

AUDIT COMMITTEE ***Agenda***

Date Thursday 30 January 2025

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 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, 27 January 2025.

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 Chair- 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 - 14)
The Minutes of the meeting held on 28th November 2024 are attached for approval.
- 6 External Audit Progress Report (Pages 15 - 30)
An update produced by the External Auditor of issues to be brought to the attention of this Committee.
- 7 Internal Control Matters: Payroll (Pages 31 - 42)
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.
- 8 Treasury Management Strategy Statement 2025/26 (Pages 43 - 68)
This report sets out the proposed Treasury Management Strategy for 2025/26 to support the Corporate Objectives of the Council.
- 9 Internal Audit Progress Report Q3 2024/25 (Pages 69 - 78)
This is the routine report on the progress made against the agreed audit and counter fraud plan.
- 10 Updated Audit Committee Work Programme for 2024/25 (Pages 79 - 86)
A report detailing the proposed work programme for 2024/25.
- 11 Exclusion of the Press and Public
To consider that the press and public be excluded from the meeting for the following item 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 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.

12 Senior Information Risk Owner update (Pages 87 - 94)

This updates the Audit Committee on the key matters relating to data protection and information security breaches to 30 December 2024.

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AUDIT COMMITTEE
28/11/2024 at 6.00 pm

Present: Councillors Al-Hamdani, Arnott, Aslam, Davis, S. Hussain, Rustidge and Wilkinson

Independent Chair- Grenville Page

Also in Attendance:

Chris Kelsall- Assistant Director of Finance

John Miller-Head of Audit and Counter Fraud

Victoria Gallacher-Head of Insurance and Information Governance

Yogita Das-Patel Mazars LLP -External Auditors

Hayley Eccles- Assistant Director of Operations-

Adult Social Care

Durga Paul- Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr Sykes, Jayne Ratcliffe and Sarah Johnston.

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 to consider at this meeting.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED that, the Minutes of the meeting of the Audit Committee, held on 27th June 2024, be approved as a correct record.

6 **UPDATE ON EXTERNAL AUDIT MATTERS**

The Audit Committee heard from External Auditors, on the Audit Strategy Memorandum and the Audit Progress Report. A summary of the reports was provided with particular focus on Significant risks, key audit matters and other key judgement areas.

In response to member queries, auditors confirmed that Completion Report is on schedule to be brought to the Audit Committee meeting in January 2025, with the follow up letter for closure of accounts scheduled for March 2025.

Members questioned the significant increase in Audit fees from to 2023/24 to proposed fees in 2024/25. External Auditors confirmed that the increase is a reflection of the national increases, fees are set nationally and not by individual auditors.

The increase is a result of ongoing backlog issues and staff moves to the private sector.

External Auditors noted Member requests for more detail in the progress report in the future.

The Board noted the intention to seek approval in January's Audit Committee Meeting to delegate powers to Officers to approve reports in February ahead of the March Audit Committee Meeting. The delegation of powers will be formalised in January 2025's Audit Committee Meeting.

RESOLVED that, the Audit Committee note the Audit Strategy Memorandum and the Audit Progress Report.

7 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2023/24**

The Audit Committee received an update on the Annual Governance Statement for 2023/24 from the Assistant director of Finance. The report Officers highlighted the 6 Significant Governance Issues and Risks Identified in the 2023/24 Annual Governance Statement.

1. Financial Resilience
2. New Public Procurement Regulations
3. Regeneration – Creating a Better Place
4. Health Integration
5. Partnership Governance
6. IT Security

The Committee heard of the mitigating actioned being taken for each of these issues with particular focus on Financial Resilience. Officers explained that the 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 several voluntary redundancy applications. 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. 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.

Members discussed the additional resourcing that would be available to Local Governments and queried whether this would be a result of the flexible approach to Council Tax that is being introduced which would allow Oldham to claim more Council Tax from residents. Officers explained that they understand Council Tax would remain unchanged next year, the funding would not be linked to Council Tax.

Members queried how much of the Councils' budget was funded by Council Tax. Officers were unsure of the exact figures but

have since the meeting confirmed that for 2024/25 Council tax provides 40% of the Council's net budget requirement

RESOLVED that, the Audit Committee note and endorse the Annual Governance Statement.

8

TREASURY MANAGEMENT MID-YEAR REVIEW 2024/25

The Audit Committee received the Treasury Management Mid-Year Review from the Assistant Director of Finance. The Council is required to consider the performance of the Treasury Management function to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice. The report 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.

Key areas of the report were highlighted to members such as the Balance Sheet Summary with half-year review forecast figures, the Borrowing and Investment position of the Council.

Members queried the increase in interest rates in LOBO Loans and discussed the likelihood of these being called in. Officers explained that given the revised interest rate forecasts outlined in the report, the probability of the LOBO options being exercised is reduced but not eliminated.

In response to the information in the report detailing planned expenditure with a view to make future savings Members and Officers discussed the £2m redundancy package and investment into resources such as ICT and the Transformation programme.

The report required the Audit Committee

1. accept the recommendations of the Council's Treasury Advisers and change the MRP policy
2. to approve the use of up to £2.000m of capital receipts to fund the costs of voluntary redundancy payments.
3. 3 to approve both the change in MRP policy and the use of flexible capital receipts to fund the costs of voluntary redundancy payments.

Members and Officers discussed the change the MRP policy at length with Officers explaining the change and possible implications of it. Officers explained that the change to the policy

was a recommendation from an Independent Treasury Advisory and Management service.

Upon Member questioning, the External Auditor explained that they were satisfied that the decision to change the MRP Policy was in line with what would be expected for an authority like Oldham. There are arguments for and against the approach, but decisions should be made based on the need of the individual authority.

Members queried whether the Change to the MRP Policy had exclusions as the report seemed to indicate that no change would be made to the Chadderton Asset. Officers have clarified this since the meeting and made reference to Paragraph 2.7.4 of the report which explains this- *'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.'*

Members questioned the Assistant Director of Finance on the likelihood of bankruptcy for Oldham Council. The Officer explained that 19 Local Authorities have applied for and received exceptional support from Central Government. Oldham are not at the stage of needing to apply for this assistance which can be obtained before reaching the level of a s114 Notice and bankruptcy. There are several stages before reaching bankruptcy.

RESOLVED that, the Audit Committee

1. Note the Treasury Management Mid-Year Review and endorse it going to Cabinet
2. Accept the recommendations of the Council's Treasury Advisers and change the MRP policy
3. Approve the use of up to £2.000m of capital receipts to fund the costs of voluntary redundancy payments.
4. Approve both the change in MRP policy and the use of flexible capital receipts to fund the costs of voluntary redundancy payments.

9

AUDIT COMMITTEE CHAIR - CHARGED WITH GOVERNANCE, MANAGEMENT PROCESSES AND ARRANGEMENTS

The Head of Audit and Counter Fraud presented the report to the Committee.

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 Committee were asked to review the letter, questionnaire and the Chair of the Audit Committee's proposed responses.

The Chair explained to the Committee that although the report suggests that the responses to the questionnaire are his, they have been provided on behalf of the whole Committee who he is representing in his capacity as the Chair.

RESOLVED that, the Audit Committee reviewed and approved the Council's responses outlined in the report.

10

DIRECTOR OF FINANCE - CHARGED WITH GOVERNANCE- MANAGEMENT PROCESSES AND ARRANGEMENTS

The Head of Audit and Counter Fraud presented the report to the Committee.

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 Committee were asked to review the letter, questionnaire and the Director of Finance's responses.

Members suggested amending the wording of one of the answers to provide further clarity. The suggestion was noted by the Officer.

RESOLVED that, the Audit Committee reviewed and noted the responses of the Director of Finance outlined in the report.

11

DIRECT PAYMENTS UPDATE REPORT

The Assistant Director of Adult Social Care presented on the 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.

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 the 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.

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 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. 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. 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. In addition, the service has devised a new target operating model.

Member queries whether the causes of the consistently 'inadequate' and 'weak' gradings have had a direct impact on the overspending in Adult Social Care. The Officer explained that some areas of weakness identified in the service such as staff turnover and system issues would not necessarily impact the budget. However, there are some areas which may have impacted the spending in Adult Social Care. For instance, more regular reviews of those receiving care could have identified where reduced care packages could have been offered and therefore savings could be made.

Members queried whether there is adequate accountability for Officers as 7 years of an inadequate rating would suggest there is not. The Assistant Director of Adult Social Care confirmed that they as challenged and held to account by Audit.

Members questioned the progress made as the Action Plan provided as part of the report suggests that of the 10 actions, only 1 has been completed. The officer confirmed that progress has now been made on all 10 actions and they will share an updated action plan with the Committee to detail this.

RESOLVED, that the Audit Committee note the report and acknowledge the progress made.

12

ANNUAL INTERNAL AUDIT OPINION REPORT COMPARISON ACROSS GM

The Head of Audit and Counter Fraud presented on the Annual Internal Audit Opinion Report Comparison across the GM. 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.

The report provided Members with a high-level comparison of the Annual Head's of Audit Opinions across GM for the year 2023/24, 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.

Members appreciated the comparative data and found it helpful in ascertaining Oldham's position.

RESOLVED that, the Audit Committee note the Annual Opinion Report Comparison.

13

INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT Q2 2024/25

The Head of Audit and Counter Fraud presented the Internal Audit and Counter Fraud Progress Report for Q2 2024/25.

The Committee heard of 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.

Members queries where the direct payments report will be going in the future and who will have oversight. Officers suggested it may be picked up as part of Budgetary Monitoring, but they will check and confirm. Officers also clarified that if Audit wanted to receive the report in the future, they are able to request that from the Central Finance Service.

RESOLVED, that the Progress report be noted by the Audit Committee.

14

PROGRESS REPORT ON SECOND INDEPENDENT MEMBER

The Head of Audit and Counter Fraud provided the Audit Committee with a verbal update.

Since the publication of the report, approval has been given to proceed with the recruitment of a second Independent Member. As a result, the content of the report is no longer correct and was withdrawn from the meeting.

The Chair stressed the importance of a Second Independent Member and made reference to CIPFA guidance which makes this recommendation. The Chair explained the level of responsibility put on a single Independent Member of the Committee and suggested that a Second Member would provide further confidence and oversight of Audit Committee. The Chair provided a comparison with a similar role in the GMCA and suggested the shared responsibility alleviated the pressures that may be experienced by a single Independent Member.

The Head of Audit and Counter explained to the Committee that the Council have attempted to recruit to the role twice in the last 12 months but there were no suitable candidates.

Members of the Committee discussed why Oldham may be struggling to attract suitable candidates and suggested that it

could possibly be because the remuneration offered for the role was low. Upon questioning, the Officer confirmed that Member Allowances are set by an Independent Committee and agreed at Council. The Officer also confirmed that there does not appear to be any direct correlation between payment and ability to recruit an Independent Member. He provided the Committee with examples of the varied remuneration offered by organisations nationally.

Members asked that Officers write to the Independent Committee and ask them to review the remuneration for the role.

RESOLVED that, the verbal update is noted by the Audit Committee.

15 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2024/25**

The Head of Audit and Counter Fraud submitted a report setting out the Audit Committees proposed work programme for 2024/25. The Officer explained that the Payroll Report has been moved to the January meeting. Members accepted this amendment but noted their concern as Payroll has previously been a concerning area.

RESOLVED that, the 2024/25 work programme be noted.

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

17 **UPDATE ON THE CORPORATE RISK REGISTER**

The Audit Committee received a report on the Corporate Risk Register from the Head of Insurance and Information Management.

The Corporate Risk Register has been updated to reflect the position at the end of September 2024 (the quarter 2 position for 2024/25). In terms of changes since the last risk update to Audit Committee in March 2024 there have been a number of risks removed and updated. In March 2024 there were 22 risks on the Corporate Risk Register after a review of the risks there are now 15 on the risk register as at the end of September 2024.

The Officer summarised the Risks on the register, highlighted the 3 new additions and provided background on why they have been added to the register.

Members welcomed the updated formatting of the report following feedback at the last meeting and suggested further adding an extra column to provide more clarity.

RESOLVED that, the Corporate Risk Register is noted by the Audit Committee.

The meeting started at 6:00pm and ended at 8:05pm.



Audit Progress Report Oldham Metropolitan Borough Council

January 2025

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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 the Council.

2022/23 Audit

2022/23 financial statements audit

Our final remaining responsibility in respect of 2022/23 financial year relates to the Councils Whole of Government accounts (WGAs) return. As requested in March 2024 we submitted our auditor statement for their WGA Group audit purposes. We have now been notified that no further work is required to be carried out on the Council's WGA return. The Audit certificate has now been issued formally closing the audit

2023/24 Audit

2023/24 VFM

We have commenced our work on the Council's value for money arrangements and we are currently reviewing this. We plan to complete and report our Value for Money arrangements work alongside the remaining aspects of work on the financial statements.

Audit progress

2023/24 financial statement audit

Our work on the audit continues, and we have continued to make progress. However, there are still a significant number of areas where information is outstanding, these are included below.

Audit area	Status	Description of the outstanding matters
Laws and Regulations		We are waiting on responses from Management and TCWG to our letter regarding processes and arrangements.
Expenditure		We are waiting on number of expenditure samples and a payroll information.
Income		We are waiting on a evidence for a number of samples.
Investment Property		To be reviewed.
Property, Plant and Equipment		We are waiting on evidence to confirm ownership for an asset.
Debtors		We are waiting on evidence to confirm receipt of debtors after the year end.
Cash & Cash Equivalents		We are awaiting a bank confirmation.
Creditors		We are waiting on confirmation of payments for a sample of creditors.

Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.








Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.

Audit progress

2023/24 financial statements audit

Audit area	Status	Description of the outstanding matters
Pensions		We are waiting on payroll information reports and responses to queries regarding the IAS 19 report
Housing Revenue Account		We are working on information provided by the authority.
Financial Statements, annual Governance Statement and Letter of Representation		We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.
Consolidated Accounts		We are waiting on updated consolidated group accounts.
Value for Money		We have received the self assessment and are working on the information provided.

02

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy ('CIPFA')		
1	CIPFA Bulletins	CIPFA has recently issued Bulletin 18 to provide further guidance on the national response to the Local audit backlog. For information only.
2	Consultation on the Code of Practice for the Governance of Internal Audit in Local Government	As the internal audit standard setter for UK local government, CIPFA is consulting on a code of governance of internal audit from the perspective of the organisation (i.e. local government body) responsible for internal audit. For information only.
National Audit Office ('NAO')		
Page 22	NAO overview: The impact of fraud and error on public funds 2023-24	This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. It is intended to support the Committee of Public Accounts, and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve. For information only.
	NAO insight: Achieving environmental improvement and responding to climate change	This report draws out learning from past NAO reports to identify enablers that we see as important for tackling the challenges government faces in its environment and climate change work. For information only.
	NAO insight: Guidance for audit committees on cloud services	The insight sets out specific questions for audit committees to consider when engaging with their management on this, taking a lifecycle approach and poses informed questions at three key stages, being strategic assessment of cloud services; implementation of cloud services; and management and optimisation of cloud services. For information only.
	Code of Audit Practice updates	The NAO have published a new draft Code of Audit Practice ('the Code'). MHCLG has also laid regulations to introduce statutory deadlines for publication of audited accounts, which is intended to work alongside the draft Code. A consultation response has also been published to summarise feedback received during the draft Code consultation. For information only.
	Local Audit Reform: a strategy for overhauling the local audit system in England	This strategy commits to a series of measures to fix the broken local audit system, including: a local audit vision with 8 core principles the establishment of a statutory and independent Local Audit Office (LAO), with 5 strategic responsibilities - coordinating the system, contract management, ownership of the Code of Audit Practice, quality oversight and reporting mandating audit committees

National publications

	Publication/update	Key points
8	NAO report: Carer's Allowance - The NAO has published its report Carer's Allowance	The NAO has published its report Carer's Allowance (here) which sets out: an overview of Carer's Allowance, including data on the number of claimants and expenditure; information about Carer's Allowance overpayments, including data on the amounts involved and on how the DWP seeks to prevent and identify overpayments; and information about DWP's handling of Carer's Allowance overpayments, including data on debt, prosecutions and penalties.
Ministry of Housing, Communities and Local Government ('MHCLG') (formerly the Department for Levelling Up, Housing and Communities ('DLUHC'))		
Page 23	Local Government Pension Scheme (England and Wales): Fit for the future – Open consultation	A consultation on a package of proposed reforms to the structure, investments, and governance of the Local Government Pension Scheme. This consultation closes at 11:59pm on 16 January 2025. The Council should decide whether to respond to this consultation.
	Code of Audit Practice 2024: Explanatory memorandum	This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government and laid before Parliament in accordance with the Local Audit and Accountability Act 2014. For information only.
	MHCLG annual report and accounts 2023 to 2024	This annual report sets out the activities of the Ministry of Housing, Communities and Local Government over the past year. For information only.
Other		
12	Major Local Audits Reports	The FRC have published their annual report on their inspection findings of Audit Quality Reviews of Major Local Audits. For information only.
13	ICAEW and LGPS Scheme Advisory Board launch LGPS informer	This document explains how the Local Government Pension Scheme ('LGPS') works in practice, and other key information. For information only.

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 18 Local audit backlog in England

Legislation has now been passed bringing into effect backstop dates for authorities in England to publish final accountability statements. This bulletin has been written to provide guidance on what this will mean for local authority audits, in particular the types of modified opinions authorities may see and how auditors will rebuild assurance. This bulletin has been produced using additional information within the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIGs) and the FRC's explainer.

Link: <https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-18-local-audit-backlog-in-england>

Consultation on the Code of Practice for the Governance of Internal Audit in Local Government

As the internal audit standard setter for UK local government, CIPFA is consulting on a code of governance of internal audit from the perspective of the organisation (i.e. local government body) responsible for internal audit. The RIASS have determined that the Institute of Internal Auditors' new Global Internal Audit Standards (GIAS) will apply from 1 April 2025, subject to interpretations and requirements for the UK public sector which are set out in an Application Note: Global Internal Audit Standards in the UK public sector.

Responses to the consultation are invited from all those with an interest in internal audit in the UK local government sector, including audit committee members, senior managers in local government, internal auditors, those in governance roles, and stakeholders. Responses should be submitted by 17.00 on Thursday 28 November 2024.

Link: <https://www.cipfa.org/policy-and-guidance/consultations/consultation-on-the-code-of-practice-for-the-governance-of-ia-in-local-govt>

National publications

NAO

3. NAO overview: The impact of fraud and error on public funds 2023-24

This report provides an introduction to the impact of fraud and error on public funds, how public bodies can tackle fraud and error, and the NAO's examination of the topic. It is intended to support the Committee of Public Accounts, and Members across the House in their examination of how government manages fraud and error and some of the things it could do to improve.

This overview summarises the key information and insights from our work. It includes:

- what we mean by fraud and error, and how government is structured to tackle it
- the fraud and error risk management cycle
- fraud and error against government, including in benefits, taxes and COVID-19 fraud

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emerging threats and opportunities

what to look out for when thinking about fraud and error.

Link: [The impact of fraud and error on public funds 2023-24](#)

4. NAO insight: Achieving environmental improvement and responding to climate change

The government has long-term legally binding obligations to achieve environmental improvements and respond to climate change. There is scientific consensus that without significant and sustained global action, climate change and nature loss will have severe consequences for people in the UK and around the world. The government sees achieving its environment and climate change targets as part of its work to protect and increase wider public value. Meeting the government's environment and climate targets is a significant challenge. Achieving them requires major, long-term transitions across the whole economy and society, delivered by multiple government departments and the private sector.

This report draws out learning from past NAO reports to identify enablers that we see as important for tackling the challenges government faces in its environment and climate change work.

Link: <https://www.nao.org.uk/insights/achieving-environmental-improvement-and-responding-to-climate-change/>

National publications

NAO

5. NAO insight: Guidance for audit committees on cloud services

This is the latest version of the NAO's cloud guidance for audit committees updating guides published in 2021 and 2019. Since 2021 more of the public sector has adopted cloud services, with a matching increase in government spending with the big cloud providers. Many found the previous guide to be valuable, so the NAO have updated it to reflect the evolution of 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.

The NAO's guide 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.

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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.

Link: <https://www.nao.org.uk/insights/guidance-for-audit-committees-on-cloud-services-2/>

6. Code of Audit Practice updates

The NAO have published a new draft Code of Audit Practice ('the Code'), which has been laid in Parliament, as required by Section 5(5) of Schedule 6 of the Local Audit and Accountability Act 2014. Subject to Parliament's approval, the Code will come into force in late autumn 2024.

The new Code was developed following a consultation in February/March 2024. It is intended to support measures taken by the Ministry of Housing, Communities & Local Government ('MHCLG') to address the current backlog of local government audits. MHCLG has also laid regulations to introduce statutory deadlines for publication of audited accounts, which is intended to work alongside the draft Code.

The NAO has also published a consultation response, setting out the major changes to the draft Code and summarising the feedback received during the consultation.

Link: [Code of Audit Practice](#)

National publications

MHCLG

7. Local Audit Reform: a Strategy for overhauling the local audit system in England

This strategy commits to a series of measures to fix the broken local audit system, in addition the government is also consulting on specific proposals as part of this strategy including:

- Potential additional functions of the new LAO
- Simplifying financial reporting requirements to ensure they are appropriate
- Improvements to enhance capacity and capability in the sector, such as the introduction of public provision
- Strengthen the relationship between local bodies and their auditor
- Reforming the audit regime

Link <https://www.gov.uk/government/consultations/local-audit-reform-a-strategy-for-overhauling-the-local-audit-system-in-england/local-audit-reform-a-strategy-for-overhauling-the-local-audit-system-in-england>.

8. NAO report: Carer's Allowance

The NAO has published its report Carer's Allowance ([here](#)) which sets out:

- an overview of Carer's Allowance, including data on the number of claimants and expenditure;
- information about Carer's Allowance overpayments, including data on the amounts involved and on how the DWP seeks to prevent and identify overpayments; and
- information about DWP's handling of Carer's Allowance overpayments, including data on debt, prosecutions and penalties.

Link: [Carer's Allowance - NAO report](#)

National publications

MHCLG

9. Local Government Pension Scheme (England and Wales): Fit for the future – Open consultation

This consultation seeks views on proposals designed to strengthen the management of Local Government Pension Scheme investments. The proposals relate to the topics of asset pooling, local and regional investment, and scheme governance.

This consultation closes at 11:59pm on 16 January 2025.

Link: [Local Government Pension Scheme \(England and Wales\): Fit for the future](#)

10. Code of Audit Practice 2024: Explanatory memorandum

The draft Code of Audit Practice 2024 has been developed by the Comptroller and Auditor General (C&AG) and laid in Parliament on his behalf by the government. The government has produced this accompanying explanatory memorandum.

The changes in the Code are part of wider measures to address the significant backlog of unaudited local body accounts in England. This backlog affects non-NHS bodies within the Code's remit including local authorities, National Park authorities, fire authorities, police and crime commissioners, waste authorities and transport authorities

Link: [Code of Audit Practice 2024: Explanatory memorandum](#)

11. MHCLG annual report and accounts 2023 to 2024

The annual report and accounts for the Ministry of Housing, Communities and Local Government provides a comprehensive account of the department and its group's use of resources during the financial year 2023 to 2024 and information about its activities and performance against its objectives.

This report is filed in respect of the accounts up to 31 March 2024 incurred by the Ministry of Housing, Communities and Local Government (MHCLG). On 10 July 2024, the Department for Levelling Up, Housing and Communities (DLUHC) was renamed as MHCLG, so this report is filed by MHCLG in respect of the department formerly known as DLUHC.

Link: [MHCLG annual report and accounts 2023 to 2024](#)

National publications

Other

12. Major Local Audits Reports

The FRC publish an annual report on the inspection findings of Audit Quality Reviews of major local audits in England, which includes large health and local government bodies. The audit of a relevant authority becomes a major local audit if it:

- has total income or expenditure of at least £500 million; or
- administers a local government pension scheme with at least 20,000 members or assets over £1,000 million.

In the 2023/24 inspection cycle, the FRC inspected six NHS and two local government audits. The results of these inspections are included in this report. The FRC acknowledge the unprecedented circumstances facing the local audit sector and have updated their regulatory approach to the monitoring of audit quality to support the reset measures and recovery period.

Link: [Major Local Audits Reports](#)

13. ICAEW and LGPS Scheme Advisory Board launch LGPS informer

This document explains:

- how the Local Government Pension Scheme works in practice;
- key information flows between employing bodies, pension funds and actuaries;
- the content and purpose of annual accounting reports and triennial valuations;
- key accounting requirements for employing bodies; and
- the role of external auditors.

Link: [ICAEW and LGPS Scheme Advisory Board launch LGPS informer](#)

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Report to Audit Committee

Joint Report of the Head of Internal Audit and Assistant Director of HR & Organisational Development (Interim) on the 2024/25 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of the Council's Payroll Service

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

Officer Contacts: John Miller – Head of Audit and Counter Fraud
Wendy Jackson – Assistant Director of HR & Organisational Development (Interim)

Report Authors: John Miller – Head of Audit and Counter Fraud
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30 January 2025

Reason for Decision

4.4.2 The Audit Committee shall:

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

This joint report is to advise Members of the Audit Committee of the outcome of the 2024/25 Fundamental Financial Systems (FFS) Audit Review of the Council's Payroll Service and the agreed actions that the Service has identified to address 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, which form part of the Council's Constitution alongside:

- progress reports on Q1 to Q4 for 2024/25 to be provided to the Committee; and,
- the Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2024/25.

Executive Summary

The Council's Payroll Service audit received an audit opinion of 'Inadequate' in each of the 3 years from 2018/19 to 2020/21. During 2021/22 the Service implemented the iTrent Payroll system which addressed a number of system weaknesses and the audit opinion in that year was upgraded to 'Adequate'. Following this improved opinion the Service experienced significant turnover in staff in key roles leading to a weakening in control and a subsequent downgrading of the audit opinion in 2022/23 back to 'Inadequate', which remained in place for both 2023/24 and 2024/25 reviews.

This report sets out the agreed actions for the Payroll Service to take forward to address the recommendations made in the latest 2024/25 FFS Audit Report.

Recommendations

Members are requested to:

- 1) Note the the outcome of the most recent 2024/25 Fundamental Financial Systems Audit Review of Payroll.
- 2) Note the agreed actions for the Service to take forward to address the recommendations made in that report.

Joint Report of the Head of Internal Audit and Assistant Director of HR & Organisational Development (Interim) on the 2024/25 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of the Council’s Payroll Service.

1. Background

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

1.2 Audit Opinions on the Council’s Payroll system from 2017/18 to 2024/25 are shown in the table below

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Weak	Inadequate	Inadequate	Inadequate	Adequate	Inadequate	Inadequate	Inadequate

During 2021/22 the Service implemented the iTrent Payroll system. This addressed a number of system weaknesses and the audit opinion in that year was upgraded to ‘Adequate’. Following this improved opinion the Service experienced significant and continued turnover in staff in key roles leading to a weakening in control and a subsequent downgrading of the audit opinion in 2022/23 back to ‘Inadequate’. This “Inadequate” opinion remains in place for 2024/25.

2 2024/25 Audit Opinion

2.1 The final report for 2024/25 contains eleven recommendations, six High, four Medium and one Low priority. The report re-iterates ten recommendations previously made in 2023/24.

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

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

2.4 In light of the above, the 2024/25 Audit Assessment was that the systems and controls in connection with the payroll system were Inadequate.

2.5 Appendix 1 to this report sets out the agreed actions for the Payroll Service to take forward to address the recommendations made in the latest 2024/25 FFS Audit Report.

3. Options/Alternatives

3.1 The Audit Committee can either choose to:

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

- 4. **Preferred Option**
- 4.1 The preferred option is that the Audit Committee accepts and notes the Report.
- 5. **Consultation**
- 5.1 N/A.
- 6. **Financial Implications**
- 6.1 N/A.
- 7. **Legal Services Comments**
- 7.1 N/A.
- 8. **Cooperative Agenda**
- 8.1 N/A.
- 9. **Human Resources Comments**
- 9.1 N/A.
- 10. **Risk Assessments**
- 10.1 N/A
- 11. **IT Implications**
- 11.1 N/A.
- 12. **Property Implications**
- 12.1 N/A.
- 13. **Procurement Implications**
- 13.1 N/A.
- 14. **Environmental and Health & Safety Implications**
- 14.1 N/A.
- 15. **Equity, Community Cohesion and Crime Implication**
- 15.1 N/A.
- 16. **Equality Impact Assessment Completed**
- 16.1 No.
- 17. **Forward Plan Reference**
- 17.1 N/A.

18. **Key Decision**

18.1 No.

19. **Background Papers**

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

File Ref: Background papers are included as Appendix 1
Officer Name: John Miller

20. **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1: 2024/25 Payroll FFS Audit Review Action Plan.**

2024/25 Payroll FFS Audit Review Action Plan

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

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
1	<p><u>Payroll Reconciliations</u></p> <p>Monthly Payroll Reconciliations should be carried out in a timely manner. The review noted that there were delays in performing the reconciliations.</p> <p>The working group established should continue to take steps to address the issues identified in connection with the payroll to General Ledger reconciliation process.</p> <p>Brought forward from 2023/24</p>	High	Agreed. The Payroll Service continues to face challenges in recruitment and retention of staff. However, this issue has been raised and discussed and work continues to address a timely resolution to this issue.	<p>Finance Manager</p> <p>Payroll Manager</p>	June 2025
2	<p><u>Pre-employment and Right to Work Checklist-Schools</u></p> <p>The Payroll Service should liaise with the Head of Education Support Services and HR colleagues to agree a procedure for the collection and storage of a central record of statutory pre-employment and DBS checks.</p> <p>The review has noted that this action has not progressed as expected and steps should be</p>	High	Agreed. This issue will be addressed.	<p>HR Employment Services Manager</p> <p>Head of Schools</p>	June 2025

	taken around storage of supporting information on pre-employment checks. Brought forward from 2023/24				
3	<p><u>Policies and Procedures</u></p> <p>Management should ensure the following:</p> <ol style="list-style-type: none"> 1. That the documentation of payroll procedures for the use of staff within the Payroll Team is expedited. Once complete, they should be circulated to all relevant staff within the Team and training provided if necessary. 2. All policies and procedures including the Pay Policy and Procedures documentation should be regularly updated so that they remain relevant and refer to current systems. 3. Set out formally (in writing) the roles and responsibilities of staff within the Payroll Team. <p>Brought forward from 2023/24</p>	High	Agreed. The Service is currently recruiting for the role of Employment Services Manager. This post has been vacant since October 2024. This action will form part of the actions to be addressed by the new incumbent in this role.	HR Employment Services Manager Payroll Manager	September 2025
4	<p><u>CHAPS Payments – Review of all Chaps Requests</u></p> <p>A full review of CHAPS payment requests should be analysed in order to identify any common system or process issues, which can be addressed and rectified to reduce the number of CHAPS requests.</p> <p>Brought forward from 2023/24</p>	Medium	Agreed. This should be occurring on a monthly basis and this will be raised internally within the Service for action.	Payroll Manager	May 2025

5	<p><u>Starters</u></p> <p>All supporting documentation should be retained in the central drive, in respect of starter details, including salary details, to ensure they are processed accurately and to ensure accurate data can be obtained should any future queries arise.</p> <p>The starters forms should be signed and dated by the appropriate line manager. If errors are identified in the supporting recruitment documentation, they should be highlighted to the relevant authorising officer and rectified accordingly.</p> <p>Brought forward from 2023/24</p>	Medium	Agreed. The Service is currently recruiting for the role of Employment Services Manager. This post has been vacant since October 2024. This action will form part of the actions to be addressed by the new incumbent in this role.	HR Employment Services Manager	June 2025
6	<p><u>Exceptional Payments</u></p> <p>Where exceptional payments are authorised by Services, Payroll Services should ensure it is line with policy and calculated correctly.</p> <p>Any decisions made outside the pay policy needs to be authorised by the relevant Service Director through the relevant form and supporting documentation. The documentation should be retained on the employees personnel file for audit and transparency purposes.</p> <p>Brought forward from 2023/24</p>	High	Agreed. This should be occurring on a monthly basis and this will be raised internally within the Service for action.	Payroll Manager	June 2025
7	<p><u>Overpayments -Communications to Managers</u></p> <p>Communication should be sent to all Managers responsible for staff to reiterate the importance</p>	Medium	Agreed. The Service recruited an additional management grade post to address this issue in September 2024. However, the postholder left the Authority at	HR Employment Services Manager	July 2025

	<p>of submitting leavers forms in a timely manner to prevent overpayments</p> <p>Good practice needs to be re-enforced, potentially through a training / awareness campaign and/or targeted communications in cases of non-compliance.</p> <p>Brought forward from 2023/24</p>		<p>short notice in December 2024. This task remains outstanding. The Service is currently recruiting for the role of Employment Services Manager. This post has been vacant since October 2024. This action will form part of the actions to be addressed by the new incumbent in this role.</p>		
8	<p><u>Salary Overpayment Repayment Plans</u></p> <p>When an overpayment has been created, Payroll should adhere to the Overpayment Policy wherever possible.</p> <p>This is a new recommendation for 2024/25</p>	Medium	<p>Agreed. The Service recruited an additional management grade post to address this issue in September 2024. However, the postholder left the Authority at short notice in December 2024. This task remains outstanding. The Service is currently recruiting for the role of Employment Services Manager. This post has been vacant since October 2024. This action will form part of the actions to be addressed by the new incumbent in this role.</p>	Payroll Manager	July 2025
9	<p><u>Employee Contracts</u></p> <p>Employees should be issued with employment contracts within a timely manner.</p> <p>In the absence of an employment contract outlining terms and conditions of employment there is a risk that disputes may arise, and claims may be brought against the Authority.</p>	High	<p>Agreed. To be implemented immediately.</p>	HR Employment Services Manager	January 2025

	Brought forward from 2023/24				
10	<p><u>External Consultant Managers file – Communication to Recruiting Managers</u></p> <p>Starters forms for External Consultant Managers should be fully completed by an authorising officer prior to entering the individual in to the i-Trent system.</p> <p>A personnel file should be set up and include (where appropriate) the recorded delegation decision demonstrating the appointment process and employee timesheets, including a copy of a REC1.</p> <p>Managers should be reminded that external consultant staff members will not be processed unless the relevant paperwork is present.</p> <p>Brought forward from 2023/24</p>	High	Agreed. To be implemented immediately.	HR Employment Services Manager	January 2025
11	<p><u>Leavers Documentation</u></p> <p>All supporting documentation should be retained in respect of leavers details and stored in the appropriate folder.</p> <p>Brought forward from 2023/24</p>	Low	Agreed. The Service will look to make further communication to Managers receiving resignations to help address delays in the receipt of these within the Payroll Service.	HR Employment Services Manager	June 2025

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Report to Audit Committee

Treasury Management Strategy Statement 2025/26

Including the Annual Investment Strategy, Borrowing Strategy and Prudential Indicators

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

Officer Contact: Sarah Johnston, Director of Finance

Report Author: Paula Buckley, Finance Manager & James Postle,
Senior Finance Manager

Ext. 4247

30 January 2025

Reason for Decision

To present to Council, the Treasury Management Strategy for 2025/26.

Executive Summary

The report outlines the Treasury Management Strategy for 2025/26, the Annual Investment Strategy, Borrowing Strategy and Prudential Indicators.

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

The Strategy for 2025/26 covers.

- Economic Update
- Prospects for Interest Rates

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

The report therefore outlines the implications and key factors in relation to each of the above Capital and Treasury Management issues and makes recommendations with regard to the Treasury Management Strategy for 2025/26.

The report includes the most recently available economic background commentary which reflects the position at December 2024.

The proposed Treasury Management Strategy is presented to the Audit Committee to enable scrutiny of the report before it's further consideration in the budget setting cycle. The report was considered at the Cabinet meeting on 17 February 2025. Any comments from the Audit Committee will be incorporated into the report presented to Cabinet and Council.

Recommendation

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

1. Capital Financing Requirement (CFR) Projections as per paragraph 2.4.1;
2. Projected Balance Sheet position as at 31 March 2025 and future years as per paragraph 2.4.1;
3. Liability Benchmark as per section 2.5
4. Borrowing Strategy for 2025/26 as per section 2.6;
5. Annual Investment Strategy as per section 2.7 including counterparties and treasury limits
6. Treasury Management Prudential Indicators at section 2.8

Treasury Management Strategy Statement 2025/26 Including the Borrowing Strategy, Annual Investment Strategy and Prudential Indicators**1. Background**

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

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

1.3 Treasury management is defined as:

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

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

1.4 Investments held for service purposes or for commercial profit, although affect investment balances they are not treasury management investments and are therefore not considered in this report.

1.5 Treasury Management Strategy for 2024/25

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

Treasury management issues:

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

1.6 Training

- 1.6.1 The CIPFA Code requires the responsible officer (in Oldham the Director of Finance) to ensure that Members with responsibility for treasury management receive adequate training to enable them to discharge their duties. This especially applies to Members responsible for scrutiny.
- 1.6.2 The training needs of treasury management officers are periodically reviewed. The team is staffed by professionally qualified accountants with extensive Local Government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments. During 2024/25 these have all been held both remotely via zoom or another online platform and in person. All staff follow a Continuous Professional Development (CPD) Plan as part of their individual accountancy body accreditation. The overall responsibility for capital and treasury activities lies with the Council's Section 151 Officer (Director of Finance) who, in accordance with statute, is professionally qualified and is suitably experienced to hold the post.

1.7 Treasury Management Consultants

- 1.7.1 The Council uses Arlingclose, as its external treasury management advisors.
- 1.7.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our treasury advisers.
- 1.7.3 It is also recognised that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 1.7.4 When looking at a commercial element within a particular capital scheme that has a main focus on public services, housing, regeneration, preventative objectives or treasury management investments, the Council may require specialist advice that Arlingclose may not provide. As part of the evaluation process and if required, appropriate external advice will be sought, and an extensive due diligence exercise will be undertaken.

2. External Context

2.1 Economic Background

- 2.1.1 The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.
- 2.1.2 The Bank of England's (BoE) Monetary Policy Committee (MPC) reduced Bank Rate to 4.75% at its meeting in November 2024, having previously cut by 0.25% from the 5.25% peak at the August MPC meeting. At the November meeting, eight Committee members voted for the cut while one member preferred to keep Bank Rate on hold at 5%.

- 2.1.3 The November quarterly Monetary Policy Report (MPR) is forecasting Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be 0.5% between April and June 2024, a downward revision from the 0.6% rate previously reported by the Office for National Statistics (ONS).
- 2.1.4 ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 1.7% in September 2024, down from 2.2% in the previous month and lower than the 1.9% expected. Core CPI also declined further than expected to 3.2% against a forecast of 3.4% and the previous month's 3.6%. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.
- 2.1.6 The labour market appears to be easing slowly however, but the data still requires treating with some caution. The latest figures reported the unemployment rate fell to 4.0% in the three months to August 2024, while economic inactivity also declined. Pay growth for the same period was reported at 4.9% for regular earnings (excluding bonuses) and 3.8% for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.
- 2.1.7 The US Federal Reserve has also been cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its November 2024 monetary policy meeting to a range of 4.5%-4.75%. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an annual rate of 2.8% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.
- 2.1.8 Euro zone inflation fell below the European Central Bank (ECB) 2% target in September 2024, the first time in over three years. This allowed the ECB to continue its rate cutting cycle and reduce its three key policy rates by 0.25% in October. Inflation is expected to rise again in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

2.2 Credit Outlook

- 2.2.1 Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.
- 2.2.2 Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

2.2.3 Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the authority's treasury adviser.

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

2.3 Interest Rate Forecast

2.3.1 The Authority's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates during 2024 and through 2025, taking Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

2.3.2 Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

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

2.3.4 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 4.75%, and that new long-term loans will be borrowed at an average rate of 4.7%.

2.4 Local Context

2.4.1 On 31 December 2024, the Council held £226.7m of borrowing and £34.435m of treasury investments. This is set out in further detail at Appendix 2. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.24 Actual £'000	31.3.25 Estimate £'000	31.3.26 Estimate £'000	31.3.27 Estimate £'000	31.3.28 Estimate £'000
Capital financing requirement	488,980	525,040	551,535	554,025	555,022
Less: Other debt liabilities *	-194,041	-188,935	-183,676	-178,229	-172,515
Loans CFR	294,939	336,105	367,859	375,795	382,506
Less: External borrowing **	-181,110	-181,110	-181,110	-181,110	-181,110
Internal (over) borrowing	113,829	154,995	186,748	194,685	201,396
Less: Balance sheet resources	-155,354	-132,736	-122,736	-117,736	-112,736
Treasury investments (or New borrowing requirement)	-41,525	22,259	64,012	76,949	88,660

* leases and PFI liabilities that form part of the Council's total debt

** shows only loans to which the Council is committed and excludes optional refinancing

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

2.4.3 The Council has an increasing CFR due to the capital programme and is forecasting a significant reduction in reserves and balances over the next three years. The consequence of this is that the Council moves from a position whereby it has funds available for investment to a position where it needs to borrow. The Council will be required to borrow up to £109m over the forecast period.

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

2.5 Liability Benchmark

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

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

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

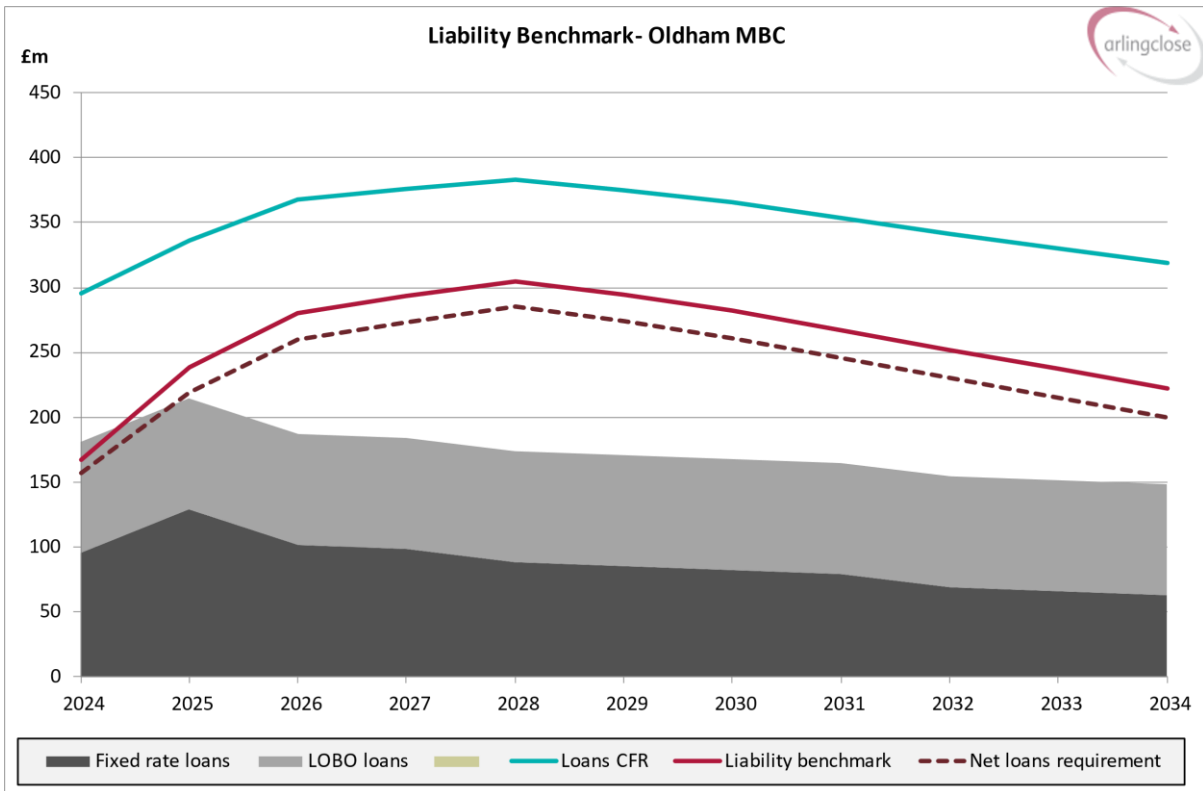
Table 2: Prudential Indicator: Liability benchmark

	31.3.24 Actual £'000	31.3.25 Estimate £'000	31.3.26 Estimate £'000	31.3.27 Estimate £'000	31.3.28 Estimate £'000
Loans CFR	294,939	336,105	367,859	375,795	382,506
Less: Balance sheet resources	(155,354)	(132,736)	(122,736)	(117,736)	(112,736)
Net loans requirement	139,585	203,369	245,123	258,059	269,770
Plus: Liquidity allowance	10,000	20,000	20,000	20,000	20,000
Liability benchmark	149,585	223,369	265,123	278,059	289,770

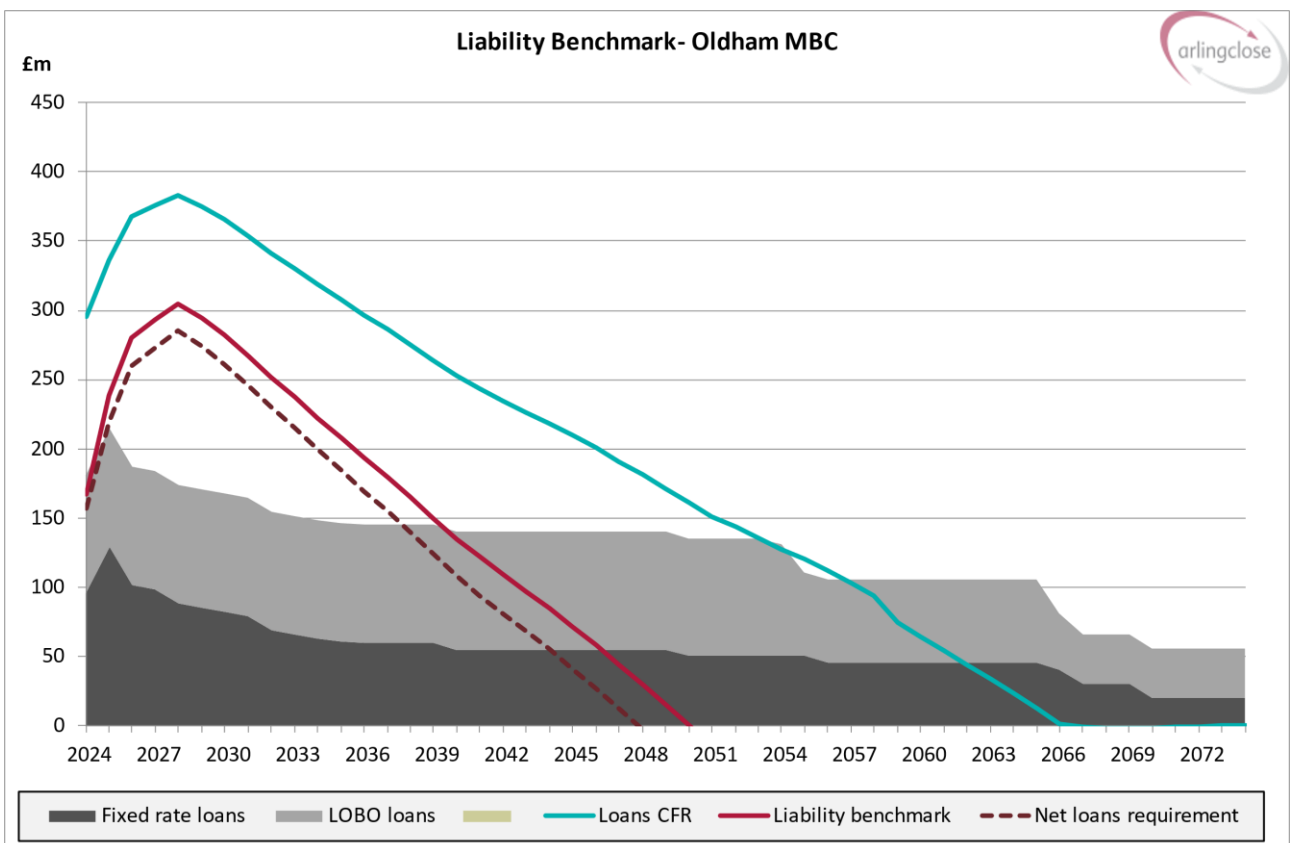
2.5.4 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £290m over the life of period 2025/26 to 2027/28, minimum revenue provision on new capital expenditure based on 5, 7, 10, 15, 25, 40 and 50 year asset lives.

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

10 Year Liability Benchmark Projection



50 Year Liability Benchmark Period



- 2.5.6 The graphs above show the liability benchmark (the middle line red line) rising from a point below the shaded area that represents existing loans for the period to March 2025. When the middle line (liability benchmark) is above the shaded grey area this indicates a need for the Council to raise new long-term loans. The Liability Benchmark is effectively the Net Borrowing Requirement of a Local Council plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves and cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.
- 2.5.7 The greater the gap between the shaded area and the middle line (liability benchmark) the greater the amount of new long-term loans are required to fund the capital programme. It can be seen from the graph above that new loans are required up until the period 2039/40, with the maximum amount of new loans required peaking in 2028/29 and then gradually reduce up until 2039/40. This tool aids decision making on duration of new loans required. It should be noted that this analysis is based on the current 5-year capital programme: if the capital programme was extended then the borrowing duration will almost certainly increase.
- 2.5.8 Due to Oldham Council's existing loan portfolio being long dated maturity dates, the above chart shows that any new loans taken should be shorter dated than existing loans and staggered over the period from 2025/26 to 2039/40. The timing of any new borrowing has been factored into other performance indicators.

2.6 Borrowing Strategy

- 2.6.1 The Council currently holds £190.742m million of loans an increase of £20m during 2024/25. In addition, temporary short-term borrowing of £35m of temporary short-term borrowing has been undertaken for cash flow purposes over the year, whilst we review longer term borrowing options. These loans represent borrowings undertaken as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows,- based on the current capital programme - that the Council is forecast to borrow up to £41.8m in 2025/26, a further £12.9m in 2026/27 and £11.7m in 2027/28 bringing total new borrowing in the 3 year period to £66.4m if the capital programme progresses as forecast. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £320m (see 2.8.13 below) and it is advantageous to do so in terms of reduced borrowing costs associated with borrowing early. A full appraisal will be carried out before any borrowing is undertaken.
- 2.6.2 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 2.6.3 The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but expect to fall in the coming year and it is therefore likely to be more cost effective over the medium term to either use internal resources, or to borrow short term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasure management prudential indicators as in section 2.8.

- 2.6.4 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose, Oldham Council's Treasury Management Advisor will assist with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 2.6.5 The Council has previously raised long-term borrowing from the PWLB and banks but will consider long-term loans from other sources including pension funds and other local authorities. It will also investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
- 2.6.6 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for investment yield purposes; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 2.6.7 The Council may also arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 2.6.8 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 2.6.9 The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Greater Manchester Pension Fund)
 - capital market bond investors
 - retail investor via a regulated peer to peer platform
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- 2.6.10 Capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities.
- leasing
 - hire purchase
 - Private Finance Initiative (PFI)
 - sale and leaseback

Oldham Council currently holds £194.041mm of PFI debt over 7 schemes and £0.302m of finance leases.

- 2.6.11 The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends

the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

- 2.6.12 The Council holds £85.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £39m of these LOBOs have options during 2025/26, and with interest rates having risen recently, lenders may seek to exercise their options. If they do, the Council will look to take the option to repay LOBO loans to reduce refinancing risk in later years. No further borrowing via LOBO loans is proposed for 2025/26.
- 2.6.13 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling

- 2.6.14 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.
- 2.6.15 The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years. The recent rise in interest rates means that more favourable debt re-scheduling opportunities should arise than in previous years.

2.7 Treasury Investment Strategy

- 2.7.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £15.7million and £51.3 million. This has reduced since previous years as was expected as reserves were utilised and capital expenditure has been incurred. Similar levels are expected to be maintained in the forthcoming year.
- 2.7.2 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. This is referred to as the SLY model.
- 2.7.3 The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 2.7.4 The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 2.7.5 As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-

day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

- 2.7.6 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 2.7.7 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code
- 2.7.8 Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties

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

Table 3: Treasury investment counterparties and limits

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

This table must be read in conjunction with the notes below

- Minimum credit rating** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- UK Government:** Sterling-denominated investments with our explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are deemed to be zero credit risk

due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

- **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- **Strategic pooled funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's

Risk assessment and credit ratings

- 2.7.10 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 2.7.11 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 2.7.12 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 2.7.13 The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.
- 2.7.14 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits

- 2.7.15 The Council's revenue reserves are forecast to be £71.405 million on 31st March 2025 and £61.405 million on 31st March 2026. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £15 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes. This limit will not be deemed to have been breached if the addition of interest or a re-invested dividend briefly takes the balance over £15million.
- 2.7.16 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

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

Liquidity management:

- 2.7.17 The Council produces a cash flow forecast at the start of the year to determine the maximum period for which funds may prudently be invested, or to identify times and amounts which may need to be borrowed. This cash flow forecast is updated throughout the year. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.
- 2.7.18 The Council will spread its liquid cash over at least two providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

2.8 Treasury Management Prudential Indicators

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

Security

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

Credit risk indicator	Target
Portfolio average credit rating	A

Liquidity

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

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

Interest rate exposures

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

Interest rate risk indicator	Limit £'000
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	505
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	(505)

2.8.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. For the purpose of this indicator this has been based on LOBO's with option dates in 2025/26 and new borrowing associated with the capital programme.

Maturity structure of borrowing

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

Interest rate risk indicator	Lower Limit	Upper Limit
Under 12 months	0%	35%
12 months and within 24 months	0%	35%
24 months and within 5 years	0%	35%
5 years and within 10 years	0%	35%
10 years and within 20 years	0%	50%
20 years and within 30 years	0%	50%
30 years and within 40 years	0%	50%
40 years and within 50 years	0%	50%
50 years and within 60 years	0%	50%

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

Long-term treasury management investments

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

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

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

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

Operational Boundary

2.8.11 The forecast Operational Boundary for 2024/25 together with the proposed operational boundaries for 2025/26 to 2027/28 are set out in the table below. The boundary reflects the maximum anticipated level of external debt which is not expected to be exceeded. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on levels of actual debt and the ability to fund under-borrowing by other cash resources. This boundary will be used as a management tool for ongoing monitoring of external debt and may be breached temporarily due to unusual cash flow movements. However, a sustained or regular trend above the Operational Boundary should trigger a review of both the Operational Boundary and the Authorised Limit.

Operational Boundary	2024/5 Forecast £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Borrowing	305,000	356,000	387,000	395,000
Other long term liabilities	194,750	195,000	190,000	185,000
Total	499,750	551,000	577,000	580,000

Authorised Limit

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

2.8.13 Members are asked to consider the proposed Operational Boundary for each financial year from 2024/25 to 2027/28 as set out in the table above and Authorised Limit as set out in table below:

Authorised Limit	2024/25 Forecast £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Borrowing	320,000	371,000	402,000	410,000
Other long term liabilities	199,50	200,000	195,000	190,000
Total	519,750	571,000	597,000	600,000

2.9 Related Matters

- 2.9.1 The CIPFA Code requires the Council to include the following in its treasury management strategy regarding financial derivatives.
- 2.9.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 2.9.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 2.9.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 2.9.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account

- 2.9.6 On 1st April 2012, the HRA became self-financing, this meant for Oldham Council that all loans that formed part of the HRA capital financing requirement (CFR) were subsequently paid off by Government due to the Council notionally splitting each of its existing long-term loans into General Fund and HRA pools.
- 2.9.6 Any new long-term loans borrowed after this date will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative.

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

Markets in Financial Instruments Directive (MIFID)

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

3 Options/Alternatives

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

4 Preferred Option

- 4.1 The preferred option is that the contents of this report are approved by Council.

5 Consultation

- 5.1 There has been consultation with Arlingclose, the Council's Treasury Management Advisors, the Audit Committee and the Governance, Cabinet considered the report at its meeting of 127 February 2025 and was content to commend the report to Council.

6 Financial Implications

- 6.1 Financial Implications are detailed within the report.

7 Legal Services Comments

- 7.1 There are no legal implications.

8 Equality Impact, including implications for Children and Young People

- 8.1 N/A

9 Key Decision

- 9.1 Yes

10 Key Decision Reference

- 10.1 FCR-24-24

11 Background Papers

- 11.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not

include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are provided in Appendices 1 - 2
Officer Name: Paula Buckley Finance Manager
Contact Email: paula.buckley@oldham.gov.uk

20 Appendices

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

Appendix 1 - Arlingclose Economic & Interest Rate Forecast - November 2024

Underlying assumptions:

- As expected, the Bank of England Monetary Policy Committee (MPC) cut Bank Rate to 4.75% in November in an 8-1 vote. However, the outlook for monetary policy has changed following the new government's fiscal plans, as delivered in the recent Budget.
- The Budget contained measures that will boost demand, in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects of the Budget require a change to our Interest Rate Forecast.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth appears relatively subdued. However, the Budget will significantly boost government spending over the short-term, with few offsetting measures to subdue household demand, so GDP growth is likely to rise relatively steeply.
- Private sector wage growth has eased to 4.8% yet remains high, while services inflation continues to hold above pre-pandemic levels. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation was below the 2% target in September but will rise a little by year-end as energy price declines from the previous year fall out of the annual comparison. The Bank of England (BoE) estimates the Budget impact will see the CPI rate at 2.7% by year end 2025 and remain over target in 2026, as opposed to the prior projection of inflation easing back to and then below target by this point.
- The MPC re-emphasised the gradual move to easing monetary policy, and we now believe the Budget measures have both reduced the pace of Bank Rate cuts and increased the low for this loosening cycle (although downside risks remain in the medium term).
- The increase in borrowing, rise in inflation and shallower path for Bank Rate projected by the Office for Budget Responsibility (OBR) raised gilt yields. The material change in rate expectations means that yields will be generally higher in the post-Budget world.
- US government yields have risen following Donald Trump's and Republican victories in the US elections. Trump has run on a platform of policies that appear inflationary, calling into question the extent of policy loosening required from the Federal Reserve (which was already uncertain given continued solid US growth data). Higher US yields could also support higher UK yields.

Forecast:

- In line with our forecast, Bank Rate was cut to 4.75% in November 2024.
- The MPC will continue to lower Bank Rate to reduce the restrictiveness of monetary policy, but more slowly and to a higher level. We see another rate cut in February 2025, followed by one cut per quarter, in line with Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility is likely to remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- Upside risks to inflation over the next 12 months could limit the extent of monetary easing, but we see the risks as broadly balanced over the medium term.

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.95	4.80	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.30	4.20	4.10	4.05	3.95	3.90	3.90	3.90	3.95	4.00	4.05	4.05	4.05
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.41	4.40	4.35	4.35	4.35	4.30	4.30	4.30	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.84	4.80	4.75	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.35	4.50	4.45	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Appendix 2 Existing Investment and Debt Portfolio

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

	31/12/2024 Actual Portfolio £'000	31/12/2024 Average Rate %
External borrowing:		
Public Works Loan Board	65,241	3.40%
LOBO loans from banks	85,500	4.33%
Other Bank loans	40,000	4.03%
Other Loans	255	4.00%
Temporary Short Term	25,000	5.11%
Total external borrowing	215,996	
Other long-term liabilities:		
Private Finance Initiative	189,243	7.98%
Leases	302	5.10%
Transferred Debt	27	2.82%
Total other long-term liabilities	189,572	
Total gross external debt	405,568	
Treasury investments:		
Local authorities	0	
Money market funds	34,435	5.30%
Strategic pooled funds - CCLA Property	13,127	5.29%
Total treasury investments	47,562	
Net debt	358,006	

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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

30 January 2025

Reason for Decision

The Audit Committee's Terms of Reference state that:

4.4.2 The Audit Committee shall:

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

This report provides Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for Q3 of the 2024/25 financial year which alongside:

- A further progress report on Q4 to be provided to the Committee.
- 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 15 January 2025.

Work on the Council's Fundamental Financial Systems (FFS) reviews for 2024/25 has continued into Q3. One FFS report in connection with the Council's Payroll Service has been issued and the remainder will be reported in due course.

In addition, other Audit and Counter Fraud Team activity in Q3 included:

- Completion of six opinion reports in connection with a Recruitment, selection and disciplinary processes review, a review of the Council's Risk Management Processes, a review of the Council's decision recording systems; a review of Miocare financial systems; a review of Public Health Commissioning, and; a review of Horton Mill Community School.
- Ongoing work in connection with a review of the Council's Housing Options Service, a review of Children's to Adults transitions in Social care, a Standards of Conduct review, and a review of In-Borough SEND Placements,
- Corporate Counter Fraud activities have identified £349,033 of fraud, errors and overpayments.

Recommendation

Members are requested to consider the 2024/25 Q3 Audit and Counter Fraud Progress Report.

2024/25 Q3 Internal Audit and Counter Fraud Progress Report

1. Background

- 1.1 This report summarises the work of the Audit and Counter Fraud Team between 1 April 2024 and 15 January 2025.
- 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.

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.
 - 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 continued on the 2024/25 FFS reviews, with one draft report in respect of the Council's Payroll Service issued in Q3. The outcomes of the remaining 2024/25 FFS reviews will be reported to the Committee in due course.

Other work completed

- 2.3 Six other pieces of planned work were completed and reported in Q3 in connection with:
- Recruitment, selection and disciplinary procedures.
 - The Council's Risk Management Processes
 - The Council's decision recording systems.
 - Miocare FFS
 - Public Health Commissioning.
 - Horton Mill Community School

The outcomes of these reviews are shown at Appendix 1.

- 2.4 Other planned audit review work commencing and underway as at 15 January 2025 included reviews of:
- The Council's Housing Options Service
 - Children's to Adults transitions in Social care.
 - In-Borough SEND Placements.
 - Standards of Conduct

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:
- 142 cases of non-CTR fraud/misuse of funds including Council Tax Single Person Discount fraud (SPD), Blue Badge misuse and theft.
 - £73,781.61 of non-CTR fraud/misuse.
 - 77 cases of ineligible claims for Council Tax Reduction (CTR).
 - £113,455.37 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
 - £161,796.17 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 were released during December, and the results of the annual Council Tax Single Person Discount Exercise will be available in January 2025. 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 Options/Alternatives

- 4.1 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.

5 Preferred Option

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

6 Consultation

6.1 N/A.

7 Financial Implications

7.1 N/A.

8 Legal Services Comments

8.1 N/A.

9 Co-operative Agenda

9.1 N/A.

10 Human Resources Comments

10.1 N/A.

11 Risk Assessments

11.1 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)

12 IT Implications

12.1 N/A.

13 Property Implications

13.1 N/A.

14 Procurement Implications

14.1 N/A.

15 Environmental and Health & Safety Implications

15.1 N/A.

16 Equity, Community Cohesion and Crime Implication

16.1 N/A.

17 Equality Impact Assessment Completed

17.1 No.

18 Forward Plan Reference

18.1 N/A.

19 **Key Decision**

19.1 No.

20 **Background Papers**

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

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

21 **Appendices**

21.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April 2024 to 15 January 2025
- **Appendix 2:** Counter Fraud Results – 1 April 2024 to 31 December 2024

Audit and Counter Fraud 2024/25 - Summary of Audit Reports/Outcomes - 1 April 2024 to 15 January 2025

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2023/24 Draft Final Report – Council Tax & Council Tax Reduction	Report	Q1	Adequate
2	Chief Executive	2023/24 Draft Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2023/24 Draft Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2023/24 Draft Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2023/24 Draft Final Report – Payroll	Report	Q1	Inadequate
6	Chief Executive	2023/24 Draft Final Report – Accounts Payable	Report	Q1	Adequate
7	Chief Executive	2023/24 Draft Final Report – Accounts Receivable	Report	Q1	Adequate
8	Adult Social Care	2023/24 Draft Final Report – Direct Payments	Report	Q1	Inadequate
9	Adult Social Care	2023/24 Draft Final Report – Residential Care	Report	Q1	Inadequate
10	Chief Executive	2023/24 Draft Final Report – Fixed Assets	Report	Q1	Adequate
11	Children & Young People	2023/24 Draft Final Report – Children’s Social Care	Report	Q1	Inadequate
12	Chief Executive	2023/24 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
24	Chief Executive	2024/25 Draft Final Report – Payroll	Report	Q3	Inadequate
25	Chief Executive	Recruitment, Selection, and Disciplinary Policies and Procedures Review	Report	Q3	Inadequate
26	Chief Executive	Corporate Risk Register	Report	Q3	Adequate
27	Chief Executive	Delegated Decision Reports	Report	Q3	Inadequate
28	People	Miocare	Report	Q3	Adequate
29	People	Public Health Grant Commissioning	Report	Q3	Adequate
30	People	Horton Mill Community School	Report	Q3	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.

Audit and Counter Fraud 2024/25

Counter Fraud Results 1 April 2024 to 31 December 2024

Counter Fraud Team 2024/2025	Quarter 1 April - June	Quarter 2 July - Sept	Quarter 3 - Oct - Dec	Total
Corporate Cases - Positive Results	39	55	48	142
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£31,486.47	£20,709.20	£21,585.94	£73,781.61
CTR cases amended as a result of an investigation	26	23	28	77
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£26,589.12	£58,158.31	£28,707.94	£113,455.37
CTR Fraud and Error Overpayments identified (£)	£49,820.21	£58,792.98	£53,182.98	£161,796.17
Financial Outcomes	£107,895.80	£137,660.49	£103,476.86	£349,033.15

Report to Audit Committee

Proposed Audit Committee Work Programme for 2024/25

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

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

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

30 January 2025

Purpose of Report

Attached to this report is the proposed Audit Committee Work Programme for the year 2024/25.

Executive Summary

The proposed Audit Committee Work Programme is subject to regular review by the Committee. Attached at Appendix 1 is the suggested programme of work going forward.

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

Recommendations

That Members of the Audit Committee endorse the proposed Audit Committee Work Programme.

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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

	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.
	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; 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.
	Q3 Treasury Management Update	A report outlining Treasury Management activity in Quarter 3 of 2024/25.
	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.
	External Audit of Teachers' Pensions Agency Return 2023/24	This report considers the feedback following the external audit of the Teachers' Pension Agency return.
	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

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	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.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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