment and Right to Work Checklist-Schools</u> The Payroll Service should liaise with the Head of Education Support Services and HR colleagues to agree a procedure for the collection and storage of a central record of statutory pre-employment and DBS checks. The review has noted that this action has not progressed as expected and steps need to be taken around storage of supporting information around pre-employment checks. This recommendation has been assessed as incomplete. **Brought forward from 2021/22**	**High**	<u>Agreed</u> Full review of process to be undertaken and a meeting to be arranged between HR/OD and Head of Education Support Services to review current process and agree future actions and responsibilities.	HR Employment Services Manager	31 January 2024
3	<u>CHAPS Payments</u> A full review of CHAPS payment request should be analysed in order to identify any common system or process issues, which can be addressed and rectified to reduce the number of CHAPS requests. **Brought forward from 2021/22**	**High**	<u>Agreed</u> An analysis of the number of CHAPS payments processed needs to be undertaken and the reasons surrounding the processing of CHAPS payments.	HR Employment Services Manager	31 January 2024

4	Payroll global uplifts A robust quality assurance process should be in place in respect of uplifts. This should ensure that adequate time is allowed to review all uplifts prior to processing via iTrent. **This is a new recommendation for 2022/23**	**Medium**	Agreed Additional work is now undertaken to determine who is in scope so that the Payroll Team can perform additional checks to ensure that deductions and payment of arrears are processed accurately.	HR Employment Services Manager	Complete
5	Starters All supporting documentation should be retained in the central drive in respect of starter details, including salary details, to ensure they are processed accurately and to ensure accurate data can be obtained should any future queries arise. The starters forms should be signed and dated by the appropriate line manager. This recommendation has been assessed as partially incomplete. **Brought forward from 2021/22**	**Medium**	Agreed New starters forms are currently saved in individual personal files. The personal files do hold all relevant data such as salary details, references and application forms etc. As part of the current process the Transactional and Recruitment teams do return incomplete form back to the manager and will not process the forms until all relevant fields have been completed. Teams have been reminded that all parts of the current process is to be followed at all times.	HR Employment Services Manager	Complete
6	Overpayments -Communications to Managers Communication should be sent to all Managers responsible for staff to reiterate the importance of submitting leavers forms in a timely manner to prevent overpayments. **This is a new recommendation for 2022/23**	**High**	Agreed A quarterly communication will be produced to the Heads of Service, providing them with the number and amounts of overpayments for their Service areas.	HR Employment Services Manager	31 January 2024
7	Resilience	**High**	Agreed	HR Employment	Complete

	The service should continue to take steps to recruit to key posts and roles currently vacant within the service to ensure key tasks are being administered effectively and in a timely manner and address resilience issues facing the service. **This is a new recommendation for 2022/23**		A Payroll Manager and HR Employment Services Manager are now in post.	Services Manager	
8	<u>TOIL and Overtime Payments</u> Where TOIL and overtime payments are authorised by Services, Payroll Services should ensure it is line with policy. Any decisions made outside of the agreed policy should be authorised by the relevant Service Director through the relevant form with supporting documentation. **This is a new recommendation for 2022/23**	**High**	<u>Agreed</u> Communications will be reiterated to managers to follow the authorisation of toil and overtime through iTrent where practicable. In exceptional circumstances, managers will be required to complete the relevant paperwork, with appropriate sign off prior to payment.	HR Employment Services Manager	30 November 2023
9	<u>Employee Contracts</u> Employees should be issued with employment contracts within a timely manner. In the absence of an employment contract outlining terms and conditions of employment there is a risk that disputes may arise, and claims may be brought against the Authority. **This is a new recommendation for 2022/23**	**High**	<u>Agreed</u> Employment contracts are currently being sent out as part of the on-boarding process in a timely manner. The teams have been reminded that all contracts should be issued within the designated timescales.	HR Employment Services Manager Job Evaluation Advisor	Complete

10	Exceptional Payments Where exceptional payments are authorised by Services, Payroll Services should ensure it is line with policy. Any decisions made outside the policy needs to be authorised by the relevant Service Director through the relevant form and supporting documentation. The documentation should be retained on the employees personnel file for audit and transparency purposes. **This is a new recommendation for 2022/23**	**High**	Agreed It has been agreed that in the case of exceptional payments a restricted password protected folder will be created in the relevant staff members e-file that can only be viewed by authorised personnel.	HR Employment Services Manager	Complete
11	Councillors - Leavers It is recommended that a leavers form is completed for Councillors who have retired, resigned and/or are unelected post-election; this will minimise the risk of salary overpayments. **This is a new recommendation for 2022/23**	**High**	Agreed A new process had been developed prior to the May 2023 election and closer relationships have been formed between HR Employment Services teams and Constitutional Services. A new spreadsheet has been developed in order to capture all newly elected Councillors, re-elected and non re-elected Councillors along with details of payments that should be paid and stopped. Further work still needs to be done to ensure that any mid year changes can be captured to avoid under/overpayments. Meeting to be set up between HR Employment Services and Constitutional Services to review current process and to agree future actions and responsibilities.	HR Employment Services Manager Job Evaluation Advisor	Complete

12	<u>External Consultant Managers file – Communication to Recruiting Managers</u> Starters forms for External Consultant Managers should be completed prior to entering the individual in to the i-Trent system. A personnel file should be set up and should include (where appropriate) the recorded delegation decision demonstrating the appointment process and employee timesheets, including a copy of a REC1. Managers should be reminded that external consultant staff members will not be processed unless the relevant paperwork is present. **This is a new recommendation for 2022/23**	**High**	<u>Agreed</u> A new starter form is completed and sent to the Transactional team to input details on Itrent. The forms are then saved in a personal file. Further discussions regarding the recorded delegation decision, timesheets and REC 1's will need to take place between HR/OD and Audit.	HR Employment Services Manager	31 January 2024
13	<u>Personnel E-Files</u> Personnel paper files should be scanned into the employees E-file as soon as practicable to ensure all relevant contractual paperwork is available for review. **This is a new recommendation for 2022/23**	**Medium**	<u>Agreed</u> HR/OD currently working with Central Records on a project to scan/ archive relevant paper files.	HR Employment Services Manager	31 January 2024

14	Leavers Documentation All supporting documentation should be retained in respect of leavers details and stored in the appropriate folder. This recommendation has been assessed as partially incomplete. **Brought forward from 2021/22**	**Low**	Agreed HR/OD currently working with Central Records on a project to scan/ archive relevant paper files.	HR Employment Services Manager	Ongoing

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Audit Progress Report

Oldham Metropolitan Borough Council

Audit Committee

January 2024

1. Audit Progress
2. National publications

mazars

01

Section 01:

Audit Progress and Audit Planning

Audit progress

Purpose of this report

This report provides the Audit Committee's 15 January 2024 meeting with:

- an update on the status of the 2021/22 Audit;
- an update on the status of the 2022/23 Audit

It also includes, at Section 2, a summary of recent national reports and publications for your information.

Audit Progress

2021/22 Financial Statements Audit

Our final remaining responsibility in respect of the 2021/22 financial year relates to the Councils whole of government accounts (WGA) return. As requested in October 2023 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 as part of their sample testing.

Audit progress

2022/23 Financial Statements Audit

A number of items remain outstanding:

Audit area	Status	Description of the outstanding matters
Investment Properties		Our work is complete, on the review of the valuation of the Council's share of land at Manchester Airport.
Property, Plant and Equipment		Our work is complete on the review of property, plant and equipment valuations.
Group financial statements		We have received the Council's financial statements and working papers for its consolidation of its group accounts. We are completing our audit work relating to those group financial statements.
Pensions		We are awaiting updated accounts to review pension adjustments. In addition we still require the pensionable pay reports, and contributions reports.
Related Parties		We are waiting on a number of Members declarations.
Financial statements, Annual Governance Statement and letter of representation		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 VFM

We have commenced our work on the Council's value for money arrangements and we are currently reviewing this.

We plan to complete and report our Value for Money arrangements work alongside the remaining aspects of work on the financial statements.

02

Section 02:

National publications

National publications

	Publication/update	Key points
National Audit Office		
1	NAO report – Investigation into the homes for Ukraine scheme	The NAO has published its investigation into the Homes for Ukraine scheme. The UK government launched the Homes for Ukraine scheme (the scheme) on 14 March 2022, following the Russian invasion of Ukraine in February 2022. The scheme enables people in the UK to act as sponsors for Ukrainian nationals and their families seeking refuge from the war, with individuals being granted three-year visas to stay in the UK, with full access to public services, benefits, and other support.
2	NAO insight - Financial management in government: strategic planning and budgeting	The NAO has published a good practice guide in financial management/ The guide is aimed at senior finance leaders in government departments and other public bodies. It sets out the first stage in the financial management lifecycle: strategic planning and budgeting.
3	NAO report - Approaches to achieving net zero across the UK	The NAO has published it's report on Approaches to achieving net zero across the UK. This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, NAO and Northern Ireland Audit Office – and has been produced with engagement from each respective government or administration. It sets out the UK and devolved governments' legislation, policy, strategy, governance and monitoring arrangements, relevant to achieving net zero greenhouse gas emissions.
4	NAO Report Reforming adult social care in England	In 2019, the government promised to "fix the crisis in social care". Following the COVID-19 pandemic, in September 2021 Department of Health & Social Care (DHSC) published Build Back Better: Our Plan for Health and Social Care. The NAO report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper.
5	NAO Departmental overviews	The NAO has published the following department overviews. They summarise the key information and insights that can be gained from the NAO's examinations of the departments and related bodies in the sector in England and annual reports and accounts.
6	NAO report: Resilience to flooding	The NAO last reported on government's management of flood risk in November 2020. This report looks at the government's long-term ambition "to create a nation more resilient to future flood and coastal erosion risk" and, in the more immediate term, whether the Department for Environment, Food, & Rural Affairs (Defra) and the Environment Agency (EA) are delivering value for money after two years of the capital programme. The report assesses Defra's progress against the backdrop of its 2020 policy statement and EA's 2020 strategy and EA's performance in maintaining existing flood defence assets.
7	NAO Departmental overview: Education	The NAO has published its Departmental overview for Education which supports the Education Committee in its examination of the Department for Education's (DfE's) spending and performance. It summarises information and insights gained from examinations of the DfE and related bodies across the sector in England and the DfE's annual report and accounts.

National publications - continued

	Publication/update	Key points
National Audit Office		
8	NAO report: Levelling up funding to local government	The NAO has published its report Levelling up funding to local government which examines whether the Department for Levelling Up, Housing & Communities' (DLUHC) three significant levelling-up funds are likely to deliver value for money. The study has been conducted at a relatively early stage in the lifecycles of the three funds to identify lessons for securing value for money for the funds committed to date and inform decisions around future funding rounds.

	Publication/update	Key points
Mazars		
9	Beyond Efficiency: What's next for local government?	Mazars, in partnership with Surveys in Public Sector, recently conducted an in-depth study of local authorities nationwide to understand approaches to financial sustainability and risk.
10	Annual local government internal audit planning report	This report proposes and analyses common causes for issues being identified and makes suggestions for areas to be included in your annual internal audit plans to gain assurance that the key root causes are being addressed.

Publications

1. NAO Report – Investigation into the Homes for Ukraine Scheme

The NAO has published its investigation into the Homes for Ukraine scheme. The UK government launched the Homes for Ukraine scheme (the scheme) on 14 March 2022, following the Russian invasion of Ukraine in February 2022. The scheme enables people in the UK to act as sponsors for Ukrainian nationals and their families seeking refuge from the war, with individuals being granted three-year visas to stay in the UK, with full access to public services, benefits, and other support.

Any adult is able to act as a sponsor providing they pass eligibility checks conducted by the Home Office and local authorities. Sponsors must commit to hosting for a minimum of six months and can claim thank you payments from government for providing suitable accommodation for Ukrainians to live in of £350 per month for the first 12 months, and then £500 for the next 12 months. In addition, the local authority where the sponsor is based receives a one-off payment of £10,500 per arrival (reduced to £5,900 for all arrivals after 31 December 2022) to help with support and integration needs.

The scheme is jointly run by the Department for Levelling Up, Housing & Communities (DLUHC) and the Home Office, who established a joint taskforce in March 2022. The Home Office primarily leads on operational matters relating to the processing of visas and checks on the suitability of the sponsor. DLUHC leads on all aspects of the scheme from the point of arrival of Ukrainians into the UK, working closely with local authorities and devolved governments.

Scope of the report

The first people to arrive in the UK under the scheme are now halfway through their permitted stay, and the emergency phase of the UK government's response to the Ukraine refugee crisis has come to a close. This report aims to increase transparency by taking stock of what has been achieved to date, for what cost, and what can be learned. The report sets out:

- how the scheme was set up at speed and the scheme objectives
- arrival numbers and the checks conducted on applicants and sponsors
- the funding provided
- challenges and future risks with the scheme

This investigation does not seek to examine and report on the value for money of the scheme.

https://www.nao.org.uk/reports/investigation-into-the-homes-for-ukraine-scheme/

Publications continued

2. NAO insight - Financial management in government: strategic planning and budgeting

The NAO has published a good practice guide in financial management aimed at senior finance leaders in government departments and other public bodies. It sets out the first stage in the financial management lifecycle: strategic planning and budgeting. Planning in a strategic and realistic way gives organisations the best chance to thrive – to help inform trade-offs and operate in an effective and efficient way.

The guide outlines how finance leaders can plan strategically and realistically to:

- Align strategy and planning
- Make planning inclusive
- Plan dynamically
- Address optimism bias
- Deal with risk and uncertainty

The insights have been drawn from NAO reports, the experiences of NAO audit teams, and the thoughts of a range of senior finance decision-makers.

[Financial management in government: strategic planning and budgeting - NAO insight]

NATIONAL PUBLICATIONS
Publications continued

3. **NAO report - Approaches to achieving net zero across the UK**

The NAO has published a report – Approaches to achieving net zero across the UK. This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, NAO and Northern Ireland Audit Office – and has been produced with engagement from each respective government or administration. It sets out the UK and devolved governments' legislation, policy, strategy, governance and monitoring arrangements, relevant to achieving net zero greenhouse gas emissions.

This work has several aims:

• To set out how the responsibilities and powers for achieving the net zero target are split between the UK government and each of the devolved governments.

• To provide insight and stimulate public discussion on each UK nation's overall approach to achieving net zero.

• To support the scrutiny of governments' arrangements to achieve net zero.

• To lay the foundations for potential further work on climate change by the UK's public audit offices.

The report include the following key themes:

• The four nations have different emissions profiles and varied approaches to achieving net zero, but the choices they make must ultimately deliver net zero at the UK level.

• Given the different net zero targets, carbon budgets and policies across the nations, there will be opportunities for the governments to learn from each other.

• Achieving net zero in any one nation depends on UK-level action, and vice versa.

• Effective working relationships and close engagement between the UK and devolved governments will be vital to achieving the overall aim of net zero.

https://www.nao.org.uk/reports/approaches-to-achieving-net-zero-across-the-uk/

Publications continued

4. **NAO report - Reforming adult social care in England**

Following the COVID-19 pandemic, in September 2021 Department of Health & Social Care (DHSC) published Build Back Better: Our Plan for Health and Social Care. The NAO report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper. The report examines:

- key pressures and challenges in adult social care in England;
- DHSC's response to increasing pressures in adult social care during 2022; and
- how DHSC is delivering reform and progress against its commitments

The report concludes that DHSC's 10-year vision for adult social care reform was broadly welcomed by the sector as a step forward. But rising inflation compounded long-standing pressures and led DHSC to reprioritise money and activity to provide local authorities and care providers with some much-needed financial stability.

The sector remains challenged by chronic workforce shortages, long waiting lists for care and fragile provider and local authority finances. Although there are some early signs of improvement in some of these, it remains to be seen whether these trends will continue and at what cost.

Two years into its 10-year plan, DHSC has delayed its charging reforms, scaled back system reform, and is behind on some aspects of its revised plan. It has a long way to go if it is to deliver its ambitions. If DHSC is to successfully reform adult social care, it will need to manage some significant risks, including its own capacity and that of local government to resume charging reform activity alongside system reform.

To maximise its chances of succeeding, DHSC will need to make sure it understands how the different strands of its reforms relate to each other, and the cumulative impact on local authorities and other stakeholders. It must be clear what the critical steps are, manage delivery against those closely and put in place governance needed to manage delivery risks effectively.

Adult social care reform has been an intractable political challenge for decades, and in 2019 DHSC raised expectations that it would be addressed. Working with the sector, DHSC now needs to demonstrate how it is delivering on these plans.

https://www.nao.org.uk/reports/reforming-adult-social-care-in-england/

NATIONAL PUBLICATIONS
Publications continued

5. **NAO Departmental overviews**

- The NAO has published the following department overviews. They summarise the key information and insights that can be gained from the NAO's examinations of the departments and related bodies in the sector in England and annual reports and accounts:
- Department for Transport: Spends £41 billion each year to support the transport network that helps get people and goods travelling around the UK
- Home Office: Spends some £25 billion each year with the aims of keeping UK citizens safe and our borders secure, reducing crime; tackling terrorism; enabling the legitimate movement of people and goods to support economic prosperity; and tackling illegal migration.

https://www.nao.org.uk/overviews/department-for-transport-2022-23/

https://www.nao.org.uk/overviews/departmental-overview-2022-23-home-office/

NATIONAL PUBLICATIONS
Publications continued

6. **NAO report: Resilience to flooding**

The NAO last reported on government's management of flood risk in November 2020. This report looks at the government's long-term ambition "to create a nation more resilient to future flood and coastal erosion risk" and, in the more immediate term, whether the Department for Environment, Food, & Rural Affairs (Defra) and the Environment Agency (EA) are delivering value for money after two years of the capital programme. The report assesses Defra's progress against the backdrop of its 2020 policy statement and EA's 2020 strategy and EA's performance in maintaining existing flood defence assets.

The report covers:

• the government's long-term ambition and objectives and Defra's governance, understanding and management of flood risk

• progress on the capital programme to build new flood defences and risks to future delivery

• EA's performance in maintaining flood defence assets

The report concludes that to combat the growing dangers from flooding, the government has doubled its capital funding in England for the six years to 2027. To manage the larger capital programme and record levels of investment, Defra has intensified its scrutiny and is taking steps with EA to develop a more granular understanding of flood risk.

However, the capital funding is forecast to deliver protection to far fewer properties by 2027 than was promised when the capital programme was launched. Due to underspending in the first two years of the programme, EA will need to achieve record levels of investment in the remaining four years of the programme to spend the full £5.2 billion allocated to the programme. There is a risk that value for money will be further eroded if projects are accelerated or new projects are introduced too quickly to meet this level of investment.

On top of this, EA's maintenance of its assets is not optimising value for money. For the lack of £34 million in annual maintenance funding for 2022-23, more than 200,000 properties are at increased risk of flooding. At the same time, EA underspent by £310 million in the first two years of the capital programme.

Neither Defra nor EA assessed whether using some of this underspend to meet the shortfall in its maintenance budget in 2022-23 would have provided better value for money than deferring it to later in the capital programme.

The government acknowledges that building new flood defences and maintaining existing ones is no longer enough and that a wider range of interventions is now needed to build resilience against increasing flood risk. Although the government's vision for flood resilience stretches to the year 2100 and EA has a number of strategic objectives for 2050, it has not set a target for the level of flood resilience it expects to achieve and has not mapped out any solid plans beyond 2026 to bridge the gap between its shorter-term actions and long-term objectives. This will make it difficult for the government to make rational and informed decisions about its priorities, measure its progress or plan effective investment for the long term.

https://www.nao.org.uk/reports/resilience-to-flooding/

Publications continued

7. **NAO Departmental overview: Education**

The NAO has published its Departmental overview for Education which supports the Education Committee in its examination of the Department for Education's (DfE's) spending and performance. It summarises information and insights gained from examinations of the DfE and related bodies across the sector in England and the DfE's annual report and accounts.

In 2022-23, the DfE spent £83 billion to meet its responsibilities for children's services and education, including early years, schools, further and higher education policy, apprenticeships, and wider skills in England.

https://www.nao.org.uk/overviews/department-for-education/

NATIONAL PUBLICATIONS
Publications continued

8. **NAO report: Levelling up funding to local government**

The NAO has published its report Levelling up funding to local government which examines whether the Department for Levelling Up, Housing & Communities' (DLUHC) three significant levelling-up funds are likely to deliver value for money. The study has been conducted at a relatively early stage in the lifecycles of the three funds to identify lessons for securing value for money for the funds committed to date and inform decisions around future funding rounds. The report considers whether:

• the three funds have clear aims and objectives and have been designed and allocated as part of a joined-up approach

• the three funds have been distributed in line with their objectives and if they are delivering projects as planned

• DLUHC has an effective approach for the evaluation of the three funds

The report concludes that in 2021 DLUHC had a poor understanding of what had worked in its previous local growth programmes and was not well placed to manage the increase in grant-making required by its new £4.8 billion Levelling Up Fund and £2.6 billion UK Shared Prosperity Fund. However, more recently the Government Internal Audit Agency has found that DLUHC has improved its oversight of its major levelling-up funds.

DLUHC was slow to agree funding across the Towns Fund, Levelling Up Fund and UK Shared Prosperity Fund. Towns Fund and Levelling Up Fund projects are experiencing delays, which has led to many projects needing to be adjusted or rescoped.

Projects are being delivered in the context of rising costs and pressures on public finances. Reflecting this context, DLUHC has taken steps to understand local authorities' delivery challenges and is piloting a more flexible approach to move money between Towns Fund and Levelling Up Fund projects. However, at this stage it appears unlikely that local authorities will be able to complete projects by the original deadlines.

The ability of projects to deliver all their intended benefits will rely on DLUHC and local authorities working together to unblock those projects which are delayed or have not started and set realistic expectations for delivery.

DLUHC has made significant improvements in its approach to evaluation, which puts it in a better position to understand future impacts delivered by these funds. DLUHC has ambitious plans for the evaluation of each fund, has sought external input and is undertaking feasibility work before committing to final approaches. Most of this work is still to come and further funding will be needed to understand the effect of the projects over the longer term.

Equally important is that any high-quality learning from this evaluation work is shared with local decision-makers to support better value for money in future economic growth approaches.

To secure value for money and maximise the desired benefits from these funds DLUHC should review expectations for what outcomes can be delivered by when and support local authorities and their partners to deliver the long-term benefits for people in their local places.

https://www.nao.org.uk/reports/levelling-up-funding-to-local-government/

NATIONAL PUBLICATIONS

Publications continued

9. **Mazars report: Beyond Efficiency**

Mazars has published its report on an in-depth study of local authorities nationwide to understand approaches to financial sustainability and risk. Considering what measures are councils implementing, both now and in the months ahead, and how effective are they likely to be? How are local authorities managing risk and evolving organisational culture with minimal resources? Does innovation provide a potential solution to issues of operational efficiency, or is digital maturity still in its infancy?

Key findings include:

- Financial sustainability is fraught with few efficiencies left to be found
- Local authorities remain divided on organisational culture and risk
- Digitalisation is ongoing but the time for transformation is now

https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights/Beyond-efficiency-for-the-public-sector?utm_source=mazars&utm_medium=internal&utm_campaign=beyond-efficiency

Publications continued

10. Mazars report: Annual local government internal audit planning report

Mazars has published its report on local government internal audit planning and examines the risks facing local authorities, which are well known, but the root causes may be different. Continuing to tackle these issues in the same way is not enough, we have seen some local authorities having to make radical changes resulting from the challenges they face.

The report looks at:

- Culture
- Recruitment and retention
- Digital maturity
- Wellbeing and capacity
- Financial resilience and resource
- Business as usual

The report seeks to highlight the key root causes that are affecting control environments across local authorities. Alongside this there are other signifcant areas that should continue to be a focus for assurance during 2024/25.

https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights/Beyond-efficiency-for-the-public-sector?utm_source=mazars&utm_medium=internal&utm_campaign=beyond-efficiency

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Report to Audit Committee

Treasury Management Strategy Statement 2024/25

Including the Annual Investment Strategy, Borrowing Strategy and Prudential Indicators

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

Officer Contact: Sarah Johnston, Director of Finance

Report Author: Talei Whitmore, Senior Accountant Treasury

Ext. 6608

15 January 2024

Reason for Decision

To present to Council, the Treasury Management Strategy for 2024/25.

Executive Summary

The report outlines the Treasury Management Strategy for 2024/25, the Annual Investment Strategy, Borrowing Strategy and Prudential Indicators.

The Council is required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code. It is required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Strategy for 2024/25 covers.

- Economic Update
- Prospects for Interest Rates

- The Current Balance Sheet and Treasury Position
- Liability Benchmark
- The Borrowing Strategy
- Debt Rescheduling
- The Borrowing Strategy
- The Investment Strategy
- Approved Counterparties, risk management and Investment Limits
- Treasury Indicators which limit the treasury risk and activities of the Council

The report therefore outlines the implications and key factors in relation to each of the above Capital and Treasury Management issues and makes recommendations with regard to the Treasury Management Strategy for 2024/25.

The report includes the most recently available economic background commentary which reflects the position at December 2023.

The proposed Treasury Management Strategy is presented to the Audit Committee to enable scrutiny of the report before it's further consideration in the budget setting cycle. It will also be presented to the Governance, Strategy and Resources Scrutiny Board on 25 January 2024. Any comments from the Audit Committee or the Scrutiny Board will be incorporated into the report presented to Cabinet on 12 February 2024 and Council on 28 February 2024.

Recommendation

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

1. Capital Financing Requirement (CFR) Projections as per paragraph 2.4.1;
2. Projected Balance Sheet position as at 31 March 2024 and future years as per paragraph 2.4.1;
3. Liability Benchmark as per section 2.5
4. Borrowing Strategy for 2024/25 as per section 2.6;
5. Annual Investment Strategy as per section 2.7 including counterparties and treasury limits
6. Treasury Management Prudential Indicators at section 2.8

Treasury Management Strategy Statement 2024/25 Including the Borrowing Strategy, Annual Investment Strategy and Prudential Indicators

1. Background

1.1 Treasury management is the management of the Council’s cash flows, borrowing and investments, and the associated risks. Oldham Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council’s prudent financial management.

1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council’s legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3 Treasury management is defined as:

“The management of the local Council’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

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

1.4 Investments held for service purposes or for commercial profit, although affect investment balances they are not treasury management investments and are therefore not considered in this report There is a separate Investment Strategy that covers these.

1.5 <u>Treasury Management Strategy for 2024/25</u>

1.5.1 The strategy for 2024/25 covers the below areas:

Treasury management issues:

- Economic Background & Interest Rate Forecasts
- The current and forecast balance sheet position;
- The Liability Benchmark
- The Borrowing Strategy;
- The policy on borrowing in advance of need;
- Debt rescheduling;
- The Investment Strategy;
- Approved Counterparties
- Treasury indicators which limit the treasury risk and activities of the Council;
- Treasury Related Matters

1.6 Training

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

1.6.2 The Council provided a training session for Audit Committee Members on 17 October 2023 which was led by an external trainer. To continue to ensure those responsible for scrutiny have received training, annual training will be arranged annually.

1.6.3 The training needs of treasury management officers are periodically reviewed. The team is staffed by professionally qualified accountants with extensive Local Government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments. During 2023/24 these have all been held remotely via zoom or another online platform. All staff follow a Continuous Professional Development (CPD) Plan as part of their individual accountancy body accreditation. The overall responsibility for capital and treasury activities lies with the Council's Section 151 Officer (Director of Finance) who, in accordance with statute, is professionally qualified and is suitably experienced to hold the post.

1.7 Treasury Management Consultants

1.7.1 The Council uses Arlingclose, as its external treasury management advisors.

1.7.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our treasury advisers.

1.7.3 It is also recognised that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

1.7.4 When looking at a commercial element within a particular capital scheme that has a main focus on public services, housing, regeneration, preventative objectives or treasury management investments, the Council may require specialist advice that Arlingclose may not provide. As part of the evaluation process and if required, appropriate external advice will be sought, and an extensive due diligence exercise will be undertaken.

2. External Context

2.1 Economic Background

2.1.1 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024/25.

2.1.2 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's

Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

2.1.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks. to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

2.1.4 Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

2.1.5 ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon

2.1.6 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was up 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

2.1.7 Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

2.1.8 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak, and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

2.2 Credit Outlook

2.2.1 Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

2.2.2 On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

2.2.3 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

2.2.4 Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

2.2.5 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

2.2.6 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

2.3 <u>Interest Rate Forecast</u>

2.3.1 Although UK inflation and wage growth remain elevated, the Council's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

2.3.2 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

2.3.3 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix 1.

2.3.4 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 5%, and that new long-term loans will be borrowed at an average rate of 5%.

2.4 <u>Local Context</u>

2.4.1 On 31st December 2023, the Council held £160.996m of borrowing and £41.365m of treasury investments. This is set out in further detail at Appendix 2. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.23 Actual £'000	31.3.24 Estimate £'000	31.3.25 Estimate £'000	31.3.26 Estimate £'000	31.3.27 Estimate £'000
Capital financing requirement	465,723	490,527	516,878	541,308	539,625
Less: Other debt liabilities *	(204,339)	(193,752)	(182,387)	(170,308)	(158,384)
Loans CFR	**261,384**	**296,775**	**334,491**	**371,000**	**381,241**
Less: External borrowing **	(160,996)	(160,996)	(160,996)	(229,305)	(275,814)
Internal (over) borrowing	**100,388**	**135,779**	**173,495**	**141,694**	**105,427**
Less: Balance sheet resources	(171,168)	(175,239)	(105,186)	(95,186)	(85,186)
Treasury investments (or New borrowing requirement)	**70,780**	**39,460**	**(68,309)**	**(46,508)**	**(20,241)**

* leases and PFI liabilities that form part of the Council's total debt
** shows only loans to which the Council is committed and excludes optional refinancing

2.4.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, also known as internal borrowing.

2.4.3 The Council has an increasing CFR due to the capital programme and is forecasting a significant reduction in reserves and balances over the next three years. The consequence of this is that the Council moves from a position whereby it has funds available for investment to a position where it needs to borrow. The Council will be required to borrow up to £135m over the forecast period.

2.4.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2024/25.

2.5 <u>Liability Benchmark</u>

2.5.1 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain sufficient liquidity but minimise credit risk.

2.5.2 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making.

2.5.3 The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

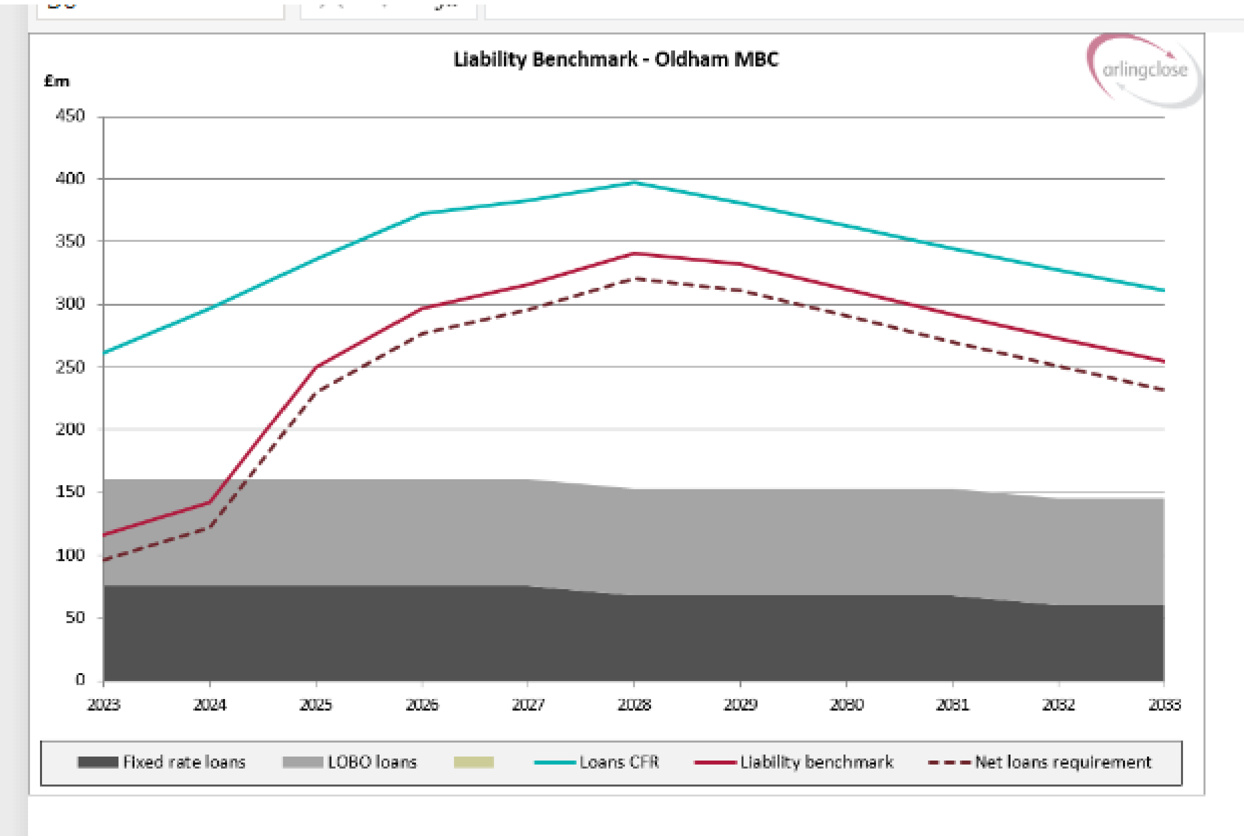
Table 2: Prudential Indicator: Liability benchmark

	31.3.23 Actual £'000	31.3.24 Estimate £'000	31.3.25 Estimate £'000	31.3.26 Estimate £'000	31.3.27 Estimate £'000
Loans CFR	261,384	296,775	334,491	371,000	381,241
Less: Balance sheet resources	(171,168)	(175,239)	(105,186)	(95,186)	(85,186)
Net loans requirement	**90,216**	**121,536**	**229,305**	**275,814**	**296,055**
Plus: Liquidity allowance	10,000	20,000	20,000	20,000	20,000
Liability benchmark	**100,216**	**141,536**	**249,305**	**295,814**	**316,055**

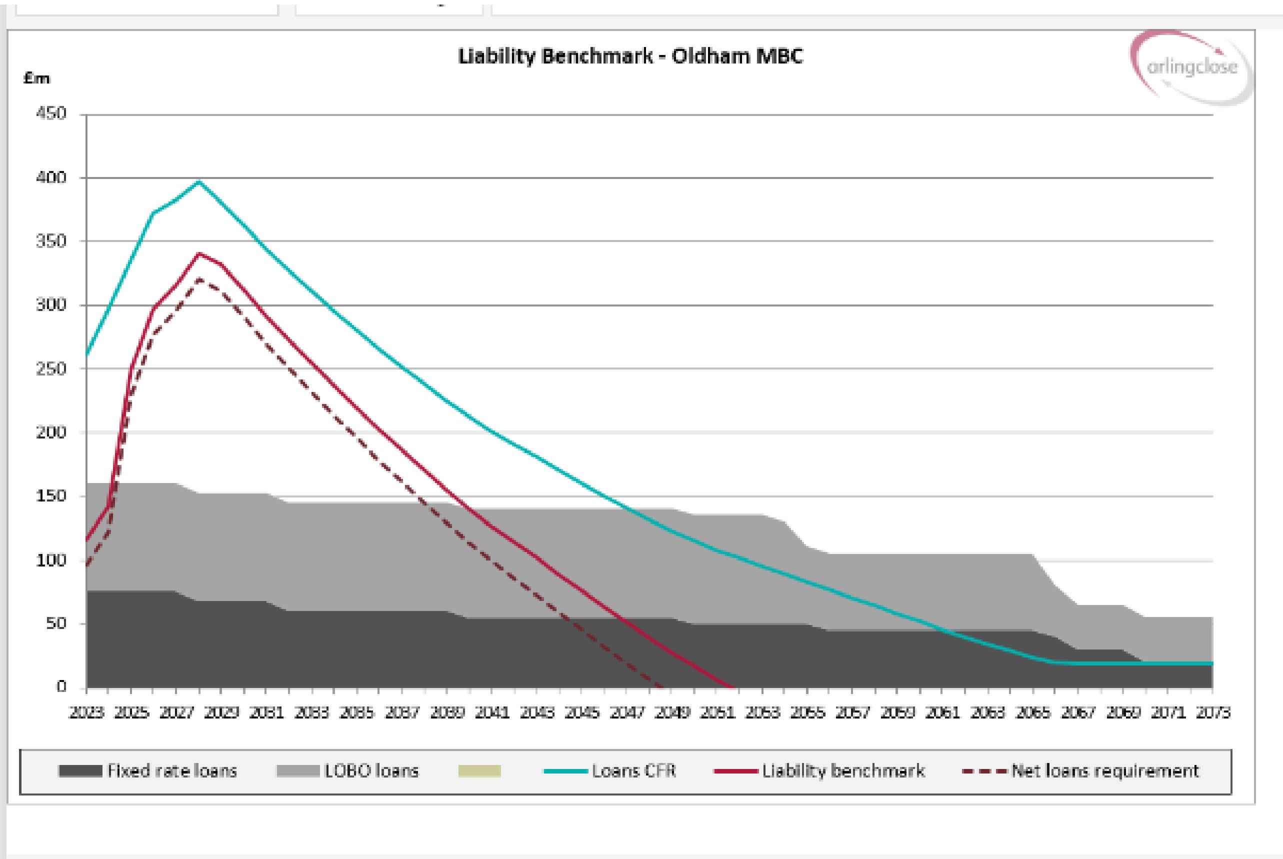
2.5.4 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £316m over the life of period 2024/25 to 2026/27, minimum revenue provision on new capital expenditure based on 5, 7, 10, 15, 25 and 40 year asset lives.

2.5.5 The Liability Benchmark is required to be reported for a minimum period of 10 years, however CIPFA recommend that the liability benchmark is for a much longer period and covers the existing debt portfolio. This is shown in the two charts below together with the maturity profile of the Council's existing borrowing over a 10-year period and 50-year period:

10 Year Liability Benchmark Projection



50 Year Liability Benchmark Period



2.5.6 The graphs above show the liability benchmark (the middle line red line) rising from a point below the shaded area that represents existing loans for the period to March 2024. When the middle line (liability benchmark) is above the shaded grey area this indicates a need for the Council to raise new long-term loans. The Liability Benchmark is effectively the Net Borrowing Requirement of a Local Council plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves and cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

2.5.7 The greater the gap between the shaded area and the middle line (liability benchmark) the greater the amount of new long-term loans are required to fund the capital programme. It can be seen from the graph above that new loans are required up until the period 2045/46, with the maximum amount of new loans required peaking in 2027/28 and then gradually reduce up until 2045/46. This tool aids decision making on duration of new loans required. It should be noted that this analysis is based on the current 5-year capital programme: if the capital programme was extended then the borrowing duration will almost certainly increase.

2.5.8 Due to Oldham Council’s existing loan portfolio being long dated maturity dates, the above chart shows that any new loans taken should be shorter dated than existing loans and staggered over the period from 2024/25 to 2045/46. The timing of any new borrowing has been factored into other performance indicators.

2.6 <u>Borrowing Strategy</u>

2.6.1 The Council currently holds £160.996 million of loans, no new loans or repayments have been made on in this current financial year and stand at the same value as the previous year. These loans represent borrowings undertaken as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows,- based on the current capital programme - that the Council is forecast to borrow up to £68.3m in 2024/25, a further £46.5m in 2025/26 and £20.2m in 206/27 bringing total new borrowing in the 3 year period to £135m if the capital programme progresses as forecast. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £312.5 million (see 2.8.13 below) and it is advantageous to do so in terms of reduced borrowing costs associated with borrowing early. A full appraisal will be carried out before any borrowing is undertaken.

2.6.2 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

2.6.3 The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. This is a prudent approach based on the long-term loan requirement peaking in the next 5-10 years as shown in the liability benchmark at paragraph 2.5.5.

2.6.4 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose, Oldham Council's Treasury Management Advisor will assist with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

2.6.5 The Council has previously raised long-term borrowing from the PWLB and banks but will consider long-term loans from other sources including pension funds and other local authorities. It will also investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

2.6.6 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for investment yield purposes; the Council intends to avoid this activity in order to retain its access to PWLB loans.

2.6.7 The Council may also arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

2.6.8 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

2.6.9 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd

- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Greater Manchester Pension Fund)
- capital market bond investors
- retail investor via a regulated peer to peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues

2.6.10 Capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities.

- leasing
- hire purchase
- Private Finance Initiative (PFI)
- sale and leaseback

Oldham Council currently holds £203.826m of PFI debt over 7 schemes and £0.475m of finance leases.

2.6.11 The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

2.6.12 The Council holds £85.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £44m of these LOBOs have options during 2024/25, and with interest rates having risen recently, lenders may seek to exercise their options. If they do, the Council will look to take the option to repay LOBO loans to reduce refinancing risk in later years, providing value for money can be obtained and generate a future saving. No further borrowing via LOBO loans is proposed for 2024/25.

2.6.13 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

<u>Debt rescheduling</u>

2.6.14 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

2.6.15 The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

2.7 Treasury Investment Strategy

2.7.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £94.7million and £41.6 million. Reduced levels are expected in the forthcoming year as reserves are utilised and capital expenditure incurred in line with the approved capital programme.

2.7.2 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. This is referred to as the SLY model.

2.7.3 The Council'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. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

2.7.4 The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

2.7.5 As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.7.6 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

2.7.7 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code

2.7.8 Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties

2.7.9 The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the limits shown.

Table 3: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	3 years	£10m per local council /fire /police authority	Unlimited
Secured investments *	3 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m with the exception of the Council's banking provider (currently Barclays Bank) £10m	Unlimited
Building societies (unsecured) *	13 months	£5m	
Registered providers (unsecured) *	3 years	£5m	
Money market funds *	n/a	£15m per individual fund	Unlimited
Strategic pooled funds	n/a	£15m per individual fund	£20m
Other investments *	3 years	£10m	£10m

This table must be read in conjunction with the notes below

- **Minimum credit rating** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
  For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

- **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

- **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

- **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

- **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

- **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

- **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

- **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

- **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Risk assessment and credit ratings

2.7.10 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

2.7.11 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

2.7.12 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

2.7.13 The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

2.7.14 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits

2.7.15 The Council’s revenue reserves are forecast to be £90.6 million on 31st March 2024 and £75.6 million on 31st March 2025. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £15 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes. This limit will not be deemed to have been breached if the addition of interest or a re-invested dividend briefly takes the balance over £15million.

2.7.16 Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£15m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country

Liquidity management:

2.7.17 The Council produces a cash flow forecast at the start of the year to determine the maximum period for which funds may prudently be invested, or to identify times and amounts which may need to be borrowed. This cash flow forecast is updated throughout the year. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

2.7.18 The Council will spread its liquid cash over at least two providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

2.8 Treasury Management Prudential Indicators

2.8.1 The Council has adopted a number of voluntary measures in 2024/25 to manage its exposures to treasury management risks using the indicators detailed below.

Security

2.8.2 The Council has adopted the below measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. Arlingclose calculate and report this as part of the Investment Benchmarking service. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A

Liquidity

2.8.3 The Council has introduced an indicator for 2024/25 to measure its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£20m

Interest rate exposures

2.8.4 This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit £'000
Upper limit on one-year revenue impact of a 1% rise in interest rates	597
Upper limit on one-year revenue impact of a 1% fall in interest rates	(597)

2.8.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. For the purpose of this indicator this has been based on LOBO's with option dates in 2024/25 and new borrowing associated with the capital programme.

Maturity structure of borrowing

2.8.6 This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Interest rate risk indicator	Lower Limit	Upper Limit
Under 12 months	0%	30%
12 months and within 24 months	0%	30%
24 months and within 5 years	0%	30%
5 years and within 10 years	0%	30%
10 years and within 20 years	0%	60%
20 years and within 30 years	0%	60%
30 years and within 40 years	0%	60%
40 years and within 50 years	0%	60%
50 years and within 60 years	0%	60%

2.8.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. LOBO loans have been treated using the option date as there is a potential that they may be called, and repayment will be required.

Long-term treasury management investments

2.8.8 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£10m	£5m	£5m	£15m

2.8.9 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

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

Operational Boundary

2.8.11 The forecast Operational Boundary for 2023/24 together with the proposed operational boundaries for 2024/25 to 2026/27 are set out in the table below. The boundary reflects the maximum anticipated level of external debt which is not expected to be exceeded. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on levels of actual debt and the ability to fund under-borrowing by other cash resources. This boundary will be used as a management tool for ongoing monitoring of external debt and may be breached temporarily due to unusual cash flow movements. However, a sustained or regular trend above the Operational Boundary should trigger a review of both the Operational Boundary and the Authorised Limit.

Operational Boundary	2023/24 Forecast £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Borrowing	297,500	335,250	372,000	382,000
Other long term liabilities	194,750	183,500	171,500	159,500
Total	**492,250**	**518,750**	**543,500**	**541,500**

Authorised Limit

2.8.12 A further key Prudential Indicator, the Authorised Limit controls the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit may only be determined by full Council. It reflects the level of external debt which, while not desirable, is affordable in the short term, but is not sustainable in the longer term. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

2.8.13 Members are asked to consider the proposed Operational Boundary for each financial year from 2023/24 to 2026/27 as set out in the table above and Authorised Limit as set out in table below:

Authorised Limit	2023/24 Forecast £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Borrowing	312,500	350,250	387,000	397,000
Other long term liabilities	197,250	186,000	174,000	162,000
Total	**509,750**	**536,250**	**561,000**	**559,000**

2.9 Related Matters

2.9.1 The CIPFA Code requires the Council to include the following in its treasury management strategy regarding financial derivatives.

2.9.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

2.9.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

2.9.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

2.9.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account

2.9.6 On 1st April 2012, the HRA became self-financing, this meant for Oldham Council that all loans that formed part of the HRA capital financing requirement (CFR) were subsequently paid off by Government due to the Council notionally splitting each of its existing long-term loans into General Fund and HRA pools.

2.9.6 Any new long-term loans borrowed after this date will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative.

2.9.7 This balance will be measured annually, and interest transferred between the General Fund and HRA at an appropriate interest rate with respect to the balances held by the HRA.

Markets in Financial Instruments Directive (MIFID)

2.9.8 The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and money market funds allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Director of Finance believes this to be the most appropriate status.

3 Options/Alternatives

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

4 Preferred Option

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

5 Consultation

5.1 There has been consultation with Arlingclose, the Council's Treasury Management Advisors.

6 Financial Implications

6.1 Financial Implications are detailed within the report.

7 Legal Services Comments

7.1 There are no legal implications.

8 Co-operative Agenda

8.1 The Treasury Management strategy embraces the Council's cooperative agenda. The Council will develop its investment framework to ensure it complements the co-operative ethos of the Council.

9 Human Resources Comments

9.1 There are no Human Resource Implications.

10 Risk Assessments

10.1 There are considerable risks to the security of the Council’s resources if appropriate Treasury Management strategies and policies are not adopted and followed. The Council has established good practice in relation to Treasury Management which has previously been acknowledged in the Internal and External Auditors’ reports presented to the Audit Committee. An issue dependent upon market developments which may need to be considered in the future is refinancing some of the long-term loans. This can be mitigated by effective monitoring of the market.

11 IT Implications

11.1 There are no IT Implications.

12 Property Implications

12.1 There are no Property Implications.

13 Procurement Implications

13.1 There are no Procurement Implications.

14 Environmental and Health & Safety Implications

14.1 There are no Environmental and Health & Safety Implications.

15 Equality, community cohesion and crime implications

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

16 Equality Impact Assessment Completed?

16.1 No

17 Key Decision

17.1 N/A

18 Key Decision Reference

18.1 N/A

19 Background Papers

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

File Ref:	Background papers are provided in Appendices 1 - 2
Officer Name:	Talei Whitmore
Contact Email:	talei.whitmore@oldham.gov.uk

20 Appendices

Appendix 1	Economic and Interest Rate Forecast
Appendix 2	Existing Investment and Debt Portfolio

Appendix 1 – Arlingclose Economic and Interest Rate Forecast – December 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix 2 Existing Investment and Debt Portfolio

The Council's current external borrowing, long term liabilities and investments are detailed in the table below.

	31/12/2023 Actual Portfolio £'000	31/12/2023 Average Rate %
External borrowing:		
Public Works Loan Board	35,241	2.81%
LOBO loans from banks	85,500	4.33%
Other Bank loans	40,000	4.03%
Other Loans	1	4.00%
Total external borrowing	**160,996**	
Other long-term liabilities:		
Private Finance Initiative	203,826	7.98%
Leases	475	5.10%
Transferred Debt	33	2.82%
Total other long-term liabilities	**204,334**	
Total gross external debt	**365,330**	
Treasury investments:		
Local authorities	18,000	5.56%
Money market funds	10,040	5.35%
Strategic pooled funds - CCLA Property	13,595	4.50%
Total treasury investments	**41,635**	
Net debt	**323,695**	

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Oldham Council

Report to Audit Committee

2023/24 Internal Audit and Counter Fraud Progress Report

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

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

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

15 January 2024

Reason for Decision

The Audit Committee's Terms of Reference state that:

4.4.2 The Audit Committee shall:
a) be responsible for oversight of the Council's Internal Audit arrangements and will;
(ii) review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary;

This report provides Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for Q3 of the 2023/24 financial year which alongside:

- further progress reports on Q4 for 2023/24 to be provided to the Committee;
- the Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2023/24; and,
- joint reports to the Audit Committee on Actions to address agreed service areas;

assists the Committee in discharging it's responsibilities as set out in the Audit Committee's Terms of Reference, which form part of the Council's Constitution.

Executive Summary

The report summarises the work carried out by the team from 1 April 2023 to 31 December 2023.

During the year the team has completed the Council's Fundamental Financial Systems (FFS) reviews to provide assurance in respect of the 2022/23 Financial Statements, and the Annual Opinion Report of the Head of Audit and Counter Fraud for 2022/23.

The team has now commenced work on the 2023/24 FFS reviews. The results of which will be communicated to the committee in due course.

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

- Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information in respect of grants received.
- Completion of a variety of other planned Audit reviews and reports on Burnley Brow Primary School, the Council's Contracts Register, the Street Lighting PFI Contract, Land Sales and Registrars.
- Ongoing work on audit reviews of Energy Management, Spindles Procurement, the Music Service, Miocare and Fleet Management.
- Corporate Counter Fraud activities have identified £195,254.03 of fraud, errors and overpayments. The Direct Payments Audit Team (Adults and Children) have continued to deliver significant recovery outcomes which have generated £2,335,614.70 and £31,289.75 (respectively) for the period 1 April 2023 to 31 December 2023.

Recommendation

Members are requested to consider and note the 2023/24 Q3 Audit and Counter Fraud Progress Report.

2023/24 Q3 Internal Audit and Counter Fraud Progress Report

1. **Background**

1.1 This report summarises the work of the Audit and Counter Fraud Team between 1 April 2023 and 31 December 2023.

1.2 The main content of the report is structured as follows:

- Section 2: 2023/24 Audit and Counter Fraud Service: Progress Update.
- Section 3: Corporate Counter Fraud.
- Section 4: Audit of Direct Payments.

2. 2023/24 Audit and Counter Fraud Service: Progress Update

2.1 Priorities for the 2023/24 Audit and Counter Fraud Plan include:

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

Progress against these priorities is summarised below:

2022/23 Fundamental Financial Systems (FFS) reports

2.2 Work commenced on these reviews in October 2022 and draft final reports were issued during Quarter 1 of 2023/24. Members have received reports on the significant findings of our work in this area in connection with Payroll, Adult Social Care, Children's Social Care and Debt as part of the Annual Report and Opinion of the Head of Audit and Counter Fraud for the year 2022/23.

2.3 During Quarter 3 the following were the subject of further discussion and finalisation with management, and final reports were issued in respect of:

- Payroll
- Accounts Receivable
- Debt Recovery

2.4 The remaining two FFS reports in the process of finalisation are the Direct Payment review, and the Residential Care review. Members received a presentation from the Director of Adult Social Care on the Service's response to the Direct Payment Audit review at the Audit Committee meeting in July 2023. Internal Audit continues to work with the Service in constructing and implementing it's response to the reports and the Direct Payment report is also the subject of a further update on progress to the Audit Committee elsewhere on this agenda.

2.5 Given the need to commence our work in this area in respect of 2023/24 prior to finalisation of the 2022/23 reports, the 2023/24 reports will supersede and pick up on progress against the recommendations made in 2023/23 in place of final reports for 2022/23.

Other planned work

2.6 In addition to the FFS related reports the team has also issued draft reports on Burnley Brow Primary School, the Council's Contracts Register, the Street Lighting PFI Contract, Land Sales and Registrars.

2.7 Other work underway as at the 31st December included reviews of Energy Management, Spindles Procurement, the Music Service, Miocare and Fleet Management.

Other Work Undertaken

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

Follow up of Audit Recommendations

2.9 A summary of the outcomes of the follow up work undertaken during the year to date to monitor the implementation of audit recommendations during the year is shown in the table below:

Status	Priority Level			Total
	High	Medium	Low	
Complete	7	9	0	16
Not Agreed / No Response	0	2	0	2
Revised / Ongoing	2	3	0	5
Total	9	14	0	23

The table above excludes follow up of FFS recommendations. This will be undertaken as part of the annual cycle of FFS reviews and reported in due course.

3. Corporate Counter Fraud

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

3.2 Highlights include the identification of:

- 75 cases of non-CTR fraud/misuse of funds including Council Tax Single Person Discount fraud (SPD), Blue Badge misuse, abuse of position and Direct Payment misuse.
- £26,738.97 of non-CTR fraud/misuse.
- 60 cases of ineligible claims for Council Tax Reduction (CTR).
- £77,994.92 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
- £90,520.14 of ineligible claims for Council Tax Reduction (CTR).

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

- Collaborate with the Internal Audit Team.
- Ensure the delivery of the Internal Audit and Counter Fraud Plan 2023/24.

4. **Audit of Direct Payments**

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

- Ensuring client spending is in line with their agreed Support Plan.
- Identifying overpayments made / or client contributions outstanding for recovery.

4.2 Appendix 3 shows the Direct Payments Audit volumes and financial outcomes arising for both Adults and Children's Services, which are £2,335,614.70 and £31,289.75 (respectively). In total the team carried out 776 Adults and Children's Direct Payment Audits.

4.3 The team also continues to assist the Adult Social Care Service by way of the Direct Payment (DP) Auditors invoicing for DP overpayments as soon as the DP audit is concluded. We commenced this invoicing in January 2023.

5 **Options/Alternatives**

5.1 The Audit Committee can either:

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

6 **Preferred Option**

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

7 **Consultation**

7.1 N/A.

8 **Financial Implications**

8.1 N/A.

9 **Legal Services Comments**

9.1 N/A.

10 **Co-operative Agenda**

10.1 N/A.

11 **Human Resources Comments**

11.1 N/A.

12 **Risk Assessments**

12.1 The 2023/24 Audit and Counter Fraud Plan was prepared, reviewed, and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (John Miller)

13 **IT Implications**

13.1 N/A.

14 Property Implications

14.1 N/A.

15 Procurement Implications

15.1 N/A.

16 Environmental and Health & Safety Implications

16.1 N/A.

17 Equity, Community Cohesion and Crime Implication

17.1 N/A.

18 Equality Impact Assessment Completed

18.1 No.

19 Forward Plan Reference

19.1 N/A.

20 Key Decision

20.1 No.

21 Background Papers

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

File Ref:	Background papers are included as Appendices 1, 2 & 3
Officer Name:	John Miller
Contact:	john.miller@oldham.gov.uk

22 Appendices

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April 2023 to 31 December 2023
- **Appendix 2:** Counter Fraud Results – 1 April 2023 to 31 December 2023
- **Appendix 3:** Direct Payments Results – 1 April 2023 to 31 December 2023

Appendix 1

Audit and Counter Fraud 2023/24 - Summary of Audit Reports/Outcomes - 1 April 2023 to 31 December 2023

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2022/23 Draft Final Report – Council Tax	Report	Q1	Adequate
2	Chief Executive	2022/23 Draft Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2022/23 Draft Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2022/23 Draft Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2022/23 Draft Final Report – Payroll	Report	Q1	Inadequate
6	Chief Executive	2022/23 Draft Final Report – Housing Benefit	Report	Q1	Adequate
7	Chief Executive	2022/23 Draft Final Report – Council Tax Reduction	Report	Q1	Adequate
8	Chief Executive	2022/23 Draft Final Report – Accounts Payable	Report	Q1	Adequate
9	Chief Executive	2022/23 Draft Final Report – Accounts Receivable	Report	Q1	Inadequate
10	Adult Social Care	2022/23 Draft Final Report – Direct Payments	Report	Q1	Weak
11	Adult Social Care	2022/23 Draft Final Report – Residential Care	Report	Q1	Inadequate
12	Chief Executive	2022/23 Draft Final Report – Fixed Assets	Report	Q1	Adequate
13	Children & Young People	2022/23 Draft Final Report – Cash Income (Lifelong Learning)	Report	Q1	Good
14	Children & Young People	2022/23 Draft Final Report – Children's Social Care	Report	Q1	Inadequate

15	Children & Young People	Draft Report - Semi Independence Units (Follow up)	Report	Q1	Adequate
16	Place & Economic Growth	Draft Report - Diggle Clock Tower pre-contract procurement	Report	Q1	Adequate
17	Place & Economic Growth	Draft Report - Old Museum / Library pre-contract procurement	Report	Q1	Adequate
18	Place & Economic Growth	Draft Report - Egyptian Room pre-contract procurement	Report	Q1	Adequate
19	Place & Economic Growth	Draft Report - North Chadderton High School Extension pre-contract procurement.	Report	Q1	Good
20	Children & Young People	Draft Report - Out of Borough Placements	Report	Q1	Adequate
21	Place & Economic Growth	Draft Report - Housing Strategy Implementation	Report	Q1	Adequate
22	Chief Executive	Draft Report – IT Change Management (SCAS)	Report	Q1	Adequate
23	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Assurance
24	Chief Executive	2022/23 Final Report – Council Tax	Report	Q2	Adequate
25	Chief Executive	2022/23 Final Report – Business Rates (NDR)	Report	Q2	Adequate
26	Chief Executive	2022/23 Final Report – Treasury Management	Report	Q2	Good
27	Chief Executive	2022/23 Final Report – Bank Reconciliations	Report	Q2	Good
28	Chief Executive	2022/23 Final Report – Housing Benefit	Report	Q2	Adequate
29	Chief Executive	2022/23 Final Report – Council Tax Reduction	Report	Q2	Adequate
30	Chief Executive	2022/23 Final Report – Accounts Payable	Report	Q2	Adequate
31	Chief Executive	2022/23 Final Report – Fixed Assets	Report	Q2	Adequate
32	Children & Young People	2022/23 Final Report – Children's Social Care	Report	Q2	Inadequate

33	Children & Young People	Draft Report - St. Theresa's Primary	Report	Q2	Inadequate
34	Place & Economic Growth	Draft Report - Licensing Income	Report	Q2	Adequate
35	Children & Young People	Final Report - Home to School Transport	Report	Q2	Inadequate
36	Children & Young People	Final Report – Out of Borough Placements	Report	Q2	Adequate
37	Children & Young People	Draft Report - St Joseph's Primary (follow-up)	Report	Q2	Assurance
38	Chief Executive	2022/23 Final Report – Payroll	Report	Q3	Inadequate
39	Chief Executive	2022/23 Final Report – Accounts Receivable	Report	Q3	Adequate
40	Chief Executive	2022/23 Final Report – Debt Recovery	Report	Q3	Inadequate
41	Children & Young People	Draft Report - Burnley Brow	Report	Q3	Adequate
42	Place & Economic Growth	Draft Report - Contracts Register	Report	Q3	Inadequate
43	Place & Economic Growth	Draft Report - Street Lighting	Report	Q3	Adequate
44	Place & Economic Growth	Draft Report - Land Sales	Report	Q3	Adequate
45	Place & Economic Growth	Draft Report - Registrars	Report	Q3	Good

Key:

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

Appendix 2

Audit and Counter Fraud 2023/24

Counter Fraud Results 1 April 2023 to 31 December 2023

Counter Fraud Team 2023/24	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Total**
Corporate Cases - Positive Results	17	28	30	75
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£4,903.68	£9,985.92	£11,849.37	£26,738.97
CTR cases amended as a result of an investigation	22	18	20	60
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£36,612.72	£10,272.45	£31,109.75	£77,994.92
CTR Fraud and Error Overpayments identified (£)	£33,519.65	£28,332.18	£28,668.31	£90,520.14
Financial Outcomes	**£75,036.05**	**£48,590.55**	**£71,627.43**	**£195,254.03**

Appendix 3

Audit and Counter Fraud 2023/24

Direct Payments Results 1 April 2023 to 31 December 2023

Direct Payments Team 2023/24	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Total**
Number of Children's Direct Payment audits undertaken	2	9	0	11
Funds requested during Children's Direct Payment Audit	£2,376.26	£28,913.49	Nil	£31,289.75
Number of Adults Direct Payment Audit undertaken	190	274	302	765
Funds requested during Adults Direct Payment Audit	£485,029.33	£858,748.36	£991,837.01	£2,335,614.70
Total Financial Outcomes from Direct Payment Audit Team	**£487,405.59**	**£887,661.85**	**£991,837.01**	**£2,366,904.45**

Oldham Council

Report to Audit Committee

Proposed Audit Committee Work Programme for 2023/24

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

Officer Contact: John Miller, Head of Internal Audit and Counter Fraud

Report Author: John Miller, Head of Internal Audit and Counter Fraud

15 January 2024

Purpose of Report

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

Executive Summary

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

The report will be presented by the Head of Internal Audit and Counter Fraud.

Recommendations

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

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

Appendix 1

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

Appendix 1

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

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

Appendix 1

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Update on General Matters	A report detailing the feedback from Best Value Inspectors at failing Authorities, a key report produced by the Public Accounts Committee, the requirement placed on the Accountable Officer for key capital grant programmes and the creation of the Office for Local Government.
	Self-Assessment of the work undertaken by the Audit Committee during 2022/23 compared to the Constitution.	The first stage in the production of an Annual Report which is a requirement of recently issued guidance on best practice for Audit Committees is to undertake an assessment of how the responsibilities set out in the Terms of Reference have been discharged.
	Proposed Revisions to Finance Procedure Rules	This report sets out some proposed revisions to the Finance Procedure Rules which are to be recommended to Council.
Page 105	Amendments to Contract Procedure Rules and Proposed Future Revisions.	This report sets out the changes to the Contract Procedure Rules as reported to Council on 12 July 2023 and some further revisions proposed by the Director of Finance.
	Internal Audit Progress Report	A report on the progress made against the agreed Internal Audit Plan.
	Proposed Audit Committee Work Programme for the Municipal Year 2023/24	A report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts which are not yet closed.
	Private Report; Update on the Risk Management Strategy and Framework and the Corporate Risk Register for 2023/24	A report on the Risk Management Strategy and Framework and the Corporate Risk Register as at 30 June 2023.
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.

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

Appendix 1

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

Appendix 1

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Proposed Audit Committee Work Programme for 2023/24	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the 2023/24 Statement of Accounts.
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
Tuesday 31 October 2023, 6.00pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Revised 2021/22 Audit Completion Report (Not available)	This report details the revised Audit Completion report on completion of the audit.
	2022/23 Statement of Final Accounts (Not available)	This report provides an update on the 2022/23 draft Statement of Accounts and associated issues arising from the external audit.
	Update on General Matters	This is an update on regulatory developments to inform the Audit Committee in support of its Governance role.
	External Audit of Teachers' Pensions Agency Return 2022/23	This report considers the feedback following the external audit of the Teachers' Pension Agency return.
	Treasury Management Mid-Year Review 2023/24	The planned scrutiny of the 2023/24 Treasury Management Mid-Year review before submission to Cabinet in November.
	Internal Audit Progress Report 2023/24	This is the routine report on the progress made against the agreed audit and counter fraud plan detailing any control weaknesses identified.
	Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters to be highlighted to the Audit Committee.

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

Appendix 1

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

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

Appendix 1

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Private Report; Review of Council Owned Companies and Partnerships	This is the outcome of the review of the Councils working arrangements with Council owned companies and partnerships compared to best practice.
	Private Report; Update on the Corporate Risk Register	This sets out the position as of 31 December 2023 in relation to matters included on the Corporate Risk Register.
Tuesday 6 March 2023 6 pm	Self-Assessment Workshop	To facilitate the completion of the Audit Committee Self-Assessment in accordance with best practice.
Tuesday 26 March 2024, 6.00pm	2022/23 Annual Statement of Accounts – Update (if required)	Update on the progress of the audit of the 2022/23 accounts and related matters.
	2023/24 Final Accounts – Proposed Accounting Policies and Critical Judgements	In line with best practice, approval is sought for the significant accounting policies and critical judgements to be adopted in preparation for the completion of the 2023/24 Statement of Accounts.
	Housing Benefit Subsidy Audit 2022/23	This report considers the feedback on the external audit of the Housing Benefit Subsidy Grant claim.
	Internal Audit Charter 2024/25	An updated Internal Audit Charter for the financial year 2024/25.
	Report on the use of exemptions to Contract Procedure Rules and direct award of contracts during the financial year 2023/24	Reporting on these issues was requested by the Audit Committee when it considered the revisions to the Contract Procedure Rules and Financial Procedure Rules at its meeting on 20 July 2023
	Treasury Management Update Quarter 3	A new requirement for the financial year 2023/24 is for a Treasury Management update report to be produced at Quarter 3.

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

Appendix 1

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Audit Committee Work Programme for 2023/24 and a proposed programme for the future financial year – 2024/25	A report detailing the 2023/24 work programme and proposed work programme for 2024/25 including actions required to support the approval of the Statement of Accounts.
	Private Report; 2024/25 Internal Audit and Counter Fraud Plan	The proposed plan of work for the financial year 2024/25 to enable review by the Committee.
	Private Report; Update on the Corporate Risk Register	An update on the Corporate Risk Register as of 31 December 2023 to include issues during the period to March 2024.

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