

## Report to Audit Committee

# Update on the Annual Governance Statement for 2024/25

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

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## Purpose of the Report

The purpose of this report is to update Members of the Audit Committee on the Annual Governance Statement for 2023/24 outlining the progress made to reduce the risk of issues arising for the Council to address, where matters were identified as areas requiring improvement in internal control within the Annual Governance Statement for 2023/24.

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

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

*c) undertake the following activities in respect of corporate governance*

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

## Executive Summary

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

**Appendix 1** details the issues reported in the 2023/24 Annual Governance Statement and the actions taken so far during the 2024/25 financial year to mitigate these risks. It also gives an opinion on the present risk at the production of the Annual Governance Statement based upon a Red/ Amber/ Green (RAG) rating.

**Recommendation**

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

**Update on the Annual Governance Statement for 2023/24 and New Issues****1. Introduction**

1.1. This report is to enable the Audit Committee to discharge its obligation to review the issues identified within the Annual Governance Statement (AGS) and the production of a future AGS. The report provides an update on the issues highlighted and any new issues worthy of ongoing review. It adopts a Red/Amber/Green (RAG) rating approach.

1.2. The RAG ratings signify:

- Red: remains a serious issue for the Council to address and is therefore very likely to be included in a future iteration of the AGS;
- Amber: a serious issue with a potentially effective solution which has the potential to remove the issue from a future iteration of the AGS; and
- Green: a potentially serious issue currently managed effectively by the Council. This is likely to remain in the AGS if there are matters outside the control of the Council.

**2. Issues Identified in the 2023/24 AGS**

2.1. As noted in the 2023/24 AGS, the Council's financial position has become more challenging as a result of significant overspends in key demand led service areas. Over the past years there has been a high reliance on applying reserves to support the budget. Whilst reserves were available to support this approach, this was not a sustainable long term plan and could only be applied as part of a strategy to try to lessen the severity of the budget reductions required to achieve financial sustainability. Oldham reported a significant overspend for the financial year 2023/24 and as highlighted to Cabinet on 18<sup>th</sup> November in the Month 6 Revenue Monitoring report, the Council is forecasting another significant overspend for 2024/25.

2.2. The Council is implementing measures to manage expenditure and increase income with the aim of at least reducing the adverse variance by the end of the year. The effectiveness of management action and corporate procedures will continue to be closely monitored by Management Teams throughout the financial year. Management action should ease the overall financial pressures and the impact of these actions will be reported to Members through the regular financial monitoring reports submitted to Cabinet during the remainder of this financial year.

2.3. The Council's Senior Leadership has been working within their service areas to reduce the in-year pressure through the introduction of a recruitment freeze, and through additional controls on discretionary expenditure. Alongside this, services have been reviewing their ways of working, structures and costs to reduce spend based on a thematic approach to drive both in year savings and contribute to reducing the budget gap in future years:

- Centralising, restructuring and reducing corporate and support services;
- Reviewing and reducing management and administration;
- Reviewing service operations and processes;
- Income maximisation; and
- Reviewing placements, contracts and commissioned services.

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

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

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

### **4 Future Inspections which could impact on a future AGS**

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

- Children's Services and Skills (OFSTED)
- LGA Peer Review
- The Area Special Educational Needs and Disabilities (SEND) Inspection of the Local Area Partnership by the Office for Standards in Education,

4.2 The Ofsted inspection is in the public domain. Following the SEND inspection in June 2003, In September 2024, a deep dive session into the progress over the past year, since the inspection, took place. This brought together the LIP Executive Board, along with DfE and NHSE representatives with a focus on the evidence of impact that the PAP has had. At this stage, there are no concerns that need to be drawn to the attention of this committee.

4.3 The final report in respect of the Peer Review is yet to be finalised. Any significant governance concerns/issues in respect of this and/or any other external inspections will be highlighted in future iterations of the AGS.

## 5 **Options/Alternatives**

5.1 The options are that the Audit Committee:

- a) considers this report which details the progress made on issues identified in the draft AGS for 2023/24; or
- b) suggests an alternative approach to providing an update to the AGS.

## 6 **Preferred Option**

6.1 The preferred option is that the Audit Committee considers this report in accordance with the option set out at 5.1 (a).

## 7 **Consultation**

7.1 N/A.

## 8 **Financial Implications**

8.1 Any impact on the Council's overall financial position is detailed in Appendices 1 and 2. (Sarah Johnston)

## 9 **Legal Services Comments**

9.1 N/A

## 10 **Cooperative Implications**

10.1 N/A.

## 11 **Human Resources Comments**

11.1 N/A.

## 12 **Risk Assessments**

12.1 These are detailed in Appendices 1 and 2 of this report. (Chris Kelsall).

### 13 **IT Implications**

13.1 N/A.

### 14 **Property Implications**

14.1 N/A.

### 15 **Procurement Implications**

15.1 N/A.

### 16 **Environmental and Health & Safety Implications**

16.1 N/A.

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

17.1 N/A.

### 18 **Oldham Impact Assessment Completed (Including impact on Children and Young People)**

18.1 N/A.

### 19 **Key Decision**

19.1 N/A.

### 20 **Forward Plan Reference**

20.1 N/A.

### 21 **Background Papers**

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

File Ref: Background papers are included in Appendix 1

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### 22 **Appendices**

22.1 **Appendix 1:** Significant Governance Issues and Risks Identified in the 2023/24 Annual Governance Statement.

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

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



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

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

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

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

