

AUDIT COMMITTEE Agenda

Date Thursday 28 November 2024

Time 6.00 pm

Venue Lees 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 Alex Bougatef or Constitutional Services at least 24 hours in advance of the meeting.

2. CONTACT OFFICER for this agenda is Constitutional Services 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 Monday, 25 November 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.

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

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

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

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

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors Al-Hamdani, Arnott, Aslam, Chowhan, Davis, S. Hussain, Rustidge, Sykes and Wilkinson

Independent Member- Grenville Page

- 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 5 - 10)
The Minutes of the meeting held on 27th June 2024 are attached for approval.
- 6 Update on External Audit Matters (Pages 11 - 78)
The Audit Strategy Memorandum and Audit Progress Report from external auditors.
- 7 Update on the Annual Governance Statement for 2023/24 (Pages 79 - 92)
An update on the issues identified within the 2024/25 Annual Governance Statement and any other issues which will impact on a future iteration of the Annual Governance Statement
- 8 Treasury Management Mid-Year Review 2024/25 (Pages 93 - 148)
To advise on the performance of the Treasury Management function of the Council for the first half of 2024/25 and provide a comparison of performance against the 2024/25 Treasury Management Strategy and the Treasury Management Prudential Indicators.
- 9 Audit Committee Chair - Charged with Governance, Management Processes and Arrangements (Pages 149 - 162)
To provide Auditors with the necessary assurances required under International Standards on Auditing.
- 10 Director of Finance - Charged with Governance- Management Processes and Arrangements (Pages 163 - 176)
To provide Auditors with the necessary assurances required under International Standards on Auditing.
- 11 Direct Payments update report (Pages 177 - 234)

Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2023/24 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of Direct Payments and Community Home Care.

- 12 Annual Internal Audit Opinion Report comparison across GM (Pages 235 - 248)
- High-level comparison of the Annual Head's of Audit Opinions across GM for the year 2023/24.
- 13 Internal Audit and Counter Fraud Progress Report Q2 2024/25 (Pages 249 - 258)
- This report provides Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for Q2 of the 2024/25 financial year.
- 14 Progress report on Second Independent Member (Pages 259 - 266)
- A report on the progress of recruitment for a second Independent Member of the Audit Committee.
- 15 Proposed Audit Committee Work Programme for 2024/25 (Pages 267 - 272)
- 16 Exclusion of the Press and Public
- To consider that the press and public be excluded from the meeting for the following items of business, pursuant to Section 100A(4) of the Local Government Act 1972 on the grounds that discussions may involve the likely disclosure of exempt information, under paragraph(s) 3 as defined in the provisions of Part 1 of Schedule 12A of the Act, to the Local Government Act 1972 and public interest would not be served in publishing the information.
- 17 Update on the Corporate Risk Register
- Report to follow

This page is intentionally left blank



AUDIT COMMITTEE
27/06/2024 at 6.00 pm

Present:

Independent Members: Grenville Page (Chair)
Councillors Al-Hamdani, Arnott, Aslam, Rustidge and Wilkinson

Also in Attendance:

Sarah Johnston	Oldham MBC
John Miller	Head of Audit and Counter Fraud
Victoria Gallacher	Head of Insurance and Information Governance
James Postle	Finance Manager
Yogita Das-Patel	Mazars LLP -External Auditors
Andrew Mather	Constitutional Services

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Davis, Hince and S. Hussain.

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 of the Committee to consider.

5 MINUTES OF PREVIOUS MEETING

Resolved:

That the Minutes of the meeting of the Audit Committee, held on 26th March 2024, be approved as a correct record.

6 EXTERNAL AUDITOR UPDATE

The Committee received a verbal report by the Council's external auditors, Mazars LLP, which provided members with an update on the progress in delivering their responsibilities as the authority's external auditors.

Committee was informed that the 2022/23 Audit had been completed on schedule which was in contrast to the national position where there was a significant backlog in the completion of audits. The Government had asked external auditors to prioritise the completion of outstanding audits for other authorities and this would possibly delay the start of Oldham's 2023/24 external audit until September 2024.

Members stressed the value of completing audits on schedule and that any slippage in audit preparation should be flagged up to the Audit Committee. The Director of Finance assured the Committee that a great deal of emphasis was put on completing the audit on time.

Resolved:
That the report be noted.

7

LOCAL CODE OF CORPORATE GOVERNANCE

The Committee considered a report of the Head of Audit and Counter Fraud, which presented a refreshed Local Code of Corporate Governance, which covered the authority.

The Committee was informed that the Council was required to produce a Local Code of Corporate Governance, which would be subject to review every two years at a minimum or when there have been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed and presented to the Audit Committee on 8th June 2023. Oldham Council's refreshed Local Code of Corporate Governance was attached as an appendix to the report.

The Code reflected the seven principles of the Governance Framework, which were introduced in 2016/17.

The Director of Finance reviewed the Code on a regular basis whilst also monitoring the progress made by the Authority in complying with its policies and procedures to ensure best practice.

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

8

INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT Q4 2023/24

The Committee received a report of the Head of Audit and Counter Fraud which provided Members with a high level progress report on the work of the Internal Audit and Counter Fraud team for Quarter 4 (Q4) of the 2023/2024 financial year. The Q4 report together with previous reports for Q1-Q3; the Head of Audit and Counter Fraud's Annual report and Opinion for year 2023/24; and Joint reports to the Audit Committee on actions to address agreed service areas: assists the Audit Committee in discharging its responsibilities as set out in the Council's constitution.

During the year the team had commenced the Council's Fundamental Financial Systems (FFS) reviews to provide assurance in respect of the 2023/24 Financial Statements, and the Annual Opinion Report of the Head of Audit and Counter Fraud for 2023/24. These reports were issued in Q1 2024/25.

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 of Energy Management, the Music Service, Miocare and Fleet Management, and a follow-up review of St Joseph's Primary School.
- Ongoing work in connection with the Council's Fundamental Financial Systems to be reported in Q1 of 2024/25.
- Corporate Counter Fraud activities have identified £297,720 of fraud, errors and overpayments. The Direct Payments Audit Team (Adults and Children) have continued to deliver significant recovery outcomes which have generated £3,148,266 and £194,236 (respectively) for the period 1 April 2023 to 31 March 2024.

Members commented that in relation to the balance between areas which were categorised as 'Good', 'Adequate' or 'Weak' some comparison with other authorities could be useful. The Head of Audit and Counter Fraud would look into the possibility of providing comparative information.

Resolved:

That the 2023/24 Q4 Audit and Counter Fraud Progress Report be noted.

9

2023/24 ANNUAL AUDIT AND OPINION REPORT TO AUDIT COMMITTEE

The Committee received a report of the Head of Audit and Counter Fraud which provided Members with the Annual Report for 2023/24 and reported back on the matters required by International Auditing Standards, and the 2013 UK Public Sector Internal Audit Standards (Revised 2016 & 2017).

The report summarised the work of Internal Audit and Counter Fraud Team carried out for the financial year 2023/24 which informs the Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2024.

The Annual Report for 2023/24 contained the following sections :

Appendix 1: Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2024, to assist the Committee's review of the 2023/24 Annual Governance Statement (AGS) and to assist with the review of the Statement of Accounts.

Members requested that given continuing weaknesses in the performance of the Adult Social Care service and the Payroll service that these services be asked to give a progress report to a future meeting. Consideration should also be given to what support is being provided by the Council's top management to support improvements in performance.

The Chair also commented that it was considered good practice for the Chief Executive to attend an Audit Committee at least once per year. Members agreed that the Chief Executive should be invited to attend, possibly when the External Auditors report on the Accounts is presented.

Resolved:

1. That the Annual Report presented by the Head of Internal Audit and Counter Fraud and the continued developments in overall internal control and financial administration across the Council be noted.
2. The Adult Social Care service and Payroll service be asked to give a progress report to the November committee meeting.
3. The Chief Executive to be invited to attend a future meeting during the municipal year.

10

TREASURY MANAGEMENT REVIEW

The Director of Finance and Senior Finance Manager submitted a report advising the Audit Committee of the performance of the Treasury Management function of the Council for 2023/24 and provided 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). The outturn report provided an update and included the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. The report set out the key Treasury Management issues for Members' information and reviews and outlines:

- An economic update for 2023/24;
- An update of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;
- Treasury Performance for 2023/24;

- Treasury Management Prudential Indicators;

The report was presented to the Audit Committee to enable it to have the opportunity to review and scrutinise the outturn Treasury Management report prior to its presentation to Cabinet and Council.



Resolved:

1. The Audit Committee approves the 2023/24 prudential and treasury indicators presented in this report
2. The Audit Committee approves the annual Treasury Management Review report for 2023/24
3. The Audit Committee commends the report to Cabinet.

11

DRAFT 2023/24 ANNUAL STATEMENT OF ACCOUNTS

The Senior Finance Manager gave a presentation on the draft Statement of Accounts for 2023/24 which were published on the Council's website on 7th June 2024 along with the Notice of Public Inspection.

Members requested that a copy of the presentation be circulated to the Committee members.

Members were invited to submit any questions they might have on the statement of accounts by e-mail to the Senior Finance Manager within 14 days of this meeting. A summary of the questions and responses would be circulated to Committee members.

Resolved:

That the presentation and Statement of Accounts for 2023/24 be noted.

12

SELF-ASSESSMENT OF THE WORK UNDERTAKEN BY THE AUDIT COMMITTEE DURING 2023/24, AND ANNUAL REPORT TO COUNCIL

The Head of Audit and Counter Fraud submitted the Annual Report of the Audit Committee for members consideration.

It is considered good practice, under CIPFA guidance, for the Audit Committee to submit an annual report to full Council. The report which was attached at Appendix 1 detailed the annual report which it was proposed to present to a future meeting of full Council.

The Chairman requested that details of the membership of the Audit Committee and attendance by members be added as an appendix to the report.

Members asked what progress was being made in recruiting additional independent members to the Committee. CIPFA guidance was that Audit Committees should have at least two independent members. The Head of Audit and Counter Fraud

reported that a further advertisement seeking independent members would be going out in the next few weeks.

Resolved:

That subject to the inclusion of the additional information requested above the Annual Report be endorsed for submission to a future meeting of the Council.

13 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2024**

The Head of Audit and Counter Fraud submitted a report setting out the Audit Committees proposed work programme for 2024/25.

Resolved:

That the 2024/25 work programme set out in the report be approved.

14 **EXCLUSION OF THE PRESS AND PUBLIC**

Resolved:

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

15 **UPDATE ON THE CORPORATE RISK REGISTER**

The Head of Insurance and Information Management submitted a report updating Members of the Audit Committee on the Corporate Risk Register as at the end of March 2024. 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 were linked to the business planning process and refreshed quarterly by services.

Members agreed that it would be useful for the Audit Committee to conduct a 'deep dive' into a high scoring risk in order to examine the risk in greater detail. The issue of equal pay was suggested as a possible area for a deep dive.

Resolved:

That the Corporate Risk Register at 31 March 2024 be noted.

The meeting started at 6.00 pm and ended at 7.30 pm



Audit Strategy Memorandum

Oldham Metropolitan Borough Council – Year ending 31 March 2024

November 2024

Audit Committee
Oldham Metropolitan Borough Council
Civic Centre
West Street
Oldham
OL1 1UT
28th November 2024

Forvis Mazars
One St Peter's Square
Manchester
M2 3DE

Dear Audit Committee Members,

Audit Strategy Memorandum – Year Ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for Oldham Metropolitan Borough Council for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

Page 12

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Oldham Metropolitan Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 0161 238 9349.

Yours Faithfully,

Daniel Watson

Forvis Mazars

Forvis Mazars LLP – One St Peter's Square Manchester M2 3DE Tel: 0161 238 9200 – www.forvismazars.com/uk

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

Contents

01	Engagement and responsibilities summary
02	Your audit engagement team
03	Audit scope, approach and timeline
04	Significant risks, key audit matters and other key judgement areas
05	Value for money arrangements
06	Audit fees and other services
07	Confirmation of our independence
08	Materiality and misstatements
09	Extended auditor's report
A	Appendix A – Key communication points
B	Appendix B - Current year updates, forthcoming accounting and other issues
C	Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

Page 13

Engagement and responsibilities summary

Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Oldham Metropolitan Borough Council for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

Engagement and responsibilities summary

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit Committee as Those Charged With Governance, of their responsibilities.

The Director of Finance is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Director of Finance use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management [include Internal audit, other key individuals where relevant] as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oldham Metropolitan Borough Council's internal control.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Your audit engagement team

Your audit team

Page 18



Daniel Watson
Key Audit Partner

Email Daniel.Watson@mazars.co.uk
Telephone 07909 985 324



Yogita Das-Patel
Engagement Audit Manager

Email Yogita.das-patel@mazars.co.uk
Telephone 0161 238 9333



Karen Makusha
Engagement Assistant Manager

Email Karenm.Makusha@mazars.co.uk
Telephone 07581 012 242

In addition, an Engagement Quality Reviewer (EQR) has been appointed for this engagement.

03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit

Audit scope, approach, and timeline

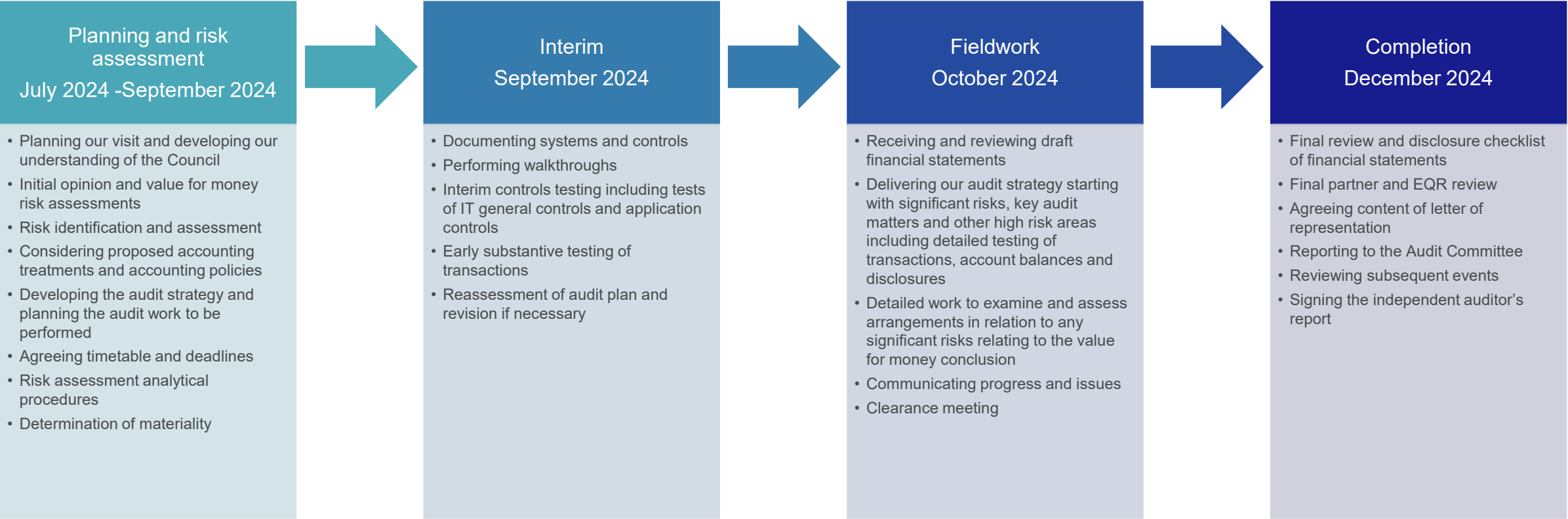
Risk-based approach



Audit scope, approach, and timeline

Audit timeline

Page 22



Audit scope, approach, and timeline

Management's experts and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management's expert	Our expert
Defined benefits pension assets and liabilities	Hymans Robertson Actuaries	PWC – NAO's Consulting actuary
Valuation of Manchester Airport Land	Colliers International Property Consultants Ltd	Forvis Mazars in-house valuation team
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	Forvis Mazars in-house valuation team
Valuation of Financial Instruments	Arlingclose Limited	We will review Arlingclose's methodology for providing fair value disclosures

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

There are no service organisations providing services to the Authority

Audit scope, approach, and timeline

Group audit approach

The Council's group structure for 2023/24 will include one wholly owned subsidiary company, Miocare Group Community Interest Company. In auditing the accounts of the Council's Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council's subsidiary companies.

Our approach will reflect the size and complexity of the transactions from the subsidiary company that is consolidated into the Council's Group financial statements. Based on our planning discussions and review of previous year's accounts we do not consider the subsidiary company to be a financially significant component. However, we do consider that our significant risk relating to the Pension Liability, as set out in section 5, is a risk at the Group level and applies to the subsidiary company as well as the Council.

Our planned approach, based on our initial understanding of 2023/4 and the values reported in the prior year financial statements, is to obtain assurance on the pension liability significant risk from carrying out our own audit procedures and we do not plan to obtain specific assurance from the component auditor of the company. Our planned approach for the remaining group financial statement entries is to undertake group level analytical procedures. The table below summarises our planned group audit approach.

If there are any changes to our assessment of the significance of the Council's group components, either through the size and complexity or the significant risks at the components, we will communicate these changes to the Audit Committee.

The nature and extent of audit work we plan to perform on the consolidated components is set out below.

Entity	Significant by size	Significant risk	Planned Audit Scope	Auditor
Oldham MBC	Yes	Yes	Full audit carried out by group engagement team	Forvis Mazars – Group engagement team
Miocare CIC Ltd	No	Yes	Specific audit procedures relating to pension liability significant risk Group level analytical procedures Audit procedures for payroll testing	Forvis Mazars – Group engagement team

Audit scope, approach, and timeline

Key developments

The below key developments have taken place in the year. We have set out below how we will approach these areas during our audit.

Acquisition of Chadderton Total Care Ltd

A prominent care home in Chadderton went into administration. The Council purchased the business and the assets, and Oldham total Care Ltd now operates and manages the home.

The accounting arrangements for acquisitions can be complex.
We will review the underlying accounting entries and assess their impact on the single entity and the Group.

Audit scope, approach, and timeline

Audit approach for significant financial statement areas

Our audit approach on significant financial statement areas is set out below.

Financial statement area	Expected key audit matter	Significant risk	Key judgement area or enhanced risk	Testing of controls	Detailed substantive testing	Comments
Property, plant and equipment	●	●	○	○	●	Obtain an understanding of the basis of the valuation, reviewing the approach to assets not valued in year.
Infrastructure assets	○	○	○	○	●	Sample test the additions, and existence of assets within this balance.
Heritage Assets	○	○	○	○	●	Test a sample of assets to confirm, ownership, physical verification, and valuation.
Investment properties	○	○	○	○	●	Sample test the completeness and accuracy of underlying data provided by the Council, obtain assurance on the appropriateness of the methodology and assumptions adopted by the Council's valuer.
Intangible assets	○	○	○	○	●	Test a sample to ensure that assets are correctly classified.
Investments (Shareholding in Manchester Airport Holdings)	○	○	●	○	●	Review by the in-house valuation team of the methodology and key assumptions used by the management's expert for the airport shareholding. Obtain independent confirmation of investment balances
Debtors	○	○	○	○	●	Test a sample of debtors for accuracy, occurrence, and rights and obligations.
Cash and cash equivalents	○	○	○	○	●	Obtain independent confirmation of cash balances.

Audit scope, approach, and timeline - continued

Financial statement area	Expected key audit matter	Significant risk	Key judgement area or enhanced risk	Testing of controls	Detailed substantive testing	Comments
Assets Held for Sale	○	○	○	○	●	Sample test assets to ensure the balance complies with IFRS 9
Borrowing	○	○	○	○	●	Obtain independent confirmation of loan balances.
Creditors	○	○	○	○	●	Test a sample of creditors for accuracy, occurrence, and rights and obligations
Provisions	○	○	○	○	●	Test a sample of provisions to ensure compliant with IAS 37, and challenge to ensure the completeness of the disclosure.
Pension Liabilities	●	●	○	○	●	Review the pension liability has been calculated correctly and reporting is in line with IAS 19.
PFI Liabilities	○	○	○	○	●	Test a sample to ensure the liabilities are correctly calculated, review the latest accounting models to ensure consistency with operator models
Capital Grants Receipt in advance	○	○	○	○	●	Test a sample of receipts in advance for accuracy, classification and completeness.
Reserves	○	○	○	○	●	Review reserves to ensure movements are internally consistent with other areas of the accounts.

Significant risks, key audit matters and other key judgement areas

Significant risks, key audit matters and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

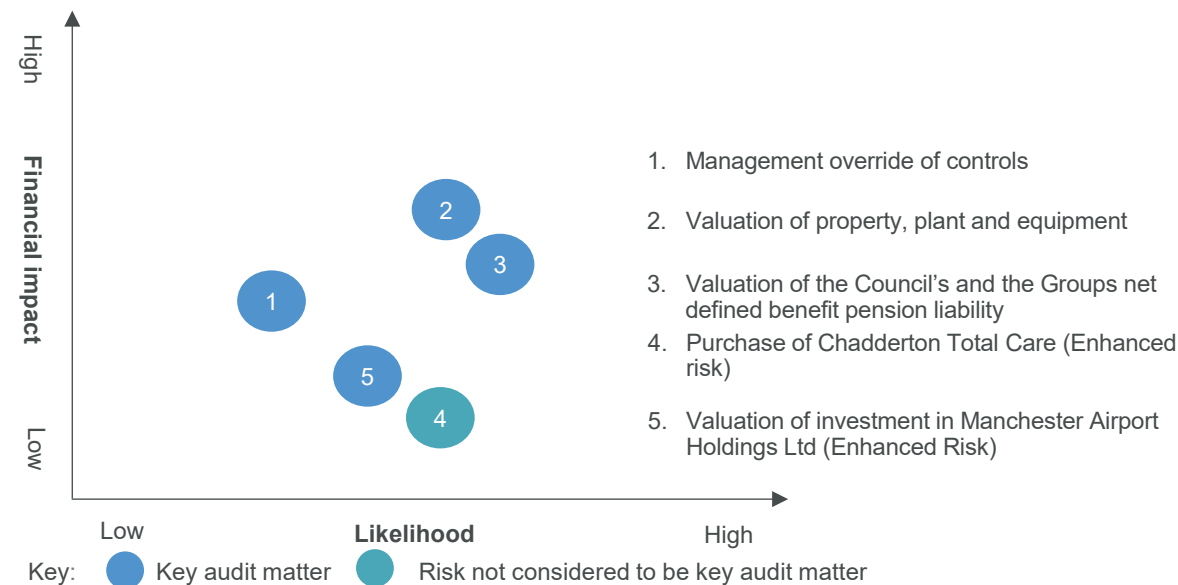
Key audit matters

Key audit matters are defined as those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

It is important that you understand and have the opportunity to discuss with us why something is being communicated as a key audit matter and the way this is described. This section highlights which of the significant risks and other key judgement areas are considered by us at the planning stage to be key audit matters. It should be noted, however, that other key audit areas may be identified during the course of the audit.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



Significant risks, key audit matters and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Expected key audit matter	Planned response
1	<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	●	●	●	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

Significant risks, key audit matters and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected key audit matter	Planned response
2	<p>Valuation of property, plant and equipment (Council) £791m (2022/23 £710m)</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all such property, plant & equipment revalued in a five-year cycle.</p> <p>The valuation of property, plant & equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.</p> <p>The Council employs a valuation expert to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at the current value at the balance sheet date. In addition, as the valuations are undertaken through the year there is a risk that the current value of the assets could be materially different at the year end.</p>	●	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none">• Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer.• Obtaining an understanding of the basis of valuation applied by the valuer in the year.• Obtaining an understanding of the Council's approach to ensure that assets not subject to revaluation in 2023/24 are materially fairly stated.• Obtaining an understanding of the Council's approach to ensure that assets revalued through 2023/24 are materially fairly stated at the year end.• Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.• Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2024.• Testing the accuracy of how valuation movements were presented and disclosed in the financial statements

Significant risks, key audit matters and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected key audit matter	Planned response
3	<p>Valuation of Council's and the Group's defined benefit pension liability (Council and Group) £38.39m (2022/23 £70.22m asset)</p> <p>The net pension liability represents a material element of the Council and the Group balance sheet. The Council and its consolidated subsidiaries are admitted bodies of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's and the subsidiaries' overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's and the subsidiaries' employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's or the subsidiaries' circumstances. This could have a material impact to the Council and Group net pension asset/ liability in 2023/24.</p>	●	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council and the Group. Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the Pension Fund has designed and implemented controls to prevent and detect material misstatement. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate. Reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the Council's and the Group's share of Pension Fund assets. Reviewing the actuarial allocation of Pension Fund assets to the Council and Group by the actuary, including comparing the Council's and the Group's share of the assets to other corroborative information. Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office. Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's and Group's financial statements. Reviewing the calculation of the asset ceiling adjustments and accounting treatment for net pension assets across the group.

Significant risks, key audit matters and other key judgement areas

Other key areas of management judgement that we have determined as key audit matters and/or enhanced risks

	Description	Fraud	Error	Judgement	Expected key audit matter	Planned response
4	<p>Purchase of Chadderton Total Care (Council) £2.4m (2022/23 Nil)</p> <p>The council purchased a care home Chadderton Total Care in the borough during 2023/24 and created a local authority trading company Oldham Total Care Ltd.</p> <p>There is a risk that there are issues with the accounting treatment of the acquisition.</p>	●	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none">• Obtaining an understanding of the arrangements in place for the purchase in relation to assets and liabilities undertaken.• Reviewing the accounting treatment on the single entity for the acquisition of the assets.• Consider the impact and accounting treatment of any goodwill.

Significant risks, key audit matters and other key judgement areas

Other key areas of management judgement that we have determined as key audit matters and/or enhanced risks

	Description	Fraud	Error	Judgement	Expected key audit matter	Planned response
5	<p>Valuation of investment in Manchester Airport Holdings Limited £46.3m (2022/23 £20.1m)</p> <p>The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2024. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.</p> <p>There is a risk that the assumptions and methodology used in valuing the airport holding are not reasonable or appropriate to the Council. This could have a material impact to the Council and Group investment balance in 2023/24.</p>	●	●	●	●	<p>Our approach to auditing the investment in Manchester Airport Holdings Limited includes the involvement of the Mazars in-house valuation team.</p> <p>The Forvis Mazars in-house valuation team will review the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.</p>

Significant risks, key audit matters and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether the Audit Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Group and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Audit Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to the Audit Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

We will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

05

Value for money arrangements

Value for money arrangements

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

Page 37

- 1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- 2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
- 3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information;• information from internal and external sources including regulators;• knowledge from previous audits and other audit work undertaken in the year; and• interviews and discussions with officers and Members.
Additional risk-based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Value for money arrangements

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, the table below outlines the risks of significant weaknesses in arrangements that we have identified to date. We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	Financial Resilience The Council has reported a £16.6m overspend in 2023/24. This has been driven in the main by increased activity within Children’s Services, and Place & Economic Growth (Homelessness). The Council has been required to fund this from an unbudgeted contribution from earmarked reserves. This is the fourth consecutive year that earmarked reserves have been utilised.	●	●	●	Our procedures will include <ul style="list-style-type: none">Review of the arrangements in place for the identification of budget reduction requirements;Review of the medium term financial strategy including the underlying assumptions;Review of the Council’s arrangements for monitoring progress against budget, in particular how the Council monitors the delivery of savings.

Audit fees and other services

Audit fees and other services

Fees for work as the Council’s appointed auditor

At this stage of the audit we have set our proposed fees in the table below. We will report any expected changes to the Audit Committee through the year, and at the completion of our audit work.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Code Audit Work	£359,829	£125,673
Audit fees	£359,829	£125,673
Additional Fee	TBC	£37,000
Total Additional audit fee	TBC	£37,000
Total Fees	TBC	£162,673

Services provided to other entities within the Council's group

Forvis Mazars LLP do not provide any other services to Miocare Community Interest Company Ltd.

Fees for non-audit work

We have not been engaged by the Council to carry out any additional work separate from our delivery of the NAO Code of Practice audit work. Before agreeing to undertake any additional work we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

07

Confirmation of our independence

Confirmation of our independence

	Requirements	We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.
	Compliance	We are not aware of any relationship between Forvis Mazars and Oldham Metropolitan Borough Council that, in our professional judgement, may reasonably be thought to impair our independence. We are independent of Oldham Metropolitan Borough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.
	Non-audit and Audit fees	We have set out a summary any non-audit services provided by Forvis Mazars (with related fees) to Oldham Metropolitan Borough Council in Section 6, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

- We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:
- All partners and staff are required to complete an annual independence declaration.
 - All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
 - Rotation policies covering audit engagement partners and other key members of the audit team.
 - Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP and, when applicable, Forvis Mazars' member firms are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Council in the first instance.

Prior to the provision of any non-audit services, Daniel Watson will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out below.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Confirmation of our independence

Use of other firms and/or external experts

We have not made arrangements for any of our activities as auditor to be conducted by another firm that is not a Forvis Mazars' member firm, nor have we used the work of external experts.

Any emerging independence threats and associated safeguards we identify or put in place will be communicated to you in our Audit Completion Report.

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities, and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented, and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

For the group and single-entity financial statements, we consider that gross expenditure is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of gross expenditure for the group financial statements, and a materiality threshold of 2% of gross expenditure for the Council's single entity statements. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

We have identified one disclosure in the financial statements where we have set a separate specific lower materiality level:

- Disclosure of Senior Officers Remuneration: £5,000 reflecting the movement between bandings.

As set out in the tables alongside, based on the draft Group financial statements we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £15.85m (£15.05m in the prior year), and performance materiality to be in the region of £11.9m (£12.04m in the prior year).

For the single entity statements, we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £15.80m (£15.0m in the prior year), and performance materiality to be in the region of £11.80m (£12.0m in the prior year).

There has been a slight reduction in performance materiality due to the Authority being a PIE audit and a change in our audit policy. We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£15,850	£15,049
Performance materiality	£11,900	£12,040
Clearly trivial	£476	£451
Specific Materiality: Officer Remuneration bandings	£5	£5

Council's single-entity financial statements

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£15,800	£15,000
Performance materiality	£11,800	£12,000
Clearly trivial	£475	£450
Specific Materiality: Officer Remuneration bandings	£5	£5

Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £465k, based on 3% of overall materiality. If you have any queries about this, please raise these with Daniel Watson.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Extended auditor's report

Extended auditor’s report

Layout of extended auditor’s report and implications for the audit

The extended auditor’s report for the Council is expected to follow the format and structure below for the year ending 31 March 2024 assuming that no emphasis of matter or qualification is required

Paragraph heading in order	Summary of key content
Opinion on the financial statements	What we have audited and our opinion thereon.
Basis for opinion	Confirms that the audit is undertaken under the ISAs (UK). Specific confirmation of our independence including with the FRC’s Ethical Standard. Specific confirmation re sufficiency and appropriateness of audit evidence obtained to provide a basis for our opinion.
Conclusions relating to going concern	Based on the audit procedures performed and the audit evidence obtained, we are required to evaluate whether sufficient appropriate audit evidence has been obtained regarding, and conclude on: <ul style="list-style-type: none">Whether, in our judgement, a material uncertainty related to going concern exists; andThe appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.
Key audit matters	Includes definition of key audit matters. Clarifies that these matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and that we do not provide a separate opinion on these matters. For each key audit matter identified: <ul style="list-style-type: none">A description of the most significant assessed risk(s) of material misstatement;A summary of our response to those risks including significant judgements applied; andWhere relevant, key observations arising with respect to those risks including clear reference to relevant disclosures in the financial statements.

Extended auditor’s report

Page 50

Paragraph heading in order	Summary of key content
Our application of materiality and an overview of the scope of our audit	Explanation of how we applied the concept of materiality in planning and performing both the group and single entity audit. The overall materiality threshold for both the group and single entity financial statements as a whole, performance materiality and triviality. Overview of the scope of the audit for both the group and single entity, including an explanation of how the scope addressed each key audit matter and was influenced by our application of materiality.
Other information	Responsibilities of the Director of Finance and of the auditor for Other information included in the annual report.
Responsibilities of the Director of Finance for the financial statements	Cross reference to the full Statement of the Director of Finance’s Responsibilities.
Auditor’s responsibilities for the audit of the financial statements	Explanation of the ‘reasonable assurance’ objective of the audit. Cross-reference to our responsibilities for the audit on the FRC’s web-site. Explain to what extent the audit was considered capable of detecting irregularities, including fraud.
Value for money arrangements	Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources including reference to: <ul style="list-style-type: none"> • Matters we are required to report by exception • Responsibilities of the Council • Auditor’s responsibilities
Matters on which we are required to report by exception	Report in the public interest under section 24 of the Local Audit and Accountability Act 2014. Recommendation under section 24 of the Local Audit and Accountability Act 2014. Exercise of any other special powers of the auditor under the Local Audit and Accountability Act 2014.

Extended auditor's report

Paragraph heading in order	Summary of key content
Other matters which we are required to address	Confirms that we have not carried out any prohibited non-audit services and that we remain independent of the Council (and its group). Confirms that our audit opinion is consistent with the Audit Completion Report.
Use of the audit report	Who we are reporting to and what the report may be used for.
Audit certificate	Sets out that we have completed the audit of the Council in accordance with the Local Audit and Accountability Act 2014.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

Appendix A: Key communication points

We value communication with the Audit Committee as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor’s Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit strategy memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks and key audit matters	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none">• Uncorrected misstatements and their effect on our audit opinion;• The effect of uncorrected misstatements related to prior periods;• A request that any uncorrected misstatement is corrected; and• In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none">• Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and• A discussion of any other matters related to fraud.	Audit completion Report and discussion at Audit Committee Audit planning and clearance meetings

Page 54

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	Audit Completion Report

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report and the Audit Committee meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
<div> <div>Page 56</div> <div> <p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. </div> </div>	Audit Completion Report
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm’s ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm’s System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm’s strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm’s internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p>	Audit Strategy Memorandum

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report and Audit Committee meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none">• Whether the events or conditions constitute a material uncertainty;• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and• The adequacy of related disclosures in the financial statements.	Audit Completion Report
Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management: <ul style="list-style-type: none">• Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership• Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities• Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.)• Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality• Evaluate responses to identify and remediation process / control gaps We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here .	Audit Strategy Memorandum

Appendix A: Key communication points

Required communication	Where addressed
Communication of all significant facts and matters that bear on auditors' objectivity and independence together with a confirmation of independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none">• The principal threats;• Safeguards adopted and their effectiveness;• An overall assessment of threats and safeguards; and• Information about the general policies and process within the firm to maintain objectivity and independence.	Audit strategy memorandum and Audit completion report
Identification of each key audit partner involved in the audit.	Audit strategy memorandum
Communication in respect of any arrangements for any of our activities as auditor to be conducted by another firm.	Audit strategy memorandum and Audit completion report, as necessary
Description of nature, frequency and extent of communication with the Audit Committee and other relevant bodies including dates of meetings.	Audit strategy memorandum
Description of distribution of tasks among the auditors where more than one auditor has been appointed.	Audit strategy memorandum
Description of methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance testing, including an explanation of any substantial variations compared to the previous year.	Audit strategy memorandum and/or Audit completion report

Appendix A: Key communication points

Required communication	Where addressed
Disclosure of quantitative level of materiality applied to the audit, any specific materiality levels applied to particular classes of transactions, account balances or disclosures, and qualitative factors considered when setting materiality.	Audit strategy memorandum and Audit completion report, as appropriate
Explanation of judgements about events or conditions identified during the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment.	Audit strategy memorandum and Audit completion report
Reporting on significant deficiencies (in the case of consolidated financial statements, the parent undertaking's internal financial control system, and/or in the accounting system) including whether or not the deficiency in question has been resolved by management.	Audit completion report
Reporting any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association	Audit completion report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit completion report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework	Audit strategy memorandum and/or Audit completion report, as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Forvis Mazars' member firms.	Audit strategy memorandum and/or Audit completion report, as appropriate
Indication of whether all requested explanations and documents were provided by the entity.	Audit completion report

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments (continued) Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 Insurance Contracts has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

Contact

Forvis Mazars

Daniel Watson
Audit Director
Tel: 0161 238 9349
Daniel.watson@mazars.co.uk

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73





Audit Progress Report

Oldham Metropolitan Borough Council

November 2024

Contents

- 01 Audit progress
- 02 National publications

01

Audit progress

Audit progress

Purpose of this report

This report provides the Audit Committee with information about progress in delivering our responsibilities as your external auditors for Oldham Metropolitan Borough Council (the Council) for the year ending 31 March 2024.

Prior to the calling of the general election on 4 July 2024, the Department of Levelling Up, Housing and Communities ('DLUHC') had consulted on proposed arrangements which would implement a 30 September 2024 backstop date for all audits for the 31 March 2023 financial year and earlier. Similar dates were being considered to bring the backstop date forward each year for the next five years. These considerations have been concluded and on 30 July 2024 the Government announced a series of backstop dates. The 2023/24 audited financial statements must be published by 28th February 2025.

Audit for the year ending 31 March 2024

Financial statements Audit

The fieldwork stage of our audit for the year ended 31 March 2024 commenced in October. We are currently in the progress of completing our detailed testing and anticipate to issue our opinion by the end of the year.

Value for Money Arrangements Work

We have not yet received the Council's updated self-assessment evidencing arrangements in place. We plan to complete and report our Value for Money arrangements work alongside our work on the financial statements audit.

National publications

National publications

	Publication/update	Key points
	Chartered Institute of Public Finance and Accountancy ('CIPFA')	
1	CIPFA Bulletins	CIPFA has recently issued two Bulletins to provide further guidance on the financial reporting requirements.
	National Audit Office ('NAO')	
2	NAO: Guidance for audit committees on cloud services	Government has developed digital policy to support moving to the cloud for over a decade, and the number of cloud services continues to increase. But some organisations may lack the capacity and expertise to choose the right services for their needs.
3	NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees	The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid.
4	NAO insight: Good practice in annual reporting	Transparent, timely, and clear annual reporting in the public sector has never been more important. A good annual report is a key opportunity for bodies in the public sector.
5	NAO overview: Department for Levelling Up, Housing & Communities 2022-23	The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts.
	Department for Levelling Up, Housing and Communities ('DLUHC')	
6	Addressing the local audit backlog in England: Consultation	This consultation seeks views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing. The consultation closed on 7 March 2024.
7	Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision	The duty to make Minimum Revenue Provision ('MRP') is an important component of the Prudential Framework. The purpose of this consultation is to seek views on the revised Guidance and final proposed amendments to the Regulations. The consultation ran from 21 December 2023 to 16 February 2024.

National publications

	Publication/update	Key points
	Other	
8	Financial Reporting Council ('FRC') – FRC report on quality of major local audits	Report on the quality of major local audits
9	Forvis Mazars – Preparing for the Procurement Act 2023	The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies. Our latest article provides an in-depth overview of the new Procurement Act.
10	Forvis Mazars – Understanding the new 'Failure to Prevent Fraud' Offence in a Public Sector context	The UK Government has recently announced a new corporate criminal offence – the 'failure to prevent fraud' offence – within the Economic Crime and Corporate Transparency Act 2023.

National publications

CIPFA

1. CIPFA Bulletins

Bulletins issued by CIPFA, with the assistance of CIPFA panels, provide practitioners with topical guidance on specific issues and accounting and reporting developments. CIPFA has issued the following Bulletin's in recent months:

CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements

This bulletin covers the closure of accounts for the 2023/24 year and provides further guidance and clarification to complement the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2023/24 Code Guidance Notes.

Link: [CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements](#)

CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement

CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement is intended to provided clarity to those authorities with at least one set of unaudited financial statements for prior years, and their external auditors, on the update of the annual governance statement ('AGS').

Link: [CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement](#)

2. NAO insight: Guidance for Audit Committees on Cloud services

The NAO has published a guide for senior leaders and audit and risk committees that sets out specific questions for audit committees to consider when engaging with their management on this. It takes a lifecycle approach and poses informed questions at three key stages:

- Strategic assessment of cloud services:** This section covers both first-time adoption and continuing re appraisal and re-evaluation of cloud services.
- Implementation of cloud services:** This covers mid-lifecycle implementation and considers system configuration, data migration, and service risk and security issues when moving from one cloud provider to another, or from on-premises to cloud for the first time.
- Management and optimisation of cloud services:** This later lifecycle section covers operational considerations, the need for assurance from third parties, the capabilities needed to manage live running, and how to continue to control costs.

[Digital transformation in government: a guide for senior leaders and audit and risk committees](#)

3. NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees

The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid. The guide identifies seven areas where the more persistent obstacles stand in the way of successful digital transformation in government and have grouped them into three themes:

- Constraints of the existing environment
- Under-estimating the scope of early work
- Lack of skills and leadership

[Digital transformation in government: a guide for senior leaders and audit and risk committees](#)

4. NAO insight: Good practice in annual reporting

Transparent, timely, and clear annual reporting in the public sector has never been more important.

A good annual report is a key opportunity for bodies in the public sector to:

- weave a compelling narrative that resonates with the public
- serve as a tool for accountability by shedding light on how taxpayer’s money has been spent
- equip stakeholders with information to hold organisations to account.

The list is not definitive but should provide ideas on content and format for all bodies in both the public and private sector as they plan their annual reporting for 2023-24.

[Good practice in annual reporting](#)

5. NAO overview: Department for Levelling Up, Housing & Communities 2022-23

The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO’s examinations of DLUHC and related bodies in the sector in England and DLUHC’s Annual Report and Accounts. DLUHC spends around £33 billion each year to support people, places and communities.

[Department for Levelling Up, Housing & Communities 2022-23](#)

6. Addressing the local audit backlog in England: Consultation

The external auditing of local bodies is vital in supporting democratic accountability and providing assurance for local people and their elected representatives. The consultation sought views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing. The draft statutory instrument covers the core elements of the proposed amendments to the Regulations. The Joint Statement, agreed with system partners, provides vital context and explains the cross-system proposals and how the various elements are intended to interact.

The consultation ran from 8 February 2024 to 7 March 2024. Documents relating to the consultation are still available for download at the link below, which is also the place where the outcome to the public feedback will be available.

[Addressing the local audit backlog in England: Consultation](#)

7. Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

The duty to make Minimum Revenue Provision ('MRP') is an important component of the Prudential Framework. Where local authorities finance capital expenditure from debt, they must set aside an amount of money each year to ensure their debt liabilities can be repaid. In practice, the application is more complex, but when it operates effectively it should ensure that local authorities do not borrow more than they can afford.

The purpose of the consultation was to seek views on the revised Guidance and final proposed amendments to the Regulations. The proposed changes to the Regulations remain substantively the same as previously consulted on in the June-July 2022 consultation, with some minor changes to reflect responses. The Guidance provides detailed interpretation and outlines the government's expectations of how the Regulation requirements should work in practice.

The consultation ran from 21 December 2023 to 16 February 2024 however the link provides information on the key issues that were consulted on.

[Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision](#)

8. Financial Reporting Council (‘FRC’) - FRC report on quality of major local audits

The FRC has published its report on the quality of major local audits which summarises the FRC’s regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

The FRC reviews in the 2022-23 inspection cycle comprised six health and four local government audits. The audits inspected had year-ends in March (or in one case May) 2021 (local government) and March 2022 (health). For local government audits, inspections were selected from those finished in the 2022 calendar year (regardless of the financial year the audit related to) due to the challenges brought on by the backlog. Therefore, more audits were inspected from the health sector and as a result, the findings in the report are more indicative of audit quality in the health sector. Across all suppliers, all financial statement audits were assessed as “good” or “limited improvements required”. Areas requiring limited improvements included:

- Audit procedures regarding completeness and accuracy of expenditure.

Page 75 On the audit of one NHS Trust, the inspection concluded that audit procedures were not sufficiently tailored to address the impact of backlog maintenance on property, plant and equipment valuations.

In terms of value for money (‘VfM’) inspections, six related to health and three local government bodies. This is less than the number of financial statement audits inspected because the auditor’s work on VfM arrangements was not complete on one audit that was inspected. All VfM inspections were assessed as good or limited improvements required. Areas requiring limited improvements included:

- Risk assessment procedures not being performed in a timely manner.
- Not considering the arrangements in place at the body to manage, monitor and oversee its subsidiaries.
- The audit team not updating their initial risk assessment or reporting to consider how the body had achieved its outturn financial position.

Examples of good practice have also been included in the report regarding risk assessment, execution of the audit, and audit completion and reporting.

[FRC publishes report on the quality of major local audits amid delays in local government](#)

9. Forvis Mazars – Preparing for the Procurement Act 2023

The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies in the UK by:

- Enhancing transparency in procurement processes, requiring greater disclosure of information about procurement opportunities;
- Improving efficiency by introducing new measures such as electronic procurement platforms; and
- Promoting fairness to ensure all suppliers have equal access to government contracts.

Our latest article provides an in-depth overview of the new Procurement Act, including when it will be implemented, key provisions and how public sector organisations can prepare.

[Preparing for the Procurement Act 2023](#)

10. Forvis Mazars – Understanding the new ‘Failure to Prevent Fraud’ Offence in a Public Sector context

The UK Government has recently announced a new corporate criminal offence – the ‘failure to prevent fraud’ offence – within the Economic Crime and Corporate Transparency Act 2023.

Fraud is currently the most common crime in the UK, and this new offence is designed to drive a cultural shift, encouraging organisations to improve their prevention procedures and reduce instances of fraud. It strengthens existing powers to fine and prosecute organisations for fraud committed by their employees and agents, closing loopholes that have allowed organisations to avoid prosecution in the past.

This new offence holds large organisations, both in the public and private sectors, accountable for fraudulent activities committed by their employees or agents.

[‘Failure to Prevent Fraud’ in the Public Sector](#)

Contact

Forvis Mazars

Daniel Watson

Partner

Daniel.watsonl@mazars.co.uk

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

This page is intentionally left blank



Report to Audit Committee

Update on the Annual Governance Statement for 2024/25

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy leader Cabinet Member for Value for Money

Officer Contact: Chris Kelsall - Assistant Director of Finance (Capital & Transformation)

Report Author: Chris Kelsall - Assistant Director of Finance (Capital & Transformation)

28 November 2023

Purpose of the Report

The purpose of this report is to update Members of the Audit Committee on the Annual Governance Statement for 2023/24 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 2023/24.

This aligns to the Audit Committee's Terms of Reference which state that:

4.4.2 The Audit Committee shall, having regard to the CIPFA 'audit committee' guidance.

c) undertake the following activities in respect of corporate governance

(iii) review the Annual Governance Statement and the progress made by the Council to address issues identified as risks when the financial statements are prepared;

Executive Summary

This report provides an update on the issues identified within the 2024/25 Annual Governance Statement and any other issues which will impact on a future iteration of the Annual Governance Statement .

Appendix 1 details the issues reported in the 2023/24 Annual Governance Statement and the actions taken so far during the 2024/25 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.

Recommendation

The Committee is asked to endorse the progress made on the issues identified in the 2023/24 Annual Governance Statement.

Update on the Annual Governance Statement for 2023/24 and New Issues

1. Introduction

- 1.1. This report is to enable the Audit Committee to discharge its obligation to review the issues identified within the Annual Governance Statement (AGS) and the production of a future AGS. The report provides an update on the issues highlighted and any new issues worthy of ongoing review. It adopts a Red/Amber/Green (RAG) rating approach.
- 1.2. The RAG ratings signify:
- Red: remains a serious issue for the Council to address and is therefore very likely to be included in a future iteration of the AGS;
 - Amber: a serious issue with a potentially effective solution which has the potential to remove the issue from a future iteration of the AGS; and
 - Green: a potentially serious issue currently managed effectively by the Council. This is likely to remain in the AGS if there are matters outside the control of the Council.

2. Issues Identified in the 2023/24 AGS

- 2.1. As noted in the 2023/24 AGS, the Council's financial position has become more challenging as a result of significant overspends in key demand led service areas. Over the past years there has been a high reliance on applying reserves to support the budget. Whilst reserves were available to support this approach, this was not a sustainable long term plan and could only be applied as part of a strategy to try to lessen the severity of the budget reductions required to achieve financial sustainability. Oldham reported a significant overspend for the financial year 2023/24 and as highlighted to Cabinet on 18th November in the Month 6 Revenue Monitoring report, the Council is forecasting another significant overspend for 2024/25.
- 2.2. The Council is implementing measures to manage expenditure and increase income with the aim of at least reducing the adverse variance by the end of the year. The effectiveness of management action and corporate procedures will continue to be closely monitored by Management Teams throughout the financial year. Management action should ease the overall financial pressures and the impact of these actions will be reported to Members through the regular financial monitoring reports submitted to Cabinet during the remainder of this financial year.
- 2.3. The Council's Senior Leadership has been working within their service areas to reduce the in-year pressure through the introduction of a recruitment freeze, and through additional controls on discretionary expenditure. Alongside this, services have been reviewing their ways of working, structures and costs to reduce spend based on a thematic approach to drive both in year savings and contribute to reducing the budget gap in future years:
- Centralising, restructuring and reducing corporate and support services;
 - Reviewing and reducing management and administration;
 - Reviewing service operations and processes;
 - Income maximisation; and
 - Reviewing placements, contracts and commissioned services.

- 2.4. Further, in order to assist the Council in achieving the necessary transformation and service efficiencies, in August, Council employees were invited to submit applications in respect of voluntary redundancy. Applications were evaluated on the basis that posts could be removed without compromising service standards. In total, 47 applications were accepted, generating ongoing savings in excess of £2million per annum.
- 2.5. Work commenced in respect of the 2025/26 budget early in the financial year including two Cabinet Budget sessions in on 26th June and 8th July. As in previous years there remains a budget deficit to be addressed. Potential savings proposals have been identified and these are still under consideration.
- 2.6. Whilst the budget on 30th October provided welcome confirmation that additional resources have been allocated to the local government sector, the implications for Oldham are not yet known. Some information is anticipated in the coming weeks but the final position will not become clear until the Provisional Local Government Finance Settlement is issued in – we expect – mid December. Given Oldham’s relatively high deprivation and low Council Tax Base, the importance to the Council’s financial position of the detail contained within the Settlement - including changes to the way funding is distributed across local authorities - cannot be overstated.
- 2.7. An update will be provided to Cabinet on 16th December.
- 2.8. Appendix 1 highlights the issues identified in the 2023/24 AGS and the progress made on addressing them. An additional risk identified within the AGS which is worthy of note, on which the Committee might wish to have specific oversight, is in relation to the regeneration plans of the Council and potential reprofiling of the capital programme as the planned timelines for projects cannot be met.
- 2.9. This proves to be a particular challenge where time limited grant funding has been secured. Retrospectively, the Department for Levelling Up, Housing and Communities (DLUHC) has issued an Assurance Framework which makes the Director of Finance “the first line of defence” to ensure compliance with the requirements of the Department of Levelling Up Accountable Officer. Members will recall that the Place, Economic Growth and Environment Scrutiny Board had agreed that it will receive a detailed review to support compliance with the requirements of the Assurance Framework. It should be noted that the timescales for completing spend against projects was extended by the previous government and we now await clarification around how the new government will award capital grants.
- 2.10. An update on the Creating a Better Place programme was provided to the Scrutiny Board on 24 March with a further update proposed later in the financial year. In addition, an update was presented to Cabinet in July 2024, including a review of all of the major Regeneration projects within the Program.

3 Potential Issues for Inclusion in the AGS to support the 2024/25 Statement of Accounts

- 3.1 There are no new issues identified for consideration by the Committee at this stage.

4 Future Inspections which could impact on a future AGS

- 4.1 When the Council produces its AGS, consideration is given to the findings of key inspections/reviews that are undertaken during the year. The inspections/reviews of which Members of this Committee need to be aware of are:

- Children's Services and Skills (OFSTED)
 - LGA Peer Review
 - The Area Special Educational Needs and Disabilities (SEND) Inspection of the Local Area Partnership by the Office for Standards in Education,
- 4.2 The Ofsted inspection is in the public domain. Following the SEND inspection in June 2003, In September 2024, a deep dive session into the progress over the past year, since the inspection, took place. This brought together the LIP Executive Board, along with DfE and NHSE representatives with a focus on the evidence of impact that the PAP has had. At this stage, there are no concerns that need to be drawn to the attention of this committee.
- 4.3 The final report in respect of the Peer Review is yet to be finalised. Any significant governance concerns/issues in respect of this and/or any other external inspections will be highlighted in future iterations of the AGS.
- 5 Options/Alternatives**
- 5.1 The options are that the Audit Committee:
- a) considers this report which details the progress made on issues identified in the draft AGS for 2023/24; or
 - b) suggests an alternative approach to providing an update to the AGS.
- 6 Preferred Option**
- 6.1 The preferred option is that the Audit Committee considers this report in accordance with the option set out at 5.1 (a).
- 7 Consultation**
- 7.1 N/A.
- 8 Financial Implications**
- 8.1 Any impact on the Council's overall financial position is detailed in Appendices 1 and 2. (Sarah Johnston)
- 9 Legal Services Comments**
- 9.1 N/A
- 10 Cooperative Implications**
- 10.1 N/A.
- 11 Human Resources Comments**
- 11.1 N/A.
- 12 Risk Assessments**

- 12.1 These are detailed in Appendices 1 and 2 of this report. (Chris Kelsall).
- 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 **Community cohesion disorder implications in accordance with Section 17 of the Crime and Disorder Act 1998**
- 17.1 N/A.
- 18 **Oldham Impact Assessment Completed (Including impact on Children and Young People)**
- 18.1 N/A.
- 19 **Key Decision**
- 19.1 N/A.
- 20 **Forward Plan Reference**
- 20.1 N/A.
- 21 **Background Papers**
- 21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:
- File Ref: Background papers are included in Appendix 1
Officer Name: Chris Kelsall
Contact: chris.kelsall@oldham.gov.uk
- 22 **Appendices**
- 22.1 **Appendix 1:** Significant Governance Issues and Risks Identified in the 2023/24 Annual Governance Statement.

2023/24 Issue	Proposed Action as per the 2023/24 AGS	Update as at 28 November 2024	RAG rating
<p>1. Financial Resilience</p> <p>There has been a continued reliance on the use of reserves to balance the revenue budget. This has been exacerbated by an overspend of £16m in 2023/24 that has led balances being reduced to less than £50m. This impacts on financial resilience of the Council.</p> <p>Further action will be required during 2024/25 to avoid similar action being required to balance the budget.</p>	<p>Actions have been put in place as follows:</p> <ul style="list-style-type: none"> • Moving to bi-monthly (from quarterly) reporting of the Council's financial position. • Incorporating savings updates as part of the Budget Monitoring Reporting cycles together with the Establishment of a Delivery Board, chaired by the Leader, to hold directors to account in respect of the savings proposals put forward. • Devising a new and accelerated budget timetable to support early decision making with strong support from the Administration. • Reviewing and refreshing the transformation and change programme to identify options for acceleration of schemes that will drive financial savings. • Demonstrating how risks identified have informed the budget setting process and MTFS financial strategy. • Ensuring that all income and debts due to the Council are collected efficiently and effectively. All debt management activity will be centralised under the Assistant Director for Revenues and Benefits with new consistent debt management policies. 	<p>The actions identified have been implemented and regular budget updates issued to Cabinet.</p> <p>Continuing demand pressures has led to a significant forecast overspend for 2024/25 which is being addressed through management actions outlined in the budget monitoring reports presented to Cabinet. This includes the acceptance of a number of voluntary redundancy applications.</p> <p>The financial outlook for 2025/26 will remain uncertain until the details are provided when the Local Government Finance Settlement is announced. The budget on 30 October identified additional resources for Local Government but the implications for Oldham Council are not yet announced.</p> <p>A further update will be provided to Cabinet on 16 December prior to budget proposals being presented to the Governance, Strategy & Resources Scrutiny Board on 29 January 2025.</p>	<p>RED</p>

2023/24 Issue	Proposed Action as per the 2023/24 AGS	Update as at 28 November 2024	RAG rating
<p>2. New Public Procurement Regulations</p> <p>The new public procurement regulations (The Procurement Act) was due to go live on 28 October 2024. However, Cabinet Office delayed this to allow time for a new National Procurement Policy Statement (NPPS) to be produced. The revised date for go live is now 24 February 2025. The new regulations will differ substantially in certain respects from previous Public Contracts Regulations 2015 and the prior EU guidance.</p>	<p>All Procurement sections are required to undertake training and readiness preparation for the go live. The Procurement function is facing challenges with recruiting and retaining staff so there will be a challenge to ensure the Council retains sufficient in-house knowledge to drive through and implement these changes. A review of the function is currently underway with a view to supporting the team with readiness and ensuring learning is embedded.</p>	<p>The majority of the procurement team have now undertaken the key 9 modules of training via the Government Commercial College (save for any recently joining interim staff). In addition, most of the team have gone on to also complete the Procurement Act deep dive sessions making them 'Advanced Practitioners' which is the highest level of accreditation currently available to study. Additional webinars and online forums are available to attend in addition to keeping up to date with any later releases of documents or information on the GCF website.</p> <p>Furthermore, a set of training events is being arranged with STAR procurement to educate Oldham on procurement generally but also the implications of the Procurement Act 2023 which will be particularly relevant given the increased contract management requirements under the Act.</p>	<p>Amber</p>
<p>3. Regeneration – Creating a Better Place</p> <p>The Council has a number of key regeneration projects planned for the future as detailed in the</p>	<p>The move to bi-monthly reporting will provide early warnings of pressures.</p>	<p>The Creating a Better Place Update report to Cabinet in July 2024 included a review of the major Regeneration projects and has been incorporated into the Council's</p>	<p>Amber</p>

2023/24 Issue	Proposed Action as per the 2023/24 AGS	Update as at 28 November 2024	RAG rating
<p>Creating a Better Place Programme. This programme is central both to the regeneration of the Borough and the projected savings stemming from asset rationalisation. Failure to deliver on any aspect of this programme is likely to have a financial impact on the Council: either through loss of budgeted grant income, reputational damage and/or an increase in the overall financing of current plans from the Council's own resources.</p>	<p>An annual review of major Regeneration Projects included within the agreed Capital Programme will be undertaken by the Council during 2024/25 to assess the affordability of the Capital Programme in light of the revised cost forecasts, the MTFS position and continued uncertainty over long-term funding. There will continue to be close engagement with the Ministry for Housing, Communities and Local Government who administer key grant programmes. Where there is considered a risk of slippage, agreement to re-profile expenditure to later financial years will be sought.</p>	<p>MTFS. There have been a number of amendments to schemes that have been agreed with MHCLG via Project Adjustment Requests to enable the completion of projects within agreed timescales.</p> <p>Regular reporting against Towns Fund/Future High Street Fund/Levelling Up grants is ongoing. Several projects have now completed eg Royton Town Hall, Alexandra Park Eco Centre and the Egyptian Room and Spindles phase 2 offices are now occupied.</p> <p>MRP costs continue to be included within the MTFS, including the impact of any potential changes in policy.</p>	
<p>4. Health Integration</p> <p>Under the Health and Care Act 2022, Integrated Care Systems (ICS) are now responsible for planning and funding health and care services in the area they cover. There are 42 ICSs across England and Greater Manchester is an ICS on its own with Oldham being one of ten Localities under the GM ICS. ICSs are partnerships that bring together the health and care organisations in a particular local area, to</p>	<p>The Council can, with its current Decision-Making processes, increase its flexibility to increase/ decrease the contribution to the pooled budget managed under a Section 75 Agreement with Oldham NHS partners in the locality (using the powers of the NHS Act 2006). This is on the assumption this flexibility will enable the whole health and care system to implement future efficiencies to generate overall savings/ improved service. This flexibility will be kept under continued review to maximise future</p>	<p>The Council continues to work with its partner organisations on any emerging risks arising from Health Integration. With this closer working relationship, as part of the on-going budget monitoring during 2024/25 and the budget setting process for 2025/26 the wider system will look to identify more collaborative approaches to working arrangements to create efficiencies and drive down costs.</p>	<p>Amber</p>

2023/24 Issue	Proposed Action as per the 2023/24 AGS	Update as at 28 November 2024	RAG rating
<p>improve population health and healthcare, tackle unequal outcomes and access, enhance productivity, value for money, and help the NHS to support broader social and economic development - the cited Triple Aim - better health for everyone, better care for all and efficient use of health and care resources.</p> <p>GM ICS has significant financial pressures that the Locality and System arrangements are intended to address. There is a potential risk that the new ways of working and the reform to Health Integration do not result in the efficiencies anticipated due to increased demand caused by several factors including the residual impact of the recent increases in the cost of delivering services.</p>	<p>opportunities for efficiency in Adult Social Care.</p> <p>The Oldham Commissioning Business Partnership Board retains the duty to agree plans for spending against the Better Care Fund which are the funds that currently make up the Section 75 pooled budget. Oldham's integrated system mechanism for measuring and monitoring performance, improvement and assurance is currently being enhanced. The developing framework will enable Oldham to provide regular reports of the impact that integrated system working is achieving. The reporting mechanism at Locality and GM will be to ensure Oldham benefits and has access to GM initiatives and resources and ensure the Council is involved at the GM system level. The Council will consider all the emerging risks arising from Health Integration throughout 2024/25 and it will be considered as part of the review of the Council's reserves/ financial resilience and the on-going budget monitoring for 2024/25.</p>		
<p>5. Partnership Governance</p> <p>The Council has a number of wholly owned subsidiaries including MioCare CIC, Northern Roots and the newly acquired</p>	<p>The Partnership Dashboard, which identifies the risks and issues faced by all the Council's partnerships, will continue to be updated and presented to Audit Committee for review.</p>	<p>An updated Partnership Risk report is to be presented to the Governance, Strategy & Resources Scrutiny Board on 4th December 2024.</p>	<p>Amber</p>

2023/24 Issue	Proposed Action as per the 2023/24 AGS	Update as at 28 November 2024	RAG rating
<p>Oldham Total Care Limited (OTC).</p> <p>Separate governance arrangements are required to monitor the Council's exposure to risks associated with its subsidiaries and other related party undertakings.</p> <p>In particular the purchase of a distressed care home through OTC presents the challenge of restoring the business to a financially sustainable business model.</p>	<p>In respect of OTC:</p> <ul style="list-style-type: none"> • Governance arrangements including the composition of the board of directors will be reviewed to ensure they meet the long term needs of the organisation. • A robust business plan will be developed to outline optimal and sustainable long term arrangements for both the Council and OTC. 	<p>In respect of OTC:</p> <ul style="list-style-type: none"> • A revised fee structure was approved by the OTC Board in August and a revised fee schedule applicable to the Council approved by Cabinet on 18th August. This -, together with increased levels of occupancy – will enable OTC to achieve a break even position by the end of this financial year. • The longer term governance arrangements and composition of OTC's Board it yet to be finalised. In the meantime, OTC Board meetings and shareholder meetings continue on a monthly basis. 	
<p>6. IT Security</p> <p>Failure to protect the Council network from external and internal attacks could lead to a loss of service for a period of time potentially resulting in harm to individuals, damage to reputation and financial loss.</p>	<p>The Council has a number of mitigations in place for cyber security but cannot provide full details of these in this document. These include: managed detection and response, 24/7 SOC, network traffic analysis, lateral movement detection, unidentified devices, immutable backup storage and multiple layered ransomware detection. All of these including plans, policies, training and controls underpin the Council's threat detection. The Council has backup solutions which underpin its recovery strategies.</p>	<p>Additional areas of security concern are being addressed, these include:</p> <ul style="list-style-type: none"> • The deployment of a recently purchased vulnerability management system to improve vulnerability detection & tracking; • Considering the recent DDOS attacks against a number of LGAs (Oldham not targeted) taking down primary websites, assurances sought from the hosting provider and costed options to further bolster defences; • Proof of concept of automated patching covering end user device 	Amber

2023/24 Issue	Proposed Action as per the 2023/24 AGS	Update as at 28 November 2024	RAG rating
		<p>Windows and a significant portion of the Council's 3rd party applications introducing automation, efficiencies & improving security posture;</p> <ul style="list-style-type: none"> • Risk of generative AI use leading to potential data breach, policy and council-wide training to be implemented, controls around AI usage to be implemented; • Alignment with NCSC CAF underway, working with Local Digital and Salford audit. RFS to be raised. NCSC CAF will underpin the Council's cyber commitments alongside PSN. 	

This page is intentionally left blank



Report to Audit Committee

Treasury Management Half Year Review Report 2024/25

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Value for Money & Sustainability

Officer Contact: Sarah Johnston, Director of Finance

Report Author: James Postle Senior Finance Manager/ Paula Buckley, Finance Manager (Capital & Treasury)

28 November 2024

Reason for Decision

Executive Summary

In April 2023 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This report advises the Audit Committee of the performance of the Treasury Management function of the Council for the first half of 2024/25 and provides a comparison of performance against the 2024/25 Treasury Management Strategy and the Treasury Management Prudential Indicators.

Executive Summary

The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This 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 and outlines:

- An economic update for the first half of 2024/25 (External Context);
- Net Borrowing and Investments (Local Context);
- A review and updates of the Council's current treasury management position;
- Council Borrowing;

- Treasury Investment Activity;
- Treasury Performance for the first half of the year;
- Compliance;
- Treasury Management Prudential Indicators.

Recommendation

That the Audit Committee:

- a) considers and comments upon the Treasury Management Half Year Review report;
- b) accepts the proposed revisions to the Maturity Structure of Borrowing outlined in section 2.10.5;
- c) accepts the proposed revision to the Flexible Use of Capital Receipts outlined in section 2.7 and Appendix 2;
- d) accepts the proposed revision to the Minimum Revenue Provision Policy outlined in section 2.8 and Appendix 4; and
- e) commends the report to Cabinet.

1 Background

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management 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.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending 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.
- 1.3 As a consequence, treasury management is defined as:
- “The management of the local authority's investments and cash flows, its banking, money market, and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2 Current Position

2.1 Requirements of the Treasury Management Code of Practice

- 2.1.1 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.
- 2.1.2 The Treasury Management Quarter 1 Update Report was presented to the Audit Committee for scrutiny on 24 July 2024.
- 2.1.3 This half year report provides an additional update to that previously received by Members to reflect the requirement of the 2021 Code of quarterly reporting on treasury management prudential indicators. It presents for approval the Treasury Management position, known as the semi-annual review at the end of September 2024. The treasury and prudential indicators are also incorporated at Appendix 1 to this report.
- 2.1.4 The Council's Treasury Management Strategy for 2024/25 was approved at a meeting on 28 February 2024. 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.
- 2.1.5 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 2024/25;
 - A review and updates of the Council's current treasury management position;
 - Council Borrowing;
 - Treasury Investment Activity;
 - Treasury Performance for the first six months;

- Compliance
- Treasury Management Prudential Indicators;

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

2.2 External Environment Half Year Review 2024/25

2.2.1 **Economic background:** UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally in June, to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

2.2.2 The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

2.2.3 Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% from 4.4% in the previous three-month period, while the employment rate rose to 74.8% from 74.3%.

2.2.4 Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

2.2.5 With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

2.2.6 The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025, and remaining there until early 2027.

2.2.7 Arlingclose, the authority's treasury adviser, maintained its central view that the Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking the Bank Rate down to around 3% by the end of 2025.

2.2.8 The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of

easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

- 2.2.9 Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.
- 2.2.10 **Financial markets:** Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial, and geopolitical issues meant it was a bumpy ride for bond investors during that time.
- 2.2.11 Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51%, it hit a high of 4.82% in May, and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30 September.
- 2.2.12 **Credit review:** Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.
- 2.2.13 Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.
- 2.2.14 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

2.3 The Oldham Council Treasury Position

- 2.3.7 On 31 March 2024, the Authority had net borrowing of £113.980m arising from its revenue and capital income and expenditure. This had fallen to £107.086m at the end of Quarter 1 but, as presented at Table 2, had fallen to £92.736m at the half year.
- 2.3.8 The actual and planned level of capital expenditure are the drivers of borrowing for capital purposes. Appendix 1 shows the actual level of capital expenditure at the end of 2023/24 and includes the half year forecast for 2024/25, 2025/26 and 2026/27. It also shows the financing sources, including the level of prudential borrowing.
- 2.3.9 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below and show the half year forecast compared to the Quarter 1 forecast and the closing position for 2023/24.

Table 1 – Balance Sheet Summary

	31 March 2024 Actual £'000	31 March 2025 Half Year Review Forecast £'000
General Fund CFR	488,980	510,747
Total CFR	488,980	510,747
Less: Other debt liabilities (PFI)	193,890	182,387
Borrowing CFR	295,090	328,360
External borrowing	181,110	232,099
Internal borrowing	113,980	96,261
Less: Usable Balance Sheet Resources	(132,737)	(97,736)
Less: Working capital	(17,957)	(48,903)
Net Investments	(36,714)	(50,378)

- 2.3.10 Table 1 shows the forecast CFR for 2024/25 is £510.747m, an increase of £21.767m compared to £488.980m at the end of 2023/24. The CFR excluding other debt liabilities relating to Private Finance Initiative schemes is forecast to be £328.360m, an increase of £33.270m compared to the position at the end of 2023/24.
- 2.3.11 External borrowing is forecast to increase by some £40m to £233m by the end of the financial year. This is well below the CFR meaning the Council is maintaining an under-borrowed position. This indicates that the capital borrowing need (CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances, and cash flow has been used as a temporary measure. This strategy has been prudent in recent years as investment returns have been low and counterparty risk is still an issue that needs to be considered.
- 2.3.12 However, as the Council utilises its reserves to finance annual revenue expenditure, the capacity to do this will diminish and external borrowing will be required. The Council will continue to analyse and assess the market with respect to interest rate forecasts and counterparty risk to determine the optimum time to externally borrow.
- 2.3.13 The treasury management position as at 30 September 2024 and the change over the year to date is shown in Table 2 below.

Table 2 - Treasury Management Summary

Borrowing/Investment	31.3.24 Balance £'000	Movement £'000	30.09.24 Balance £'000	31.09.24 Average Rate %
Long-term borrowing				
- PWLB	35,241	25,000	60,241	3.23%
- LOBOs	85,500	-	85,500	4.33%
- Other	40,001	0	40,001	4.03%
Short-term borrowing	20,368	540	20,908	5.19%
Total borrowing	181,110	25,540	206,650	
Long-term investments	13,354	(251)	13,103	5.31%
Short-term investments	10,000	(10,000)	-	0.00%
Cash and cash equivalents	13,360	23,915	37,275	5.01%
Total investments	36,714	13,664	50,378	
Net borrowing	144,396	11,691	156,087	

2.3.14 As can be seen in the table above, borrowing has increased by £25.5m as was expected, and is likely to increase further in line with planned capital expenditure during the latter part of the year. The level of investment has increased £13.664m since the end of the year due to the cash position of the Council. Overall net borrowing has increased by £11.691m

2.4 Borrowing

- 2.4.1 The Authority's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time, short term interest rates are higher than long term interest rates.
- 2.4.2 After substantial rises in interest rates since 2021, many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.
- 2.4.3 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.
- 2.4.4 The cost of short-term borrowing from other local authorities spiked to around 7% (Oldham

temporary borrowing spiked to 6.6%) in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month as expected. Shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.

- 2.4.5 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.
- 2.4.6 Public Works Loan Board (PWLB) loans are no longer available to Local Authorities planning to buy investment assets primarily for yield, unless these loans are for refinancing purposes.
- 2.4.7 Oldham Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council, and it has no plans to do so in future.
- 2.4.8 There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor, Arlingclose.
- 2.4.9 As at 30 September 2024, Oldham Council held £206.650m of loans. The Council has undertaken two new borrowings from Public Works Loan Board (PWLB) of £15m at 4.54% over 11 years and £10m at 4.45% over 10 years shown in the table below.

Table 3 - Borrowing Position

Borrowing Sources	31 March 2023 Balance £'000	Movement £'000	30 September 2024 Balance £'000	30 September 2024 Weighted Average Rate %	30 September 2024 Weighted Average Maturity (years)
Public Works Loan Board	35,241	25,000	60,241	3.23%	15.50
Banks (LOBO)	85,500	-	85,500	4.33%	44.43
Banks (fixed-term)	40,000	-	40,000	4.03%	45.05
Local Bonds (long-term)	1	-	1		-
Local Authorities (short term)	20,114	539	20,653	5.19%	
Local Bonds (short-term)	22	-	22	0.00%	-
Local Charitable Trusts (short-term)	231	-	231	4.90%	
Total Borrowing	181,110	25,539	206,650		

LOBO Loans

- 2.4.10 Oldham Council continues to hold £85.500m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms, or to repay the loan at no additional cost.
- 2.4.11 Currently Oldham Council has £44.000m LOBO loans with call dates within the next 12 months. Of this sum, £19.000m is held with Dexia Finance, £10.000m with KBC Bank and the remaining £15.000m split with three other providers, Danske Bank, FMS Wertmanagement,

and KA Finanz. At the time of writing no call options have been exercised.

- 2.4.12 Council officers have liaised with treasury management advisors, Arlingclose, over the likelihood of the options being exercised for LOBOs within the loan portfolio. If the option is exercised the Authority plans to repay the loan at no additional cost. If required, the Authority will be required to repay the LOBO loans with available cash or by borrowing from alternative sources or the PWLB. Given the revised interest rate forecasts referred to earlier in this report, the probability of the LOBO options being exercised is reduced but not eliminated.

2.5 Treasury Investment Activity

- 2.5.1 The CIPFA Treasury Management Code (Dec 21), defines treasury management investments as investments that arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 2.5.2 As at 30 September 2024, the Council held £37.275m of Money Market Funds, representing income received in advance of expenditure plus balances and reserves held. During the first half year, the Authority's investment balances ranged between £15.740m and £47.860m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4 - Treasury Investment Position

Investment Placements	31 March 2024 Balance £'000	Movement £'000	30 September 2024 Balance £'000	30 September 2024 Income Return %
Government (incl. Local Authorities)	10,000	(10,000)	0	
Money Market Funds	13,360	23,915	37,275	5.04%
Property Pooled Fund	13,354	(66)	13,103	5.31%
Total Investments	36,714	(13,849)	50,378	

- 2.5.3 Both the CIPFA Code and Government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 2.5.4 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made 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.
- 2.5.5 The Bank Rate reduced from 5.25% to 5.00% in August 2024, with short term interest rates largely being around these levels. The rates on money market rates fluctuated between 5.21% and 5.01% in the same period.
- 2.5.6 The Council in previous years has invested £15.000m in the Churches, Charities & Local Authorities (CCLA) pooled property fund. As this is a longer-term investment, short term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. This fund is forecast to generate an average total return in 2024/25 of £0.700m, representing 5.31% income return. The current value estimated is £13.103 and a full half year update is based upon our Treasury advisors financial modelling

and confirmation from the CCLA will be updated in the next reporting period once received. Analysis of the fund this year is shown below.

2.5.7 Performance

Occupier and rental markets have remained solid, supporting the income flows which make up a sizeable part of long-term total returns to property investors. Capital markets have continued to be a little subdued but some positivity is being experienced. Sentiment has improved markedly, the market is undoubtedly in a more stable place than it was this time last year, and investment opportunities are emerging with a more positive narrative surrounding the macro backdrop and outlook for the property market.

The portfolio is managed actively with the aim of providing a high income and long-term capital appreciation. There is a bias towards industrial assets, and retail warehouses are also well represented, whereas there is little exposure to high street shops. Industrial and retail warehouse assets continue to lead performance with some continued weakness in the office sector.

The fund remains well positioned, and has returned good performance against a challenging economic backdrop. The investment market has been turbulent, which has been driven by interest rates not property fundamentals.

2.5.8 Management activity

No investment transactions have taken place but management activity featuring lease renewals and rent reviews are protecting income and growing rents. A number of leases were entered into or renewed, supporting occupancy rates and helping to secure future income flows. These include retail warehousing at Beckton Park (London) and Bristol, Office asset at Dartford, and industrial assets near Orpington and Warrington.

2.5.9 Income/distributions levels

Against the backdrop of capital valuations, the fund has undertaken management activity which has positively impacted upon income distributions. These have been maintained and at times increased during 2023 and into 2024. Income returns are higher, well supported by occupier market conditions, rental growth and rising income.

The fund's more attractive yield compared to the benchmark (*MSCI/AREF UK other Balanced Open-Ended Property Funds Benchmark*) provides a firm foundation for returns and a decisive performance advantage, especially in periods when capital growth is weaker.

2.5.10 Outlook

Investors should continue focusing on the investment fundamentals and high-level trends. The sector will start to provide opportunity for stabilisation and further growth as the financial backdrop settles. The foundation of a high-level of income yield, some rental value growth, a well-placed portfolio structure, and pro-active management activity all combine positively, continuing to support income, enhance asset quality, and add value.

The fund is expected to continue to maintain the high level of income distributions and the outlook for capital valuations is more positive. Reducing interest rates are likely to cause growth in commercial property values. We can anticipate some further improvement in property returns as we move through 2024 and into 2025. The funds approach and strategy remain guided by its philosophy and long-term investment objectives, providing diversification and a high level of income.

2.5.11 The Authority has budgeted income from these investments in 2024/25. Income received for the period up to 30 September was £0.354m.

2.5.12 The Council's investments have no defined maturity date, but are available for withdrawal after a notice period, but their performance and continued suitability in meeting the Councils

medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

Statutory Override

- 2.5.13 In April 2023 the Ministry for Housing, Communities and Local Government published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31st March 2025, but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Authority has provided for a loss of up to £2.000m, to mitigate the impact on the revenue budget of the statutory override not being extended and un-realised losses on pooled investment funds are required to be recognised.
- 2.5.13 The Council's investments continue to generate returns in excess of 5% and there has been no increase in their perceived risk profile. Therefore, there are no immediate plans to dispose of any investments. The Council will continue to review the implications for the investment strategy and in consultation with Arlingclose. Any future Treasury Management Strategies will be revised accordingly.

2.6 Treasury Team Performance

- 2.6.1 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, as shown in Table 5 below.

Table 5 – Treasury Performance

	Budgeted Performance Rates/Benchmark SONIA Return %	Benchmark SONIA Return % Plus 5%	31.09.24 Income Return % (Actual)
Budgeted Investment Rates	5.17%		5.64%
Overnight SONIA	4.95%	5.20%	5.10%

- 2.6.2 The budgeted investment rate of 5.17% above included within the annual strategy for 2024/25 was based on the average rate over the full financial year as expectations were for interest rates to decrease from 5.25% during 24/25. The actual rate achieved in the first half of the year broadly in line with this budgeted rate. The total budget for treasury management income for 2024/25 is £1.550m. To date, General Fund income of circa £0.845m has been achieved.

2.7 Minimum Revenue Provision (MRP) Regulations and Revised MRP Policy

- 2.7.1 The Council has undertaken, in conjunction with Treasury Management Advisors, a review of how Minimum Revenue Provision is calculated and charged to the revenue budget. In line with statutory guidance, the review was to ensure that MRP continues to be charged in a prudent manner.
- 2.7.2 The main recommendations of the review were:

- To move to the Annuity Method (from the straight-line method) using the PWLB Certainty Rate over the life of assets.
- To make MRP over the life of assets for PFI schemes (rather than life of PFI contract)

- 2.7.3 The Annuity Method will mean that relatively less MRP will be made in the earlier years and greater amounts in the later years, compared to the straight-line method. Although the annuity method results in short term savings and long term costs, officers believe this method is prudent, as it produces a smoother profile of costs over the life of assets. This is because interest costs are greater in the early years and less in the later years and means that total financing costs will fall to Council Tax-payers at an equal rate over the life of assets. This methodology also better reflects the time value of money.
- 2.7.4 MRP is also currently made on PFI contracts on an annuity rate over the life of PFI contracts. The rate is calculated from the interest rate implicit in each PFI contract. Where the Council expects to continue to own or retain service benefit from PFI assets after the end of the contract, it is proposed to make MRP over the remaining life of the asset. This will make the policy more consistent with the policy adopted on the Council's other assets.
- 2.7.5 As the changes in MRP policy will result - in the short term – less money being set aside to repay debt; this will result in increased interest costs over the lifetime of assets if the savings in the early years are spent on day to day expenditure rather than used to build up revenue reserves. The change in policy will impact on the 2024/25 financial outturn and the future years' implications will be factored into the MTFS presented to Budget Council for approval on 6 March 2025. Further details are provided in Appendix 2.
- 2.7.6 Further details on the revised MRP policy are contained in Appendix 4.
- 2.7.7 On 10 April 2024, amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7 May 2024, sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.
- 2.7.8 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

2.8 Flexible Use of Capital receipts

- 2.8.1 Under Statutory Guidance published in 2016, the Council is entitled to utilise capital receipts in respect of any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.
- 2.8.2 When setting the 2024/25 budget on 28 February 2024, Council approved the use of £2.6m of capital receipts to fund transformational activity within directorates.
- 2.8.3 Since that date the Council invited applications for voluntary redundancy and 44 applications have been accepted with a total cost of just under £2million. Such expenditure is eligible to be funded through the flexible use of capital receipts and it is therefore proposed that an additional £2million is utilised to this effect. This will increase the total use of capital receipts to £4.6million and further details are outlined in Appendix 2.

2.9 Compliance

- 2.9.1 The Director of Finance reports that all treasury management activities undertaken during the half year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 6 below.

Table 6 - Investment Limits

Investment Limit	Maximum during 2024/25 £'000	Actual Position at 30 September 2024 £'000	Maximum Allowable in 2024/25 £'000	Compliance Yes/No
Any single organisation, except the UK Government	-	-	30,000	Yes
Any group of organisations under the same ownership	-	-	20,000	Yes
Any group of pooled funds under the same management	13,617	13,288	15,000	Yes
Unsecured investments with building societies	-	-	20,000	Yes
Money Market Funds	47,860	37,275	80,000	Yes
Strategic Pooled Funds	13,617	13,103	15,000	Yes

- 2.9.2 Compliance with the Operational Boundary and Authorised Limit for external debt is demonstrated in Table 7 below.

Table 7 – Operational Boundary and Authorised Limit

Borrowing /Limits	Actual Position at 30 September 2024 £'000	2024/25 Operational Boundary £'000	2024/25 Authorised Limit £'000	Compliance Yes/No
Borrowing	206,650	335,250	350,250	Yes
PFI and Finance Leases	182,387	183,500	186,000	Yes
Total Gross Borrowing / Limit	389,037	518,750	536,250	Yes

- 2.9.3 The Operational Boundary represents the maximum expected borrowing position for the Council for the year, and was originally set at £518.750m.
- 2.9.4 The Authorised Limit is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003 and for 2024/25 was set at £536.250m. Once this has been set, the Council does not have the power to borrow above this level, although it can be revised if required.

- 2.9.5 Since the Operational Boundary is a management tool for in-year monitoring, it is not significant if the Operational Boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. No breaches have occurred, and it is not anticipated that there will be any breaches in 2024/25.

2.10 Treasury Management Prudential Indicators

- 2.10.1 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

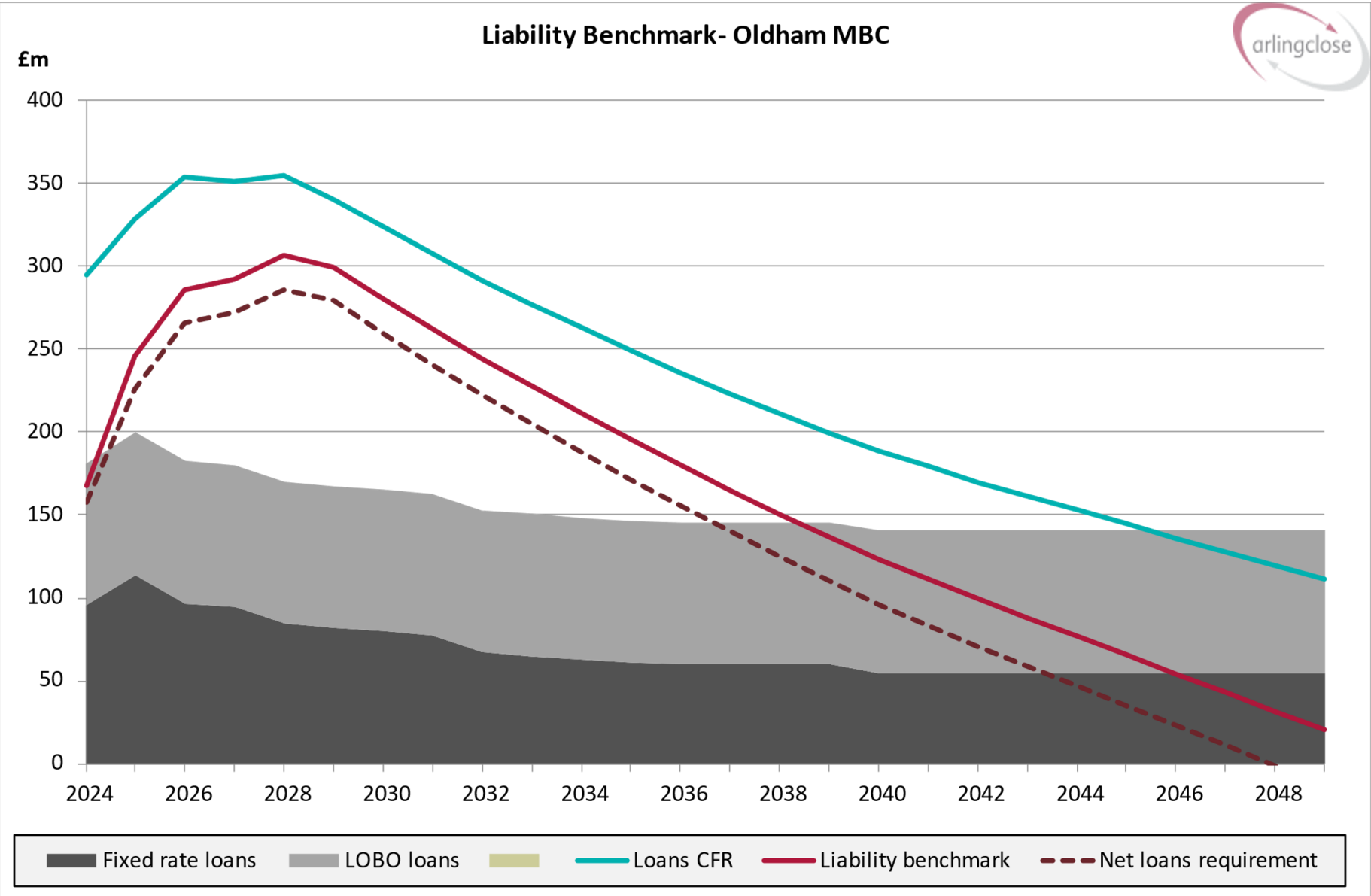
Liability Benchmark

- 2.10.2 This indicator 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. It represents an estimate of the cumulative amount of external borrowing that the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £20.000m, the level required to manage day-to-day cash flow.

Table 9 - Liability Benchmark

Liability Benchmark Measurement	31 March 2024 Actual £'000	31 March 2025 Forecast £'000	31 March 2026 Forecast £'000	31 March 2027 Forecast £'000
Loans CFR	295,090	328,360	353,056	348,520
Less: Balance sheet resources	132,737	97,736	82,736	72,736
Net loans requirement	162,353	230,624	270,320	275,784
Plus: Liquidity allowance	10,000	20,000	20,000	20,000
Liability benchmark	172,353	250,624	290,320	295,784
Existing /forecast borrowing	181,110	230,624	270,320	275,784

- 2.10.3 As demonstrated by the liability benchmark in the table above, the Council expects 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. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.



2.10.4 Table 10 below sets out the maturity structure of borrowing at the end of the first six months of 2024/25 compared to the upper and lower limits set in the Treasury Management Strategy for 2024/25. The indicator is set to control the Authority's exposure to refinancing risk.

Table 10 –Maturity Structure of Borrowing

Borrowing Timeframe	Upper Limit	Lower Limit	30 September 2023 Actual	Compliance Yes/No
Under 12 months	30%	0%	28.68%	Yes
12 months and within 24 months	30%	0%	2.43%	Yes
24 months and within 5 years	30%	0%	23.82%	Yes
5 years and within 10 years	30%	0%	3.76%	Yes
10 years to 20 years	60%	0%	14.58%	Yes
20 years to 30 years	60%	0%	2.43%	Yes
30 years to 40 years	60%	0%	2.43%	Yes
40 years to 50 years	60%	0%	21.87%	Yes
50 years to 60 years	60%	0%	0%	Yes

2.10.5 It is proposed to increase the upper limits for the maturity structure of borrowing to 35% for short and medium timeframes to enable the Council's expected debt profile in line with the liability benchmark and to enable greater flexibility around the financing of debt.

Table 11 –Revised Maturity Structure of Borrowing

Borrowing Timeframe	Upper Limit	Lower Limit	30 September 2023 Actual	Compliance Yes/No
Under 12 months	35%	0%	28.68%	Yes
12 months and within 24 months	35%	0%	2.43%	Yes
24 months and within 5 years	35%	0%	23.82%	Yes
5 years and within 10 years	35%	0%	3.76%	Yes
10 years to 20 years	50%	0%	14.58%	Yes
20 years to 30 years	50%	0%	2.43%	Yes
30 years to 40 years	50%	0%	2.43%	Yes
40 years to 50 years	50%	0%	21.87%	Yes
50 years to 60 years	50%	0%	0%	Yes

2.10.6 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. In the case of LOBO loans, the next option date has been used as the measure to determine if it is potentially repayable.

2.10.7 Long-term Treasury Management Investments

The purpose of the Long-Term Treasury Management indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term Treasury management limits are set out in the table below.

Table 12- Limit / Actual Investments exceeding one year

Limit /Actual Investments Exceeding One Year	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£50m	£50m	£50m	£50m
Actual principal invested beyond year end	£15m	-	-	-
Compliance – Yes/No?	Yes	N/A	N/A	N/A

2.10.8 Long-term investments with no fixed maturity date include strategic pooled funds. For the Council, this is currently the CCLA Property Fund. Long term investments exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term investments.

3 Options/Alternatives

- 3.1 In order that the Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Audit Committee has no option other than to consider and approve the current Treasury Management position. Therefore, no options/alternatives can be presented in respect of the factual information contained in this report. However, in respect of the potential changes in policy outlined in this report, the options available to this committee are:
- 3.2 Option 1 – to accept the recommendations of the Council's Treasury Advisers and change the MRP policy as outlined in section 2.7 & Appendix 4.
- 3.3 Option 2 - to approve the use of up to £2.000m of capital receipts to fund the costs of voluntary redundancy payments.
- 3.4 Option 3 - to approve both the change in MRP policy and the use of flexible capital receipts to fund the costs of voluntary redundancy payments.
- 3.5 Option 4 – to approve neither the change in MRP policy nor the use of capital receipts.

4 Preferred Option

- 4.1 The preferred option is Option 3 and that the contents of the report are agreed and recommended to Cabinet for approval.

5 Consultation

- 5.1 There has been consultation with the Council's, Treasury Management Advisors, Arlingclose in the production of this report.
- 5.2 The presentation of the Treasury Management Half Year Review Report to the Audit Committee for detailed scrutiny on 28 November 2024 will be in compliance with the requirements of the CIPFA Code of Practice. The report will then be presented to Cabinet and then subsequently Council for approval.

6 Financial Implications

- 6.1 All included within the report.

7 Legal Services Comments

- 7.1 The proposals have been the subject of review by Finance officers and the Council's Treasury Management advisers in order to ensure compliance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and statutory guidance on the Minimum Revenue Provision. I am satisfied that the recommended proposals would not be in breach of those regulations or statutory guidance and the preferred option is supported.

(Alex Bougatef – Interim Borough Solicitor and Monitoring Officer)

8 Co-operative Agenda

- 8.1 The Council ensures that any Treasury Management decisions comply as far as possible with the ethos of the Co-operative Council.

9 Human Resources Comments

- 9.1 None.

10 Risk Assessments

- 10.1 There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Council has established good practice in relation to treasury management which has previously been acknowledged in both Internal and the External Auditors' reports presented to the Audit Committee.

11 IT Implications

- 11.1 None.

12 Property Implications

- 12.1 None.

13 Procurement Implications

- 13.1 None.

14 Environmental and Health & Safety Implications

- 14.1 None.

15 Community cohesion disorder implications in accordance with Section 17 of the Crime and Disorder Act 1998

- 15.1 None.

16 Oldham Impact Assessment Completed (Including impact on Children and Young People)

- 16.1 No.

17 Key Decision

17.1 Yes

18 Key Decision Reference

18.1 FCR-20-24

19 Background Papers

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

File Ref: Background papers are contained with Appendix 1
Officer Name: Paula Buckley/James Postle
Contact No: 0161 770 4247

20 Appendices

Appendix 1 - Prudential and Treasury Indicators

Appendix 2 – Flexible Use of Capital Receipts (revised policy)

Appendix 3 - Arlingclose Review of Minimum Revenue Provision

Appendix 4 – Revised Minimum Revenue Provision Policy Statement

Appendix 1 - Prudential and Treasury Indicators

The Authority measures and manages its capital expenditure borrowing with references to the following indicators.

The following tables shows a summary of the prudential indicators for half year 2024/25.

Capital Expenditure

Capital Expenditure/Financing	2023/24 Actual £'000	2024/25 Forecast £'000	2025/26 Budget £'000	2026/27 Budget £'000
Expenditure				
General Fund services	81,147	99,055	0	34,838
HRA	64	628	95	-
Total Capital Expenditure	81,211	99,683	81,076	34,838
Financing				
Grants & Contributions	(32,621)	(43,834)	(28,633)	(6,494)
Prudential Borrowing	(40,448)	(49,638)	(51,646)	(27,851)
Revenue	(1,606)	(630)	(95)	-
Capital Receipts	(6,536)	(5,581)	(702)	(493)
Total Financing	(81,211)	(99,683)	(81,076)	(34,838)

Capital Financing Requirement (CFR)

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with [MRP / loans fund repayments] and capital receipts used to replace debt.

Capital Financing Requirement	31 March 2024 Actual £'000	31 March 2025 Forecast £'000	31 March 2026 Budget £000 £'000	31 March 2027 Budget £'000
General Fund Services	488,980	510,747	510,747	523,364
Total CFR	488,980	510,747	510,747	523,364

Gross Borrowing and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

Gross Borrowing /CFR	31 March 2023 Actual £'000	31 March 2024 Forecast £'000	31 March 2025 Budget £'000	31 March 2026 Budget £'000	Debt at 30 September 2024 £'000
Gross Borrowing (incl. PFI & leases)	375,000	413,011	440,628	434,168	401,474
Capital Financing Requirement	488,980	510,747	510,747	523,364	

Debt and the Proposed Revised Authorised Limit and Operational Boundary

The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year [except in Scotland: and to keep it under review]. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Debt	Debt at 30 June 2024 £'000	2024/25 Half Year Revised Operational Boundary £'000	2023/24 Half Year Revised Authorised Limit £'000	Compliance? Yes/No
Borrowing	206,650	332,250	350,250	Yes
PFI and Finance Leases	182,387	183,500	186,00	Yes
Total Debt	389,037	518,750	536,250	

Since the operational boundary is a management tool for in-year monitoring, it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans is charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Financing Cost/Net Revenue Stream	2023/24 Actual £'000	2024/25 Forecast £'000	2025/26 Budget £'000	2026/27 Budget £'000
Financing costs (£m)	24,124	34,799	39,747	40,777
Proportion of net revenue stream	8.81%	11.50%	13.05%	13.05%

Appendix 2: Flexible Use of Capital Receipts Strategy

Introduction

In March 2016, the former Secretary of State for Housing, Communities and Local Government, now the Department for Levelling Up, Housing & Communities (DLUHC) issued Statutory Guidance that permitted Local Authorities to use capital receipts to fund the revenue costs of transformation for the period 1 April 2016 to 31 March 2019. This flexibility has been extended several times, most recently to 31 March 2025.

This Capital Strategy and the MTFs of the Council has been prepared on the basis on the continued use of the Flexible Use of Capital Receipts for 2024/25.

Statutory Guidance

The Statutory Guidance and supporting ‘informal commentary’ published in March 2016 and updated in August 2022, states that “Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual Local Authorities to decide whether or not a project qualifies for the flexibility”.

The Council’s Strategy

The Council intends to make use of the flexibility in the use of capital receipts for the financial year 2024/25.

The Council can only use capital receipts to finance Qualifying Expenditure as defined in this strategy (see Table 1) from the disposal of property, plant and equipment assets received in the year in which this flexibility is offered. The Council will not utilise capital receipts generated on or before 31 March 2024 to finance Qualifying Expenditure.

The Government direction states that the Council cannot borrow to finance the revenue costs of service reform and the Council will comply with this requirement.

This Strategy outlines the projects which plan to make use of the capital receipt flexibility and provides details of the expected savings/service transformation on a scheme by scheme basis. The Strategy can be replaced at any point during the financial year with a revised Strategy outlining an up to date position.

Council approval for the use of this flexibility is required on at least an annual basis, with plans published on the Council’s website and notification of planned use sent to the DLUHC.

Summary of planned receipts

The Council’s Capital Strategy and Capital Programme 2024/25 to 2028/29 includes £5.000m in capital receipts specifically for this purpose. The first call on new capital receipts received in 2024/25 (£4.600m) will fund qualifying revenue expenditure as detailed within the Flexible Use of Capital Receipts Strategy.

Summary of planned use and savings

It is intended that in 2024/25 capital receipts will fund the following transformational projects/expenditure as set out in Table 1 (note there is an element of contingency to allow for variation).

Table 1 – Planned Qualifying Expenditure

Scheme Description	Qualifying Expenditure	£000 2023/24
Creating a Better Place - Asset Rationalisation	Expenditure in relation to developing and progressing the disposal strategy/asset rationalisation strategy to streamline the Council's (and partners' estates) in line with the principles of One Public Estate.	750
Creating a Better Place - Major Projects/Regeneration	Expenditure in relation to developing major Regeneration and Housing scheme proposals and bids for capital funding opportunities including funding for feasibility, options appraisals and the early development of business cases.	750
Transformation Program and Project resources to support the delivery of the transformation agenda	A specialist team to wholly support and facilitate the delivery of the Council's Transformational Program. This team will ensure that the efficiencies and savings that are anticipated within the Medium-Term Financial Strategy (MTFS) are achieved and support the development of the on-going program of Council wide change.	1,000
ICT	The use of transformational funds to support Research and Development within ICT that drives a more digital approach to deliver efficiencies and support budget reductions in services. The ICT Service will explore new technology and undertake Proof of Concepts before rolling out new developments within the organisation.	100
Voluntary Redundancy Program	One-off expenditure in relation to the Voluntary Redundancy program allow for service restructuring to deliver savings by reducing staffing costs.	2,000
Total Flexible Use of Capital Receipts Relied upon to support the revenue budget in 2024/25		4,600

This page is intentionally left blank



Arlingclose Ltd:

Independent treasury management services

Review of Minimum Revenue Provision

Oldham Council

November 2024

DRAFT - Version 4

This document and any attachments are strictly confidential and is intended for the officers and members of Oldham Council only. The document contains professional and privileged information and should not be disclosed to any third party without the express written permission of Arlingclose Ltd. This report has been produced using information available at the time of writing and Arlingclose cannot guarantee that forward looking projections and statements will be accurate in fact. This report has been produced using disclosures and data provided by Oldham Council and Arlingclose can make no assurances as to the accuracy of third party information.

Contents

Review of Minimum Revenue Provision - Oldham Council

1.0	Executive Summary.....	3
2.0	Introduction.....	4
3.0	Minimum Revenue Provision.....	4
4.0	Capital Expenditure and the Capital Financing Requirement.....	7
5.0	Oldham's Current MRP Calculations	8
6.0	Oldham's Current MRP Policy.....	9
7.0	Discrepancy Between the CFR and MRP	9
8.0	Recommendation: Correction of the Underprovision of General Fund MRP	9
9.0	Recommendation: Correction of the Overprovision of HRA MRP	10
10.0	Recommendation: Remove the Adjustment A.....	10
11.0	Recommendation: Make MRP on the Manchester Airport Group Loan Equal to the ECL	11
12.0	A Discussion on Annuity Rates	12
13.0	Recommendation: Move to Annuity Method Using the PWLB Certainty Rate at the Date of Policy Change	15
14.0	Recommendation: Make MRP Over the Asset Life Rather than Contract Length for Most PFI Assets.....	16
15.0	Savings and Costs from Recommendations.....	18
16.0	Other Recommendations to Consider.....	22
17.0	Recent Changes to MRP Regulations.....	22
18.0	Conclusions.....	23

1.0 Executive Summary

- 1.1 Oldham Council ('Oldham') currently make MRP on a straight line asset life basis for the majority of their non-Public Finance Initiative (PFI) and finance lease Capital Financing Requirement (CFR). A small number of assets apply the annuity method. For the pre-2008 supported borrowing CFR MRP is made on a straight line basis over a remaining asset life of 42 years. MRP is made on a largely straight line basis for a small amount of transferred debt. MRP on PFI and finance leases is made in line with principal repayments of the lease liability which is broadly on an annuity basis.
- 1.2 The Council should consider re-writing its MRP policy with the new recommendations adopted. The policy should clearly and comprehensively describe to members how Oldham will make MRP. Officers should ensure that the policy as written is followed in practice.
- 1.3 Oldham's CFR is the same figure when calculated from their balance sheet and from their statement of accounts note. This gives assurance that the CFR is the correct figure. Based on current calculations Oldham are underproviding for MRP on the general fund by £1,158k and overproviding for MRP on the HRA by £9,050k. This should be corrected for.
- 1.4 Arlingclose would recommend that MRP is made on Oldham's current adjustment A amount of £19,602k. Making this MRP is in line with guidance and demonstrates prudence. Arlingclose would also recommend the MRP equal to the ECL charge is made for the loan to Manchester Airport Group.
- 1.5 Arlingclose would recommend that Oldham move from a straight line method to an annuity method for all MRP that is made on an asset life basis. The PWLB certainty rate should be used at the date of imposition of this policy for historical assets, for new future assets the PWLB certainty rate for the year of acquisition should be used. For assets that have historically had the annuity method applied since acquisition the 2.88% annuity rate should continue to be used. Arlingclose would recommend maintaining the current method of making MRP for finance lease assets and the transferred debt.
- 1.6 Arlingclose would recommend that Oldham make MRP over the remaining asset life of PFI assets rather than the contract length of the PFI. This is provided the assets will continue to provide a benefit to council tax payers over their asset life.
- 1.7 Adopting these changes is expected to make savings of £13,382k in 2024/25: £7,757k of this is attributable to the general fund and £5,625k to the HRA. £126,159k of savings would be expected over the next 10 years: £65,347k attributable to the general fund and £60,811k to the HRA. Further savings will be realised in future as the annuity method is applied to future expected debt funded capital expenditure. These savings are expected to be £137,923k over the next 10 years: £77,112k attributable to the general fund and £60,811k to the HRA.
- 1.8 Although the annuity method results in short term savings and long term costs Arlingclose believes that it is prudent as it gives a smoother profile of overall costs once interest costs are taken into consideration.
- 1.9 Reducing the MRP charge does increase interest costs to the authority. These would be expected to be around £137,054k over the next 50 years. Oldham should carefully consider these cost when changing their MRP policy.
- 1.10 New MRP regulations were published in April 2024 most of which take effect from 1st April 2025. Arlingclose would not expect these to have a significant impact on Oldham.

2.0 Introduction

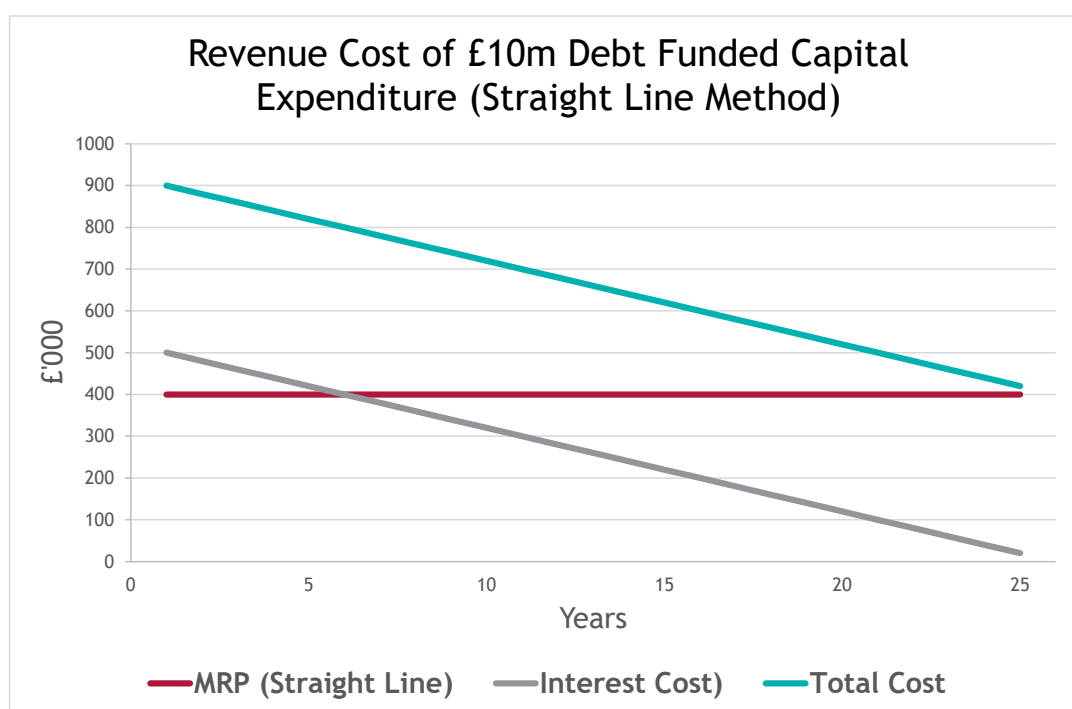
- 2.1 Minimum Revenue Provision (MRP) is the method by which capital expenditure not financed by grants, capital receipts or direct revenue funding is charged to revenue over future years.
- 2.2 Arlingclose has been commissioned to review Oldham Council's ('Oldham's') MRP calculations.
- 2.3 In preparing this report Arlingclose have relied upon spreadsheets and emailed information provided to us by Oldham, the latest draft statement of accounts (for year ended 31st March 2024) and Oldham's MRP policy.
- 2.4 Arlingclose have provided spreadsheet workings to support our calculations.
- 2.5 The report considers MRP made on Oldham's Public Finance Initiative (PFI) and similar arrangements. Please note however that a full review of all the accounting under these arrangements and the impact of International Financial Reporting Standard 16 (IFRS 16) on them is not include within this review.

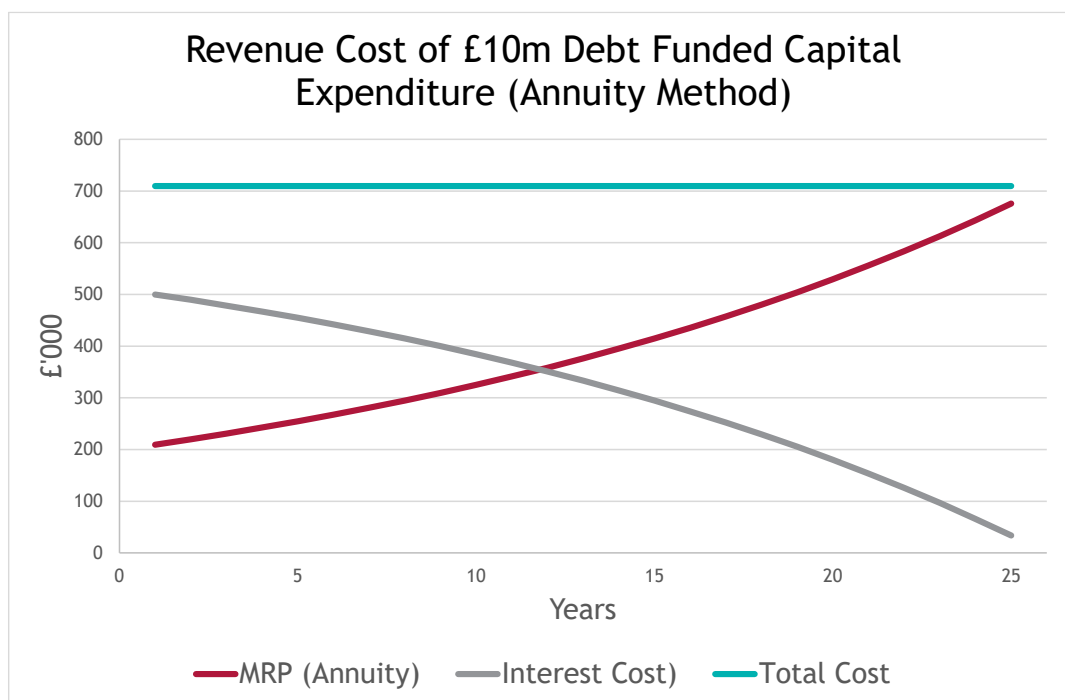
3.0 Minimum Revenue Provision

- 3.1 MRP is the method by which capital expenditure not funded by grants, capital receipts or direct revenue funding is charged to revenue over future years. In some ways it is similar in concept to depreciation, although there are many important differences to how it is calculated and treated than depreciation.
- 3.2 Capital expenditure not funded by grants, capital receipts or direct revenue funding is commonly referred to as 'debt funded' capital expenditure, although this term can be misleading as it does not always need to be funded by the taking out of an external loan.
- 3.3 Local authorities have a legal duty to charge their general fund with a prudent amount of MRP each year. Government MRP guidance defines prudence as aligning the period over which MRP is charged to one that is commensurate with the period over which the capital expenditure provides benefits.
- 3.4 The legal basis for MRP can be found Section 27 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This is available online at the time of publication of this review here: <https://www.legislation.gov.uk/ukxi/2003/3146/regulation/27> . These regulations were amended in April 2024 by The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2024 at the time of writing available here: <https://www.legislation.gov.uk/ukxi/2024/478/contents/made> . The majority of these amendments to not take effect until 1st April 2025, although some in relation to MRP made for capital loans may apply earlier.
- 3.5 The fifth edition of the statutory guidance on MRP was published in April 2024 and is available at the time of publication here: <https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition/capital-finance-guidance-on-minimum-revenue-provision-5th-edition> . Like the most recent legislation the majority of changes in this edition of the guidance do not become applicably until the 1st April 2025. The previous fourth edition of MRP guidance was published in 2018 and is available here: <https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition#full-publication-update-history> .
- 3.6 For capital expenditure incurred before April 2008 the guidance defines prudence as charging MRP at 4% of the non-housing CFR at year end. However alternative methods of calculating MRP are allowable under the relevant MRP guidance.

- 3.7 The guidance provides several options for calculating prudent MRP but is clear that other calculation methods may also be considered prudent. Straight line and annuity methods over the asset's useful life are the most commonly used methods.
- 3.8 Arlingclose is of the view that the annuity method is superior since it spreads the total capital financing costs (interest plus MRP) evenly over the asset life, similar to a repayment mortgage, personal loan or finance lease. When MRP is made it increases an authority's cash balance, therefore reducing overall debt costs or increasing income from investment balances. The straight line approach keeps MRP itself even, but since interest costs reduce, it front loads the total financing cost. This is illustrated below on a notional CFR amount of £10m for a 25 year period at an interest rate of 5%:

Figure 1: Total revenue costs under straight line and annuity MRP methods:





Arlingclose believes that an approach where overall costs to council tax taxpayers over the life of the asset is even is more prudent as council tax payers are getting an even benefit from the assets.

- 3.9 It should however be noted that overall costs are slightly higher when using the annuity method: this is because under the annuity method the principal amount is repaid more slower resulting in higher overall interest costs. In the example above the average total cost per year is £660,000 under the straight line method and £710,000 under the annuity method.
- 3.10 The interest rate chosen to base annuity calculations on will have an effect on the profile of MRP made. This is discussed in more detail in section 10.0.
- 3.11 For leases and PFI arrangements both the fourth and fifth editions of the statutory guidance state: *“In the case of leases where a right-of-use asset is on the balance sheet and on balance sheet PFI contracts, the prudent charge to revenue can be regarded being equal to the element of the rent/charge that goes to write down the balance sheet liability.”*. However as with all areas of the guidance other methods are permissible provided that they are prudent.
- 3.12 Arlingclose are of the view that where the estimated asset life of a lease or PFI asset is different to the period over which the liability is being written down over (usually the same as the contract length of the lease or PFI), it is prudent to make MRP over the asset life. This is provided that, where asset life is longer the contract period, Oldham are likely to gain ownership of the asset or the asset is likely to continue to provide a service related benefit to council tax payers after the contract is over. This is because making MRP over the asset life fairly charges council tax payers over the period of time that they are getting the benefit of the asset.
- 3.13 The guidance allows local authorities to change their MRP calculation methods going forward, but changes cannot be backdated to create an overpayment that results in a credit to the general fund. Arlingclose would interpret this to mean that provided the MRP policy change is approved in the financial year 2024/25 changes could only apply from the year 2024/25 onwards.

4.0 Capital Expenditure and the Capital Financing Requirement

- 4.1 The starting point for any MRP review is to understand the Capital Financing Requirement (CFR) and how MRP is applied to reduce this balance over time.
- 4.2 The concept of CFR was introduced by the Prudential Code in 2003. It reflects all the capital expenditure incurred by a local authority that has yet to be permanently financed. The CFR will rise with debt funded capital expenditure. It reduces with MRP, or (more rarely) if capital receipts are applied to reduce it.

CFR calculation

- 4.3 The CFR may be calculated in two ways, both should result in the same answer.
- 4.4 The Prudential Code defines the CFR as being calculated directly from the balance sheet. It is the sum of all the capital assets minus the balances on the capital adjustment account and the revaluation reserve. The latest reconciliation that can be completed for the Council is as at 31st March 2024. This is shown for the Council below:

Table 1: Capital financing requirement calculated from the balance sheet:

	31/03/2024 £'000
Property, plant & equipment	960,500
Heritage assets	21,141
Investment property	19,624
Intangible assets	6,033
Long term investments that are capital expenditure	31,627
Long term debtors that are capital expenditure	11,929
Assets held for sale	610
Revaluation reserve	(442,438)
Capital adjustment account	(120,046)
Balance sheet CFR	488,980

- 4.5 The second method takes the previous year's CFR, adds on capital expenditure, subtracts the financing of this capital expenditure, subtracts MRP and subtracts any capital receipts applied. The Accounting Code of Practice requires disclosure of the CFR using this method. This is shown below:

Table 2: Capital financing requirement as per accounts disclosure note for year ending 31/03/2024:

	£'000
Opening CFR	465,723
Capital expenditure	81,858
Sources of finance	(40,375)
MRP	(18,226)
Closing CFR	488,980

- 4.6 This amount reconciles with the CFR calculated per the balance sheet, providing assurance that the balance sheet CFR of £488,980k has been calculated correctly.

5.0 Oldham's Current MRP Calculations

- 5.1 For non-PFI or finance lease assets Oldham make MRP on an asset life basis predominantly using the straight line method. For a small number of assets the annuity method is used using an annuity rate of 2.88%. This annuity rate comes from the PWLB certainty rate for the 40 year asset life of these assets at the time of acquisition.
- 5.2 For a number of older assets acquired between 2005 and 2016 although the straight line method is used assets acquired over different years have been grouped together, resulting in an MRP profile that is close to but not exactly the same as the straight line method. Original records are either not available or Arlingclose has not seen them.
- 5.3 Oldham make MRP on a straight line basis for the pre-2008 supported borrowing figure. This is made over a 50 year asset life starting from a previous review of MRP in 2016. This method replaced the previous 'regulatory method' of a 4% reducing balance. Historically not all charges to MRP for this amount have been even, so the straight line method has not been consistently applied. In future £2,742k per annum of MRP is expected to be made in relation to this part of the CFR for the next 42 years.
- 5.4 Oldham have an adjustment A of £19,602k. This is an amount of the CFR for which Oldham do not make MRP. The amount is historical and will be based on a past discrepancy between pre and post-2008 CFR methodology calculations.
- 5.5 A large proportion (£193,110k) of Oldham's CFR relates to liabilities under PFI arrangements. MRP is made in line with principal write downs of these liabilities which will broadly be on an annuity basis in line with contract length. MRP is made on £747k of the CFR that relates to finance leases in the same way.
- 5.6 £9,677k of the CFR relates to capitalised loans to the Manchester Airport Group. The CFR for this will be fully written down for in a single year in 2058/59 when the loan is expected to be repaid. The capital receipt from the loan principal repayment will be used to reduce the CFR instead of making MRP.
- 5.7 £27k of the CFR relates to transferred debt, MRP on this amount will be made over the next 5 years on a broadly straight line basis.
- 5.8 Unusually Oldham have a negative Housing Revenue Account (HRA) CFR of -£9,050k when PFI liabilities are excluded. This negative figure is a result of HRA refinancing in 2012. In addition the total HRA CFR includes two HRA PFI liabilities: £62,355k in relation to sheltered housing and £45,765k in relation to 'Gateways to Oldham'. This makes the total HRA CFR £99,070k.
- 5.9 Normally there is no requirement to make MRP on the HRA CFR as depreciation is a charge to the HRA so also making MRP would be double counting costs. Oldham agreed special dispensation to not charge depreciation for the HRA PFI assets however on the basis that maintenance costs will be met by the unitary charge payments to the PFI provider. Arlingclose and Oldham are therefore in agreement that in these circumstances MRP should be charged on the HRA PFI CFR. Oldham are making this MRP based on the write down of the liability in line with its other PFI assets. This is broadly on an annuity basis.

6.0 Oldham's Current MRP Policy

- 6.1 Arlingclose have reviewed Oldham's latest MRP Policy document. The document is not always consistent, in some instances makes references to MRP practices no longer applied and does not always reference parts of MRP practices that are applied (for example the adjustment A is not mentioned). In view of likely changes to policy if recommendations in this report are adopted, Arlingclose would suggest a re-write of the policy.
- 6.2 Arlingclose MRP policy template can be used as a guide but will need adapting to fit Oldham's method and circumstances.
- 6.3 The policy should clearly outline how Oldham make MRP and any areas of the CFR for which no MRP is made and why. Areas such as the method for choosing the annuity rate applied should be outlined. This document is approved by members and officers should not divert from the policy outlined in it when making MRP in practice.

7.0 Discrepancy Between the CFR and MRP

- 7.1 All MRP expected to be made in future plus any capital receipts expecting to be applied to the CFR should equal the current CFR unless there are specific amounts within the CFR for which no MRP is permitted to be made. This is because MRP (with any capital receipts applied) is designed to write down the CFR to nil over time.
- 7.2 Incorporating the adjustment A Oldham are making £1,157k less MRP than their current general fund CFR requires and £9,050 more MRP than their HRA CFR requires. This is indicated below:

Table 3: Discrepancy between the CFR and MRP being made:

	Total £'000	General Fund £'000	HRA £'000
CFR at 31/03/2024	488,980	389,910	99,070
Pre-2008 supported borrowing MRP	115,180	115,180	
Asset life MRP	158,530	158,530	
Capital Receipt from Manchester Airport Group loan	9,677	9,677	
General fund PFI MRP	84,990		
HRA PFI MRP	108,120		108,120
Finance lease MRP	747	747	
Transferred debt MRP	27	27	
Adjustment A	19,602	19,602	
Remaining discrepancy	(7,893)	1,157	(9,050)

8.0 Recommendation: Correction of the Underprovision of General Fund MRP

- 8.1 As explained in 7.2 above Oldham are underproviding MRP by £1,158k on the general fund. This MRP should be provided for so that the general fund CFR is written down to zero over time.

- 8.2 Unless the specific source of this discrepancy can be identified, which is unlikely, the best option is to profiled £1,158k of MRP costs on an asset life basis to fit in with Oldham's general approach to making MRP. This could be done over 50 years, but Arlingclose would believe it is more appropriate to profile this over the average remaining asset life of general fund assets identified in the CFR as at 31st March 2024. Arlingclose have calculated this to be 24 years.
- 8.3 This will incur costs although these will be outweighed in the short term by savings recommended in later parts of this report. These costs are included in the savings quoted in later parts of this report.

9.0 Recommendation: Correction of the Overprovision of HRA MRP

- 9.1 As explained in 7.2 above Oldham are overproviding MRP by £9,050k on the HRA. This is due to a negative non-PFI HRA CFR, which means if MRP on the whole HRA PFI CFR is provided for this would eventually lead to a CFR of -£9,050k rather than nil. This underprovision should be corrected for so that the HRA CFR is written down to zero over time.
- 9.2 The overprovision can be adjusted for by reducing the HRA MRP made by the £9,050k in line with Oldham's general approach to making HRA MRP. This is recommended to be on an annuity asset life basis over the average asset life of other assets in the HRA CFR which is 50 years.
- 9.3 An alternative approach to managing a negative CFR is to incur future capital expenditure without financing it: this rises the CFR to zero rather than a negative figure. When done in the general fund this makes savings because capital expenditure can be incurred effectively 'for free' - without resulting in MRP costs. However savings are not realised in the same way for the HRA where capital expenditure does not conventionally require MRP and depreciation will have to be made on assets regardless of their effect on the HRA CFR. Spreading savings as indicated in 9.2 is thus recommended as the most suitable option of realising savings. These savings are included in the savings quoted in later parts of this report.

10.0 Recommendation: Remove the Adjustment A

- 10.1 The concept of an 'adjustment A' is based on historical discrepancies between the pre and post-2008 methodologies for calculating MRP. It was initiated to stop local authorities being disadvantaged by the changes that took place. It is referred to in the guidance under the 'regulatory method' for calculating MRP: the 'regulatory method' means making MRP in line with pre-2008 regulations, in practice this being a 4% reducing balance basis.
- 10.2 Whilst a grey area, the continuation of an adjustment A when the regulatory method is no longer being applied is contentious. Although the statutory guidance does not specifically prohibit having an adjustment A if the regulatory method is not used, the reference to this adjustment is contained within the regulatory method section which strongly implies that it should not be used outside of the use of this method.
- 10.3 Whilst it is probable that many authorities retain their adjustment A despite no longer using the regulatory method, it has also been common for local authorities to remove this adjustment A as part of previous MRP reviews where the regulatory method ceased to be used.

- 10.4 Given the extra scrutiny around MRP at the present time and in the context of an overall review resulting in savings (discussed below) Arlingclose would recommend the prudent approach of removing the adjustment A. This will mean some higher MRP charges as MRP on this £19,602k amount will need to be made. It would be logical to make this MRP over a 42 year period in line with the remaining period on pre-2008 supported expenditure. Making this on an annuity basis will result in addition costs of £137k in 2024/25, rising to £1,102k in 2065/66. Costs based on this approach are included in the overall savings quoted in later parts of this report. In the short term these costs will be far outweighed by the other savings suggested from this review.
- 10.5 As the adjustment A is not mentioned in the current MRP policy there is an argument that removing it would be in line with the policy as agreed by Councillors.

11.0 Recommendation: Make MRP on the Manchester Airport Group Loan Equal to the ECL

- 11.1 As discussed in section 5.6 Oldham do not currently make any MRP in respect of a £9,677k capital loan to Manchester Airport Group (the loan was for approximately £30m in total but the £9,677k is the only proportion of this loan that is debt funded and thus forms part of the CFR). The full loan is expected to be repaid in 2058/59 when the capital receipt received from the principal repayment is planned to be used to reduce the CFR with respect of this loan.
- 11.2 Given that this is a maturity loan where capital receipts from principal repayments cannot be used to write down the CFR during the period when the loan provides benefit to council tax payers, Arlingclose would suggest that it is prudent to make some MRP on this loan.
- 11.3 Arlingclose would recommend the voluntary adoption for this loan of regulations now applicable to loans made after 7th May 2024. This would require the total historical MRP on the loan to be at least equal to the Expected Credit Loss (ECL) charge for that loan. For this loan only the proportion of the ECL related to the loan that is in the CFR would be relevant.
- 11.4 An ECL calculation is done annually for a loan. Generally the ECL will be small in comparison to the a loan's value, although where a borrower gets into financial difficulty the ECL charge can become much larger.
- 11.5 The last calculation of the ECL for this loan at 31st March 2024 calculated an ECL of £22k. If the ECL was the same amount for the 2024/25 year this would mean an MRP cost of £22k in 2024/25 in relation to this loan. Arlingclose have included this cost in the overall savings given later in in this report.
- 11.6 In practice the ECL amount is likely to be different but is unlikely to be significantly higher or lower in proportion to the loan amount. In subsequent years further MRP charges will only be required if the ECL value rises: if it falls overall MRP can be reduced by the amount of the fall. Provided no default occurs any ECL charge is written to nil once the loan is finally repaid and this amount can reduce the overall MRP charge for Oldham.
- 11.7 The MRP regulations in place until April 2024 did not stipulate clear rules about the treatment of capital loans. Historically Arlingclose would have advised asset life MRP for a maturity loan such as this one, but as the new guidance stipulates making MRP equal to the ECL charge as prudent Arlingclose are happy that this approach is applied.
- 11.8 Oldham's loan to the airport is very similar to loans that have been made to the airport by other local authorities in Greater Manchester. Oldham may wish to consult with these authorities about the treatment of their loans with respect to MRP as a consistent approach may be desirable.

12.0 A Discussion on Annuity Rates

- 12.1 Arlingclose would recommend that Oldham adopt the annuity method as opposed to the straight line method for MRP being made on an asset life basis and the pre-2008 supported borrowing CFR. Given the small sums involved Arlingclose would recommend that MRP for transferred debt continues to be made in line with the current method used.
- 12.2 As well as the decision to move to an annuity method a decision needs to be made on how to choose the percentage used for annuity calculations. There are no stipulations under MRP legislation or statutory guidance as to which interest rate to use. CIPFA's non statutory 'Practitioners' Guide to Capital Finance in Local Government' recommends the following: *"The rate chosen for any calculation should fairly represent the circumstances as they are likely to apply over the life of a particular project. Whilst interest rates cannot be predicted with any certainty, this would mean that authorities would not apply the prevailing rate where it was probable that this rate was temporarily high or low. Otherwise, it would probably be prudent for authorities to apply the prevailing PWLB rate for a loan with a term equivalent to the estimated life for the project."*
- 12.3 The general idea is that the percentage rate applied to the annuity should represent Oldham's cost of funding the capital asset over its life. Ascertaining what this should be is not straight forward and if all possible options are considered there are a huge number of scenarios that could be use. Some of the main options to consider are discussed below. These can be used in combination if desired: for example applying one option to the CFR to date and a different option to future debt funded capital expenditure.

Option 1: Use the PWLB certainty rate for the asset life

- 12.4 This means applying the PWLB certainty rate in the year that the asset is acquired for the life of the asset. So for example the 10 year certainty rate would be used for an asset life of 10 years. The idea behind this method is that the PWLB certainty rate broadly represents the cost of local authority funding and thus of financing the asset. The method is easy to use and easy to understand, it is the method that has been used already by Oldham for the small number of assets for which the annuity method has already been applied.
- 12.5 The main disadvantage of this method is that it may not accurately reflect an individual local authority's actual cost of financing. For example the authority may not need to take out a new loan and is financing the asset through previous loans for which it pays a different rate of interest.
- 12.6 When applying this method to assets purchased in the past because the MRP methodology is being changed a further decision needs to be made as to whether to use the PWLB certainty rate when the asset was originally acquired or when the policy is being changed. Whether the time period for the asset life when originally acquired or the remaining asset life when the policy is changed also needs to be decided on.
- 12.7 Using this method and applying the PWLB certainty rate at the time the policy is changed generally results in bigger short term savings as currently interest rates are high. Savings will be smaller if historical rates are used.
- 12.8 If the PWLB certainty rate at the time the asset was acquired are used this leads to a mis-match in time periods. As an example an asset purchased 4 years ago with a 10 year life has a 6 year remaining life. If the 10 year PWLB certainty rate at time of purchase is used this 10 year rate is only being applied to 6 remaining years. Alternatively the 6 year rate 10 years ago can be applied, but this would also not match the cost of funding at that time.

Option 2: Use the cost of borrowing short term

- 12.9 There is an argument that if an authority is funding most of their CFR through short term borrowing or internal borrowing (where the cost is effectively lost interest income which is usually the same as short term borrowing costs) than using a short term interest rate most accurately reflects the authority's cost of borrowing.
- 12.10 The market rate of SONIA is thought to be broadly representative of short term interest rates for local authorities and would be an easy to find interest rate to apply were this method to be used.
- 12.11 Arlingclose believe that if this method is applied it is only prudently applied if the annuity rate is updated annually with the prevailing short term rate, reflective of the authority's changing cost of financing. This will lead to an MRP cost that varies year to year with interest rates in a way that is unpredictable. This is not typically desirable for a local authority. Some of this variability in MRP cost will be mitigated by variable interest costs if the authority is truly funding most of its CFR on a short term basis: for example if interest falls MRP costs will be higher, but interest costs will be lower.
- 12.12 At 31st March 2024 Oldham are funding 39% of their CFR through internal borrowing and 7% through short term loans. 46% of the CFR is thus financed on a variable rate basis. So whilst this method would be representative of a large proportion of Oldham's financing costs it would not quite be representative of the majority of it.
- 12.13 Using this method would result in comparatively large short term savings as current short term interest rates are high. Savings in future years may be smaller if interest rates fall.

Option 3: Use Oldham's Weighted Average Actual Cost of Debt

- 12.14 The reasoning behind using this method is that it is more accurate in reflecting Oldham's actual cost of borrowing than the PWLB certainty rate. It would include any short term borrowing undertaken. Oldham would need to decide whether to choose their cost of borrowing at a point in time (typically year end) or an average cost of borrowing over a year (borrowing costs may vary on a day to day basis particularly if short term borrowing is utilised).
- 12.15 A variation of this method is to use an authority's incremental cost of new borrowing - the cost of new loans taken out over the year - rather than the cost of historically incurred borrowing. This may more accurately represent the cost of funding recently acquired debt funded assets. In situations where a specific loan has funded a specific asset the rate of this loan can also be used.
- 12.16 For PFI assets the rate implicit in the PFI arrangement can accurately be used to represent Oldham's cost of debt.
- 12.17 When applying this method to assets purchased in the past because the MRP methodology is being changed a further decision needs to be made as to whether to use the authority's cost of borrowing when the original asset was purchased or when the MRP policy is being changed. The former will require examination of past records of loans held which may not be available.
- 12.18 Using this method will typically result in smaller savings for non-PFI assets than the other methods discussed above as Oldham's historical cost of borrowing is lower than current borrowing costs. However applying the higher implicit interest rates for PFI assets leads to overall higher savings using this method.

12.19 A downside of this method is that it uses a blanket rate for all non-PFI assets regardless of asset life. So it does not account for the fact that longer asset lives typically incur higher interest rates when borrowing.

Option 4: Use Oldham's Weighted Average Actual Cost of Financing the CFR

12.20 This method takes into account an authority's actual cost of debt as above but also includes the cost of internal borrowing. The cost of internal borrowing is lost investment income: Oldham's average return on investments could be used for this, or alternatively SONIA may be a suitable proxy for investment returns especially incremental ones.

12.21 As above a variation on this method is to use an authority's incremental cost of new borrowing, the incremental cost of lost investment income could also be applied to the CFR funded by internal borrowing. Also as above, where a specific loan has funded a specific asset the rate of this loan can be used.

12.22 As above for PFI assets the rate implicit in the PFI arrangement can accurately be used to represent Oldham's cost of financing.

12.23 When applying this method to assets purchased in the past because the MRP methodology is being changed a further decision needs to be made as to whether to use the authority's cost of financing the CFR when the original asset was purchased or when the MRP policy is being changed. The former would ultimately be more accurate, although will require examination of past records of loans held which may not be available. An examination of past balance sheets would also be required to ascertain historical levels of internal borrowing.

12.24 Use of this method will lead to an MRP cost that varies year to year with interest rates in a way that is unpredictable. This is because the CFR funded through internal borrowing will attract a variable interest rate, as will any part of the CFR funded through short term loans. This is not typically desirable for a local authority. Some of this variability in MRP cost will be mitigated by variable interest costs as explained in section 12.11.

12.25 This method will result in smaller short term savings for non-PFI assets than using the PWLB certainty rate or short term rates as the cost of financing the CFR is lower than current interest rates. However applying the higher implicit interest rates for PFI assets leads to overall higher savings using this method.

12.26 Arlingclose believes that this method is ultimately the most technically accurate at representing the cost of financing the CFR. Using incremental costs in the year of asset acquisition would be most representative of true costs.

12.27 The main downside to this method is that it is exceptionally complicated and time consuming for officers to calculate and difficult for members to understand. Complicated MRP policies run the risk of not be followed correctly in future if errors are made in calculations.

12.28 Like the method described in option 3 above, this method uses a blanket rate for all non-PFI assets regardless of asset life. So it does not account for the fact that longer asset lives typically incur higher interest rates when borrowing.

Summary of Savings

12.29 A summary of savings made under the methods indicated above is given below:

Table 4: Savings from different annuity rate methods chosen:

Method	Saving in 2024/25 £'000	Saving Over the Next 10 Years £'000
Option 1: PWLB certainty rate, applying the rate at date of policy change	13,382	126,159
Option 1: PWLB certainty rate, applying the rate at date of asset acquisition	13,308	128,289
Option 2: Short term borrowing costs	13,619	Based on future interest rates
Option 3: Oldham's cost of borrowing, applying the rate at date of policy change	13,744	129,397
Option 4: Oldham's cost of financing the CFR, applying the rate at date of policy change	13,587	Based on future interest rates and CFR financing composition

13.0 Recommendation: Move to Annuity Method Using the PWLB Certainty Rate at the Date of Policy Change

- 13.1 Arlingclose would recommend that Oldham adopt the annuity method as opposed to the straight line method for MRP being made on an asset life basis and the pre-2008 supported borrowing CFR. Given the small sums involved Arlingclose would recommend that MRP for transferred debt continues to be made in line with the current method used.
- 13.2 In comparison to the straight line method the annuity method means less MRP is made in earlier years and more is made in later years. Although this may sound less prudent, as is discussed in section 3.8, the annuity structure for MRP when combined with interest costs leads to a smoother profile of costs. Arlingclose believe this is therefore more prudent than using the straight line method. When factoring in the time value of money it also becomes a more suitable option.
- 13.3 For the assets discussed in section 5.2 which have been grouped together for MRP calculations there will be no material difference in continuing to group these and applying the annuity method to the total outstanding for any group at 31st March 2024. If records are available Oldham can go back to original records and move to an annuity method for more individual assets if they wish.
- 13.4 Arlingclose would recommend that the PWLB certainty rate for the life of the asset should be used in the annuity calculation. For assets acquired historically the rate at the date of policy change for the remaining asset life at the policy change date should be used. This date is 31st March 2024. The exception is the small number of assets where the annuity method has been used since acquisition, for these assets the 2.88% rate should continue to be used. For assets newly acquired in future the PWLB certainty rate at the time of acquisition should be used.

- 13.5 For assets acquired in future if the date of acquisition is specific and known the PWLB certainty rate on that day can be used if desired. In general the most suitable and straight forward approach however is to use the average certainty rate for the year for all assets acquired in that year. The later method is advised for simplicity.
- 13.6 As an annuity method is being applied the PWLB certainty rate for the annuity loan (as opposed to the maturity or EIP loan) should be used.
- 13.7 Arlingclose believe that this method is most suitable because it is straight forward to use and understand. Significant officer resources will not be required during the year to calculate it. Whilst it may not be the most accurate method on a very purist interpretation of representing borrowing costs, it is broadly accurate at representing an authority's incremental costs associated with new debt funded capital expenditure. It is also consistent with the method that Oldham have historically applied to the small number of assets that it has used the annuity method for. The ultimate differences in MRP charged under this method and the other methods outlined is not overly significant. The difference in MRP charge between this and the cost of financing the CFR method is around £200k: around 2% of the overall MRP charge.
- 13.8 For historical assets using the certainty rate for the remaining asset life at 31st March 2024 aligns the remaining asset life with the appropriate rate rather than these being inherently mis-matched. It is straight forward to apply.
- 13.9 Arlingclose would not recommend using a rate based on short term borrowing costs as this does not represent Oldham's circumstances and will lead to an unpredictably variability in the MRP charge.
- 13.10 Arlingclose would also not recommend using a rate based on the cost of financing the CFR. Whilst Arlingclose believes this is the most technically accurate it would be highly complex to calculate and explain to members. It will lead to unpredictable variability in the future MRP charge.
- 13.11 If Oldham do not wish to use the PWLB certainty rate as an alternative they could consider the use of their actual cost of borrowing. This is relatively straight forward to calculate. Another alternative is to use Oldham's cost of borrowing at 31st March 2024 for historical assets in the CFR and the PWLB certainty rate for future debt funded expenditure (loosely representative of a future incremental cost of borrowing).
- 14.0 Recommendation: Make MRP Over the Asset Life Rather than Contract Length for Most PFI Assets**
- 14.1 As discussed in sections 3.11 and 3.12 above Arlingclose are of the view that it is prudent to make MRP for PFI assets over the remaining asset life rather than the contract length. This is provided the asset will continue to provide a benefit to council tax payers over its life.
- 14.2 Oldhams' PFI asset form a very significant portion of their CFR. The assets are summarised below:

Table 5: Summary of Oldham's PFI liabilities:

Asset	Remaining Liability £'000	General Fund / HRA	Remaining PFI Contract Length (Years)	Expectations of Asset at End of PFI Contract	Estimated Remaining Asset Life (Years)
Library	7,792	General fund	7	Oldham ownership	30
Schools	28,013	General fund	9	Convert to academy status	30 assumed
Chadderton	7,696	General fund	16	Option to purchase by Oldham for £4,891k	Not applicable
Sheltered housing	62,355	HRA	13	Oldham ownership	50
Street lighting	15,329	General fund	13	Oldham ownership	20
Gateways to Oldham	45,765	HRA	13	Oldham ownership	50
Building schools for the future	26,161	General fund	14	Convert to academy status	30 assumed

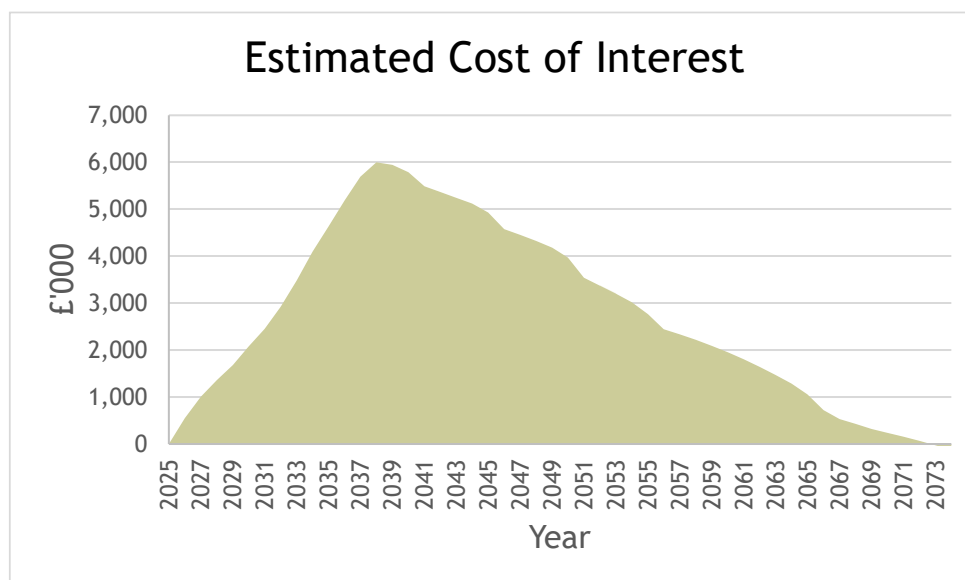
- 14.3 Of these Arlingclose would not advise that the MRP being made for Chadderton is changed. Chadderton is a wellbeing centre. The agreement is technically a LIFT (Local Improvement Finance Trust) rather than PFI arrangement although these are for all intents and purposes the same type of arrangement. Oldham has the option but not the obligation to purchase this asset for £4,891k at the end of the contract, if it does not exercise this option the asset will revert back to ownership by the LIFT private sector operator. Oldham do not yet know whether the option will be exercised. Based on this it is not suitable to spread MRP over a period longer than the contract period as the asset may no longer be providing benefit to council tax payers over this time.
- 14.4 Arlingclose would advise that MRP can be made over the asset life of schools even though one school has already been converted to academy status and the remaining two will convert before the end of the PFI contract. The schools will remain a service benefit to council tax payers over their asset life so charging MRP in this way is still fair. It is not uncommon for councils to be required to continue making MRP after an asset's disposal, particularly if no capital receipt is received for the asset sale that can be applied to reduce the CFR (which would be the case here as Oldham would not be expected to receive any cash for the asset being transferred to an academy).
- 14.5 Arlingclose do not have information on the expected remaining asset life of these schools so have assumed 30 years for their calculations. Oldham should update this with the correct period which may result in higher or lower short term savings.
- 14.6 Oldham do not have to spread MRP over the longer asset life for schools and can retain their current methodology if they wish. This will result in lower short term savings than are outlined in this report.
- 14.7 Arlingclose would advise that MRP can be spread over the remaining asset life rather than the remaining contract period for all other PFI assets where Oldham and Arlingclose have a clear estimation of remaining asset life.

- 14.8 Arlingclose would recommend that MRP over the remaining asset life should be made on an annuity basis based on the PWLB certainty rate at the time of policy change. This is line with other assets as is outlined in section 13.0. Although the implicit interest rates in the PFI arrangement will be higher than this interest rate, these are less relevant when MRP is being applied over an asset life that is quite different to the contract length that this implicit interest rate will have been calculated based on.

15.0 Savings and Costs from Recommendations

- 15.1 Adopting these recommendations will result in short term savings because of the change to the annuity method and the lengthening of the MRP provision period for PFI assets. Reducing the discrepancy between the CFR and MRP made will incur costs in the general fund and savings in the HRA, removing the adjustment A will incur costs.
- 15.2 It is important to understand that when the MRP charge is reduced this leads to less cash being available for Oldham, conversely if the MRP charge is raised more cash is available for Oldham. This is because MRP is an accounting charge that does not involve any cash expenditure. When the MRP charge is raised in order to set a balanced budget Oldham has to spend less cash on other things, driving up cash levels. The reverse is true when the MRP charge is lowered.
- 15.3 Less cash will lead either to lower investment income or higher borrowing costs depending on the Oldham's overall cash position. Short term interest rates can be used to estimate what these costs will be in future years. If the Council planned to borrow on a long term, fixed rate basis to cover any cash shortfall these costs may be a little higher.
- 15.4 The effect of lower investment income or higher borrowing costs is cumulative: as lower amounts of MRP are charged each year the cash shortfall gets increasingly bigger. Adopting the changes recommended in this report will mean an increasing large borrowing need until 2037 when higher MRP cost will begin to reduce this additional need over time. With the exception of minor savings in the years 2073 and 2074 borrowing costs will not be less in any year than if the previous method was maintained: it is only the amount they are larger by that decreases in later years.
- 15.5 Additional borrowing costs are likely to be considerable given then higher interest rate environment we are now in. On a central case estimate for future interest rates costs are likely to be around £137,064k over a 50 year period, ranging from nothing to £5,997k in any given year. Costs are dependent on how high future interest rates will be which is very uncertain over a 50 year period. The profile of estimate future additional interest rate costs is shown in Figure 2 below:

Figure 2: Estimated additional interest costs:



- 15.6 Oldham will need to consider these additional costs carefully. Any change to the MRP policy that results in lower MRP costs will ultimately incur higher interest costs. Indeed, any spreading out of costs at all through the MRP process as opposed to expensing them all in year will incur higher interest costs!
- 15.7 Arlingclose continue to believe that a move to the annuity method remains prudent and within the letter and spirit of guidance. As discussed above it results in a smoother overall cost profile for council tax payers. Due to the time value of money it is a cost effective option on a net present value basis.
- 15.8 Arlingclose also believe that making MRP over the asset life rather than PFI contract life for PFI assets is the more prudent method as it is charging council taxpayers over the period with which they benefit from the asset. Arlingclose judge that this is still the case for schools which will become academies at the end of the PFI contract.
- 15.9 The MRP policy changes recommend result in an overall savings over a 50 year period on a net present value basis. This is typically regarded as the 'acid test' of whether a change is appropriate.
- 15.10 If Oldham adopted all the recommendations above the savings of this over the next 10 years' based on past actual capital expenditure to 31st March 2024 are given in table 6 below. In the bottom two rows these total savings are split as to those attributable to the general fund (GF) and those attributable to the HRA:

Table 6: Savings over 10 years be adopting recommendations based on known capital expenditure to 31st March 2024:

Year Ended	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
31 st March:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MRP saving	13,382	13,988	13,922	11,058	14,158	15,075	16,667	17,292	16,032	14,224
Extra interest (cost)	-	(557)	(1,008)	(1,365)	(1,686)	(2,078)	(2,453)	(2,918)	(3,477)	(4,096)
Total saving	13,382	13,431	12,914	9,693	12,472	12,997	14,214	14,373	12,555	10,128
<i>Total saving (GF)</i>	<i>7,757</i>	<i>7,747</i>	<i>8,153</i>	<i>5,677</i>	<i>8,095</i>	<i>7,778</i>	<i>7,622</i>	<i>6,631</i>	<i>4,363</i>	<i>1,522</i>
<i>Total saving (HRA)</i>	<i>5,625</i>	<i>5,684</i>	<i>4,761</i>	<i>4,015</i>	<i>4,377</i>	<i>5,218</i>	<i>6,591</i>	<i>7,742</i>	<i>8,191</i>	<i>8,606</i>

- 15.11 Total savings are £126,159k over the next 10 years, or £95,046k if these savings are discounted using a nominal green book rate of 5.6% for up to and including 30 years and 5.1% for over 30 years.
- 15.12 Total savings attributable to the general fund are £65,347k over the next 10 years, or £50,669k if these savings are discounted using a nominal green book rate as above.
- 15.13 Total savings attributable to the HRA are £60,811k over the next 10 years, or £44,377k if these savings are discounted using a nominal green book rate as above.
- 15.14 The quoted Treasury 'green book' rate is 3.5% up to 30 years and 3.0% thereafter. Arlingclose have used the green book rate as our discount rate but as the quoted rates are real rates (including inflation) these have been converted into nominal rates (not including the effect of inflation). This is because our calculations already include the effect on inflation because we are accounting for increased interest (which incorporates inflation) on lower cash levels. Using a real discount rate double counts the effect of inflation. If you were to use a real discount rate you would typically not include interest within your calculations.
- 15.15 Nominal interest rates are higher than real interest rates. If inflation is guaranteed to be zero you may be happy that 3.5% represents the cost to you of having money in one year's time as opposed to now. However if you know that inflation will reduce the value of your money by 2% over a year you will want extra compensation for this in the nominal (actual) interest rate offered.
- 15.16 The nominal discount rate used is dependent on assumptions around future inflation. Arlingclose have assumed inflation of 2% (the Bank of England's target) over the next 50 years. This is a fairly standard assumption.
- 15.17 Over the life of making MRP on MRP alone there is a cost of £11,709k if the recommendations are adopted: this is the additional MRP for the adjustment A, plus the correction of the underprovision of MRP for the general fund minus the correction for the overprovision of MRP for the HRA. A cost of £20,759k is attributable to the general fund whilst there are savings of £9,050k attributable to the HRA.
- 15.18 There is no overall cost or savings on an undiscounted basis of just the move to an annuity method or the shift to asset life for PFI assets as the same MRP ultimately needs to be provided for.

15.19 As discussed in sections 15.2 to 15.6 above the lowering of the MRP charge in early years is expected to lead to overall higher interest costs of £137,064k. Of this £51,749 would be attributable to the general fund and £85,315k to the HRA. These could be higher or lower depending on how high or low future interest rates are. Oldham will need to carefully consider these costs if it wishes to follow Arlingclose recommendations and make these changes to their MRP policy.

15.20 On a discounted basis due to the time value of money overall lifetime savings of £40,896k can be identified. £16,687k of these savings would be for the general fund and £24,209k for the HRA. The size of this saving is dependent on the discount rate used which involves a degree of subjectivity.

15.21 The savings that arise from this change of method will in actuality be greater than the above as they can also be applied to future capital expenditure that forms the CFR. However knowing exactly what these savings will be at the present time is not possible as it is not certain how much capital expenditure will be incurred in future. However by using information from the forecasted 2024/25 position and projections for expected debt funded capital expenditure up until 2028/29 can give us an estimate. Savings are estimated as indicated in table 7. In the bottom two rows these total savings are split as to those attributable to the general fund (GF) and those attributable to the HRA:

Table 7: Savings over 10 years be adopting recommendations based on known past and estimated future capital expenditure:

Year Ended 31 st March:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MRP saving	13,382	14,902	15,533	12,770	16,145	16,890	18,268	18,667	17,306	15,389
Extra interest (cost)	-	(557)	(1,041)	(1,449)	(1,823)	(2,272)	(2,695)	(3,205)	(3,809)	(4,478)
Total saving	13,382	14,345	14,492	11,321	14,322	14,618	15,573	15,462	13,497	10,911
<i>Total saving (GF)</i>	<i>7,757</i>	<i>8,661</i>	<i>9,730</i>	<i>7,306</i>	<i>9,945</i>	<i>9,400</i>	<i>8,982</i>	<i>7,720</i>	<i>5,306</i>	<i>2,304</i>
<i>Total saving (HRA)</i>	<i>5,625</i>	<i>5,684</i>	<i>4,761</i>	<i>4,015</i>	<i>4,377</i>	<i>5,218</i>	<i>6,591</i>	<i>7,742</i>	<i>8,191</i>	<i>8,606</i>

15.22 Total savings are estimated to be £137,923k over the next 10 years, or £103,770k if these savings are discounted using a nominal green book rate.

15.23 Total savings attributable to the general fund are £77,112k over the next 10 years, or £59,393k if these savings are discounted using a nominal green book rate.

15.24 Total savings attributable to the HRA are £60,811k over the next 10 years, or £44,377k if these savings are discounted using a nominal green book rate. No additional HRA debt funded capital expenditure requiring MRP has been assumed in future, so these saving are the same as those outlined in table 6.

15.25 As above over the life of making MRP there is an overall cost of £11,759k if the recommendations are adopted due to making MRP on the adjustment A and an overall underprovision of MRP.

15.26 On a discounted basis due to the time value of money overall lifetime savings of £45,103k can be identified. £20,894k of these savings would be for the general fund and £24,209k for the HRA. The size of this saving is dependent on the discount rates used which involves a degree of subjectivity.

16.0 Other Recommendations to Consider

- 16.1 Oldham should consider reviewing the asset lives of non-PFI assets that form the existing CFR. If asset lives are longer than they have been historically judged to be the MRP can be spread over a higher number of years and will thus be a lower cost per year. Conversely however if asset lives are shorter than they have been judged to be costs will need to be spread over a shorter number of years so this strategy is not without risk. The resource implication and cost involved in assessing asset life should also be considered against any potential savings that can be made.
- 16.2 Oldham have correctly included no asset lives longer than 50 years in line with current guidance. Currently guidance does however let a longer than 50 life be used in circumstances where: *“a local authority has an opinion from an appropriately qualified professional advisor that an asset will deliver service functionality for more than 50 years”*. For any larger value assets within the CFR where Oldham believes it is likely that asset life is longer than 50 years it may be worth the cost of seeking a professional opinion so as to extend asset lives and make MRP savings. This will not be possible for land however, which has an unlimited asset life but where MRP must be spread over a minimum of 50 years.
- 16.3 When capital expenditure is incurred in the future, financing in the form of grants, capital receipts or direct revenue funding should where possible be applied to the shorter term assets. This allows for longer term assets to form the CFR and a lower MRP cost as the cost of these assets can be spread over a longer period.

17.0 Recent Changes to MRP Regulations

- 17.1 As mentioned in sections 3.4 and 3.5 above there have been recent changes to MRP legislation and statutory guidance. These were largely aimed at preventing more controversial MRP practices by a small number of authorities. They have not had a significant impact for most authorities.
- 17.2 The main changes can be summarised as follows:
- More MRP regulations have been put into law as well as guidance. This means that contravention of them can be regarded as ‘illegal’ rather than just not adhering to guidance.
 - The new guidance states that ‘local authorities should not change their MRP policy or methodologies where the primary objective of any change is to reduce the revenue charge.’.
 - MRP must be made on the whole CFR unless there is a pre-existing exemption in place for this (for example the HRA CFR does not normally require MRP). The CFR is defined as being calculated from the balance sheet.
 - Capital receipts cannot be used to directly replace MRP in a single year: however they can still be applied to reduce the CFR and therefore MRP in future years. There are specific exemptions for capital loans.
 - Capital loans are loans which a local authority has made to a third party which the authority is required to treat as capital expenditure. Principal repayments received on these loans can still be applied to reduce the MRP charge in year. However authorities will be required to make an MRP charge that is as a minimum equal to the expected credit loss charge for these loans.
- 17.3 Changes take effect from 1st April 2025 except for the final bullet point above which came into effect on 7th May 2024.

- 17.4 Given Oldham's current and recommended MRP practices Arlingclose do not consider that the changes to regulation around MRP is going to have a significant impact on Oldham. Arlingclose would recommend that recommendations suggested in this report are implemented in this financial year, as doing so next year may be more problematic as the change in policy results in a saving.
- 17.5 Arlingclose are expecting closer scrutiny from auditors around MRP. By removing the adjustment A, making prudent MRP on the loan to Manchester airport and ensuring MRP made is in line with the CFR Arlingclose believe that adopting these recommendations will demonstrate prudence.
- 17.6 Oldham should be mindful that if capital loans are made in future as a minimum MRP at least equal to the ECL charge will be required. It will no longer be possible to make these loans whilst incurring no MRP costs. In most instances the ECL charge will not be overly large, although in the events that the borrower experiences financial difficulties that charge can rise substantially.

18.0 Conclusions

- 18.1 Based on current calculations Oldham are underproviding MRP by £1,158k on the general fund and overproviding MRP by £9,050k on the HRA.
- 18.2 Arlingclose would recommend that MRP is provided for Oldham's current adjustment A amount of £19,602k. The costs of this will be outweighed in the short term by other MRP policy changes recommended and making this MRP is in line with guidance and demonstrates prudence.
- 18.3 Arlingclose would recommend the MRP equal to the ECL charge is made for the loan to Manchester Airport Group: this MRP charge is likely to be small at around £22k for the 2024/25 financial year.
- 18.4 Arlingclose recommend that Oldham move from a straight line method to an annuity method for all the pre-2008 supported borrowing CFR and all MRP made on an asset life basis. The PWLB certainty rate should be used at the date of imposition of this policy (31st March 2024) for historical assets, for new future assets the PWLB certainty rate for the year of acquisition should be used. Assets that have historically had the annuity method applied since acquisition should continue to use their 2.88% annuity rate.
- 18.5 Arlingclose would recommend making MRP over the remaining asset life of PFI assets rather than PFI contract length. This is recommend for all PFI assets that are expected to continue to provide a benefit to council tax payers over their lifetime: these include schools assets which have or are expected to be converted to academy status before the end of the contract.
- 18.6 Arlingclose would recommending continuing with their current method of making MRP finance lease assets and the transferred debt.
- 18.7 Adopting these changes is expected to make savings of £13,382k in 2024/25: £7,757k of these would be attributable to the general fund and £5,625k to the HRA. £126,159k in savings are expected over the next 10 years £65,347k of these would be attributable to the general fund and £60,811k to the HRA.
- 18.8 Although the annuity method results in short term savings and long term costs Arlingclose believes that it is prudent as it gives a smoother profile of overall costs to Oldham once interest costs are taken into consideration.
- 18.9 Moving to asset life rather than PFI contract length for PFI assets also results in short term savings and long term costs. However Arlingclose believe it is prudent to charge council tax payers in line with when they are receiving the benefit of the asset rather than the PFI contract length.

- 18.10 Further savings will be realised in future as the annuity method is applied to future expected debt funded capital expenditure. These savings are expected to be £137,923k over the next 10 years: £77,112k attributable to the general fund and £60,811k to the HRA.
- 18.11 Reducing the MRP charge does increase interest costs to the authority. These would be expected to be around £137,064k over the next 50 years. Oldham should carefully consider these cost when changing their MRP policy.
- 18.12 New MRP regulations were published in April 2024 most of which take effect from 1st April 2025. Arlingclose would not expect these to have a significant impact on Oldham.

This page is intentionally left blank

Revised Annual Minimum Revenue Provision Statement 2024/25

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The Guidance provides suggested methods for the calculation of MRP that the DLUHC consider to be prudent, however the Guidance and legislation do not define what is prudent. It is for each Council to determine a prudent repayment based on its own individual circumstances, considering the medium and long-term financial plans, current budgetary pressures, future capital expenditure plans and funding needs.

The current MRP policy has not been changed since 2017/18, when the basis for charging for capital expenditure incurred before 1st April 2008 was amended from a 4% reducing balance charge (the regulatory method) to a straight-line charge over 50 years. The changes to the financial landscape which the Council is now faced, including recent increases in interest rates and inflationary impacts across all Council service areas mean it is sensible to review the Policy now.

Any change to the Council's MRP Policy needs to consider:

- Its appropriateness and compliance with the MRP guidance.
- Affordability, prudence and sustainability with regard to current revenue budgets of the Authority, balanced against deferring costs of future Council Taxpayers.
- The Authority's future capital programme in terms of complexity, variability and deliverability.
- Capital Financing Requirement (CFR) forecasts and the level of borrowing proposed by the Authority in future years.
- S151 officer consideration of what constitutes a prudent provision

Current Minimum Revenue Provision Policy

For non-PFI or Finance lease assets the Council makes MRP based on the expected asset life on a straight-line basis. For a small number of assets the annuity method is used using a rate of 2.88%. This rate is based on the PWLB certainty rate for the 40-year life of the assets at the time of acquisition.

For PFI and finance lease assets MRP is made in line with principal write downs of the lease liability, which broadly on an annuity basis, over the length of the PFI/Lease contract.

There is a capitalised loan to the Manchester Airports Group that forms part of the CFR. The CFR for this loan will be written down in full in a single year in 2058/59 when the loan is

expected to be repaid. The Capital receipt from the loan principal repayment will be used to reduce the CFR instead of making MRP.

As a result of the national HRA refinancing in 2012 the Council has a negative HRA CFR (excluding the Housing PFI Contracts) of -£9.050m. HRA MRP, other than in relation to PFI Assets is made.

Proposed Changes to existing Policy

It is proposed to use the annuity method as opposed to the straight-line method for MRP being made on the asset life basis and the pre-2008 supported borrowing CFR. The interest rate to be used when calculating the annuity will be the PWLB certainty rate for annuity loans for the remaining life of assets (42 years for the pre 2008- supported borrowing CFR) at the date of the policy change (1st April 2024) for existing borrowing and average certainty rate for annuity loans for the relevant lives of assets in the year of acquisition for subsequent capital expenditure.

It is proposed to make MRP over the asset life rather than contract length for PFI Assets where the ownership of the assets pass to the council at the end of the contract or the assets continue to provide a benefit to the council over their life.

It is proposed to remove Adjustment A from the calculation of the MRP on pre-2008 supported borrowing.

It is proposed to reduce the HRA overprovision of MRP to nil.

Rationale for Changes

Annuity Method

The annuity method is an acceptable method for making MRP and is explicitly mentioned in the statutory guidance on MRP. The annuity method spreads the total capital financing costs (MRP plus interest) evenly over the asset life, similar to a repayment mortgage. When MRP is made it increases the Council's cash balances, therefore, reducing overall debt costs or increasing income from investment balances. The straight-line approach keeps MRP itself even, but as interest costs reduce over time, it front loads the total financing costs.

As the annuity method is an approach where overall costs to council taxpayers over the life of an asset is even is more prudent as council taxpayers are getting an even benefit from the assets. However, it should be noted that overall costs are slightly higher when using the annuity method as the principal is repaid more slowly resulting in higher overall interest costs. Conversely, when factoring in the time value of money the annuity method becomes a more suitable option.

PFI Useful Asset Lives

The council consider that it is prudent to provide for MRP over the asset life rather than the contract period. This is provided that the, where the asset life is longer than the contract length, the Council are likely to gain ownership of the asset or the asset is likely to continue to provide a service related benefit to council taxpayers after the contract is over. This is because

making MRP over the life of the asset fairly charges council tax-payers over the period that benefits are received from the asset.

Removal of Adjustment A

Adjustment A is based on historical discrepancies between the pre-and post-2008 methodologies for calculating MRP. It is referred to in the guidance under the “regulatory method” for calculating MRP. The regulatory method was to make MRP on a 4% reducing balance method. Adjustment a is applied to the proportion of the CFR that relates to pre-2008 supported borrowing.

When the Council amended its MRP policy to provide for supporting borrowing on a straight-line basis from the regulatory method it retained an Adjustment A of £19.602m. Although the statutory guidance does not prohibit the use of Adjustment A where the regulatory method is not used, the only reference to this adjustment is contained within the regulatory method section of the statutory guidance.

In order demonstrate prudence, ensure compliance with the statutory guidance and to be able to demonstrate that the Council is providing for the CFR in full over time with MRP.

Correction of the overprovision of HRA MRP

The overprovision of MRP in the HRA CFR of -£9.050m will be made in line with the general approach to making HRA MRP, which will be an annuity asset life method over the average asset life of other assets in the HRA which is 50 years. This will ensure that the HRA CFR is written down to zero over time.

Revised MRP Policy Statement

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance

- For capital expenditure incurred before 1st April 2008 MRP will be determined on an annuity basis using the PWLB certainty rate at the date of the policy change (1st April 2024) assuming a remaining life of 42 years.
- For capital expenditure incurred after 31st March 2008 up to 31st March 2023, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis using the PWLB certainty rate for the remaining asset life at the date of the policy change, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For PFI assets where the asset passes to the Council at the end of the contract or the Council continues to receive service benefit from the assets beyond the life of the contract

MRP will be determined over the remaining life of the assets on an annuity basis using the PWLB certainty rate for the remaining life at the time of the policy change.

- For assets acquired by leases or the Private Finance Initiative (where the asset does not pass to the Council at the end of the contract or the Council does not receive service benefits beyond the life of the contract) , MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.
- No MRP will be charged in respect of non- PFI assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.
- MRP on transferred debt is provided for on an annuity basis in line with schedules sent to the Council from the Lead authority administering the debt.

Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26 or later.

Based on the Authority's capital financing requirement (CFR) at 31st March 2023, the charges for MRP under the revised and previous MRP policies is shown below:

	31/03/2024 CFR (£000)	Existing 24/25 MRP (£000)	Proposed 24/25 MRP (£000)	Difference (£000)
Pre -2008 Supported Borrowing	116,337	2,742	805	1,937
Asset Life MRP	158,530	7,701	5,876	1,825
Loans	9,677	0	0	0
PFI Schemes & Finance leases	193,857	11,654	1,897	9,757
Transferred Debt	27	5	5	0
Adjustment A	19,602	0	137	-137
HRA CFR	-9,050	0	-41	41
Total	488,980	22,102	8,680	13,422

Overall MRP Payment Profile

The profile of total MRP payments expected over the next 50 years under both policies is shown in the table below:

	1-10 years (£000)	11-20 years (£000)	21-30 years (£000)	31-40 years (£000)	41-50 years (£000)	Total (£000)
Current Policy	243,626	127,553	47,851	42,663	7,057	468,751
Revised Policy	97,306	112,351	102,981	102,527	64,138	479,303
Saving (Cost)	146,320	15,202	-55,130	-59,863	-57,081	-10,553

Overpayments: In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to utilise the brought forward amount from 2023/24 in 2024/25 as part of the review of MRP policy.

MRP Overpayments	£m
Actual balance 31.03.2023	4.8
Approved draw down 2023/24	(3.8)
Expected balance 31.03.2024	1
Planned draw down 2024/25	(1)
Forecast balance 31.03.2025	0

This page is intentionally left blank



Report to Audit Committee

Audit Committee Chair- Charged with Governance - Management Processes and Arrangements

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader / Cabinet Member for Value for Money and Sustainability

Officer Contact: Sarah Johnston, Director of Finance

Report Author: John Miller, Head of Audit and Counter fraud.

28 November 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 relationship with the External Auditor, including consideration of:**
- (iv) issues arising from the audit of the Annual Statement of Accounts.**

To enable the Council's external auditors, Mazars LLP, to carry out their duties under the Local Audit and Accountability Act 2014, the Audit Committee, via the Chair, is required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

Executive Summary

In carrying out their annual audit of the Council, Mazars LLP comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC).

ISAs require the auditor to make enquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud

affecting the entity. These enquiries are made in part to corroborate the responses to the enquiries of management.

Mazars LLP has sent the Audit Committee a questionnaire setting out their enquiries of TCWG. The letter and questionnaire are shown in Appendix 1, and the Chair of the Audit Committee's proposed responses are set out in Appendix 2.

Recommendation

That Members of the Audit Committee are asked to review and approve the Council's response.

One St Peter's Square
Manchester
M2 3DE
United Kingdom

Tel: 0161 238 9200
forvismazars.com/uk



Members of the Audit Committee
Oldham Metropolitan Borough Council
Civic Centre, West Street
Oldham
OL1 1UT

Direct line +44 (0) 161 238 9333

Email yogita.das-patel@mazars.co.uk

Date 25th June 2024

Dear Councillors,

Audit 2023/24 - understanding those charged with governance processes and arrangements

We are required by auditing standards to maintain a good understanding of the Authority's management processes and arrangements. This enables us to deliver an efficient audit and reduces the time the Authority's staff need to spend responding to auditors' queries. As part of this process I would be grateful if you could provide a response to the following questions on behalf of the Audit Committee:

- How do you exercise oversight of management's processes in relation to:
 - undertaking an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the Authority, including any specific **risks of fraud** which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
 - **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating and monitoring against the Authority's code of conduct); and
 - communicating to you the processes for **identifying and responding to fraud or error**.
- How do you **oversee management processes** for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2023/24? If so, please provide details.
- How do you gain assurance that **all relevant laws and regulations have been complied with**? Are you aware of any instances of non-compliance during 2023/24? If so, please provide details. Are you aware of any **actual or potential litigation or claims that would affect the financial statements**? If so, please provide details.
- Are you aware of any **actual or potential litigation or claims that would affect the financial statements**? If so, please provide details.

Forvis Mazars LLP

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

- Have you carried out a **preliminary assessment of the going concern assumption** and if so have you identified any events which may cast significant doubt on the Authority's ability to continue as a going concern? If so, please provide details.

In addition to the above, which cover the Authority's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2023/24.

I would be grateful if you could respond by letter or email on behalf of the Audit Committee by 30 September 2024. In the meantime, please don't hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Yogita Das-Patel
Audit Manager

Appendix 1

Question	Response
1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2023 – 31 March 2024 (if 'yes', please provide details)?	
2. Do you suspect fraud may be occurring within the organisation?	
3. Have you identified any specific fraud risks within the Council?	
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?	
5. If not where are the risk areas?	
6. How do you encourage staff to report their concerns about fraud?	
7. What concerns about fraud are staff expected to report?	
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	

10.	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	
11.	Are there particular balances in the accounts where fraud is more likely to occur?	
12.	Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	
13.	Could a false accounting entry escape detection? If so, how?	
14.	Are there any external fraud risk factors, such as collection of revenues?	
15.	Are you aware of any organisational or management pressure to meet financial or operating targets?	
16.	Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	
17.	What arrangements has the Council put in place in response to the Bribery Act 2010?	

Question	Management Response
<ul style="list-style-type: none"> How do you exercise oversight of management's processes in relation to: 	
<ul style="list-style-type: none"> undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent, and frequency of these assessments); 	<p>In my role as Chair of the Audit Committee, I can advise that the Director of Finance provides regular updates to the Audit Committee on matters relating to the production of the Statement of Accounts. Arrangements are in place for staff within the Finance Team to attend appropriate training courses so that they have up-to-date technical knowledge and skills. The Council has in place a robust quality assurance system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed records.</p> <p>This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function. These audits include a follow up of previously agreed actions. The findings arising from the financial audits are reported to the Audit Committee on a regular basis and updates are provided against specific areas and/or systems as requested by the Audit Committee.</p> <p>The detailed audit programme, for each financial system, reflects the risk of fraud and error and the Council's External Auditors review the work completed as appropriate. This review contributes to the assessment of the risk of material misstatement.</p> <p>The Annual Report from the Head of Audit and Counter Fraud gives an opinion on the overall control environment adding to the assurance the underlying processes for processing transactions are appropriate and this includes the conclusions from the audit reviews of the financial systems.</p> <p>Audit Committee Members have received training in their role and responsibilities, including their role in reviewing the Authority's Financial Statements most recently through training provided by CIPFA on 3 and 19 June 2024.</p>
<ul style="list-style-type: none"> identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure 	<p>The Audit and Counter Fraud (A&CF) Team identifies and responds to the risk of fraud via the on-going review of the A&CF Plan. This is an annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment.</p> <p>This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).</p>

Question	Management Response
for which a risk of fraud is likely to exist;	The Head of Audit and Counter Fraud ensures that the risk of fraud is highlighted to the Audit Committee the regular service updates submitted to the Audit Committee.
<ul style="list-style-type: none"> communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating, and monitoring against the Council's code of conduct); and 	<p>The Council's Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the "Nolan Principles Standards of Public Life", "Gifts and Hospitality", "Disclosure of Information", "Relationships", "Contractors" and "Behaviour during Tendering".</p> <p>The Council's Code of Conduct is available via the Council's Intranet and is included as part of the Council's induction training.</p> <p>The Members Code of Conduct sets out the standards expected from elected Members.</p> <p>Respective Codes of Conduct are regularly reviewed.</p>
<ul style="list-style-type: none"> communicating to you the processes for identifying and responding to fraud or error. 	<p>As Chair of the Audit Committee, I can advise that fraud risks and issues are reported by the Head of Audit and Counter Fraud in the A&CF Plan, the Fraud and Loss Risk Assessment and via regular specific reporting.</p> <p>A suite of updated Counter Fraud policies was presented to, reviewed by and approved by the Council's Audit Committee on 26 March 2024.</p>
<ul style="list-style-type: none"> How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2023/24? If so, please provide details. 	<p>The A&CF Plan as reported to the Audit Committee includes reviews of management process and controls. The conclusions and actions arising from the audits in the plan, and any ad hoc reviews, are reported to the Audit Committee regularly as part of the summary of Internal Control Matters in each Directorate/Service area.</p> <p>A&CF agree recommendations with managers to improve internal control, which are routinely subject to follow-up. The 2023/24 Annual Report by the Head of Audit and Counter Fraud sets out his opinion to inform the Audit Committee.</p>
<ul style="list-style-type: none"> How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2023/24? If so, please provide details 	<p>In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council's Committees include formal comments from appropriate statutory officers.</p> <p>Internal Audit reviews whether the Council has adhered to relevant legislation and guidance as part of its ongoing audit arrangements and programmes.</p>
<ul style="list-style-type: none"> Are you aware of any actual or potential litigation or claims 	All appropriate and significant matters have been incorporated into the production and review of the Council's AGS.

Question	Management Response
that would affect the financial statements? If so, please provide details.	As at 31 March 2024, there is no specific matter which is required to be reported upon in the accounts.
<ul style="list-style-type: none"> Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern? If so, please provide details. 	<p>By compliance with professional standards, the Director of Finance presents a balanced budget for approval at full Council and prepares the Council's financial statements on the going concern basis of accounting. This confirms the ability of a business to meet its financial obligations when they fall due.</p> <p>The 2023/24 Draft Statement of Accounts sets out that the financial statements are prepared on a going concern basis. Additional reports such as the Reserves Policy are submitted to this Committee to provide additional assurance on the going concern basis.</p> <p>Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement it would influence the decisions made by users of the accounts. This could be due to the value or the nature of the disclosure.</p> <p>All significant matters affecting the Council are discussed in the Council's AGS and in the Director of Finance' narrative report to the Annual Statement of Accounts.</p> <p>In my role of as the Chair of the Audit Committee, I liaise with the Head of Audit and Counter Fraud and the Director of Finance and can therefore receive specific briefings on the overall financial position of the Council. I can request detailed information on any issues should I have any concerns.</p>

Question	Response
1. Are you aware of any actual, suspected, or alleged instances of fraud during the period 1 April 2023 – 31 March 2024 (<i>if 'yes', please provide details</i>)?	Yes. During this period of time (excluding business grants administered by the Council), there has been no significant (i.e., greater than £10k) corporate (in-house) fraud reported to me committed by internal staff, which has required investigation.
2. Do you suspect fraud may be occurring within the organisation?	<p>As at 31 March 2024, I am assured that all instances of suspected fraud within the organisation have been investigated.</p> <p>The Council is a complex multidisciplinary organisation so as Chair of the Audit Committee I am aware that there is a risk</p>

Question	Response
	<p>that Officers are unaware of some fraud occurring that they would otherwise bring to my attention.</p> <p>An added assurance that appropriate controls are in place is the opinion given in the Annual Report of the Head of Audit and Counter Fraud. The routine reports to the Audit Committee on progress against the Plan set out the position on any fraud uncovered.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Fraud Risks are captured, reported, and monitored by the Audit Committee via the Fraud and Loss Risk Assessment, the Fraud Response Plan, and the FFCL checklist, and fraud risks are routinely assessed for each audit review.</p>
<p>4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?</p>	<p>Yes. In all financial systems for 2023/24, Officers have provided assurance that there are agreed processes to review transactions.</p> <p>There are issues identified in the operation of some systems which have been highlighted to the Audit Committee.</p> <p>Where appropriate, extra audit testing is conducted by Internal and External Audit to provide extra assurance around known issues.</p> <p>Detailed Action Plans are in place, subject to regular follow-up.</p>
<p>5. If not where are the risk areas?</p>	<p>As above, potential risks and issues are reported in the Council's AGS and Corporate Risk Register, and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning.</p> <p>The Council continues to experience significant challenges in social care and the on-going integration with health partners. The Council continues to track the potential risks around these service areas, as this is clearly an area of management focus.</p> <p>Large Capital Programme projects will also provide additional fraud opportunities in areas such as mandate fraud.</p>
<p>6. How do you encourage staff to report their concerns about fraud?</p>	<p>The Council's Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Council's Staff Code of Conduct. Following a risk assessment process, the A&CF Team will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.</p>

Question	Response
7. What concerns about fraud are staff expected to report?	The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts, or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. I am assured that no significant issues which will impact the financial statements have been identified in 2023/24.
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	<p>As above, the Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include:</p> <ul style="list-style-type: none"> • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Member's Allowances are disclosed in Notes to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. • The Council operates a Standards Committee. • Levying Bodies are subject to a separate external audit process. • The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. These details are included in Note 12 to the Statement of Accounts. In support of this Senior Officers are required to declare interests in companies, organisations, and entities with which the Council may interact in order to ensure transparency.
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No, I am not aware of any entries in the accounting records of this nature. I am assured, supported by past External Audit feedback that the Finance Service applies a detailed quality assurance process, which incorporates independent/ "fresh eye" review prior to submitting its draft Accounts to the External Auditor.

Question	Response
<p>11. Are there particular balances in the accounts where fraud is more likely to occur?</p>	<p>The balances of Accounts Payable (AP) and Accounts Receivable were reviewed in 2023/24 as part of the yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a “fraudster” contacts the Council to inform them that their bank details have changed, in an attempt to persuade the Council to make the payment to the erroneous account.</p> <p>Colleagues in the AP service and Procurement team are aware off these risks and apply manual checks to mitigate them.</p>
<p>12. Are you aware of any assets, liabilities, or transactions that you believe have been improperly included or omitted from the accounts of the organisation?</p>	<p>No, I am not aware of any assets, liabilities, or transactions that I believe have been improperly included or omitted from the accounts of the organisation.</p> <p>I am assured that the Quality Assurance process in the preparation of the draft financial statements by the Finance Team ensures the detailed review of the draft accounts prior to the submission to the External Auditors.</p>
<p>13. Could a false accounting entry escape detection? If so, how?</p>	<p>This is considered to be unlikely given the internal and external assurance provided to the Audit Committee of the controls in place for processing transactions.</p> <p>The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some false accounting occurring.</p>
<p>14. Are there any external fraud risk factors, such as collection of revenues?</p>	<p>During 2023/24, the collection of revenue from Sundry Debtors, Council Tax and Business Rates were reviewed by Internal Audit as part of the fundamental financial systems audits.</p> <p>The external frauds in this area have become more sophisticated as fraudsters use information obtained to test the systems of all Authorities.</p>
<p>15. Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to meet financial or operating targets. Regular budget monitoring is reported to Cabinet and feedback to the Audit Committee indicates reconciliations of key accounts are conducted monthly, and significant variances are investigated.</p>
<p>16. Are you aware of any inappropriate organisational or management pressure</p>	<p>No, as above, I am not aware of any inappropriate organisational or management pressure being applied, to meet</p>

Question	Response
being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	financial or operating targets. The Director of Finance arranges for monthly budget monitoring to be conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	<p>The Council's intranet includes information on the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct sets out the responsibilities for staff re: Bribery and Corruption.</p> <p>As part of the regular review of the suite of Counter Fraud policies the "Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan" was reviewed and revised and approved by the Council's Audit Committee on 26 March 2024.</p>

This page is intentionally left blank



Report to Audit Committee

Director of Finance - Charged with Governance- Management Processes and Arrangements

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader / Cabinet Member for Value for Money and Sustainability

Officer Contact: Sarah Johnston, Director of Finance

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

28 November 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 relationship with the External Auditor, including consideration of:**
- (iv) issues arising from the audit of the Annual Statement of Accounts.**

To enable the Council's External Auditor, Mazars LLP, to carry out duties required under the Local Audit and Accountability Act 2014, the Director of Finance is required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

Executive Summary

In carrying out the annual audit of the Council, Mazars LLP must comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC).

ISAs require the auditor to make enquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These enquiries are made in part to corroborate the responses to the enquiries of management.

Mazars LLP has sent the Director of Finance a questionnaire setting out their enquiries of TCWG. The questionnaire is set out at Appendix 1, and the Director of Finance's proposed responses are set in Appendix 2.

Recommendation

That Members of the Audit Committee are asked to consider the attached response, suggest any amendments they believe are appropriate and to note the response of the Director of Finance to Mazars.

One St Peter's Square
Manchester
M2 3DE
United Kingdom

Tel: 0161 238 9200
forvismazars.com/uk



Members of the Audit Committee
Oldham Metropolitan Borough Council
Civic Centre, West Street
Oldham
OL1 1UT

Direct line +44 (0) 161 238 9333

Email yogita.das-patel@mazars.co.uk

Date 25th June 2024

Dear Councillors,

Audit 2023/24 - understanding management processes and arrangements

We are required by auditing standards to maintain a good understanding of the Authority's management processes and arrangements. This enables us to deliver an efficient audit and reduces the time the Authority's staff need to spend responding to auditors' queries. As part of this process I would be grateful if you could provide a response to the following questions on behalf of the Audit Committee:

- What processes are in place to:
 - undertake an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
 - identifying and responding to **risks of fraud**
 - **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating and monitoring against the Authority's code of conduct); and
 - **communicate to the Audit Committee the processes for identifying and responding to fraud or error.**
- How does management gain assurance that **all relevant laws and regulations have been complied with?** Have there been any instances of non-compliance during 2023/24?
- Are there any **actual or potential litigation or claims that would affect the financial statements?**
- **What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships.** For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2024.

In addition to the above, which cover the Authority's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2023/24.

I would be grateful if you could respond by letter or email on behalf of the Audit Committee by 30 September 2024. In the meantime, please don't hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Yogita Das-Patel
Audit Manager

Appendix 1

Question	Response
1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2023 – 31 March 2024 (if 'yes', please provide details)?	
2. Do you suspect fraud may be occurring within the organisation?	
3. Have you identified any specific fraud risks within the Council?	
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?	
5. If not where are the risk areas?	
6. How do you encourage staff to report their concerns about fraud?	
7. What concerns about fraud are staff expected to report?	
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	

10.	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	
11.	Are there particular balances in the accounts where fraud is more likely to occur?	
12.	Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	
13.	Could a false accounting entry escape detection? If so, how?	
14.	Are there any external fraud risk factors, such as collection of revenues?	
15.	Are you aware of any organisational or management pressure to meet financial or operating targets?	
16.	Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	
17.	What arrangements has the Council put in place in response to the Bribery Act 2010?	

Question	Management Response
<ul style="list-style-type: none"> What processes are in place at the Council to: 	
<ul style="list-style-type: none"> undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent, and frequency of these assessments); 	<p>Staff within the Finance Team attend appropriate training courses and have up-to-date technical knowledge and skills to enable them to prepare the financial statements.</p> <p>The Council has in place a robust system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed records. There is also management oversight and review of the accounts.</p> <p>This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function each year. These audits include a follow-up of previously agreed actions.</p> <p>The detailed audit programme for each financial system reflects the risk of fraud and error and are discussed where required with the Council's External Auditors, who also review the work completed where they deem necessary.</p> <p>The Annual Report from the Head of Audit and Counter Fraud gives an opinion on the overall control environment adding to the assurance that the underlying processes for processing transactions are appropriate.</p>
<ul style="list-style-type: none"> identify and respond to risks of fraud; 	<p>The Audit and Counter Fraud (A&CF) Team identifies and responds to the risk of fraud via the on-going review of the A&CF Plan. This is an annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment. This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).</p>
<ul style="list-style-type: none"> communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating, and monitoring against the Authority's code of conduct); and 	<p>The Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the "Nolan Principles Standards of Public Life", "Gifts and Hospitality", "Disclosure of Information", "Relationships", "Contractors" and "Behaviour during Tendering".</p> <p>The Code of Conduct is available via the Council's Intranet and is included as part of the Council's induction training.</p> <p>The Code of Conduct is regularly reviewed.</p>
<ul style="list-style-type: none"> communicate to the Audit Committee the 	<p>Fraud risks and issues are reported by the Head of Audit and Counter Fraud in the A&CF Plan, the Fraud and Loss Risk Assessment and via regular</p>

Question	Management Response
<p>processes for identifying and responding to fraud or error.</p>	<p>specific reporting, e.g., updates on specific risks in the Council's Annual Governance Statement.</p> <p>A suite of refreshed Counter Fraud policies was presented to, reviewed by, and approved by the Council's Audit Committee on 26 March 2024.</p> <p>Ad hoc matters requiring a report to the Audit Committee are also prepared by the Head of Audit and Counter Fraud as required.</p>
<ul style="list-style-type: none"> How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2023/24? 	<p>In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council's Committees include formal comments from appropriate statutory officers.</p> <p>Internal Audit reviews whether the Council has adhered to relevant legislation and guidance as part of its ongoing audit arrangements and programmes.</p> <p>Specific training is also arranged by relevant teams, e.g. Legal Services.</p>
<ul style="list-style-type: none"> Are there any actual or potential litigation or claims that would affect the financial statements? 	<p>All appropriate matters have been incorporated into the production and review of the Annual Governance Statement. As at 31 March 2024 there is no specific matter which is required to be reported upon in the accounts.</p> <p>Looking forward the perceived risks in the financial year 2024/25 have been considered and appropriately reported to the Audit Committee by inclusion in the AGS.</p>
<ul style="list-style-type: none"> What controls are in place to: identify, authorise, approve, account for, and disclose related party transactions and relationships. For any new related parties (i.e., any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2024. 	<p>The controls in place are:</p> <ul style="list-style-type: none"> The separate disclosure Note to the Council's Statement of Accounts "Note 12: Related Parties" (which is subject to audit) sets out the key transactions with all related parties. Members' Code of Conduct. Members' Register of Interests in line with the 2011 Localism Act. Member's Allowances are disclosed in Note 8 to the Council's Statement of Accounts. Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. Officers' Remuneration is disclosed in Note 9 to the Council's Statement of Accounts. Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 sets out the relevant information to disclose, together with CIPFA Bulletins on Closure of the 2023/24 Financial Statements. Internal and External Audit monitor compliance. The Council operates a Standards Committee. Levy Bodies are subject to a separate external audit process.

Question	Response
1. Are you aware of any actual, suspected, or alleged instances of fraud during the period 1 April 2023 – 31 March 2024 (<i>if 'yes', please provide details</i>)?	Yes. However, during this period of time (excluding business grants administered by the Council), there has been no significant (i.e., greater than £10k) corporate (in-house) fraud committed by internal staff which has required investigation.
2. Do you suspect fraud may be occurring within the organisation?	<p>As at 31 March 2024 all instances of suspected fraud within the organisation had been investigated.</p> <p>The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some fraud occurring.</p>
3. Have you identified any specific fraud risks within the Council?	Fraud risks are captured, reported, and monitored via the Fraud and Loss Risk Assessment, the Fraud Response Plan and potential fraud risks are assessed for each audit review.
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?	<p>Yes. In all central financial systems for 2023/24, there are agreed processes to review transactions. The Fundamental Financial Systems reviews support this process.</p> <p>Action Plans are in place to address any control deficiencies identified during the FFS reviews and are subject to annual follow-up.</p>
5. If not where are the risk areas?	<p>As above, potential risks and issues are reported in the Council's AGS, and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning.</p> <p>The Council continues to experience significant challenge in social care and, due to the on-going integration with health partners, it continues to track the potential risk around these service areas as this is clearly an area of management focus.</p> <p>Large Capital Programme projects will also provide additional fraud opportunities in areas such as mandate fraud.</p>

Question	Response
	The overarching risks reaa for the Council going forward are the challenges identified in connection with the Medium Term Financial Strategy.
6. How do you encourage staff to report their concerns about fraud?	The Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Staff Code of Conduct. Following a risk assessment process, the Council will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.
7. What concerns about fraud are staff expected to report?	The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts, or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. No significant issues which will impact the financial statements have been identified in 2023/24.
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	<p>As above, the Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include:</p> <ul style="list-style-type: none"> • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Members' Allowances are disclosed in Note 8 to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct.

Question	Response
	<ul style="list-style-type: none"> • The Council operates a Standards Committee. • Levying Bodies are subject to a separate external audit process. • The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. These details are included in Note 12 to the Annual Financial Statements. In support of this Senior Officers are required to declare interests in companies, organisations, and entities with which the Council may interact in order to ensure transparency.
<p>10. Are you aware of any entries made in the accounting records that you believe, or suspect are false or intentionally misleading?</p>	<p>No, I am not aware of any entries in the accounting records of this nature. The Council applies a detailed quality assurance process which incorporates independent/ "fresh eye" review prior to submitting its draft Accounts to the External Auditor.</p>
<p>11. Are there particular balances in the accounts where fraud is more likely to occur?</p>	<p>The balances of Accounts Payable (AP), Accounts Receivable were reviewed in 2023/24 as part of the yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a "fraudster" contacts the Council to inform them that their bank details have changed, in an attempt to persuade the Council to make the payment to the erroneous account.</p> <p>Colleagues in the AP service and Procurement team are aware off these risks and apply manual checks to mitigate them.</p>
<p>12. Are you aware of any assets, liabilities, or transactions that you believe have been improperly included or omitted from the accounts of the organisation?</p>	<p>No, I am not aware of any assets, liabilities, or transactions that I believe have been improperly included or omitted from the accounts of the organisation.</p> <p>The Council's Quality Assurance process ensures the detailed review of the draft accounts prior to the submission to the External Auditors.</p>

Question	Response
13. Could a false accounting entry escape detection? If so, how?	<p>This is unlikely given the controls in place for processing transactions.</p> <p>The Council is a complex multidisciplinary organisation so there is a potential risk that management is unaware of some false accounting occurring.</p>
14. Are there any external fraud risk factors, such as collection of revenues?	<p>During 2023/24, Sundry Debtors, Council Tax and Business Rates transactions were sample reviewed by Internal Audit as part of the Fundamental Financial Systems audit, and as part of the National Fraud Initiative. "Fraud" in areas such as SPD is not uncommon and is addressed annually and minimised via these tools.</p>
15. Are you aware of any organisational or management pressure to meet financial or operating targets?	<p>No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets.</p> <p>Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p>
16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	<p>No, as above, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets. Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p>
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	<p>The Council intranet includes information on the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct sets out the responsibilities for staff re: Bribery and Corruption.</p> <p>As part of the regular review of the suite of Counter Fraud policies the "Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan" was reviewed and revised and approved</p>

Question	Response
	by the Council's Audit Committee on 26 March 2024. These policies are regularly reviewed.

This page is intentionally left blank



Report to Audit Committee

Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2023/24 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

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

Contact: john.miller@oldham.gov.uk
jayne.ratcliffe@oldham.gov.uk

28 November 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 update Members of the Audit Committee on the outcome of the 2023/24 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 its responsibilities as set out in the Audit Committee's Terms of Reference

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 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.

The audit report for the subsequent year noted some progress in addressing the recommendations made during 2022/23, and the audit opinion for the latest year, 2023/24, was upgraded from Weak to Inadequate.

At the Audit Committee meeting of 27 June 2024. Members requested a further update report at the November meeting of the Committee.

This report sets out the agreed actions for the Adult Social Care Service to take forward to address the recommendations made in the latest 2023/24 FFS Audit Report.

Recommendations

Members are requested to consider the outcome of the most recent 2023/24 Fundamental Financial Systems Audit Review of Direct Payments and Community Homecare.

Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2023/24 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 table below shows the budget and costs by account code over the last three years. This table does not represent the costs for the whole of adult social care. It is an extract of the costs of Direct Payments and Community Homecare only.

Direct Payments – PA Support	2021/2022	2022/2023	2023/2024
	£m	£m	£m
Budget	15,976	18,231	20,949
Actual cost	19,844	20,931	21,620
(Overspend)	(3,868)	(2,700)	(671)
Independent Home Care	2021/2022	2022/2023	2023/2024
	£m	£m	£m
Budget	10,337	11,981	16,735
Actual cost	13,236	14,977	19,759
(Overspend)	(2,899)	(2,996)	(3,024)

- 1.3 The Direct Payments and Community Home Care audit 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.
- 1.4 The audit report for the subsequent year noted some progress in addressing the recommendations made during 2022/23, and the audit opinion for the latest year, 2023/24, was upgraded from Weak to Inadequate.
- 1.5 At the Audit Committee meeting of 27 June 2024. Members requested a further update report at the November meeting of the Committee. This report sets out the agreed actions for the Adult Social Care Service to take forward to address the recommendations made in the latest 2023/24 FFS Audit Report.

2 2023/24 Audit Opinion

- 2.1 During 2023/24 the service continued to face significant challenges, as is the case nationally in social care. Five of the ten recommendation we made in 2023/24 have been made in previous audit reports. Four of these recommendations made previously are high priority recommendations.

- 2.2 During 2023/24 the service took positive steps in establishing ongoing monitoring and reporting processes to track progress in relation to the implementation of the audit recommendations as part of its wider efforts to move to a new Target Operating Model, and by completing three of the nine recommendations made in 2022/23.
- 2.3 Perhaps most pleasing to see during our 2023/24 review was the improvement in the Council's comparative performance in completion of Annual Care Reviews. The data for Q3 2023/24 saw Oldham move from below average to above average performance in this measure. The Council, however, remained below average at that time in respect of reviews over 2 years overdue. However, with improvements evident in both KPIs, the data for Q3 2023/24 was encouraging.
- 2.4 In recognition of the Service's direction of travel, the audit opinion for 2023/24 was revised upwards to "Inadequate", with the expectation that the Service will continue to prioritise the implementation of the controls necessary to address the recommendations in this 2023/24 report.
- 2.5 The ten recommendations made in 2023/24, 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:** 2023/24 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.

2023/24 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
1	<p><u>Workflow / capacity</u></p> <p>The service should continue in the implementation of their recovery plan in order to address outstanding workflow requirements.</p> <p>Brought forward from previous audit reports.</p>	High	<p>All open ASC cases will have at least one open workflow for a planned review. Cases may have more than one open workflow for example where safeguarding, DoLS, financial activity is taking place. There are currently 3,377 open ASC cases, therefore as a minimum we should have an equivalent number of workflows.</p> <p>Cleansing activity is planned to review and close down historical workflows ensuring necessary actions are undertaken. Analysis of historical workflows identified specific training issues with Mental Health teams and support sessions have been put in place with the Business and Systems Change Lead spending time at Forest House and Maple House.</p>	Charlotte Walker (Assistant Director- ASC Reform & Improvement)	30 September 2024
2	<p><u>Workflow items</u></p> <p>Each Team or Cluster Manager should review and clear or action the oldest items in workflow as a priority.</p>	High	<p>Cleansing activity is planned to review open workflows and close down historical workflows ensuring necessary actions are undertaken. Sessions are being completed with teams initially Mental Health and</p>	Charlotte Walker (Assistant Director- ASC Reform & Improvement)	30 September 2024

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
	New recommendation 2023/24.		LD&A to support staff to complete open workflows. A Data Quality group has been established with the first meeting planned for September with representatives from across the service.		
3	<p><u>Statutory Annual Care Review</u></p> <p>Strategy and Performance reports should be used to highlight service users who are overdue an annual care review.</p> <p>The service should utilise the benchmarking information available in comparison to other North West region authorities to identify where Oldham would appear to perform relatively less well than neighbouring Council's.</p> <p>Where areas for improvement are identified as a result of benchmarking, the service should approach and liaise with better performing Council's in order to identify any improvements which may be made.</p> <p>Brought forward from previous years.</p>	High	<p>The position is regularly reported on and monitored in terms of our benchmarking our position locally and in comparison, with other GM authorities. The current number of cases awaiting review is 1,114. The ADASS dashboard information which provides benchmarking data informs ongoing discussions in terms of how other L.A.'s operate. These are discussed at NW ADASS meetings and GM meetings attended by Assistant Directors.</p> <p>Capacity issues, particularly with PCFT Mental Health teams being in Business Continuity, have an impact on the number of reviews that can be completed. Cases are assessed using a risk management tool to prioritise activity.</p> <p>The proposed restructuring of operational teams will see the allocation of dedicated resources for review completion and will have a positive impact on completed reviews.</p>	Hayley Eccles (Assistant Director of Operations)	30 September 2024

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
4	<p><u>Back dated adjustments</u></p> <p>Payments for care packages should be put in place at the inception of any care agreements and not allowed to go for many months without the payment being paid.</p> <p>New recommendation 2023/24.</p>	High	<p>Many of the backdated payments being made are for residential placements where no workflow has been received to inform Brokerage that a payment is needed.</p> <p>Communications have been shared with all residential and nursing homes with a template for them to complete with what outstanding payments they are waiting to be paid.</p> <p>These are being collated and compared against workflows received by Brokerage. It's been agreed for a full day meeting to be put in place with operational management, social workers and brokerage staff to complete all the necessary actions within the meeting to enable all appropriate payments to be agreed and approved. These will all then be paid on the next payment cycle.</p> <p>Mandatory Mosaic training for all ASC staff is being developed and will be rolled out to improve the quality of workflows completed by all staff.</p> <p>Two weekly provider payment meetings are already in place for residential placements where brokerage and operational staff look</p>	Hayley Eccles (Assistant Director of Operations)	30 September 2024

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
			<p>at requests for payments. These are now being expanded to include home care, non-commissioned providers, direct payments and supported accommodation payments.</p> <p>In addition, a clinic has been created for brokerage staff to support staff within the Learning Disability service to complete and learn how to complete workflows, especially for the more complex packages. (Assistant Director of Joint Commissioning - H.R.)</p> <p>A new process is being developed by CF/Brokerage to prevent the need for back payments where there is a change in self-funder status as this is a common cause of back dated payments.</p>		
5	<p><u>Credit Notes</u></p> <p>The description on all credit notes raised should have clear information on it to point out what period it is for and how it has been calculated.</p> <p>In order that the reader of the credit note can understand what is being adjusted – the description of “Credit raised as FA reviewed” is not sufficient to understand why the credit note is required or how the amount of the correction has been arrived at.</p>	Low	<p>Client Finance and Brokerage staff have been reminded in writing and verbally to add context and date periods to all credit notes. Process maps will be provided as part of the induction for new staff and can be used as a refresher for existing staff.</p> <p>We are liaising with colleagues from finance to explore if reports are available to support the monitoring of credit note description, otherwise spot checks will be undertaken.</p>	Claire Hooley (Assistant Director of Commissioning and Market Management)	30 September 2024

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
	Initially raised in 2021/22 and was subsequently signed off as completed.		Initial feedback from Credit Control has been positive.		
6	<p><u>Unallocated Service Users</u></p> <p>All service users should be allocated to a team. The service should review the report produced by Performance Team and ensure unallocated service users are allocated promptly.</p> <p>All service users who are still allocated to Age UK should also be reallocated to an appropriate team.</p> <p>Brought forward from 2022/23.</p>	High	Cases with no team recorded have been allocated to members of the Business Strategy Team to update. These have been reduced to 28 and the position is monitored on a monthly basis and required actions taken. Communication will be issued to teams with guidance on how to check and update allocated team.	Charlotte Walker (Assistant Director- ASC Reform & Improvement) Hayley Eccles (Assistant Director of Operations)	30 September 2024
7	<p><u>Data Quality – Age UK</u></p> <p>All clients still allocated to Age UK should be updated to the correct Team. All clients still being incorrectly coded to Covid 19 codes should be corrected on the Mosaic PSR.</p> <p>New recommendation 2023/24.</p>	Medium	<p>Cases have been reallocated as appropriate with no cases now open to Age UK.</p> <p>All cases that had a Covid 19 PSR have been corrected.</p>	Charlotte Walker (Assistant Director- ASC Reform & Improvement)	Completed
8	<p><u>Client contribution review</u></p> <p>A full review to be carried out to compare the amounts on Financial Assessments to the amounts being invoiced to the client.</p> <p>Management to ensure that staff signing off the workflow step to amend the client contribution have actually made the amendment.</p>	Medium	Client contribution workflow now being monitored on Client Finance liveboard. This includes a timeframe to be adhered to by staff, to ensure all contributions are correct in a timely manner. In addition, process being developed to ensure that at the point of any change to client contribution all relevant parties are	Claire Hooley (Assistant Director of Commissioning and Market Management)	30 September 2024

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
	New recommendation 2023/24.		involved (Brokerage, Ops, Provider, Relative/Client) From the 5 August the Client Finance team and function has moved to Corporate Services, under the responsibility of Julie Smethurst as Assistant Director for Revenues and Benefits.		
9	<u>Client Contributions</u> Invoices to clients for their contribution should be issued in a timely manner, in accordance with the best practice policy. New recommendation 2023/24.	Medium	Client contribution workflow now being monitored on Client Finance liveboard. This includes a timeframe to be adhered to by staff to ensure all contributions are correct in a timely manner. In addition, process being developed to ensure that at the point of any change to client contribution all relevant parties are involved (Brokerage, Ops, Provider, Relative/Client) From the 5 August the Client Finance team and function has moved to Corporate Services, under the responsibility of Julie Smethurst as Assistant Director for Revenues and Benefits.	Claire Hooley (Assistant Director of Commissioning and Market Management)	30 September 2024
10	<u>CHC Income</u> Amounts invoiced to ICB for joint 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	CHC income is now workflowed to the brokerage team and activity to recharge the ICB for joint funded packages will be undertaken as services are purchased. This make the process more efficient as it reduces the handovers between teams and means that adjustments	Claire Hooley (Assistant Director of Commissioning and Market Management)	30 September 2024

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
	Brought forward from 2022/23.		to recharges can be made as part of the fee uplift process that is managed by the Brokerage team. This will stop workflows moving between different teams/staff.		

This page is intentionally left blank

Adult Social Care Whole Service Improvement Programme

Phase 3

May 2023

V3.0



Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

Adult Social Care (ASC) Reform & Improvement

Ensures provision and delivery of high performing services which are statutorily compliant, which safeguard vulnerable adults and ensure compliance with regulatory and inspection requirements.

Page 1 of 2 Programme Purpose (The Origin)

The Adult Social Care Change & Improvement Programme sets out to deliver a refocused and transformed adult social care service in Oldham, which is built around the principles of the Health and Care Act 2022, as well as the government’s 10-year vision for support and care. The programme will also encapsulate wider reform and transformation activities including LPS, MioCare Review, Blended Roles and Achieving Better Outcomes to deliver one coherent reform programme for the directorate.

The ASCCI programme will ensure that the right services are available, in the right place and that prevention, digital and strength-based approaches form a golden thread through the service.

The programme will support the realisation of our Adult Social Care vision:

“Supporting you to be independent, healthy, safe and well”

Programme Purpose (Phase 3)

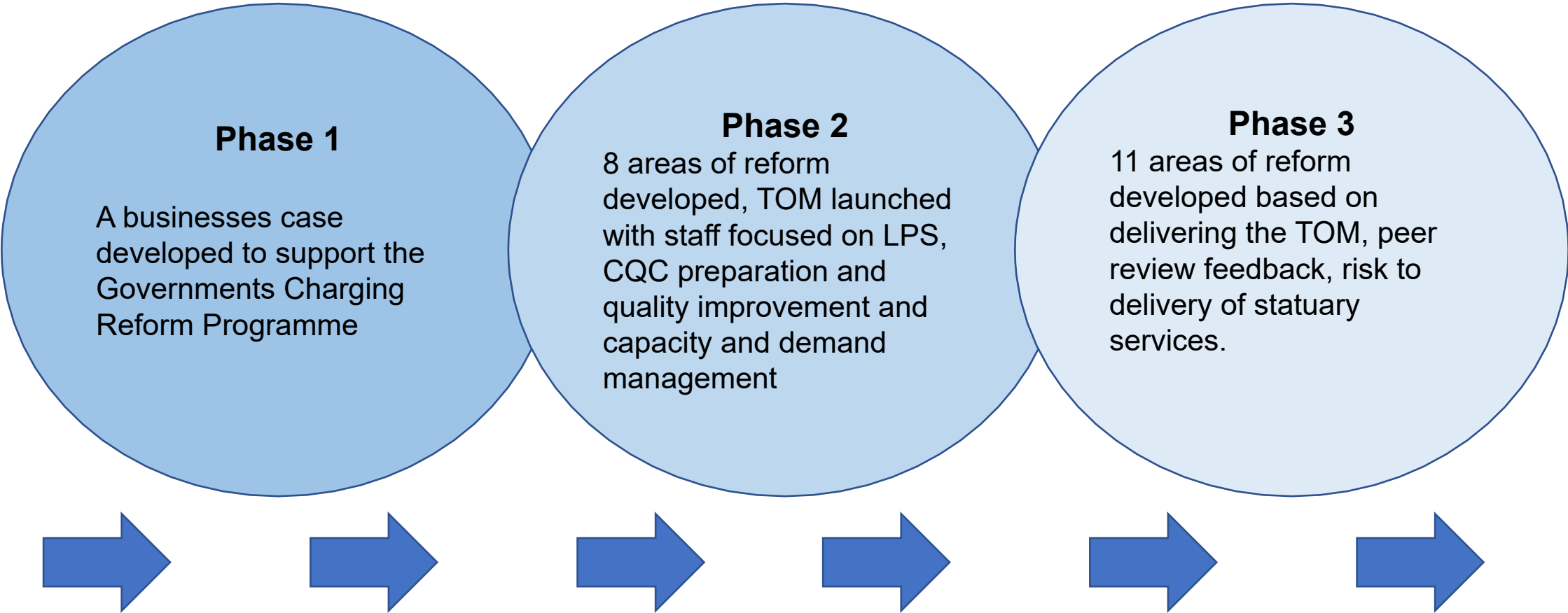
The Adult Social Care changes since then.....

- Charging Reform paused
- LPS paused
- CQC peer challenge completed- embed feedback
- Review of service reform priorities and activity on balance with system pressures, service risks and managing to meet statutory requirements whilst modernising the service and aiming for outstanding!

Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

INTRODUCTION

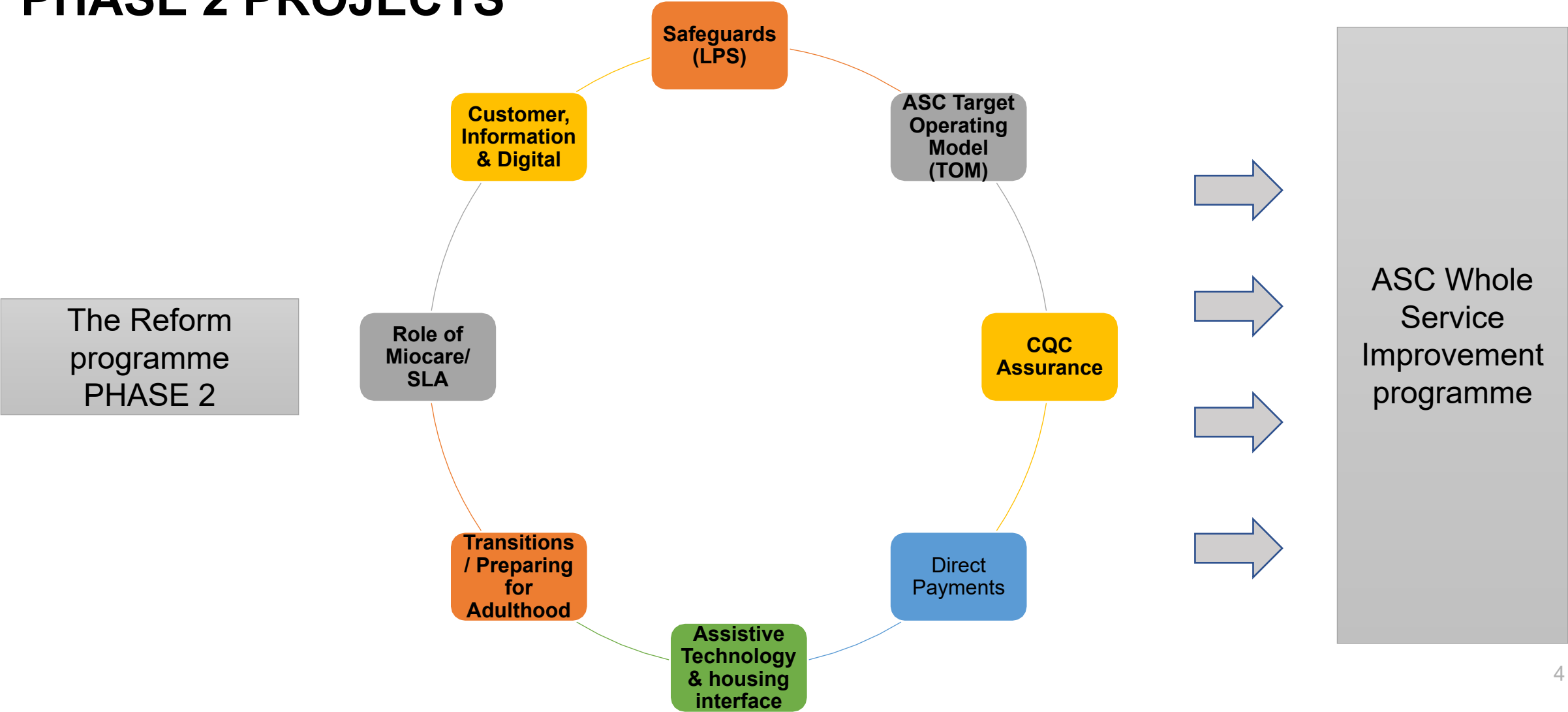
Page 193



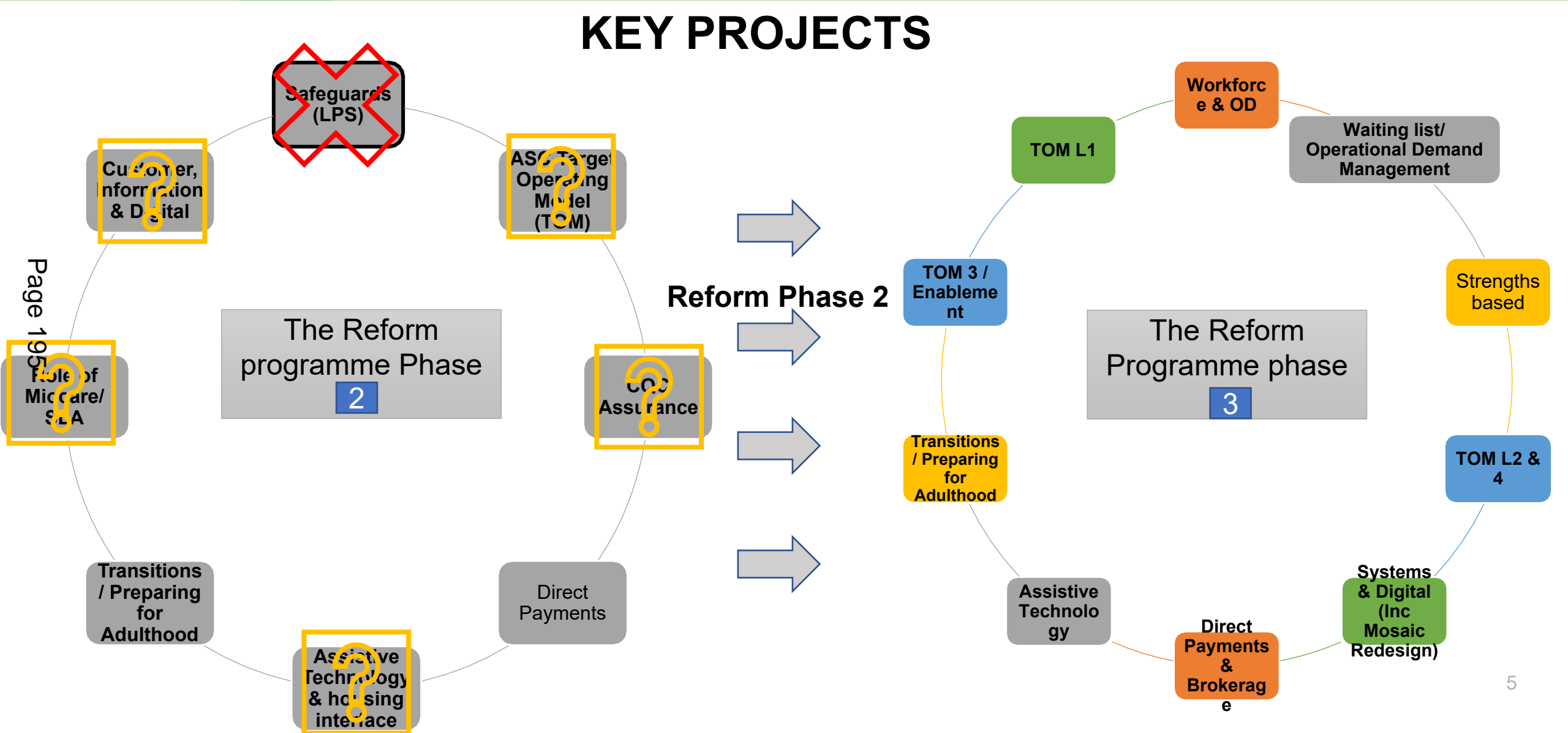
Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

PHASE 2 PROJECTS

Page 194

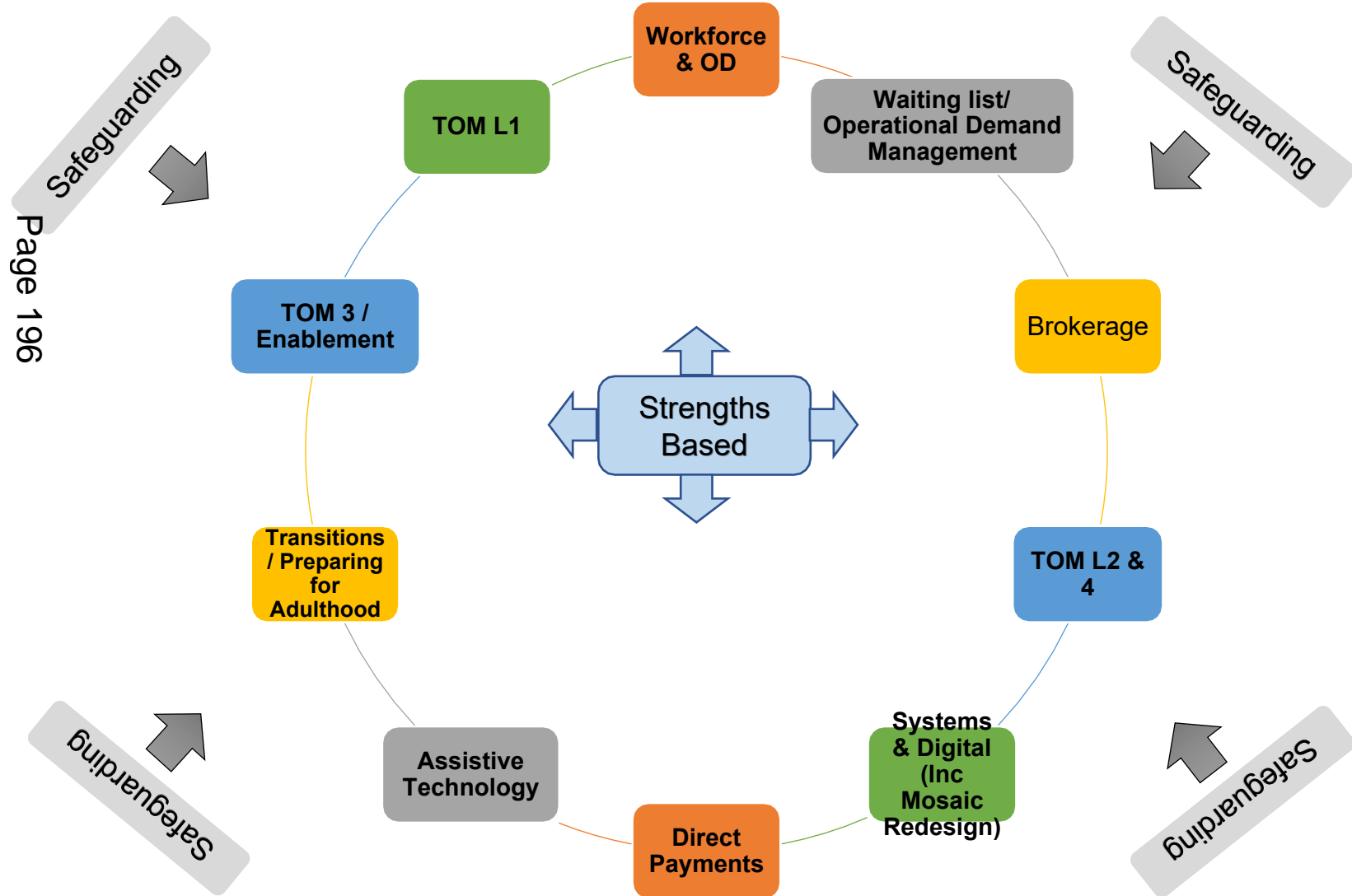


Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------



Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

FINAL PROGRAMME PRIORITIES

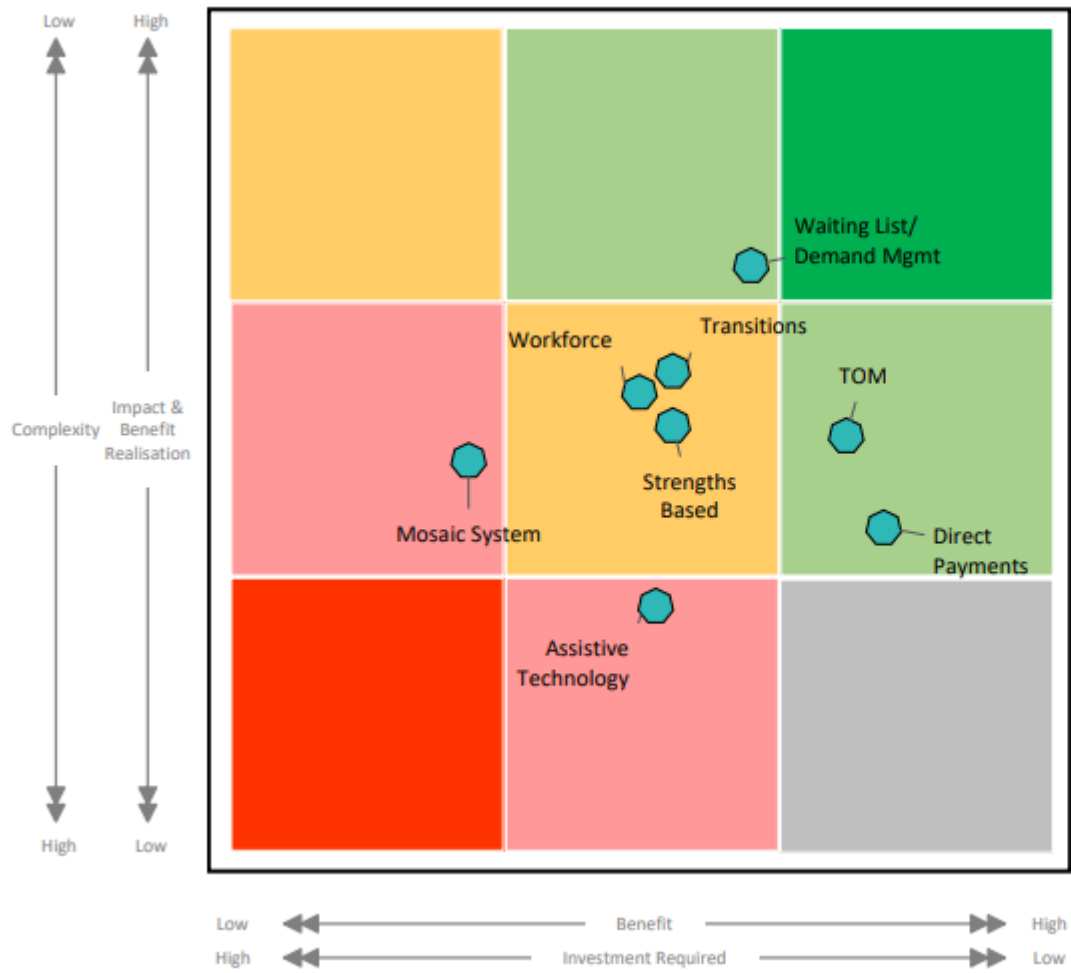


Programmes of Work:

The Areas selected are based on:

- Feedback from CQC peer review
- Prioritisation discussions/workshops
- Continuation of Phase 2 work
- Areas identified as high risk by DMT members
- Areas identified as key enablers to the deliver of the TOM/ASC Strategy

PRIORITISATION HEAT MAP



Programmes Key

Adults Social Care Change & Improvement Programme

- Prioritisation**
- The tool used has been developed by Oldham Council.
 - The questions for assessment focused on finance and quality
 - To note, there is no consideration of statutory duties as a part of the assessment.
 - Forms only a part of ASC prioritisation process

Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

PROGRAMME PRIORITIES BY THEME

<p>The Development, Mobilisation and measurement of the Target Operating Model</p>	<p>Our people, Our processes, Our Systems</p>	<p>Capacity/Demand and quality of outcome</p>
<ul style="list-style-type: none"> • Level 1 TOM • Level 2 and 4 TOM • Level 3 TOM • Strengths Based Programme 	<ul style="list-style-type: none"> • Workforce and Organisational development • Brokerage • Systems Digital • Assistive Tech • Transitions 	<ul style="list-style-type: none"> • Direct Payments • Waiting lists operational capacity and demand • High cost packages of care

Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

GOVERNANCE

Our Vision for Adult Social Care

Page 200

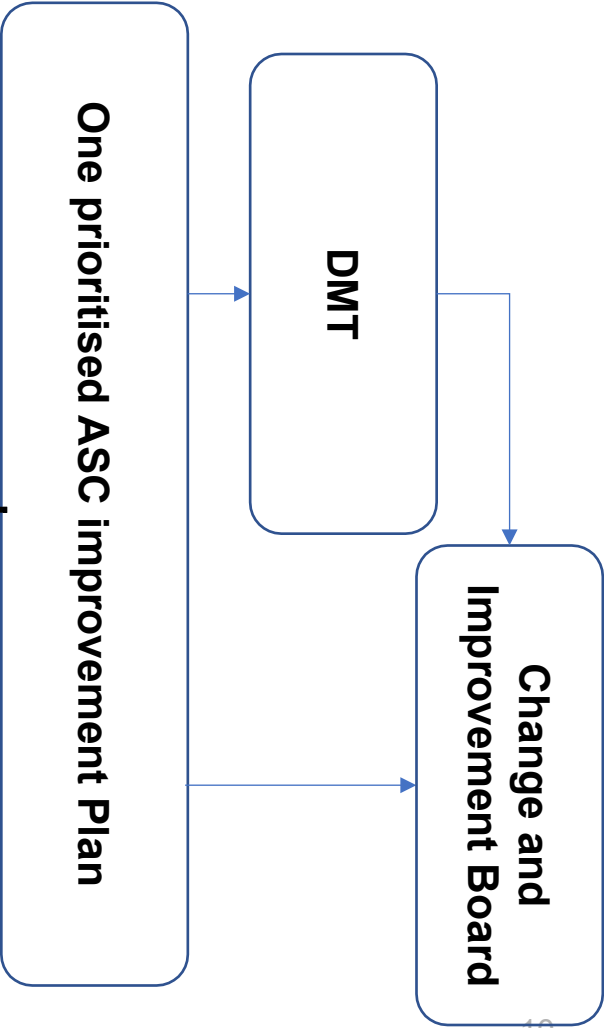
Supporting you to be independent, healthy, safe and well.

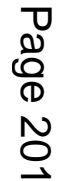


Our strategy for Adult Social Care 2023 to 2028

April 2023

- ASC Improvement Plan workstreams
- Transformation plan/Saving Targets
- CQC self assessment/feedback & readiness
- DMT Subgroups (inc FFS)





Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
Project		Purpose			Reports to		Subgroup/ activity		Dependencies / links		Timeframe		
Assistive Technology		PA consulting to create business case to develop & embed AT offer in Oldham			Change Board		Needs establishing. HLR to change board activity		All levels of the TOM, enablement/ MioCare		12 weeks intensive July '23 then role out recommendations		
Direct payments		Financial, provider, reputational, client risk			Change Board		Review Panel & Audit Panel ?HLR to DMT needed?		Operational capacity across Ops & brokerage MTFS savings - DPs		Immediate 6-9 months, process change, learning & culture impact		
Page 203	Strengths Based Practice		Aneeq linked to corporate SB agenda Wider working group ?ImPower – business case? For Communities of Practice			ASCCIB?		TOM Steering group currently – ??TOR in place? *refresh		Whole service culture change Corporate SB training Links to PBI		Pilot roll out Spring '23 through summer. process change, learning & culture impact	
	Systems & Digital (to include Mosaic Redesign)		To include the business ‘digital’ elements and systems, also front facing self assessment etc. £ax etc ??			SysDig		SysDig refresh to include reps across portfolios		MOSAIC retender SCES & Digital Steering group Corporate drivers/ enablers		Immediate scope of what’s needed in MOSAIC (whole system and more internally) longer term plan	
	TOM L1 (customer information & digital) inc elements of Charging reform		Prevention & VCSE/ place based focus Self-service ESC Project Closure Report Mar23.docx			ASCCIB		TOM Steering group Customer Information Digital Plan Updated 080323.xlsx		Transformation/ cost avoidance Engagement Assistive tech review		12 months	

Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
Project		Purpose			Reports to		Subgroup/ activity		Dependencies / links		Timeframe		
TOM L2 and 4 <div>Page 204</div>		Workforce shift to support prevention, deflection and only most complex to specialist teams. Workforce consultation and moves, role changes. TOM steering group and change board? – progress reports/ HLR?			ASCCIB		TOM Steering group Transf Prog Brief Template ADULTS v0.4.docx		TOM project brief V0.1.docx Links to MH Living Well & place based working, health & urgent care		Expanded ARCC- Summer 23 Wider work 6-12 months		
TOM L3/ Enablement		Enablement/ initial assessment/ co-location with MioCare, OT etc			ASCCIB		TOM Steering group Enablement steering group		See above Links to MioCare SLA, creating capacity to respond Links to health and urgent care		Expanded ARCC- Summer 23 Wider work 6-12 months		
Transitions		Groups established – operational MOSAIC referral live, needs roll out Then scope demand and future options			OSAB / ASCCIB		In place – CW covering		Operational demand Future commissioning Miocare		Go live date tbc, but summer for demand baseline		





Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
Project		Purpose			Reports to		Subgroup/ activity		Dependencies / links		Timeframe		
Waiting list Management/ Operational Demand		(waiting lists, backlogs/ overdue reviews, off D2A) *DOLS backlog ????- CQC Work ongoing in Clusters – plan being wrapped round, need progress reports to change board?			Ops & performance then ASCCIB		? Needs subgroup/ at least small steering group to keep track		Links to both Workforce (sub DMT) & Risk Assurance Board MTFS saving against Review element		6 months phase 1		
Workforce & OD		HR, OD, recruitment, retention, SW apprentices, academy			DMT		Group needs re-establishing		Corporate OD/ HR		6 month phase 1 12-18 months phase 2		
Brokerage		Financial, provider, reputational, client risk			Change Board		Mapping MOSAIC changes Redesign		Operational capacity across Ops & brokerage MTFS savings - DPs		Immediate 6-9 months, process change, learning & culture impact		

Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

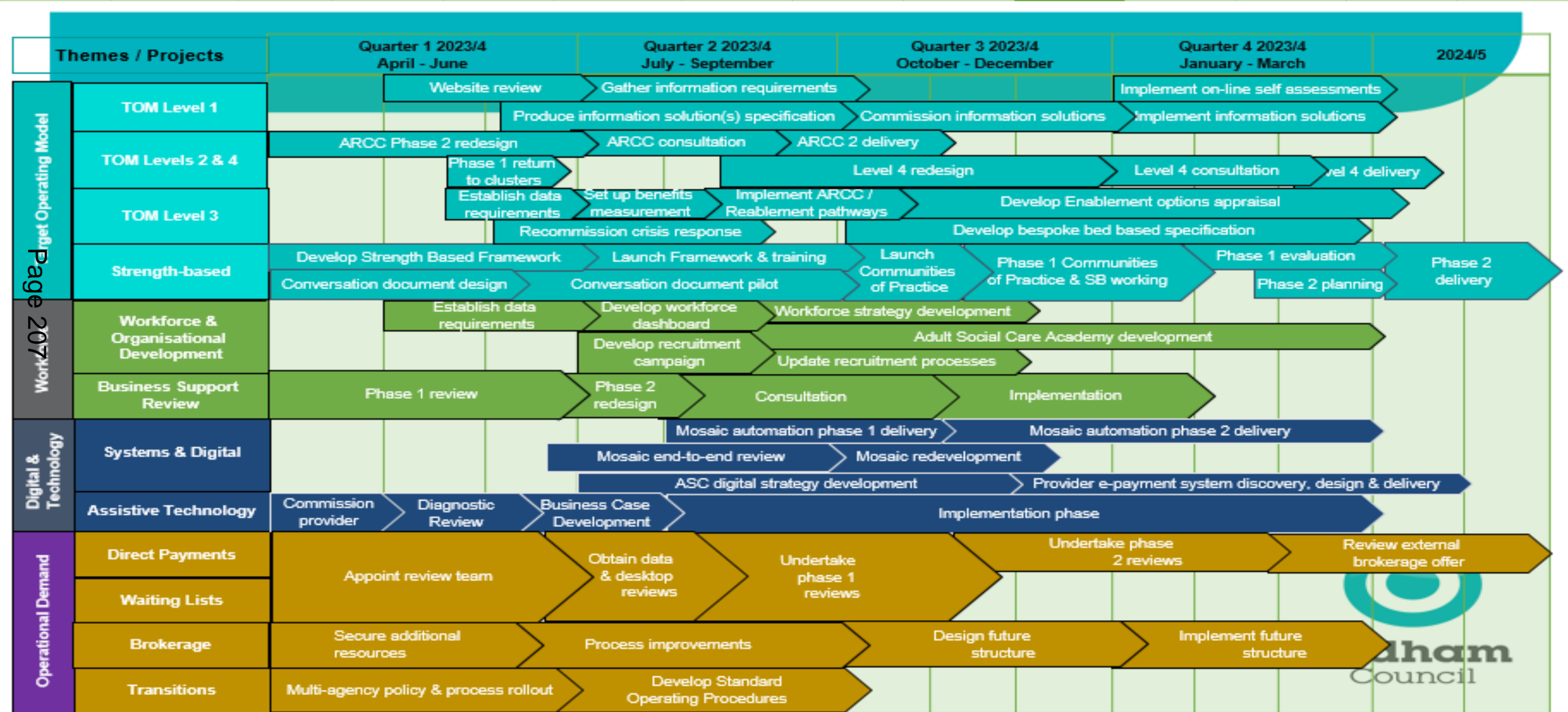
ASC Change & Improvement Programme - High Level Milestones

"Supporting you to be independent, healthy, safe and well"

Page 206

		Qtr. 1 – 2023/4 (Apr - June)	Qtr. 2 – 2023/4 (July - Sept)	Qtr. 3 – 2023/4 (Oct – Dec)	Qtr. 4 – 2023/4 (Jan - Mar)
Target Operating Model		<ul style="list-style-type: none"> Return to clusters complete ASC strength-based framework developed and signed off 	<ul style="list-style-type: none"> Information requirements & specifications produced ARCC Phase 2 consultation complete & structure in place Crisis response service recommissioned Strength-based pilot complete & training launched 	<ul style="list-style-type: none"> Revised ARCC & Enablement pathways in place Communities of Practice launched 	<ul style="list-style-type: none"> Online self-assessments & information solutions implemented Level 4 final structure in place Enablement future model options appraisal complete
Workforce		<ul style="list-style-type: none"> Business Support phase 1 review complete 	<ul style="list-style-type: none"> Recruitment campaign agreed & launched Workforce dashboard in place Business Support consultation complete 	<ul style="list-style-type: none"> ASC Workforce Strategy signed off Recruitment processes reviewed and updated Business support redesign implemented 	<ul style="list-style-type: none"> Adult Social Care Academy in place
Digital & Technology		<ul style="list-style-type: none"> Assistive Technology diagnostic review complete 	<ul style="list-style-type: none"> Assistive Technology business case produced Mosaic end-to-end redesign complete 	<ul style="list-style-type: none"> ASC Digital Strategy developed Mosaic automation phase 1 implemented 	<ul style="list-style-type: none"> Assistive Technology preferred option implemented
Operational Demand		<ul style="list-style-type: none"> Review team in place Multi-agency transitions policy & processes launched 	<ul style="list-style-type: none"> Brokerage process improvements complete 	<ul style="list-style-type: none"> Phase 1 reviews complete 	<ul style="list-style-type: none"> Phase 2 reviews complete Review of external brokerage offer complete Brokerage team new structure in place

Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------



Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps	
Area		SRO		Lead		Group established		Reports to		Outcomes agreed		Detailed plan in place and agreed		
TOM L1		Charlotte		David		Yes (TOM L1 project group)		TOM Steering group		Partially		Yes		
TOM L2 & L4		Hayley		Lisa and Aneeq		No (needs support in pulling together)		TOM Steering group		Partially		Partial		
Page 208	TOM L3		Rob		Dan		Yes (L3 Project group)		TOM Steering group		Partially		Partial	
	Strengths Based		Hayley		Kim		Pilot group in place / PBI workforce group		TOM Steering group		Partially		Yes	
	Workforce and OD (inc. Business Support review)		Jayne		Charlotte		Yes (ASC workforce and OD project Group)		Change Board		Partially		Partially	
	Systems & Digital		Charlotte		David		No (need support)		ASC Systems and Digital		Partially		Partially	
	Assistive Technology		Helen		Alison B		PA led project group		Change Board		Yes		Yes	
Direct Payments		Hayley		Lisa		No (needs re establishing)		Change Board		Yes		No		
Waiting Lists		Hayley		Aneeq		No (needs support)		Change Board		No		No		
Brokerage		Helen		Claire		No (needs support)		Change Board		Yes		Partial		
Transitions		Hayley		Martcha		Yes		Change Board		Partially		Partially		

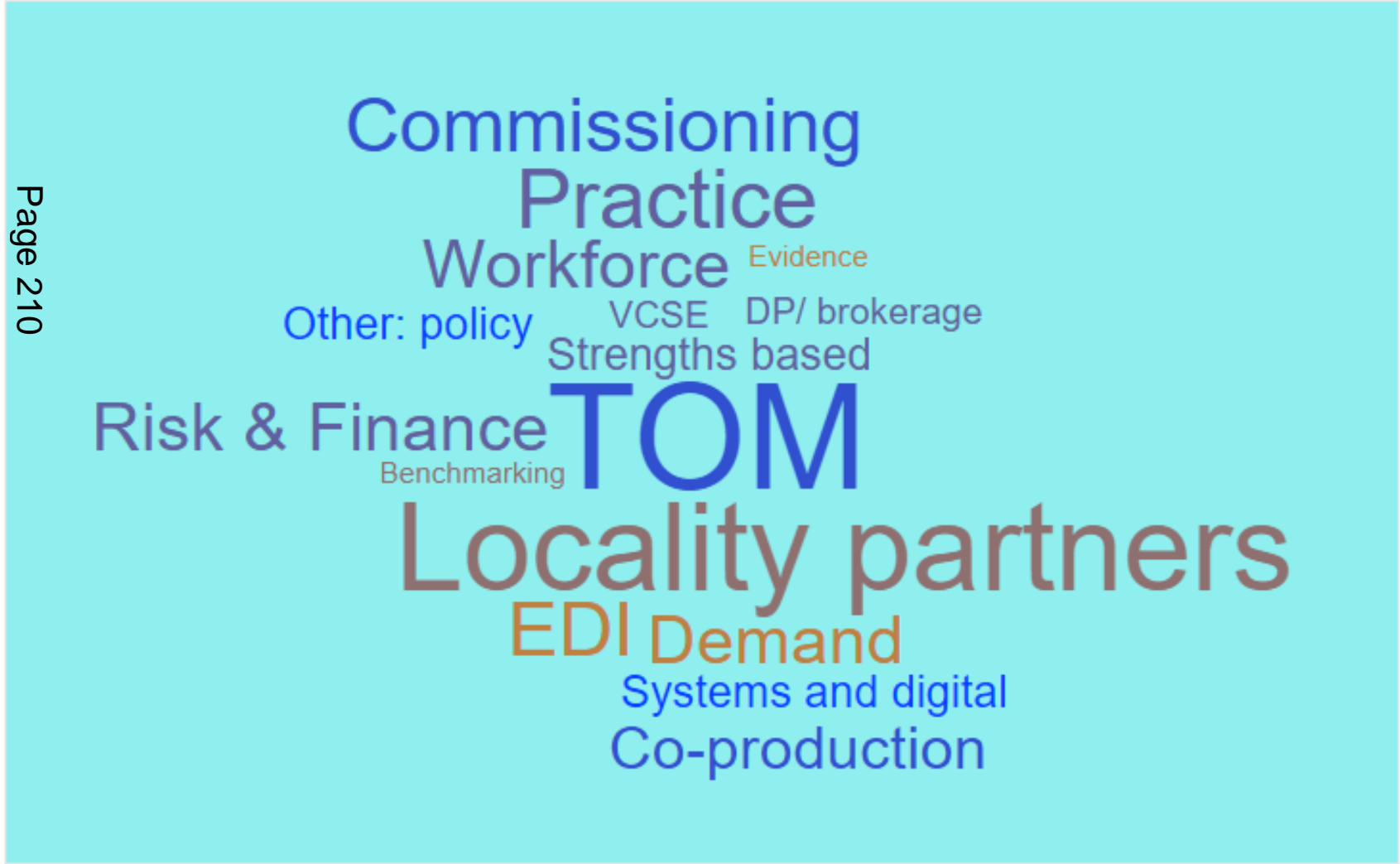
Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

SUMMARY MATRIX ASSURANCE

	CQC Peer Review	FFS	Statuary Duties compliance	DMT Risk Mitigation	Other
Assistive Technology	✓		✓	✓	
Direct payments		✓	✓	✓	
Strengths Based Practice	✓				
Systems & Digital (to include Mosaic Redesign)			✓	✓	
TOM L1 (customer information & digital)	✓		✓	✓	
TOM L2 and 4	✓		✓		
TOM L3/ Enablement	✓		✓	✓	✓
Transitions		✓	✓	✓	
Waiting list Management/ Operational Demand	✓	✓	✓	✓	
Workforce & OD	✓	✓	✓	✓	
Brokerage		✓	✓	✓	

Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

CQC PEER REVIEW FEEDBACK



CQC Peer Review Themes

The Oldham Assurance Preparation Awareness Challenge Day was held on 16 March 2023. This built on an initial data analysis of identified key metrics related to the CQC Assurance themes, a case file audit, and an assurance checklist provided by Oldham colleagues.

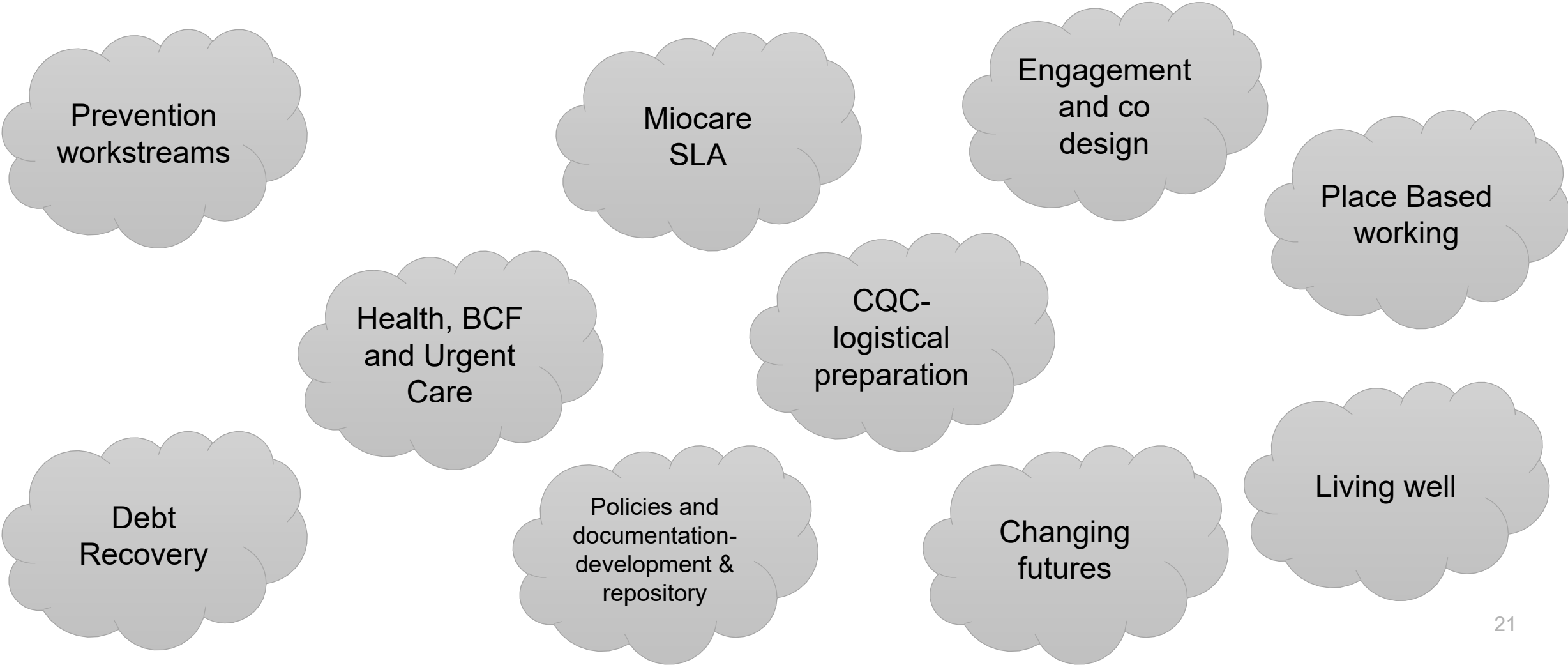
Full day prior to the peer challenge day with a visiting Principal Social Worker, Oldham’s PSW and our Head of Strategic Safeguarding to audit a series of current service user case files

Series of interviews held remotely with specific groups of representatives across the service, various levels, and with stakeholders

Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	------------------	--------------	----------------------	-----------------------	-------------------	----------	------------	---------------	-----------------	------------------	-----------------	------------------	------------

OTHER SYSTEM ACTIVITY (KEY ENABLERS)

Page 211



Introduction	Phase 2 Projects	Key Projects	Programme Prioritise	Heat Map (prioritise)	Projects by Theme	Glossary	Governance	Co Production	High level Plan	Assurance Matrix	CQC Peer Review	Other Activities	Next steps
--------------	---------------------	--------------	-------------------------	--------------------------	----------------------	----------	------------	------------------	--------------------	---------------------	--------------------	---------------------	------------

NEXT STEPS

Page 212

1. High level programme initiation slides for each project
2. Leadership and project sub groups established
3. Detailed project plans established for each project
4. Reporting, measurement and risk log developed
5. Mobilisation
6. Month assurance update to ASC Change Board



ASC Improvement Plan 2024

Next Steps

January 2024

Member Session Outline

12:30	Welcome and purpose	Cllr Barbara Brownridge
12:45	Update on the ASC Target Operating Model	Jayne Ratcliffe
13:15	Q&A	Cllr Barbara Brownridge Jayne Ratcliffe
14:00	Session Ends	

Our vision for Adult Social Care

Supporting you to be independent,
healthy, safe and well.

How we will work to deliver the vision

Person Centred and Strength Based

- We will treat people as equal partners and with compassion, aiming for the best outcomes within the available means
- We will use a strengths-based approach in all our dealings with the public to support them to safely look after themselves
- We will use positive risk taking to support people to take control of their lives
- We will be clear and consistent in our communications with the public

Resilient

- We will be creative and innovative
- We will ensure staff have the tools and skills to do the job
- We will support each other, helping to maintain our own wellbeing and that of the team in which we work

Accountable

- We will follow departmental and council policies and procedures in all that we do
- We will offer and receive constructive challenge to help improve the way we do things
- We will explain why we are doing things and evidence our decision-making

Working Together

- We will work in partnership together with people with care and support needs, carers, service providers, the NHS, voluntary groups, and the wider population to deliver effective health and social care outcomes

Our approach will be underpinned by strict adherence to professional standards and statutory responsibilities

Working together

Adult Social Care in Oldham – Supporting you to be independent, healthy, safe and well

Adult Social Care, working with the rest of the Council, the voluntary sector, local communities and NHS partners will encourage and enable you, your family and community to stay healthy, safe and well. The aim will be to enable you to live as independently as possible. Where you need support, we will help you to identify the best solutions. If you need more help but are not able to arrange your own care, the support we agree with you will help you to live the best life you can with the help you have around you.

Working together we will:

Encourage and enable you to stay well

We will encourage you to do as much as you can with support from your family, friends and community networks

We will work with other organisations to ensure you can access advice, find out about local support and other services to help you look after yourself in your community

We will work with the local community, the rest of the Council, the voluntary sector and NHS partners to make local places healthy and safe

Support you to help yourself

We will provide information and advice about where you can find help when you need it

We will empower you to take control of your life

We will help you to find support that increases your ability to manage any care needs you might have

We will help connect you to your local community

Work with you when you need help

We will ensure you have access to social care services that meet your needs and are affordable to the Council

We will ensure that if you need support, you will receive an assessment and services to enable you to live as independently as possible

How we work

- We will provide you with good quality information and advice to enable you to make informed choices about your care and support
- We will communicate clearly and consistently
- We will work together with people with care and support needs, carers, service providers, the NHS, voluntary groups and local communities to develop effective social care services

A shift in practice...

Moving from a system characterised by...	...to a system where there is
Doing things to/for people and creating dependence	A focus on enabling people to do things for themselves, promoting prevention, self-help and independence
Seeing the individual in isolation	An emphasis on family and other networks within the local community
Highlighting what people cannot do	Attention given to what people can do
Undertaking assessments for services which offer standard solutions	A strength-based assessment conversation which provides more in-depth understanding of the person and offers tailored solutions
Arranging support managed by the council	A use of creative solutions family-first or through a range of voluntary and community sector services
A large amount of care for people with long term conditions being provided in institutional settings	A priority for providing support, when it is needed in the home, wider family network or local community

Based on principles agreed with you

Service Design

- ❖ Strength-based assessments will be used throughout the service
- ❖ Services will be legally and regulatory compliant
- ❖ Good understanding of needs of all client groups across whole service
- ❖ Alignment to Place Based Hubs and Primary Care Networks
- ❖ Operate within available financial resources

Residents

- ❖ Services will be resident first and listen to feedback
- ❖ Residents will be empowered to self-help where they are able
- ❖ Each stage of the customer journey will be outcome focused and person centred.
- ❖ Residents will be supported across the life course – from transitions to end of life.

Workforce

- ❖ Well trained, skilled and resilient workforce, which is fit for the future.
- ❖ Staff receive good induction and supervision, and have appropriate systems and tools for their roles
- ❖ Clear workforce succession planning, with improved recruitment and retention

Digital Design

- ❖ Fit-for-purpose, integrated systems, linked to council's customer services strategy
- ❖ Effective and efficient case management system (Mosaic), with improved flow across portfolio areas
- ❖ Use of technology at all points of contact

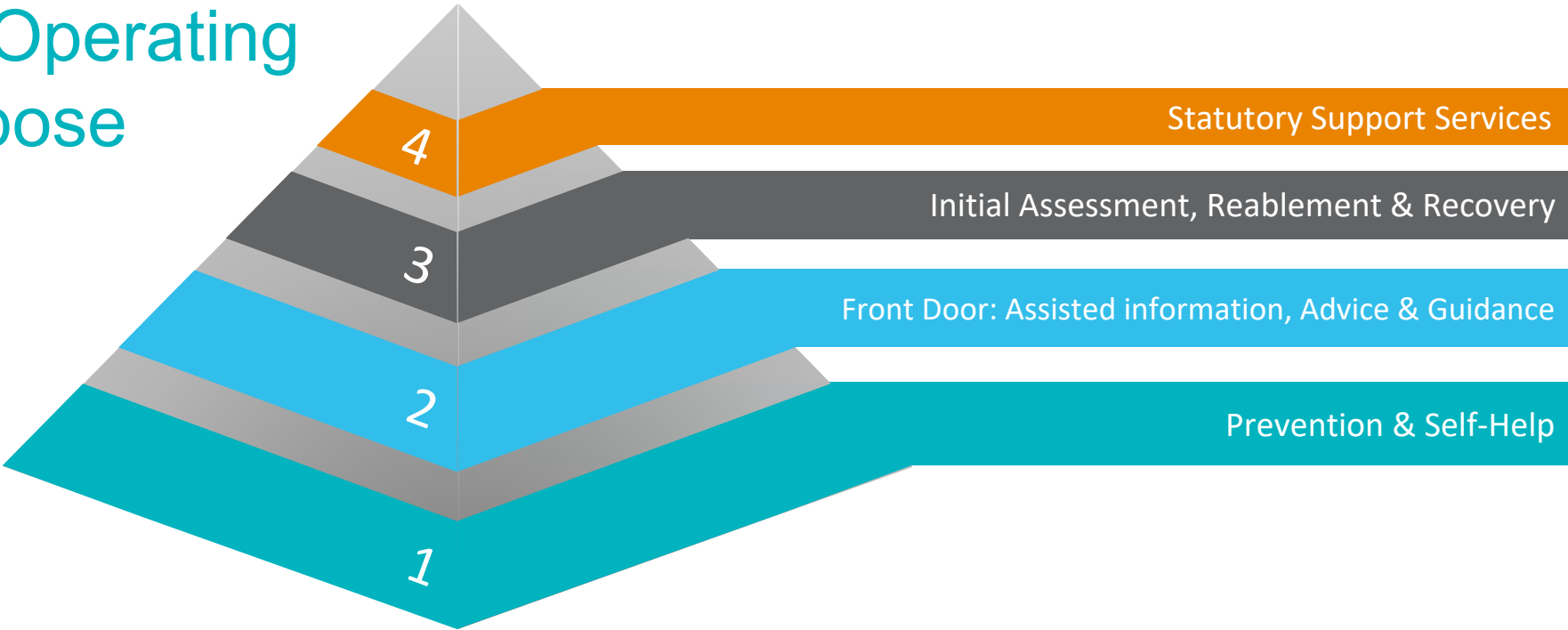
Culture

- ❖ Enabling, strength-based and solution focused culture across the service
- ❖ Strong sense of taking personal and team responsibility and being accountable to residents
- ❖ Excellent communication within Adult Social Care and across wider system

Processes & Insight

- ❖ Processes will be streamlined and efficient, with people 'connected' to the next step, not 'handed off'
- ❖ Resources will move around the person, not person moving around system
- ❖ Service development is informed by data and resident feedback

ASC Target Operating Model - Purpose



1

Prevention and Self-Help

Provide residents with access to information and prevention services, that empower them to make informed decisions and to take control of their own lives.

2

Front Door: Assisted Information, Advice and Guidance

Provide assisted information, advice, guidance and access to available resources and support, to maximise residents' independence, prevent, reduce and delay a need for long-term or crisis care.

3

Initial Assessment, Reablement & Recovery

Deliver short term, intensive and outcome focused interventions, that are based on a person's strengths and connected to community resources, so that residents are safe and remain independent in their community and, where possible, don't need long-term support.

4

Statutory Support Services

Help people to find the right solutions to their support needs, enabling them to be as independent and safe as possible, focussing on the most vulnerable people (with the most complex needs), whilst meeting statutory duties and responsibilities

ASC Target Operating Model Support Offer



1

Prevention and Self-Help

- Prevention and self-help
- Online information and advice
- Self-triage
- Multi-disciplinary neighbourhood hubs
- Voluntary & Community Sector support
- Universal services
- Health Service links
- Carers Support

2

Front Door: Assisted Information, Advice and Guidance

- Multi-disciplinary Team including Care Coordinators, Social Workers, Therapists, Carers Team and Sensory Team
- Initial triage, navigation and redirection
- Referrals to reablement
- Provision of equipment and assistive technology
- Signposting and referral to community partners and voluntary community sector
- Prevention of admission to acute settings
- Referral to Adult Social Care and Safeguarding
- Links to Hospital, Out of Hours and MASH

3

Initial Assessment, Reablement & Recovery

- Provision of short-term step-up support to enable residents to remain at home
- Provision of short-term step-down services following hospital discharge
- Preventing and reducing the need for more complex support
- Assessment for and referral to longer term support when needed
- Care needs, eligibility and financial assessments for initial support
- Safeguarding concerns assessed and ended of further enquiries through MASH
- Redirection to other services

4

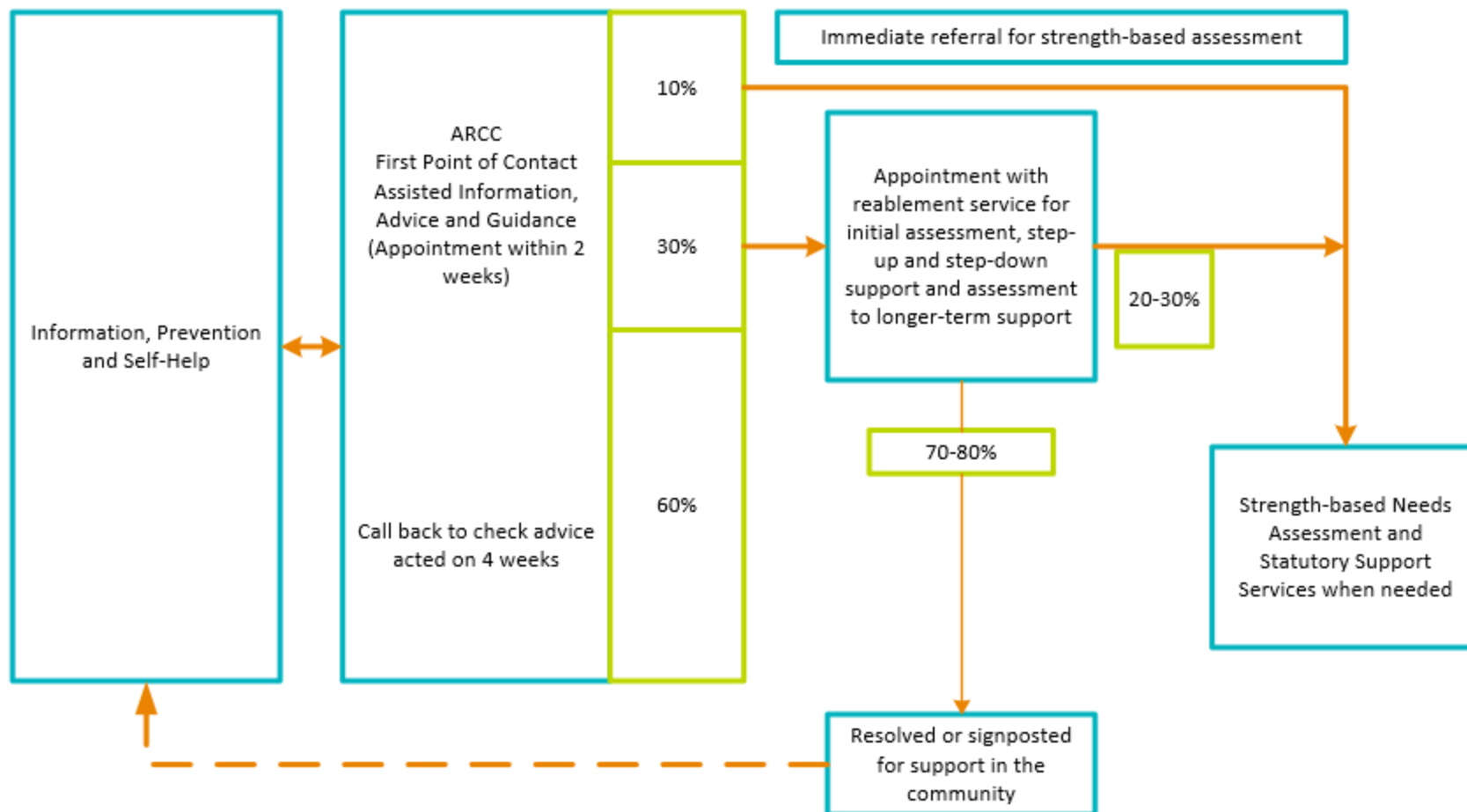
Statutory Support Services

- Longer-term social work-based support in one of five neighbourhood teams
- Assessment, planning, review and evaluation of resident needs using a strength-based approach
- Preventing and reducing the need for more complex support
- Specialist support services including multi-disciplinary teams supporting longer-term mental health, learning disability and/or autism
- Provision and review of commissioned services
- Redirection to other services

Resident experience

Current experience...	...future experience
Information and advice not up-to-date	Clear, relevant information, regularly updated
Not able to easily get through to someone who can provide advice and support	Easy to get in touch via multiple channels (phone, internet etc) including in person at community place-based hubs
Initial contact not staffed by people with the relevant knowledge and experience to resolve issues	Adult Social Care, sensory and occupational therapy experts to join customer calls at first point of contact
Long waiting lists at each stage – initial contact; care assessment, review, financial assessment, carers assessment	If necessary, appointment within two weeks in community placed-based hub, confirmed at time of first call
Not knowing where you are in the process or how long you have to wait	Next step arranged at time of call, clarity over where you are in the process and the timescale involved
Care and support not always available when or where it is most needed	Right care and support, at the right time, in the right place
Not knowing what to expect from us	People primed to think about independence and to prepare for appointment or assessment
High expectations leading to dependency on council commissioned services	Residents are enabled to make informed decisions and take control of their own lives

Resident Journey

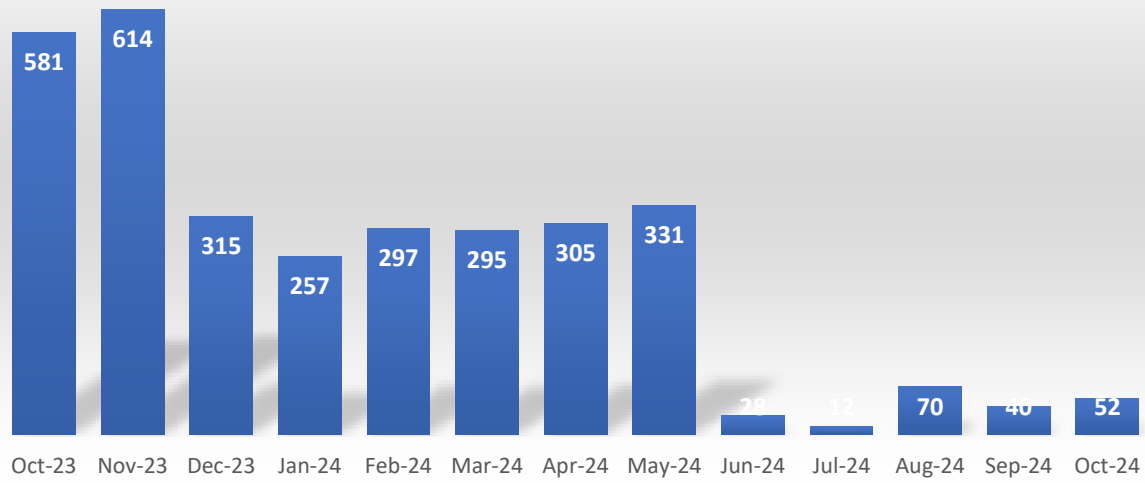


This page is intentionally left blank

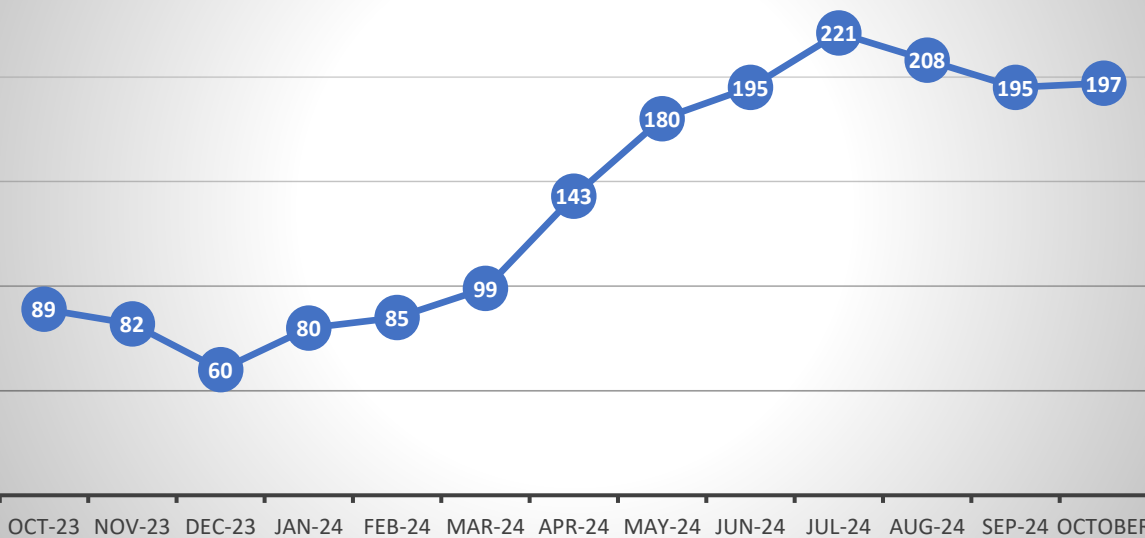
Case closure checklist - Clusters				
Name:				
MOSAIC ID:				
	Y/N	Date completed	Comments	Worker updating
Care Act Assessment fully completed on MOSAIC?				
Best Interest decision determined (if applicable) and fully completed on MOSAIC?				
Is appropriate Finance management in place?				
Authorised workflow approved for commissioned services sent to Brokerage Team?				
Have the appropriate financial assessments been completed / referred to Client Finance?				
Has the sustainability process been followed and conversations documented if there is a top up fee?				
Is there an Ordinary Residency query?				
If the individual is self-funding - has written confirmation been sent to the provider?				
Have any safeguarding enquiries been concluded?				

This page is intentionally left blank

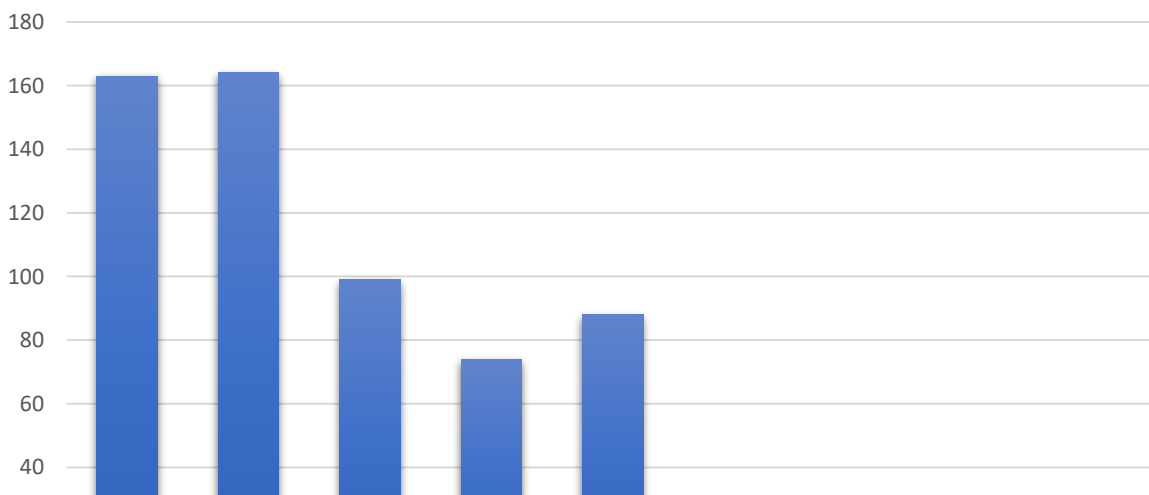
No Team Recorded

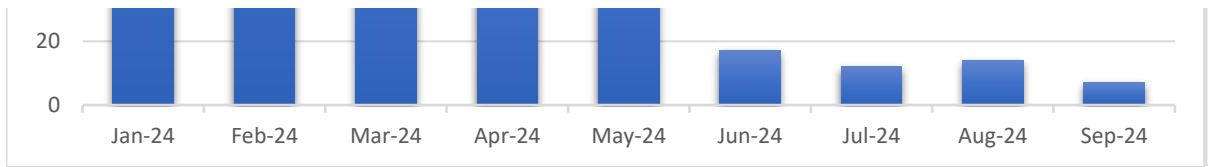


Short Term Placements

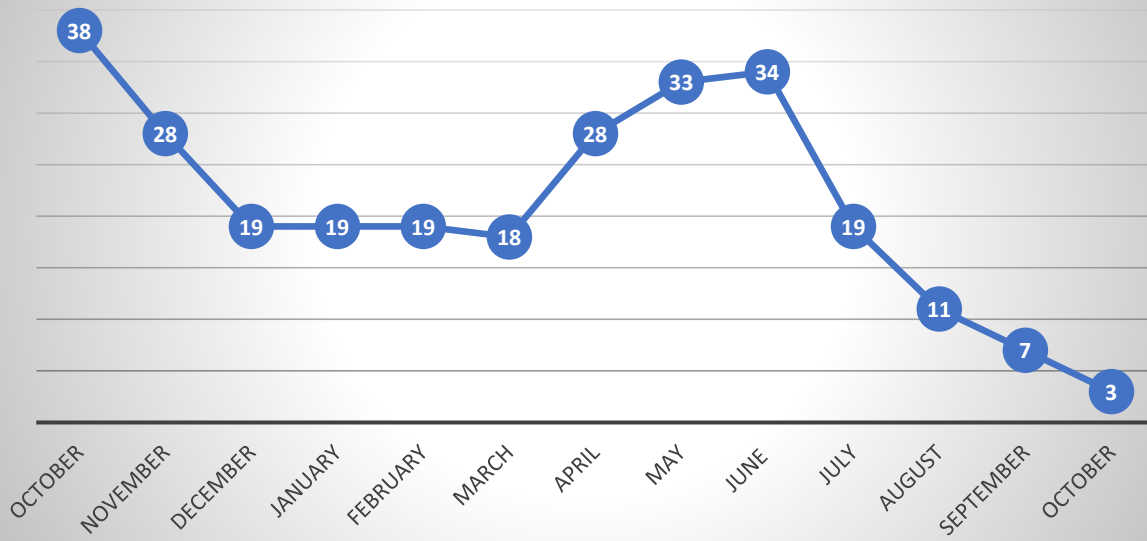


Open Service and No Workflow

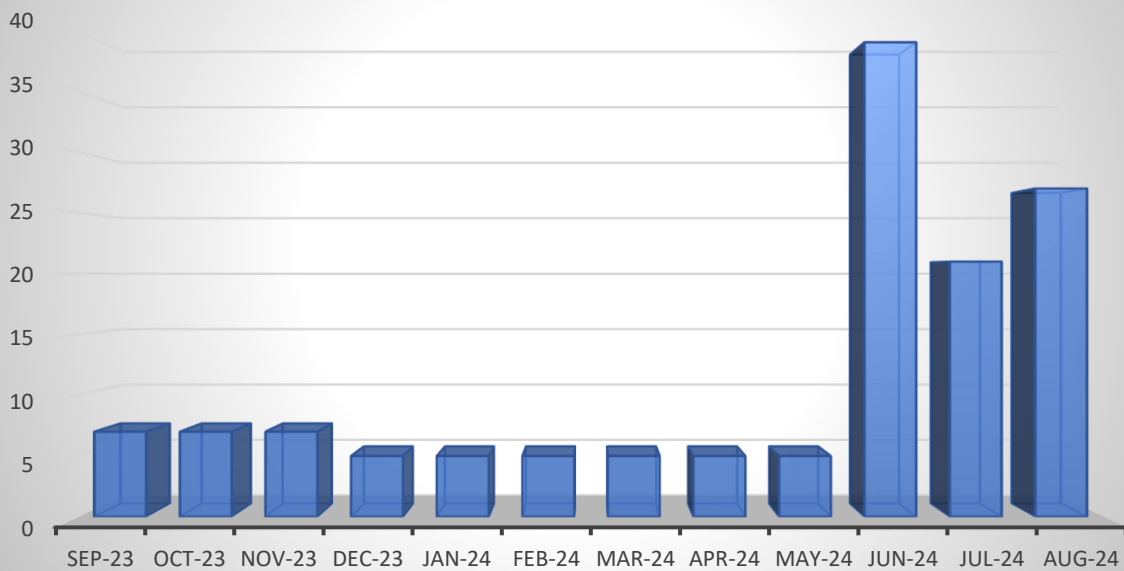




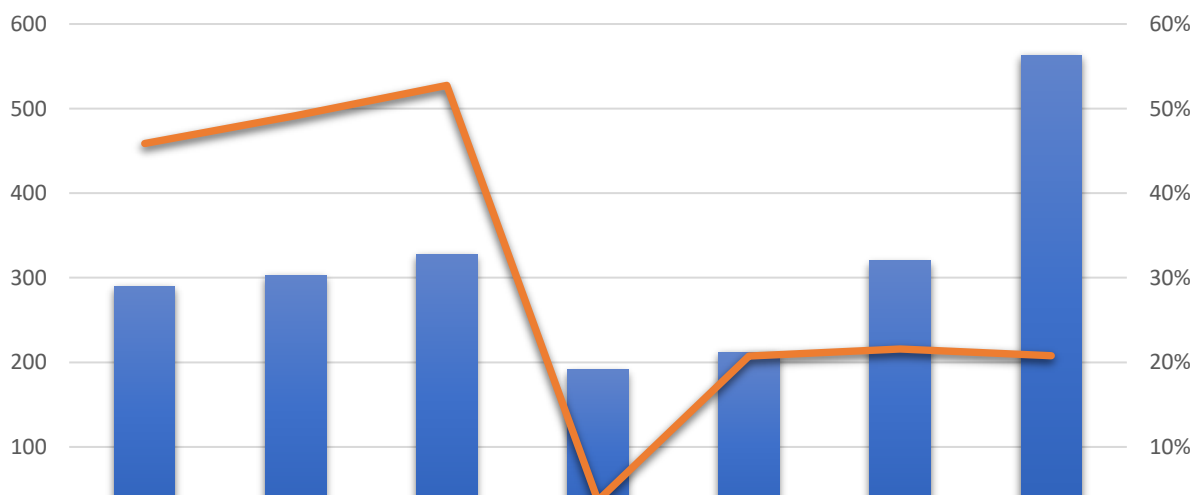
Permanent Care & Other Service

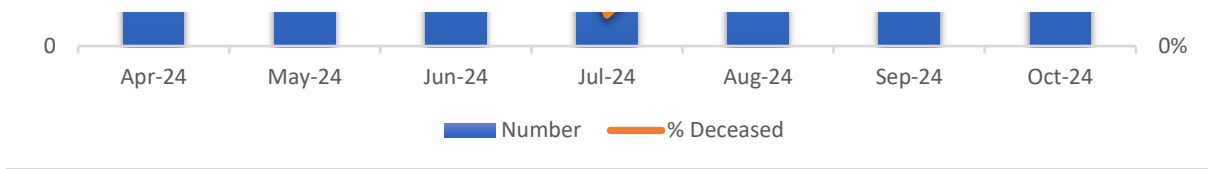


Duplicate Records

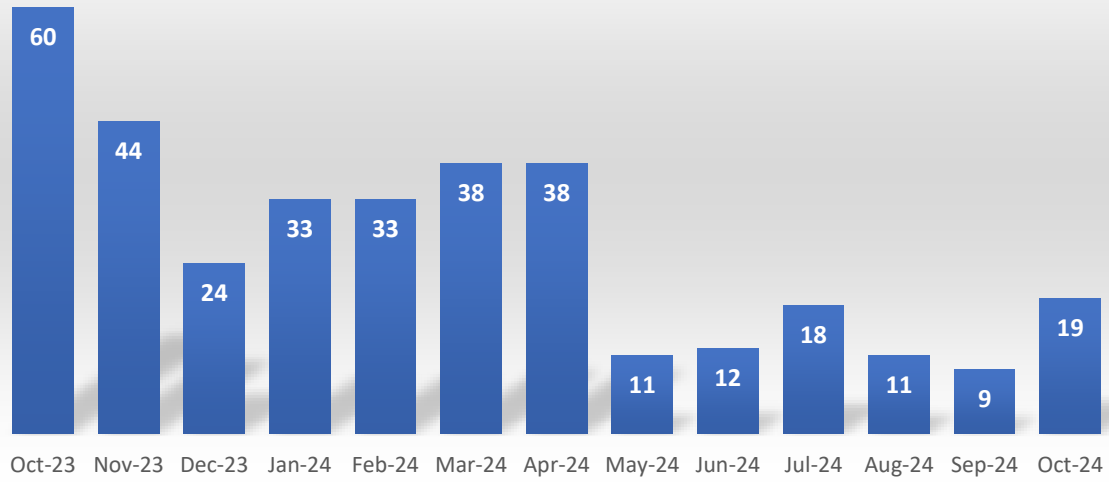


Awaiting Financial Assessment

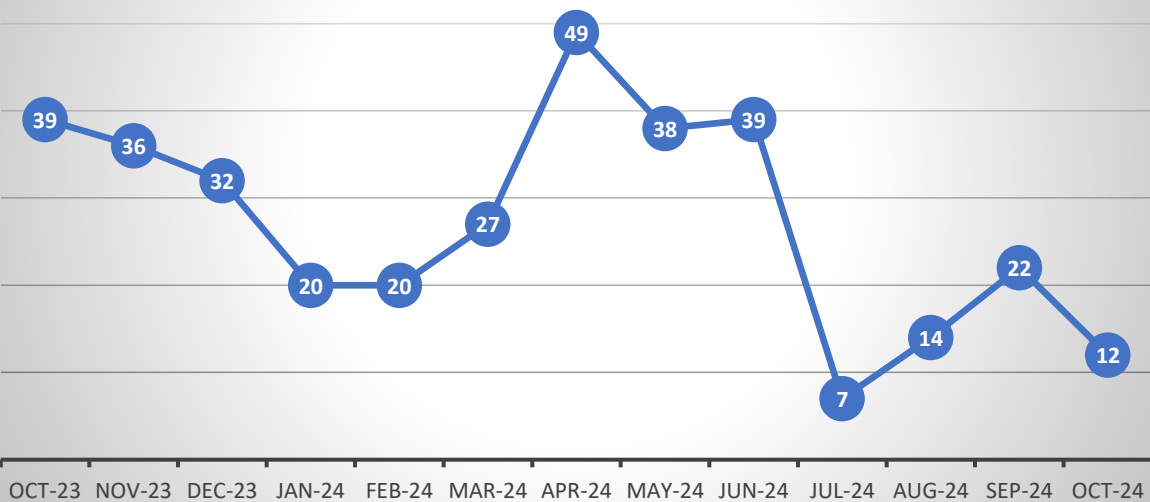




Permanent Care & No Contribution



DOD & Open Budget



]

This page is intentionally left blank



Report to Audit Committee

2023/24 Annual Opinion Report Comparison

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Value for Money and Sustainability

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

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

28 November 2024

Reason for Decision

At the Audit Committee's meeting of 27th June 2024, the Committee received the Annual Opinion Report of the Head of Internal Audit and Counter Fraud for the year 2023/24.

As part of their review of this report Members requested a further report comparing the levels of assurance provided by Heads of Audit in other Authorities relative to the levels of assurance given in respect of individual audit assignment reports throughout the relevant year.

This report provides Members with a high-level comparison of the Annual Head's of Audit Opinions across GM for the year 2023/24 (where publicly available at the time of writing), and the individual opinion reports issued by each Internal Audit team across GM which contributed to the Annual Opinion arrived at in each case.

Additional selected points of comparison between the work carried out by the Internal Audit Team at Oldham and other Authorities across GM is also provided.

Recommendation

Members are requested to consider and note the contents of the report.

2023/24 Annual Opinion Report Comparison**1. Introduction****1.1 Background**

- 1.1.1 At the Audit Committee's meeting of 27th June 2024, the Committee received the Annual Opinion Report of the Head of Internal Audit and Counter Fraud for the year 2023/24.
- 1.1.2 As part of their review of this report Members requested a further report comparing the levels of assurance provided by Heads of Audit in other Authorities relative to the levels of assurance given in respect of individual audit assignment reports throughout the relevant year.
- 1.1.3 This report provides Members with a high-level comparison of the Annual Head's of Audit Opinions across GM for the year 2023/24 (where publicly available at the time of writing), and the individual opinion reports issued by each Internal Audit team across GM which contributed to the Annual Opinion arrived at in each case.
- 1.1.4 Additional selected points of comparison between the work carried out by the Internal Audit Team at Oldham and other Authorities across GM are also provided. The report is structured as follows:
- Section 2: Annual Opinion report comparison across GM Authorities, included GMCA.
 - Section 3: Comparison of Oldham against individual GM Authorities.
 - Section 4: Summary of audit coverage and assurance across comparable areas of risk

1.2 Independence, objectivity, and the role of the Head of Internal Audit (HIA)

- 1.2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the role of the Head of Internal Audit (HIA) in Local Government was issued on 9 April 2019.
- 1.2.2 This publication sets out that role of the Head of Internal Audit (HIA) is to provide an Annual Opinion on the System of Internal Control, **based upon the work performed**, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes, i.e., the organisation's system of internal control. **This is achieved through a risk-based plan of work**, agreed with management, and approved by the Council's Audit Committee, which should provide a reasonable level of assurance.
- 1.2.3 The publication sets out key principles aligned with the UK Public Sector Internal Audit Standards (PSIAS) and individual and organisational responsibilities. The guidance refers to:
- The assurance provided by the HIA must be **evidence based**, in order to provide proper comfort to those who ask for it, and to improve governance arrangements. This means that Internal Audit planning must be **well focused** and in accordance with professional standards.
 - The HIA **may** obtain assurance from partners and other agencies, and the HIA must understand the basis for the assurance and its adequacy, and therefore whether the HIA needs to carry out any additional review work.
- 1.2.4 In order to meet these objectives in practice, the HIA, and Internal Audit Service, in addition to utilising other available sources of assurance, **must directly undertake sufficient independent audit review work**, across a broad range of organisational activity, whilst also focussing on the key organisational objectives and risks.

1.3 Internal Audit Opinion Levels

1.3.1 CIPFA has also published guidance on: **Internal Audit Engagement Opinions: Setting common definitions**. This guidance recommends the following 4 opinion levels when issuing an audit opinion on individual audit reviews.

- **Substantial Assurance** “A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.”
- **Reasonable Assurance** “There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.”
- **Limited Assurance** “Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.”
- **No Assurance** “Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.”

1.3.2 At Oldham the terms **Good, Adequate, Inadequate**, and **Weak** are used, with similar definitions to the above. Across Greater Manchester all Authorities reviewed utilised a 4 opinion model and, though the terminology differs widely, broadly similar definitions of the 4 terms are assumed.

1.3.3 Members will note there is no “middle” or “average” opinion available. This is deliberate and forces those issuing opinions to fall on one side or the other of a broadly acceptable level of assurance. To enable more meaningful comparison between organisations, two opinions are, for the purposes of this report, classified hereafter as being “above a broadly acceptable level of assurance” and two “below a broadly acceptable level of assurance”.

1.3.4 Some organisations use the same term to describe different opinion levels and these have been reviewed and categorised as either “above” or “below” the line dependent on the range of other opinions available at that organisation.

2 Annual Opinion Report comparison across GM Authorities, included GMCA.

2.1 Summary of data utilised in this analysis.

2.1.1 Appendix 1 shows a summary of the Annual Opinions issued across GM for 2023/24, with two exceptions. At the time of writing (October 2024) Bolton MBC had not yet reported the Head of Audit’s Annual Opinion for 2023/24 to the Council’s Audit Committee, so the reports issued and Annual Head of Audit’s Opinion for 2022/23 have been used for comparative purposes here instead. The other exception being Wigan Council where the Annual Head of Audit’s Opinion Report has been included in the restricted part of their Audit Committee agenda and, therefore, is not publicly available. The individual opinion report outcomes are however available, and these have been included for completeness within the averages for all Authorities, but excluded from the averages quoted in respect of those Authorities “above” and “below” the line in terms of their overall Annual Opinion.

2.2 Summary of Annual Opinions:

2.2.1 From Appendix 1 we can see the following:

- None of the Authorities sampled issued an Annual Opinion Report which could be described as “Weak” or “No” assurance.
- Eight of eleven Authorities reported Annual Opinions described variously as Adequate, Satisfactory, Reasonable and Moderate, and are considered to be “above the assurance line”.
- Two of eleven Authorities issued opinions described as Limited and Moderate, considered to be “below the assurance line”.
- As noted above, one Authority’s Annual Opinion was unavailable for review.

2.3 Summary of individual opinion reports issued – all Authorities:

2.3.1 For all Authorities sampled:

- The average number of individual opinion reports issued was 25.45 (Oldham 33)
- The average number of opinion reports issued with opinions “above the line” was 19.18, or 75% (Oldham 25 and 76%)
- The average number of opinion reports issued with opinions “below the line” was 6.27, or 25% (Oldham 8 and 24%)

Oldham therefore issued a higher than average number of individual opinion reports, with proportion of those reports considered to be “above the required assurance line” very much in line with the GM average.

2.4 Summary of individual opinion reports issued – Authorities issuing Annual Opinions considered “above the required assurance line”:

2.4.1 For Authorities issuing annual opinion reports with opinions “above the line”:

- The average number of individual opinion reports issued was 26.5 (Oldham 33)
- The average number of opinion reports issued with opinions “above the line” was 21.25, or 80% (Oldham 25 and 76%)
- The average number of opinion reports issued with opinions “below the line” was 5.25, or 20% (Oldham 8 and 24%)

The average proportion of total reports issued and considered to be “above line” (80%) is slightly higher than at Oldham (76%)

2.5 Summary of individual opinion reports issued – Authorities issuing Annual Opinions considered “below the required assurance line”:

2.5.1 For Authorities issuing annual opinion reports with opinions “below the required assurance line”:

- The average number of individual opinion reports issued was 27.
- The average number of opinion reports issued with opinions “above the line” was 16.5, or 61%.
- The average number of opinion reports issued with opinions “below the line” was 10.5, or 39%.

In comparison with those Authorities issuing annual opinions “above the line”, these authorities issued a similar number of individual reports on average, but with a greater proportion of these reports (almost double) considered to be “below the line” of assurance, 39% in this category compared to 20% at 2.4.1 above.

3. Comparison of opinion report outputs between Oldham and individual authorities across GM.

3.1 Oldham in comparison with Salford Council

- 3.1.1 Salford Internal Audit Service issued a “Satisfactory” overall opinion for 2023/24.
- 3.1.2 Salford issued a total of 34 opinion reports for 2023/24 (Oldham 33). Of these 24 (70%) were classed as “High” or “Satisfactory” and included here as “above the line” (Oldham 25 and 76%).and 10 (30%) classed as “Limited” or Minimal”, and included here as “below the line” (Oldham 8 and 24%).
- 3.1.3 Looking at the areas Salford reported on:
- 16 related to school audit reviews (Oldham 3)
 - 4 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS), including Personal Budgets & Direct Payments (Adult Social Care) – “Limited” (Oldham 15 FFS in total), 2 of which related to cash handling (Oldham 2),
 - 3 related to specialist IT reviews (Oldham 1).
- 3.1.4 Salford did not issue any reports in connection with capital expenditure in the year (Oldham 5).

3.2 Oldham in comparison with Bury Council

- 3.2.1 Bury Internal Audit Service issued a “Moderate” (below the line) overall opinion for 2023/24.
- 3.2.2 Bury issued a total of 22 opinion reports for 2023/24 (Oldham 33). Of these 9 (41%) were classed as “Full” or “Substantial” and included here as “above the line” (Oldham 25 and 76%).and 13 (59%) classed as “Moderate” or “Limited”, and included here as “below the line” (Oldham 8 and 24%).
- 3.2.3 The categorisation of Bury’s overall opinion of “Moderate” as “below the line” is based on the 4 available audit opinions in use at Bury, of which Moderate is in the lower half. And an extract below from Bury’s annual report shown below:

“A total of 22 audit reviews, making 136 recommendations, have been considered in forming the overall opinion for the year. As shown in the following chart the outcome of 41% of audits (9 reviews), completed in 2023/24 are positive having provided a substantial or full level of assurance to the areas examined. There are however a proportion of audits, 23% (5 reviews), where controls were considered to be moderate. There were 8 reviews, (36%), which were considered to give a limited level of assurance, these made a total of 74 recommendations of which 29 were fundamental and 46 were significant / merits attention.”

- 3.2.4 Looking at the areas Bury reported on:
- 1 related to school audit reviews (Oldham 3)
 - 7 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) including Debtors Key Controls 2023/24 – “Limited”, (Oldham 15).
 - None related to specialist IT reviews (Oldham 1).
- 3.2.5 Bury did not issue any reports in connection with capital expenditure in the year (Oldham 5).

3.3 Oldham in comparison with Bolton Council

- 3.3.1 Bolton Internal Audit Service issued a “Reasonable” (above the line) overall opinion for 2022/23 (2023/24 data not available at time of writing).
- 3.3.2 Bolton issued a total of 13 opinion reports for 2022/23 (Oldham 33). Of these 12 (92%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%), and 1 (8%) classed as “Limited”, and included here as “below the line” (Oldham 8 and 24%).
- 3.3.3 Looking at the areas Bolton reported on:
- 1 related to a school audit review (Oldham 3)
 - 4 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), 1 of which related to cash handling (Oldham 2).
 - 2 related to specialist IT reviews (Oldham 1).
- 3.3.4 Bolton did not issue any reports in connection with capital expenditure in the year (Oldham 5).

3.4 Oldham in comparison with Tameside Council

- 3.4.1 Tameside Internal Audit Service issued a “Limited” (below the line) overall opinion for 2023/24.
- 3.4.2 Tameside issued a total of 32 opinion reports for 2023/24 (Oldham 33). Of these 24 (75%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%). and 8 (25%) classed as “Limited” or “No Assurance”, and included here as “below the line” (Oldham 8 and 24%).
- 3.4.3 The reasoning behind the classification of Tameside’s overall annual audit opinion as “Limited” is explained in the extract below from Tameside’s annual report:

“The opinion on the overall adequacy of the Council’s framework of governance, risk management and internal control for the period 2023/24 is Limited due to the limitation in scope in terms of strategic risk coverage, the outcome of the OFSTED inspection rating Children’s Services inadequate and the outcome of the Children’s internal audit reviews providing no assurance. That said, based on the actual audit work completed in 2023/24 in the other strategic risk areas, the opinion would be reasonable assurance.

There is a limitation to scope in terms of risk coverage by Internal Audit due to a change in approach in line with risk-based auditing, where there was a rest in August 2023, and as such under the new audit framework we have been unable to cover as much in the time restraints. Work will continue in 2024/25, with full coverage.”

- 3.4.4 Looking at the areas Tameside reported on:
- 14 related to school audit reviews (Oldham 3)
 - 9 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), including Children’s Social Care Cash and Children’s Homes Cash and Card, both “Limited”
 - 3 related to specialist IT reviews (Oldham 1).
- 3.4.5 Tameside did not issue any report in connection with capital expenditure in the year (Oldham 5).

3.5 Oldham in comparison with Stockport Council

- 3.5.1 Stockport Internal Audit Service issued a “Moderate” (above the line) overall opinion for 2023/24.
- 3.5.2 Stockport issued a total of 31 opinion reports for 2023/24 (Oldham 33). Of these 24 (77%) were classed as “Substantial” or “Moderate” and included here as “above the line” (Oldham 25 and 76%).and 7 (23%) classed as “Limited”, and included here as “below the line” (Oldham 8 and 24%).
- 3.5.3 Looking at the areas Stockport reported on:
- 12 related to school audit reviews (Oldham 3)
 - 3 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), including Debtors – “Moderate/Limited” and Reconciliation of Payroll Controls – “Limited”.
 - 4 related to specialist IT reviews (Oldham 1).
 - 2 reports related to capital expenditure (Oldham 5).

3.6 Oldham in comparison with Trafford Council

- 3.6.1 Trafford Internal Audit Service issued a “Reasonable” (above the line) overall opinion for 2023/24.
- 3.6.2 Trafford issued a total of 24 opinion reports for 2023/24 (Oldham 33). Of these 24 (100%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%).and 0 (0%) classed as “Limited” or “Weal/No” assurance, and included here as “below the line” (Oldham 8 and 24%).
- 3.6.3 Members will note that although Trafford issued no “below the line” individual audit opinions in the year, the annual assurance opinion for the year remained “Reasonable” as opposed to “Substantial”.
- 3.6.4 Looking at the areas Trafford reported on:
- 8 related to school audit reviews (Oldham 3)
 - 5 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15).
 - 0 related to specialist IT reviews (Oldham 1).
 - 1 report related to capital expenditure (Oldham 5).

3.7 Oldham in comparison with Manchester Council

- 3.7.1 Manchester Internal Audit Service issued a “Reasonable” (above the line) overall opinion for 2023/24.
- 3.7.2 Manchester issued a total of 30 opinion reports for 2023/24 excluding those recorded as opinion reports on grant expenditure assurance work (Oldham 33). Of these 16 (53%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%).and 14 (47%) classed as “Limited” assurance, and included here as “below the line” (Oldham 8 and 24%).
- 3.7.3 Members will note that although Manchester issued more, and a higher proportion of “below the line” individual audit opinions in the year than the average for those Council’s issuing a “below the line” annual opinion, Manchester’s annual assurance opinion for the year remained “Reasonable” as opposed to “Limited”.

3.7.4 Looking at the areas Manchester reported on:

- 8 related to school audit reviews (Oldham 3),
- 4 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), including Direct Payments - "Limited" and Imprest Accounts – "Limited".
- 1 related to specialist IT reviews (Oldham 1).
- 2 reports related to capital expenditure (Oldham 5).

3.8 Oldham in comparison with Rochdale Council

3.8.1 Rochdale Internal Audit Service issued an "Adequate" (above the line) overall opinion for 2023/24.

3.8.2 Rochdale issued a total of 36 opinion reports for 2023/24 (Oldham 33). Of these 36 (100%) were classed as "Substantial" or "Adequate" and included here as "above the line" (Oldham 25 and 76%).and 0 (0%) classed as "Limited" or otherwise "below the line" audit opinions (Oldham 8 and 24%).

3.8.3 Members will note that although Rochdale issued no "below the line" individual audit opinions in the year, the annual assurance opinion for the year remained "Adequate" as opposed to "Substantial".

3.8.4 Looking at the areas Rochdale reported on:

- 17 related to school audit reviews (Oldham 3)
- 4 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15). However, the report in relation to Business Rates focussed only on Charitable Reliefs; and 2 Payroll reports were issued, one in connection with Term Time Only employees, and another in respect of Employee Expenses. 1 report related to cash handling (Oldham 2).
- 0 related to specialist IT reviews (Oldham 1).
- 2 reports related to capital expenditure (Oldham 5).

3.9 Oldham in comparison with Wigan Council

3.9.1 Wigan Internal Audit Service' Annual Audit Opinion for 2023/24 has not been made publicly available and was included in the Private part of the agenda for the Audit Committee meeting to which it was presented.

3.9.2 Wigan issued a total of 14 opinion reports for 2023/24 (Oldham 33). Of these, 8 (57%) were classed as "High" or "Satisfactory" and included here as "above the line" (Oldham 25 and 76%).and 6 (43%) classed as "Limited" audit opinions (Oldham 8 and 24%).

3.9.3 Looking at the areas Wigan reported on:

- 0 related to school audit reviews (Oldham 3)
- 5 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), of which 1 Payroll report focussed on Temporary Elements – "Limited", 1 on Write-offs across CT, NDR and Housing Rents, and 3 reports related to cash handling (Oldham 2).
- 1 related to specialist IT reviews (Oldham 1).
- 2 reports related to capital expenditure (Oldham 5).

3.10 Oldham in comparison with GMCA

3.10.1 GMCA Internal Audit Service issued an “Adequate” (above the line) overall opinion for 2023/24.

3.10.2 GMCA issued a total of 11 opinion reports for 2023/24 (Oldham 33). Of these, 9 (82%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%).and 2 (18%) classed as “Limited” audit opinions (Oldham 8 and 24%).

3.10.3 Looking at the areas GMCA reported on:

- 1 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15).
- 2 related to specialist IT reviews (Oldham 1).
- 0 reports related to capital expenditure (Oldham 5).

4. Summary of audit coverage and assurance across comparable areas of risk

4.1 Oldham issued the 3rd highest number of comparable opinion reports overall during 2023/24 (33), with only Rochdale (36) and Salford (34) issuing a greater number (and therefore gaining a potentially broader scope of assurance) than Oldham. However, the number of schools reports issued by these authorities formed a significantly higher number and proportion of the total reports issued at both Rochdale (17), and Salford (16). Tameside Council issued the 4th highest number of opinion reports (32), with, again, a higher number and proportion of these reports relating to schools (14).

4.2 Oldham also issued the greatest number of reports in relation to Fundamental Financial systems reviews (15). Tameside issued the second highest number of FFS reports (9).

4.3 Oldham issued 1 report during the year in relation to a specialist IT review. Stockport issued 4 reports in this category, and both Tameside and Salford issued 3. IT is recognised area of risk across all organisations and work is ongoing in this area at Oldham with further reports to follow in due course.

4.4 Oldham issued the greatest number of reports in connection with the Council's capital expenditure programme. No other Authority issued more than 2 reports in this category.

5 Options/Alternatives

5.1 The Audit Committee can either:

- a) choose to accept and note the contents of the report,
- b) decline to accept and note the contents of the report 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 **Co-operative 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 Appendix 1
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 and Annual Opinions across GM 2023/24

Appendix 1: Summary of Audit Reports/Outcomes and Annual Opinions across GM 2023/24

Authority	<u>Oldham</u>		<u>Salford</u>		<u>Bury</u>		<u>Bolton (22/23)</u>		<u>Tameside</u>		<u>Stockport</u>		<u>Trafford</u>		<u>Manchest r</u>		<u>Rochdale</u>		<u>Wigan</u>		<u>GMCA</u>		<u>Average</u>	
Overall Annual Opinion	Adequate		Satisfactory		Moderate		Reasonable		Limited		Moderate		Reasonable		Reasonable		Adequate		N/A		Reasonable		All	
<u>Opinion Level</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Good/ Substantial/ High/ Full Assurance	5	15	11	32	3	14	3	23	2	6	4	13	12	50	2	6	14	39	1	7	2	18	5.36	21
Adequate/ Satisfactory/ Reasonable/ Substantial Assurance	20	61	13	38	6	27	9	69	22	69	20	64	12	50	14	54	22	61	7	50	7	64	13.82	54
Inadequate/ Limited/ Moderate Assurance	7	21	10	29	5	23	1	8	6	19	7	23	0	0	14	40	0	0	6	43	2	18	5.27	21
Weak/ Minimal/ No/ Limited Assurance	1	3	0	0	8	36	0	0	2	6	0	0	0	0	0	0	0	0	0	0	0	0	1	4
Total	33	100	34	100	22	100	13	100	32	100	31	100	24	100	30	100	36	100	14	100	11	100	25.45	100

This page is intentionally left blank



Report to Audit Committee

2024/25 Internal Audit and Counter Fraud Progress Report

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Value for Money and Sustainability

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

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

28 November 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 Q2 of the 2024/25 financial year which alongside:

- Further progress reports on Q3 and Q4 to be provided to the Committee during the year.
- The Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2024/25.

Assists the Committee in discharging its 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 2024 to 1 November 2024.

During Q1 the team finalised work on the Council's Fundamental Financial Systems (FFS) reviews to provide assurance in respect of the 2023/24 Financial Statements, and the Annual Opinion Report of the Head of Audit and Counter Fraud for 2023/24. These reports were issued in Q1 2024/25.

During Q2 the team commenced work on the Council's FFS reviews for 2024/25, to be reported later in the year.

In addition, other Audit and Counter Fraud Team activity in Q2 included:

- Completion of four opinion reports in connection with Christchurch School, Building Control, VAT and Highways Grant Administration, and a grant assurance review of the Council's Pothole Fund Assurance Statement.
- Commencement and ongoing work in connection with a Standards of Conduct review, a Recruitment processes review, a review of the Council's Risk Management Processes, a review of the Council's decision recording systems; a review of the Council's Housing Options Service, a review of Children's to Adults transitions in Social care, a review of In-Borough SEND Placements, a review of Miocare financial systems, and a review of Public Health Commissioning.
- Work was also commenced on 2 further reviews which, following initial background work have been halted pending further developments. Work in connection with the Council's Speech and language Therapy Services was halted in agreement with the Service. The Service is aware of the challenges both locally and nationally in this area and is forming its own plans to address these. The value which would be added by an audit review at this stage is likely to be low. This work may re-commence at a future date and we will maintain contact with the Service to agree an appropriate time for this to take place. In the meantime this review has been replaced with a review of In-Borough SEND Placements noted above. Work in connection with the Council's "Don't Trash Oldham" initiative was also halted following an internal Service led review of this initiative. Again, the potential to add value by undertaking further audit work in this area is deemed to be low.
- Corporate Counter Fraud activities have identified £269,487 of fraud, errors and overpayments.
- Line management of the Direct Payments Audit Team (Adults and Children) has transferred out of the Audit and Counter Fraud Service and into the Central Finance Service. As a result the outcomes of this work will no longer be reported as part of these regular update reports to this Committee.

Recommendation

Members are requested to consider the 2024/25 Q2 Audit and Counter Fraud Progress Report.

2024/25 Q2 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 2024 and 1 November 2024.
- 1.2 The main content of the report is structured as follows:
- Section 2: 2024/25 Audit and Counter Fraud Service: Progress Update.
 - Section 3: Corporate Counter Fraud.
 - Section 4: Audit of Direct Payments.

2. 2024/25 Audit and Counter Fraud Service: Progress Update

- 2.1 Priorities for the 2024/25 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 considered high priority and included in the Annual Internal Audit Plan.
 - Counter Fraud work to prevent and detect fraud, theft and corruption.
 - Investigations of both internal and external fraud.
 - Direct Payments Audit to ensure expenditure is in line with support plans.
 - Support in connection with postal votes for local, regional, and parliamentary elections.

Progress against these priorities is summarised below:

2024/25 Fundamental Financial Systems (FFS) reports

- 2.2 Work has commenced on the 2024/25 FFS reviews. The outcomes of the 2024/25 FFS reviews will be reported to the Committee in due course.

Other work completed

- 2.3 Four pieces of planned work were completed and reported in Q2 in connection with:
- Christchurch School
 - Building Control
 - VAT
 - Grant assurance review of the Council's Pothole Fund Assurance Statement.

The grant assurance review of the Council's Pothole resulted in one further unplanned report being issued in the quarter, on Highways Grant Administration, containing recommendations to improve the record keeping in place to support this work going forward.

The outcomes of these reviews are shown at Appendix 1.

2.4 Other planned audit review work commencing and underway as at 1 November 2024 included reviews of:

- Standards of Conduct
- Recruitment processes
- The Council's Risk Management Processes
- The Council's decision recording systems.
- The Council's Housing Options Service
- Children's to Adults transitions in Social care.
- In-Borough SEND Placements.
- Miocare financial systems
- Public Health Commissioning.

Other Work Undertaken

2.5 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.

2.6 The Head of Audit and Counter Fraud continues to support the Committee, with a number of reports produced for review and consideration at this meeting.

Follow up of Audit Recommendations

2.7 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	Recommendation Priority Level			Total
	High	Medium	Low	
Complete	8	1	2	11
Not Agreed / No Response	0	0	0	0
Revised / Ongoing	0	4	1	5
Total	8	5	3	16

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:

- 112 cases of non-CTR fraud/misuse of funds including Council Tax Single Person Discount fraud (SPD), Blue Badge misuse and theft.
- £59,451.67 of non-CTR fraud/misuse.
- 59 cases of ineligible claims for Council Tax Reduction (CTR).
- £89,479.61 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
- £120,555.84 of ineligible claims for Council Tax Reduction (CTR).

3.3 In addition the latest Bi-annual National Fraud Initiative commenced during Q2 with the Counter Fraud team co-ordinating the collation, and undertaking the data quality checks and submission, of a number of datasets to the Cabinet Office for use in nationwide data matching.

3.4 The first results from this latest exercise are expected to be released during December, and the results of the annual Council Tax Single Person Discount Exercise will be available in the new year. The Counter Fraud team will again co-ordinate the Council's response to the potential matches received and also undertake investigation of selected categories of matched data. The outcomes of this exercise will be reported to Members in due course.

4. Audit of Direct Payments

4.1 Line management of the Direct Payments Audit Team (Adults and Children) has transferred out of the Audit and Counter Fraud Service and into the Central Finance Service. As a result the outcomes of this work will no longer be reported as part of these regular update reports to this Committee.

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 2024/25 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
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 2024 to 1 November 2024
- **Appendix 2:** Counter Fraud Results – 1 April 2024 to 31 October 2024

Audit and Counter Fraud 2024/25 - Summary of Audit Reports/Outcomes - 1 April 2024 to 1 November 2024

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2022/23 Draft Final Report – Council Tax & Council Tax Reduction	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 – Accounts Payable	Report	Q1	Adequate
7	Chief Executive	2022/23 Draft Final Report – Accounts Receivable	Report	Q1	Adequate
8	Adult Social Care	2022/23 Draft Final Report – Direct Payments	Report	Q1	Inadequate
9	Adult Social Care	2022/23 Draft Final Report – Residential Care	Report	Q1	Inadequate
10	Chief Executive	2022/23 Draft Final Report – Fixed Assets	Report	Q1	Adequate
11	Children & Young People	2022/23 Draft Final Report – Children's Social Care	Report	Q1	Inadequate
12	Chief Executive	2022/23 Final Report – Debt Recovery	Report	Q1	Inadequate
13	Place and Economic Growth	Spindles Pre-Contract Procurement Review	Report	Q1	Adequate
14	Chief Executive	IT Vulnerability Management (SCAS)	Report	Q1	Adequate
15	Chief Executive	Local Elections - Postal Vote Packs	Briefing note	Q1	Assurance

16	Chief Executive	Local Elections Postal Vote Integrity Review	Report	Q1	Assurance
17	Chief Executive	Parliamentary Elections - Postal Vote Packs	Briefing note	Q1	Assurance
18	Children & Young People	Supporting Families Assurance Statement	Grant Assurance	Q1	Assurance
19	Children & Young People	Christchurch School	Report	Q2	Adequate
20	Place and Economic Growth	Building Control	Report	Q2	Weak
21	Chief Executive	VAT	Report	Q2	Adequate
22	Place and Economic Growth	Pothole Fund Assurance Statement	Grant Assurance	Q2	Assurance
23	Place and Economic Growth	Highways Grant Administration	Report	Q2	Adequate

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.
------------	---

Counter Fraud Results 1 April 2024 to 31 October 2024

Counter Fraud Team 2024/2025	Quarter 1 April - June	Quarter 2 July - Sept	Quarter 3 - To 31st Oct	Total
Corporate Cases - Positive Results	39	55	18	112
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£31,486.47	£20,709.20	£7,256.00	£59,451.67
CTR cases amended as a result of an investigation	26	23	10	59
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£26,589.12	£58,158.31	£4,732.18	£89,479.61
CTR Fraud and Error Overpayments identified (£)	£49,820.21	£58,792.98	£11,942.65	£120,555.84
Financial Outcomes	£107,895.80	£137,660.49	£23,930.83	£269,487.12



Report to Audit Committee

2024/25 Independent Member Recruitment - Progress Report

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Value for Money and Sustainability

Officer Contact: Sarah Johnston – Director of Finance

Report Author: Sarah Johnston – Director of Finance

28 November 2024

Reason for Decision

In its publication Audit committees: practical guidance for local authorities and police, the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that Local Authority Audit Committees should seek to appoint two suitably qualified and experienced independent (lay) members to support Elected Members in fulfilling their role as set out in the Committee's Terms of Reference.

Oldham currently has one independent member serving as Chair to the Committee, Mr Grenville Page, since March 2023.

This report provides Members with an update on the recruitment of a second independent (lay) member of the Audit Committee to support the Committee's work.

Executive Summary

Prior to the appointment of Mr Page as Independent Chair of the Audit Committee, the Committee operated for a time without an independent member during 2021 and 2022 until Mr Page was appointed in March 2023.

The Authority has subsequently gone through a further two rounds of recruitment for the role of second independent member.

The first recruitment round took place during March/April 2024. This round produced a number of applications from qualified individuals. However, bearing in mind the advice by CIPFA that:

“...two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience”

Officers, in discussion and agreement with the Chair, undertook a further, more targeted, recruitment round in an effort to broaden the knowledge and expertise available to the committee.

This round of recruitment was, however, overtaken by an ongoing Council wide recruitment freeze and subsequent call for applications for voluntary redundancy from staff across the Authority.

The recruitment of a second independent member has, alongside other avoidable expenditure, been suspended for the time being.

Recommendation

Members are requested to consider the report.

Independent Member Recruitment - Progress Report**1. Background**

- 1.1 In its publication Audit committees: practical guidance for local authorities and police, the Chartered Institute of Public Finance and Accountancy (CIPFA) states:

“A co-opted independent or lay member is a committee member who is not an elected representative but recruited to join the committee. The objective of including such members is to increase the knowledge and experience base of the committee, reinforcing its independence. Inclusion of lay members is a legislative requirement for authorities in Wales and for combined authorities in England. Where there is no requirement to, CIPFA recommends the committee includes two co-opted independent members.”

Therefore, whilst it is a requirement for bodies such as GMCA to have three lay members on its Audit Committee, it is not a legal or regulatory requirement for Local Authorities in England to have any independent members, though it is recommended good practice to do so.

- 1.2 Oldham currently has one independent member serving as Chair to the Committee, Mr Grenville Page, since March 2023.

- 1.3 The main content of the report is structured as follows:

- Section 2: Update on recent recruitment exercises.
- Section 3: Comparison with other GM Authorities
- Section 4: Planned way forward

2 Update on recent recruitment exercises

- 2.1 Prior to the appointment of Mr Page as Independent Chair of the Audit Committee, the Committee operated for a time without an independent member during 2021 and 2022 until Mr Page joined in March 2023. This absence of an independent member for a period of time was primarily due to a failure to generate interest from suitably experienced and qualified individuals to undertake the role.

- 2.2 The Authority has subsequently gone through a further two rounds of recruitment for the role of second independent member.

- 2.3 The first recruitment round took place during March/April 2024. This round produced a number of applications from qualified individuals. The suitable applicants having backgrounds primarily in the Audit sphere. The current Chair, Mr. Page already brings significant experience gained in both Audit and Governance to the Committee and, bearing in mind the advice by CIPFA, that:

“...two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience”.

Officers, in discussion and agreement with the Chair, undertook a further, more targeted, recruitment round in an effort to broaden the knowledge and expertise available to the committee. This round of recruitment was, however, overtaken by an ongoing Council wide recruitment freeze and subsequent call for applications for voluntary redundancy from staff across the Authority.

- 2.4 The recruitment of a second independent member has, alongside other avoidable recruitment, currently been suspended for the time being.

3. Comparison with other GM Authorities

- 3.1 The table below shows the total number of Audit Committee Members, and number of lay members, at each GM Authority, including GMCA, as of November 2024.

Authority	Total Membership	Lay membership
Bury	9	0
Bolton	7	0
Oldham	10	1
Salford	8	1
Stockport	7	1
Trafford	10	1
Wigan	9	1
Manchester	7	2
Rochdale	11	2
Tameside	9	2
GMCA	9	3
Average (inc. GMCA)	8.73	1.27
Average (exc. GMCA)	8.70	1.10

- 3.2 From the table above Members will note that, whilst Oldham has been only partially successful to date in attracting interest from suitably qualified and experienced applicants, the Council has fared better than some other Authorities currently without lay member support. Oldham is in line with the majority of Council's across GM in currently having one lay member.

4 Planned way forward

- 4.1 The Council is currently committed to reducing as far as possible any and all non-essential expenditure to meet its financial challenges, regardless of the nature of the expenditure.
- 4.2 A recruitment panel is currently in place to review all proposed recruitment. The Director of Finance sits on this panel. Only essential recruitment is currently being approved.
- 4.3 The Council is also currently in the process of seeking and assessing applications for voluntary redundancy from staff to meet its financial challenges going forward. This exercise is ongoing and, should it result in insufficient financial savings, compulsory redundancy options may be explored.
- 4.4 As a result, the recruitment of a second independent member has, alongside other avoidable recruitment, been suspended for the time being.
- 4.5 The Director of Finance will monitor the Council's ongoing financial challenges and, when circumstances allow, seek to recruit a second independent member to support the Committee at the earliest opportunity.

5 Options/Alternatives

5.1 The Audit Committee can either:

- a) choose to accept and note the report; or,
- b) decline to accept and note the report 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 Co-operative 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 N/A

22 Appendices

22.1 N/A

This page is intentionally left blank

Audit Committee Work Programme for the 2024/25 Municipal Year

Appendix 1

2024/25		
Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 27 June 2024 at 6.00 pm	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 Q4 2023/24	An update report on the progress made by the Internal Audit Service.
	Proposed Audit Committee Work Programme for 2024/25	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.
	2023/24 Annual Audit and Opinion 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 2023/24.
	Draft 2023/24 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 2023/24.
	Treasury Management Review 2023/24	The annual review of Treasury Management for 2023/24 by the Audit Committee.
	Self-Assessment of the work undertaken by the Audit Committee during 2023/24, and Annual Report to Council.	The outcome of the workshop for Members held on 6 th March 2023 to undertake their assessment of the Committee's effectiveness during the year 2023/24 and draft Annual Report to full Council on the work of the Committee for the year including the Committee's action plan for self-development.
	Private Report; Update on the Corporate Risk Register	A report on the Corporate Risk Register to 31 March 2024.

Audit Committee Work Programme for the 2024/25 Municipal Year

Appendix 1

Thursday 25 July 2024, 6.00pm - CANCELLED	Update on External Audit Matters	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	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.
	Treasury Management Update Quarter 1 Monitoring Report	A report outlining Treasury Management activity in Quarter 1 of 2024/25.
	Internal Audit and Counter Fraud Progress Report Q1 2024/25	An update report on the progress made by the Internal Audit Service.
	Internal Audit review work in connection with DLUHC funded projects.	A report on Internal Audit review work in connection with DLUHC funded projects.
	Proposed Audit Committee Work Programme for 2024/25	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; Senior Information Risk Owner update	This updates the Audit Committee on the key matters relating to data protection and information security breaches to 30 June 2024.
Thursday 28 November 2024, 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.
	Update on the Annual Governance Statement for 2023/24.	This updates the Audit Committee on key matters included within the Annual Governance Statement.
	Treasury Management Mid-Year Review 2024/25	The planned scrutiny of the 2024/25 Treasury Management Mid-Year review before submission to Cabinet.

Audit Committee Work Programme for the 2024/25 Municipal Year

Appendix 1

	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.
	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 in January 2024.
	Annual Internal Audit Opinion Report comparison across GM	A report comparing Annual Heads of Internal Audit Opinions across GM and individual audit assignment opinions across GM.
	Internal Audit and Counter Fraud Progress Report Q2 2024/25	An update report on the progress made by the Internal Audit Service.
	Progress report on recruitment of a 2 nd Independent Member.	An update on progress to date on the recruitment of a second independent Member of the Audit Committee.
	Proposed Audit Committee Work Programme for 2024/25	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 Corporate Risk Register	A report on the Corporate Risk Register to 30 September 2024.
Thursday 30 January 2025, 6.00pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Internal Control Matters: Payroll	This is the report to Committee on Internal Control Matters within the Payroll Service – a follow up to the report presented to the Committee in January 2024.

Audit Committee Work Programme for the 2024/25 Municipal Year

Appendix 1

	External Audit of Teachers' Pensions Agency Return 2023/24	This report considers the feedback following the external audit of the Teachers' Pension Agency return.
	Treasury Management Strategy Statement 2025/26	This report sets out the proposed Treasury Management Strategy for 2025/26 to support the Corporate Objectives of the Council.
	Q3 Treasury Management Update	A report outlining Treasury Management activity in Quarter 3 of 2024/25.
	Internal Audit Progress Report 2023/24 Q3 2024/25	This is the routine report on the progress made against the agreed audit and counter fraud plan.
	Updated Audit Committee Work Programme for 2024/25.	A report detailing the proposed work programme for 2024/25.
	Private Report; Update on the Corporate Risk Register	A report on the Corporate Risk Register to 30 December 2024.
	Private Report; Senior Information Risk Owner update	This updates the Audit Committee on the key matters relating to data protection and information security breaches to 30 December 2024.
Thursday 27 March 2025, 6.00pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Audit Completion Report	This report details the Audit Completion report on completion of the audit.
	2024/25 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 2024/25 Statement of Accounts.
	Housing Benefit Subsidy Audit 2023/24	This report considers the feedback on the external audit of the Housing Benefit Subsidy Grant claim.
	Internal Audit Charter 2025/26	An updated Internal Audit Charter for the financial year 2025/26.

Audit Committee Work Programme for the 2024/25 Municipal Year

Appendix 1

	2025/26 Internal Audit and Counter Fraud Plan	The proposed plan of work for the financial year 2025/26 to enable review by the Committee.
	Audit Committee Work Programme for 2024/25 and a proposed programme for the future financial year – 2025/26.	A report detailing the 2024/25 work programme and proposed work programme for 2025/26.
	Private Report; Update on the Corporate Risk Register	An update on the Corporate Risk Register as of 31 December 2024 to include issues during the period to March 2025.

This page is intentionally left blank