



Oldham
Council

Report to Audit Committee

Annual Governance Statement for 2018/19

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Reason for Decision

The purpose of this report is to update Members of the Audit Committee on the Annual Governance Statement for 2018/19.

Executive Summary

The Council, as part of its Statement of Final Accounts produces an Annual Governance Statement. This identifies the significant governance issues that the Council needs to consider at the financial year-end to reduce its risk.

Appendix 1 details the 2018/19 Annual Governance Statement.

Recommendations

The Committee notes the 2018/19 Annual Governance Statement.

Annual Governance Statement (AGS) for 2018/19

1 Background of issues included in the AGS

1.1 The challenging issues of internal control for the Council have been identified in the update report on issues in the 2017/18 AGS and other issues for consideration in the future AGS, which have been considered by this Committee at its quarterly meetings. This has informed the production of the 2018/19 AGS.

1.2 This identified a total of 8 issues for the Council to include in the AGS and for the Committee to monitor how risk is to be reduced, going forward. These are detailed in Appendix 1 to this report. They include the need to strengthen internal control within both the Payroll System and those leading to payments on Adult Social Care both of which have been long term issues for the Council to address.

2 Conclusions

2.1 N/A.

3 Options/Alternatives

3.1 The Audit Committee considers this report which details the 2018/19 AGS.

4 Preferred Option

4.1 The preferred option is that the Audit Committee accepts and notes this report in accordance with the recommendation.

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 **Equality, community cohesion and crime implications**

15.1 N/A.

16 **Equality Impact Assessment Completed?**

16.1 N/A.

17 **Key Decision**

17.1 N/A.

18 **Forward Plan Reference**

18.1 N/A.

19 **Background Papers**

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

File Ref: Background papers are included in Appendix 1
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20 **Appendices**

20.1 **Appendix 1:** Annual Governance Statement for 2018/19

Annual Governance Statement 2018/19

Scope of Responsibility

The Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Authority has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance which is publicised on the Council's website. The Annual Governance Statement sets out how the Authority has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulations 2015.

The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the publication of a statement on internal control. It is subject to detailed review by the Audit Committee when they consider the final Statements of Account but before they approve the Statement of Accounts.

The Authority's financial management arrangements are consistent with a number of the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The key principles for which there is compliance are that the Chief Financial Officer (Director of Finance):

- is actively involved and is able to bring influence on the Authority's financial strategy;
- leads the whole Authority in the delivery of good financial management;
- directs a fit for purpose finance function; and
- is professionally qualified and suitably experienced.

In addition, the Statement requires that the Chief Finance Officer should report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to others.

The Director of Finance (the Chief Finance Officer and designated Section 151 officer) whilst not a standing member, attends any meetings of the Executive Management Team (EMT) for items considered to require Section 151 Officer input. The Director of Finance is a member of and attends the meetings of the Senior Management Team which integrates EMT and all Directors via a single management meeting. All Statutory Officers have access to the Chief Executive and one to one (1:1) sessions as required. The Council considers that its management arrangements are appropriate in the context of compliance with the CIPFA Statement.

The issues identified as significant governance issues and the progress made by management throughout the future financial year 2019/20 to address these issues, will be reported regularly to the Audit Committee together with an assessment made in reducing the risk as part of its Governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture, values and behaviours, by which the Authority activities are directed and controlled, which it accounts to, engages with, and leads the community, citizens and service users. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It also enables the Authority to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically (i.e. so they deliver value for money – efficiently, effectively and economically).

The governance framework which has been in place at the Authority for the year ended 31 March 2019 has seen regular reports submitted to the Audit Committee on the progress made on issues identified in the previous Annual Governance Statement and identified any issues for consideration in this Statement. A further report has been produced to support the production of this Statement to assist sign off.

The Governance Framework

The Authority is a Metropolitan District which was set up in 1974 combining 7 Urban Districts, which provided services. Its strategic vision and Co-operative objectives including self-sustainability are set out in the Corporate Plan. The control environment encompasses the

strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

The key message and values are:

Communicating the Authority's Vision

The Vision is set out in both the Oldham Plan and the Corporate Plan which are aligned to establish a clear link between; Local, Central Government and Greater Manchester priorities, including the devolution of health. It establishes the Council's priorities developed in partnership with key partners, the local community and core business of the Council. The Council endorsed this approach in July 2017. It is a collective action statement covering the period 2017/2022 and sets out the areas will add the most value as a partnership to achieve the ambition for Oldham to be a productive and co-operative place with healthy, aspirational and sustainable communities.

The Oldham Plan is based around the Oldham Model – three change platforms are enabled and complemented by public service reform and empowering communities. These are:

Inclusive Economy

The vision is for Oldham to become Greater Manchester's Inclusive Economy capital by making significant progress in living standards, wages and skills for everyone.

Thriving Communities

The vision is for people and communities to have the power to be healthy, happy and able to make positive choices and both offer and access insightful and responsive support when required.

Co-operative Services

The vision is to collaborate, integrate and innovate to improve outcomes for residents and create the most effective and seamless services in Greater Manchester.

Co-operative Council in a Co-operative Borough

Oldham has been a Co-operative Council since 2011 and the Council continues its commitment to delivering a co-operative future where everybody does their bit and everyone benefits. This is achieved by a real commitment to change and working closely with residents, partners and our wider communities to create a confident and ambitious borough.

The Corporate Plan sets out how everyone can do their bit to support service delivery of the ambitions and outcomes:

#our bit is what Oldham Council is doing or contributing to improve something.

#your bit is how local people, businesses and partners are helping to make change happen.

The **#result** is how we are all benefiting from working together.

The ethos of the Co-operative Council sets the framework for key Council strategies.

Like many other Local Authorities, Oldham Council has had to make significant budget reductions since the start of the Government's austerity programme. Arising from Government announcements and the Emergency Budget, introduced after the May 2010 General Election, up to and including the 2018/19 budget, £184m of budget reductions have been introduced. Further savings of £7.829m were agreed at the 2019/20 Budget Council meeting and there is a significant savings target over the financial years (2019/20 to 2023/24) covered by the current Medium Term Financial Strategy (MTFS).

It is clear that we cannot continue to deliver what we have always delivered, and a response to the financial challenge was required. The response chosen was to become a Co-operative Council, because it is believed that:

1. a co-operative approach offers the best opportunity to do things radically differently;
2. it offers a sustainable solution to the unprecedented challenges we face; and
3. it offers the best opportunity to make the most of the assets/strengths that lie in its communities.

This means that, whilst we continue to provide its statutory services and duties, we will continue to work more closely with all partners and stakeholders in Oldham to ensure that the services we deliver continue to; provide value for money, meet the specific needs of Oldham's communities, remove duplication and ensure we use our combined skills, resources and influence to improve the circumstances of every member of the Oldham community.

The ways in which the Council is doing this include:

- Developing and implementing an Ethical Framework and a Social Value Procurement Framework.
- Paying the living wage to ensure that all staff are paid appropriately.
- Giving employees up to three days paid time away from their duties to volunteer locally.

Key elements of the Governance Framework

The key elements of the Authority's governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties

against conflicts of interest. Both Members and Officers record any gifts and hospitality received in accordance with the Authority's agreed procedure. In order to enable third party challenge to Authority operations there is a publicised complaints procedure. There is also a Whistleblowing Policy which enables concerns to be raised in a confidential manner and dealt with in a proportionate manner. The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions.

Members take the lead in establishing this culture by completing an annual register of their interests which is published on the Council's website. There is also a Standards Committee in place to consider allegations of inappropriate behaviour, which meets when required to discuss appropriate matters. Any matters for Investigation are assigned to an independent investigator and supported by reports, which are considered by the Committee. Staff behaviour is covered by the Officers' Code of Conduct, which places duties on Officers to declare their standing interests or interests relating to matters as they arise to their Head of Service. These declarations are maintained in an E-Register by the Director of Legal Services to the Council as Monitoring Officer.

The Council is managed by a Cabinet system as set out in the agreed Council Constitution. This sets out the scheme of delegation between elected Members and Officers.

In order to encourage the community to engage in more co-operative activities, Members in their role as Community Champions often, via their respective District Executives, network with key community groups and individuals to deliver local priorities. In order to demonstrate their achievements, each Councillor is encouraged to produce an annual report which is then published on the Council's website.

The Council's has a clear set of values and behaviours which are shared borough-wide with residents, partners and businesses. Internally these values and behaviours have been converted into five co-operative behaviours which outline the priority focus for staff at all levels. Living these values and behaviours has enabled real change to be delivered so that the Council can meet its vision of building a co-operative borough.

Staff are assisted in this aspect by the Corporate Personal Performance Framework which requires employees to demonstrate how performance supports the delivery of the corporate values of the Authority. The employer supported volunteering (ESV) programme helps Council employees to volunteer with organisations in Oldham. From using existing skills to taking on a new challenge, the scheme gives staff the time and support to volunteer to do their bit.

The agreed Procurement Policy focuses on procurement activity, which has the aim of ensuring the optimum balance between cost, quality and local service value, whilst also ensuring that any significant commercial risks are identified and mitigated at the commissioning stage.

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

Member and Officer Relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position as a Cooperative Council and will be vital in making a reality of both service changes and more self-sufficiency from citizens. In July 2018 the “Big Green Survey” – Oldham’s biggest ever environmental survey of residents – gave people a say on key green issues such as wildlife, parks, food growing, clean energy and air quality. Cabinet also approved a strategy to work towards becoming a single-use plastic free borough promoting the use of non-plastic recyclable alternatives.

The Authority has also demonstrated its support of sustainability by appropriate self-financing capital investment in renewable energy. It has supported the creation of an independent community interest company which is now operating in a sustained and independent manner. In 2018/19 approval was given to construct a new eco-centre at Alexandra Park with construction planned in 2019/20. There was a feasibility study agreed to develop the concept of Northern Roots a vision of an eco-friendly sustainable development consistent with the green aspirations of the Council.

The Chief Executive of Oldham Council is the Head of Paid Service and is supported by the Executive Management Team (EMT) and Senior Management Team (SMT). From the beginning of April 2018, the Council’s Chief Executive became the Accountable Officer for the Clinical Commissioning Group in the Locality. The Executive Management structure is subject to regular review as the integration with the NHS develops in Oldham.

Cabinet portfolios are assigned on a functional basis rather than by directorate and subject to appropriate officer support. Shadow Cabinet Members also meet with support officers on a regular basis to ensure appropriate political scrutiny. As part of the budget process, opposition parties have the facility to prepare alternative proposals. For both 2018/19 and 2019/20 budgets, alternative proposals were presented and subject to Scrutiny before consideration at full Council.

The Director of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided in-house, supported by a partnership with Salford Council for Computer Audit. The Internal Audit team achieved compliance with Public Sector Internal Audit Standards as evidenced by the Independent External Review of the service, undertaken in 2017/18. The Head of Corporate Governance (Oldham Council) has direct access to all members of EMT, SMT as well as all Members and has utilised this discretion when appropriate. CIPFA’s guidance on the Role of the Head of Internal Audit was issued in early April 2019 and a compliance review is currently underway, the outcome of which will be reported to a future meeting of the Audit Committee.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, within the Constitution, which comply with Good Practice. Control is based on regular management information, management supervision, and a structure of delegation and accountability. If there are fundamental failures in internal control these are subject to investigation.

The Director of Legal Services is the Monitoring Officer and is responsible for ensuring the Authority acts in accordance with the Constitution. Senior Officers have the primary responsibility for ensuring decisions are properly made within a scheme of delegation at

appropriate levels of responsibility. The Constitution contains codes of conduct and protocols for Members and Officers.

In order to have appropriate scrutiny of the Authority the Audit Committee has the capacity to appoint three Independent Members and recruitment of an Independent Chair is on-going. The Audit Committee members receive appropriate briefings supported by training from key officers and third parties to enhance the Governance Framework. The Standards Committee utilise independent investigators from outside the organisation to supplement in-house resources where appropriate to investigate any serious allegations into Member misconduct.

Principle B. Ensuring openness and comprehensive stakeholder engagement

The Authority at the Council meeting in July 2017 agreed its long term Corporate Plan which sets out the Authority's Co-operative vision and values, assimilating them in to its strategic objectives. This links the objectives through to outcomes, identifying the service areas responsible and performance indicators. The Authority works closely with other local public bodies, community and voluntary groups via a partnership approach to ensure effective delivery of its services. The operation of the Oldham Leadership Board recognises that the Council is a body that champions Oldham. A long-term specific initiative to demonstrate co-operative working with the community to improve their sustainability has been Get Oldham Growing – an initiative which aims to encourage communities in Oldham to be more active and engaged in food growing, to improve health and develop opportunities for new social businesses in the local food economy.

The Council Leader, on an annual basis presents, to full Council, the forthcoming priorities of the administration. This is used to influence and shape the policies and strategies produced by the Authority. The Council meeting is streamed live giving every citizen of the borough the chance to review and challenge these priorities.

In addition to the above, the Council is a constituent District of the Greater Manchester Combined Authority (GMCA) which exercises a number of new powers devolved from Central Government. The GMCA meetings are also held in the public domain and streamed live. The Leader of the Council is a constituent member of the GMCA, providing Leadership on Education, Skills and Apprenticeships across the conurbation.

Progress on delivering the Corporate Plan is communicated through a performance management framework. The Overview and Scrutiny Performance and Value for Money Select Committee (PVFM) receives quarterly reports on performance against the Corporate Plan in addition to matters referred to it by Cabinet. These quarterly reports focus by exception and set out corrective measures where key performance indicators have not been met.

The Overview and Scrutiny Board receives reports on specific matters and policy initiatives to be considered by future Cabinets, whilst overall scrutiny is provided by both the Audit & Standards Committees. With the greater integration between the Council and Health Services there is a proposal to create a further Health Scrutiny Committee.

In order to demonstrate its openness, the Authority also publishes its:

- Pay Policy Statement to support the Annual Budget;
- Constitution;
- Council, Cabinet and Committee Reports;
- Scheme of delegation reports;
- Information on payments over £500; and
- Health and Safety Action Plan.

The Council operates 7 District Executives, which have membership of both elected Members and co-opted local representatives. These District Executives work to deliver local priorities are supported by dedicated resources which are spent locally.

All reports taken as “closed reports” benefit from Monitoring/ Deputy Monitoring Officer and Director of Finance sign off and appropriate advice before the matter receives due consideration including training where appropriate.

Those Members of the Authority sitting on the respective District Executives receive regular training to support them discharge the role and bring challenge to Officers. This training programme is overseen by the Organisational Development Team.

There is regular contact with the other nine constituent Districts through the meetings of the GMCA. Lead Members and Officers feedback issues to the constituent Districts on pertinent matters. Separately the Statutory Regulatory Officers for Finance and Legal Services meet regularly to consider matters of common interest and agree a common approach on shared issues including companies where the Authorities are key shareholders.

Increasing recycling remained a key priority for the Authority in 2018/19. There were planned changes to the collection regime which began in 2016/17, which were underpinned and supported by a Communication and Engagement Plan with targeted investment. This has led to the increased recycling in earlier financial years providing a base for improvement in 2018/19. In recognition of the need for continual improvement it is planned to create a Task and Finish group to look at how further improvement may be achieved which will report to the PVFM in 2019/20.

In order to ensure its message is effectively communicated to its citizens the Council's Communications function proactively prepare appropriate press releases to support the Co-operative vision of the Council. A user friendly and well-designed Oldham Council website ensures all citizens are aware of the co-operative vision, strategies, policies and initiatives available. This was redesigned in the 2019/20 financial year and ensures the communication medium with the Council and its residents remains up to-date.

To enable the public to highlight concerns in an appropriate manner the Authority and selected key contractors of high-profile services have complaints procedures which enables issues to be linked into future contract performance.

The Authority has spent its resources within the overall agreed budget for the financial year 2018/19. Consideration and approval by the Authority of its future budget for 2018/19 took place at its 28 February 2018 full Council meeting. Due to increasing cost pressures on Adult Social Care, the Council Tax recommendation resulted in a specific 2% increase to be

implemented to finance expenditure in this area and a 1.99% Council Tax increase for other services.

The Council's Four Year Efficiency Plan, prepared to give certainty over the level of Central Government funding from 2016/17 to 2019/20, effectively planned for year on year reductions to budgets. This was initially agreed by Cabinet on 5 September 2016 and is now in the process of being delivered. This underpins the regular update of the Medium Term Financial Strategy of the Council to support the budget process. The financial resilience of the Authority is demonstrated by the level of reserves and balances the Council holds. The reserves are managed by reference to the approved Reserves Policy which is regularly reviewed by the Audit Committee. The level of balances is informed by the budget process.

The availability of reserves facilitates one off financial support to enable the transformation of both the Council and the Locality with implementation in a managed manner. It has enabled the improved pooling of resources with health service partners.

The overall financial strategy enabled Council Tax rises to be set at a level, which balance the needs of the Council with affordability to residents. It has also enabled the Council to manage continued pressures of demand around Children's Social Care within the 2018/19 Budget. The risk of further pressure in this area has been considered in the 2019/20 budget.

Appropriate consultation is considered in the production and design of the detailed Authority Strategies which aim to deliver appropriate co-operative solutions to benefit both present and future generations. The Get Oldham Working Initiative embedded in the Council and has helped to create year on year work-related opportunities for our citizens. This led to the development of the Oldham Work and Skills Strategy which has 4 strategic goals to support the Council's co-operative vision.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

The Corporate Plan supported by individual Service Business Plans, the work of the GMCA and the Oldham Locality Plan set out the immediate and long-term vision of the Council. The 2018/19 budget delivered within the agreed resource allocation supported this strategy as does the 2019/20 budget. The resources available to the Council are deployed to continue to improve performance and reflect the agreed Co-operative Council in a Co-operative Borough priorities of the Authority.

Risk management is integral to the governance arrangements in the Authority and the risk register and risk monitor report are considered by the Audit Committee and EMT. Regular updates on Corporate Governance are reported to the Audit Committee. In advance of each meeting of the Audit Committee there is an informal meeting with the Head of Paid Service and the key Statutory Finance Officer to determine if any matters need highlighting to the Audit Committee. The risks are managed by the risk holders that are predominantly members of EMT.

The Authority's risk management framework consists of:

- a risk management policy statement;

- an Authority Risk Register and specific Risk Registers on key initiatives;
- ensuring that risk management is integral to the planning process and linked to key Authority and Contract objectives within business plans;
- a risk monitor report produced for EMT;
- regular updates of the Annual Governance Statement produced for the Audit Committee;
- allocated responsibilities;
- systems for mitigating and controlling risks; and
- systems for monitoring and reviewing risks and controls assurance.

Controls Assurance is an important part of the process to assure the Authority that the identified risks are being properly controlled. This is carried out at periodic intervals by:

- the Audit Committee;
- the Standards Committee;
- Deputy Chief Executives, the Strategic Director of Reform and Directors;
- Directors of Finance and Legal Services;
- Statutory Officers for Children's Services, Education, Adults Social Services and Public Health Services;
- Internal/External Audit. From 2018/19 a new external auditor has been appointed; and
- Appropriate Scrutiny arrangements to hold the Cabinet to account.

In 2018/19 the key reports produced by the Authority to support key decisions included appropriate risk comments.

The Constitution defines and documents the roles and responsibilities of Officers and Members with clear delegation arrangements, protocols for decision making and codes of conduct for Members and staff. It is supported by an extended Members' training package which was again delivered following the positive feedback from Members.

Member and Officer Relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position as a Co-operative Borough and will be vital in making service changes to turn its 'Co-operative' vision into a reality, with its citizens more able to self-serve.

All changes to Service are supported by an Equality Impact Assessment. This results in alternative access arrangements being made where necessary, with information provided in multiple formats including on the website. This reflects the diverse nature of the Districts who make-up the Authority. This is demonstrated in the Council budget meeting with high risk budget proposals being supported by an Employment Impact Assessment. It is also demonstrated in standard reports produced to support key decisions.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome

The management structure continued to be realigned during 2018/19 to take account of both the Co-operative Vision, continual challenging financial targets of the Authority, the integration of health and social care services and specific service challenges. This has meant a shift in certain areas of management responsibility during the year.

Decisions are based on rigorous and transparent scrutiny and an excellent relationship between Officers and Members based on mutual trust. That trust is maintained by openness and appropriate arrangements which ensure the involvement of all relevant Parties at the right level of responsibility ensuring all strategic decisions are led by Members.

The implementation of the agreed policies at officer level is overseen by EMT. This is supported by the Senior Management Team, Joint Leadership Team (which has senior Council and NHS officer membership) and Directorate Management Teams.

In order to achieve the long-term financial targets, the Authority set a budget for the financial year 2019/20 supported by an appropriate assessment of risk by the Director of Finance. All the expected risks to the Authority as at 27 February 2019 were considered in the budget report. The future savings required by the Council were also presented. An agreed Reserves Policy which is subject to regular review underpins the long-term financial resilience of the Council and supports the vision of a Co-operative Council in a Co-operative Borough.

The Authority agreed an efficiency plan during 2016/17 with Central Government. The MTFS has been based upon this. The efficiency plan gave certainty of the main Government grant funding streams for the period 2016/17 to 2019/20. It highlighted a need to continue to identify efficiency savings.

As 2019/20 is the last year of this agreement with Government, a key issue for the Council is the uncertainty about funding for 2020/21, and beyond. Whilst the Government has yet to give any clear indication of the quantum of funding or the allocation methodology, budget projections may therefore be subject to considerable variation. The reserves and balances available to the Council are therefore important in the context of managing a period of potential financial turbulence.

Building on the Income Strategy and Corporate Property Investment Strategy which was approved in 2017/18 and taken forward in 2018/19, a Corporate Property Strategy was approved on 20 August 2018. This is a key Strategy to ensure that the Council makes the most efficient and effective use of its property assets and can deliver approved budget reductions.

A Transformation Programme is in progress under the joint working arrangements with Health, which will generate more effective service delivery and future efficiencies.

All meetings of the Cabinet and key Committees are publicised and are open to public scrutiny. All decisions are formally recorded. In addition, decisions taken under delegated powers are also recorded electronically and are reported via the Council's Electronic Decision Recording System.

The Audit Committee is an essential part of good governance. It reviewed the control environment for all Directorates during 2018/19 and considered the progress made on issues highlighted in the Annual Governance Statement, including specific reports on certain issues. Internal and External Audit both have direct access to and support the Committee including the ability to have direct contact, without Officers of the Authority being present.

The detailed matters reviewed by the Audit Committee during 2018/19 were:

- Treasury Management matters including Council borrowing including investment and loans;
- Earmarked Reserves;
- future Internal and External Audit Work;
- the findings of both External and Internal Audit on control matters, including payroll;
- the final audit opinion on the 2016/17 accounts following the successful response to an objection to the Accounts;
- the 2017/18 Statement and Accounts and associated external audit findings;
- Independent review of Internal Audit detailing compliance with Public Sector Internal Audit Standards; and
- the Audit Charter.

The Council, in order to discharge its statutory function in relation to overseeing all health matters in the Borough, operates a dedicated Scrutiny Committee which met throughout the year. Partnership working in the Borough with the Council, Health Services and key partners is supported by the Health and Wellbeing Board which met on a number of occasions during 2018/19. This Committee has an objective to improve the public health in the area and to oversee integration of health and local authority service provision under the Locality Plan which is produced under the Greater Manchester plans for devolution.

The Standards Committee reviews Members' conduct following the receipt of complaints about official conduct on Council business by commissioning independent investigations. Where appropriate matters are reported and considered by full Council.

All Directors prepare Divisional Plans that contain key actions and performance targets necessary to deliver the co-operative objectives of the Council.

Independent service reviews are carried out under the performance management frameworks which results in formal quarterly reports to both the Cabinet and PVFM. Where performance is perceived to be below the corporate standards, specific reports are made to PVFM or in the case of Educational attainment at schools, a special session is arranged to discuss issues including Academies.

Educational attainment in the Borough is acknowledged as a particular priority and the Oldham Education and Skills Commission has been set up with a vision to create a "Self-improving education system where schools, colleges and all interested parties work together

in a new collaborative partnership". The aim is to improve results in this area for the longer term, so children and young people will be School Ready, Work Ready and Life Ready.

Additional resources were agreed within the 2018/19 budget as funded growth to implement associated improvements identified by the 2017/18 Ofsted and Care Quality Commission Inspection of Special Education Needs and Disabilities service provision. The Council also launched Voice of the Child to improve the way we listen to and act upon the voice of all children and young people to better design future services.

Scrutiny of budget matters including those of the administration and opposition were, again, during 2018/19 carried out by Overview and Scrutiny Performance and Value for Money Select Committee. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process. The medium term financial strategy reflects the long-term view of the resources available to the Authority in the context of the best estimate of Government grants supported by the revenue it can generate itself. In order to improve its long-term financial sustainability, the Authority agreed once again for 2018/19, (and subsequently in 2019/20) to continue to be part of the Greater Manchester Business Rates Retention pilot scheme. Taking part in this pilot has enabled the ten Greater Manchester Authorities to test and shape the new financing regime for Local Government which will be based on the retention of business rates, whilst at the same time benefitting from funding gains offered to pilot Authorities. This is in addition to the benefits arising from business rates pooling which has been in operation for a number of financial years.

The Contract Procedure Rules within the Constitution alongside the Co-operative Values and Behaviours set out in the updated Corporate Plan set out the Authority requirements on social value.

Principle E – Developing the entity’s capacity including the capability of its leadership and the individuals within it.

To support the achievement of its strategic priorities, the Authority reviews the organisation annually to ensure it has the right people with the right skills. The Authority has an agreed People Strategy recognising that staff are the Council’s greatest asset. This is supported within a performance framework covering all officers including an appraisal system with targeted, relevant training. The Human Resources Policy and Procedures are set out the appointment process which is transparent, and available to staff via the Council’s intranet site. There are targeted programmes often utilising E-Learning within Organisational Development to support these policies such as ensuring appropriate consideration is given to the future capacity of the organisation. These training courses are aligned to the co-operative ambition and underpinned by the Council’s co-operative values and behaviours.

There are regular team meetings, and one to ones (1:1s). The Authority implements the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Foundation Living Wage for its entire staff and is seeking to also achieve that through its contractual arrangements. It has a further ambition over a three-year

period to implement the principles of the Living Wage Foundation in line with its Co-Operative Values.

A full training programme for both established and recently elected Members (the Local Leaders' Programme) continued to be delivered in 2018/19 to support the vision of a Co-operative Council. The content of the programme changes but the emphasis remains on all Members demonstrating community leadership. The planned programme is supported by ad hoc training for Members who have specific committee responsibilities. Individual Members produce information published on the website which outlines their role in the Authority and achievements.

The Authority, to ensure an independent review of its systems, operates an Internal Audit Service complying with best practice as set out by Public Sector Internal Audit Standards. The findings are reported to the Audit Committee which includes an annual opinion on the internal control environment. The overall opinion for 2018/19 is adequate, indicating a well-managed Council. The biggest risk identified from this work is detailed in the issues below. Given the degree of future change within the Authority the Internal Audit Service has also been commissioned to undertake assurance on key system changes around the financial ledger and adult social care.

Delegated decisions for all matters are publicly available on the internet. Certain key partners who provide essential Council Services are subject to independent oversight by the Overview and Scrutiny Performance and Value for Money Select Committee.

To support decision making the Authority works with its Partners to maintain accurate and timely data to ensure decisions are based on a comprehensive understanding of financial costs and performance. Monthly data reported through the agreed partnership monitoring process is used to assess performance against the Cooperative objectives.

The Constitution is reviewed on an annual basis.

Arrangements and processes are in place to safeguard Members and employees against conflicts of interest. An annual reminder to complete declarations of interest is sent to all Members and followed up as needed. A gift/hospitality register and complaints procedures are also in place and are actively used. Appropriate matters identified are investigated with regard to due Council Process

Principle F – Managing risks and performance through robust internal control and strong public management

The Council's Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.

Each year in the electoral cycle, new Members of the Council are inducted prior to the Authority's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Authority.

All statutory Officers receive the training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.

The Cabinet meets on a monthly basis at set times to consider key matters including those on performance and risk. Matters are published in the Key Decision Document to enable the public to be aware of future decisions. All reports include reference to the corporate objectives of the Council. In the event of an urgent item requiring a decision not published in the Key Decision Document, the agreement of the Chair of the Overview and Scrutiny Board must be obtained to exempt the decision from agreed scrutiny protocols.

In addition to the quarterly performance reports, there are quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget. A further report is prepared at month 8 to support the budget process for the forthcoming year. The 2017/18 month 8 budget monitoring report highlighted a specific financial challenge in Looked after Children which, although being offset in year by reductions in capital financing charges, required attention within the 2018/19 budget. As a consequence, the 2018/19 budget was prepared with £8.1m of additional resources allocated to support spending in Children's Social Care and manage this risk.

Spending on Children's Social Care continued to exceed the increased budgetary provision during 2018/19. This was highlighted in budget monitoring reports and this process informed an increased resource allocation of £4.6m for the budget for 2019/20.

During 2018/19, the use of reserves in accordance with the agreed Reserves Policy and careful financial management, has ensured that in year an overall underspend against the overall budget was achieved which will be used to increase balances and support the financial resilience of the Council. Overall there has been a small reduction in earmarked reserves under the direct control of the Council and the level remains appropriate to support the present budget strategy.

The annual budget is supported by the Director of Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this Statement is an integral part, outline the out-turn of the Authority and are prepared in accordance with professional standards and are subject to external audit review.

In order to demonstrate robust internal control, the Authority has:

- a Risk Management Framework linked into the Authority Structure;
- an appropriate suite of Anti-Fraud and Corruption Policies;
- a balanced budget supported by appropriate reserves; and
- Audit and Standards Committees, which are supported by independent Members.

The Council undertook a survey of all its staff in 2016/17 to assess their views on the management of the organisation. The findings have been considered in the production of service plans and priorities from 2017/18 onwards. A further survey is planned for 2019/20.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Authority is proactive in engaging with citizens and other key stakeholders, and indeed public consultations were instrumental in developing the co-operative vision. In 2018/19 £0.600m was invested in the Neighbourhoods Service to improve street cleansing and enforcement.

The Authority in 2018/19 was proactive in engaging and communicating with key stakeholders to boost and maintain public understanding of, and support for example, recycling as part of its revised waste collection arrangements. Another key area where the Authority works with its key stakeholders is its District Executives. The dedicated budget which includes earmarked capital and revenue resources is spent on local priorities which vary from District to District.

The Council has a key role in the Greater Manchester Agenda including that under devolution by:

- taking part in the monthly meetings of the Combined Authority with the Leader representing the Council;
- agreeing to both innovation and risk by piloting new initiatives at a regional level such as 100% business rates retention;
- locality working with health at both a Greater Manchester wide level and Oldham area; and
- supporting new initiatives such as increased devolution of Adult Education

As part of the Transparency Agenda the Authority publishes Senior Officer Salaries over £50,000 and payments over £500 on its web site. As part of this process, improvements have been made to internal control procedures on procurement, which ensure Commissioning and Procurement is fair, transparent, ethical and based on the needs of the community and an understanding of the market place. The Authority is attentive to the need to meet wider social and economic objectives whilst achieving value for money (VfM). Consistent decisions are sustained through an e-procurement system (the Chest), supported by internal Policies and Procedures.

The Authority, as part of the 2011 Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2017/18 to further support the Authority's preference for openness and transparency. This was approved for 2018/19 at Council as part of the budget process.

Apart from regular liaison with key Government bodies the Authority is also fully engaged with the Local Government Association (LGA), Greater Manchester Association of Municipal Treasurers and specialist region wide initiatives such as the Association of Greater Manchester Authorities (AGMA) Low Carbon Hub.

Internally there are well established and clear routes on how staff and their representatives are consulted and involved in decision making. These includes programmed staff surveys, regular staff briefings, internal briefings, and section meetings and staff appraisals.

During 2018/19 there was a handover of External Audit responsibilities from Grant Thornton (UK) LLP to Mazars LLP. Grant Thornton (UK) LLP undertook the audit of the 2017/18 accounts and finalised the work in relation to the objection to the 2016/17 accounts. However, utilising the contracts let by Public Sector Audit Appointments, the Grant Thornton (UK) LLP appointment ceased after 2017/18 and Mazars LLP became the appointed auditor for 2018/19 onwards for all external audit work other than two specific areas. The audit of the Housing Benefit subsidy claim and Teachers Pension Service Return are being audited via arrangements agreed as a collaborative procurement across all Greater Manchester Councils and is being undertaken by KPMG LLP.

All External audit work is conducted with regard to the Code of Practice produced by the National Audit Office.

Partnership Arrangements

The Authority currently delivers a wide range of services, which often involve working in partnership with others, many of which involve considerable levels of funding. The significant change in 2018/19 was the Council acquisition of the Unity Partnership Limited. During the run up to and subsequent to the acquisition, the Authority recognised the need to assist Unity in improving processing on key transactions. Since July 2018 and the acquisition, the process of transformation on a number of key services has been developed successfully.

The Council has another wholly owned Company MioCare to assist it to provide key Adult Social Care Services. This company has operated for a number of years since becoming operational on 1 December 2013.

It is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that, "Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities". This has been undertaken throughout the year and a report submitted to Executive Management Team highlighting the challenges. This has been incorporated into the production of this Statement of Accounts and issues for consideration in the Annual Governance Statement.

Risks on Significant Projects

The Authority has completed some significant projects, over the last 3 years, which were included in the capital programme. There remain, in the agreed financial strategy of the Council, complex projects which can involve working in partnership with others, many of which require considerable levels of one-off and recurrent funding from the Council. The Reserves Policy supports the resilience of the Council to deliver its aspirations as set out in the capital programme.

Given the complexity of some projects there remains an on-going risk to manage in case of an oversight on the long-term financial commitments arising from these projects. The Director of Finance has considered the latest position on this financial risk in both the Statement of Accounts and Reserves Policy. Individual reports to support investment in projects have been prepared in 2018/19 for consideration by Cabinet with appropriate comments by key officers to enable appropriate consideration of the issues including risks before a decision is made.

The issues on both partnership risk and project risk have been incorporated into this governance statement where necessary.

Review of Effectiveness

The Authority annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment; Head of Corporate Governance's annual report; and comments made by the External Auditors and other review agencies and inspectorates.

The Authority strategy and objectives are established and embedded through an annual refined Business Planning process, which also sets out the framework for the work programme focusing predominantly on achieving efficiencies and the transformation of services where the most significant savings may be made. This is developed in tandem with the Annual Budget Cycle, Efficiency Plan, and the Medium Term Financial Strategy (MTFS), underpinned by the Reserves Policy to evidence and support financial resilience.

An internal audit programme is undertaken, which in 2018/19 has focused on key items in the Audit Plan such as financial systems, systems assurance, grant audit and providing data for the National Fraud Initiative. This is reported to the Audit Committee in relation to the Governance, Treasury Management, Fundamental Financial systems and operational controls. Where specific matters were brought to the attention of Internal Audit these have been investigated in accordance with the Policies of the Council.

An external audit of the accounts year ending 31 March 2017 undertaken by Grant Thornton (UK) LLP was reported to the Audit Committee on 16 July 2018. The Auditor commented positively about the standard of the accounts and working paper were considered to be of high quality. This meeting approved the accounts within the statutory deadline. It is planned that the 2018/19 accounts will be presented for approval at the Audit Committee on 26 June 2019.

Significant Governance Issues

The Annual Governance Statement identifies the following governance issues and major risks for the Authority. These are:

2018/19 Issues	Planned Management Action to Reduce Risk
<p>The internal control environment on Adult Social Care systems did not sustain the improvements in the financial year 2018/19 as evidenced during the previous financial years. Issues identified in the 2018/19 internal audits need to be implemented on direct payments.</p>	<p>Added impetus will be given to strengthen the financial processes linked into the Mosaic system. This will involve regular meetings of key staff responsible for the implementation of improvements identified. This will include a six monthly report to the Director of Finance on the progress made on emerging issues and any improvements identified throughout the year.</p>
<p>There are future changes to the Council's financial framework (from the current certainty guaranteed by the efficiency plan) due to uncertainty on matters outside of the Council's control such as Brexit, a change of national government or devolution.</p>	<p>There are planned developments in 2019/20 to improve efficiency around:</p> <ul style="list-style-type: none"> • Delivering further Transformation in the Authority via the Strategic Design Authority. • Continued integration with Health. • Collection of revenues due to the Council. • Finance available to support the capital programme. • Realising the value out of entities in which the Council has a financial interest. <p>This is supported by:</p> <ul style="list-style-type: none"> • Our Policy Team reviewing on-going updates of changes in terms of events. • An agreed Reserves Policy subject to regular review. • Joint working with key partners such as health to better align resources. <p>The Director of Finance considers the risks as part of the closure of accounts and during the monitoring arrangements for 2019/20.</p>
<p>The Council has a number of key regeneration projects planned for the future. Should one of these high-profile projects not be delivered as planned it is likely to result in reputational damage to the</p>	<p>The Capital Investment Programme Board receives bi monthly reports on the high value projects once construction is underway.</p>

2018/19 Issues	Planned Management Action to Reduce Risk
<p>Council or increase the financial pressure on the Council for the future</p>	<p>The Council's Reserves Policy is reviewed on a regular basis by the Director of Finance to reflect the agreed risks linked into the capital strategy.</p> <p>An annual review of the major Regeneration Projects will be undertaken by the Overview and Scrutiny Performance and Value for Money Select Committee.</p> <p>The Director of Finance considers the risks as part of the closure of accounts and during the monitoring arrangements for 2019/20.</p>
<p>The audit opinion of the internal control environment for the operation of payroll including pension's administration has improved to inadequate as at 31 March 2019. Further improvements to both the internal control environment and efficiency of the service are required.</p>	<p>There are to be two specific reports to be made by the payroll provider to the Audit Committee on the progress made to improve the service. This will be supported by a six monthly report to the Director of Finance on the progress made on emerging issues and any improvements identified throughout the year.</p> <p>The project to combine the two payroll systems currently used into one will be supported by assurance from both Finance and Internal Audit. The updates to the Audit Committee will include appropriate updates on the progress made.</p> <p>The Director of Finance considers the residual risks from past processing as part of the closure of accounts and during the monitoring arrangements for 2019/20.</p>
<p>The continued compliance with the National Transparency Agenda has increased the risk of the Council to a future fraud as information included in the public domain and obtained from Freedom of Information Requests is used to exploit the Council</p>	<p>There are regular reviews of the internal control mechanism to prevent third parties receiving inappropriate payments.</p> <p>The minimalist approach to publishing information which is a legislative requirement under the Transparency Agenda is maintained.</p> <p>The Council led Group on Information Governance takes organisational responsibility for the risk.</p>

2018/19 Issues	Planned Management Action to Reduce Risk
<p>The future reforms to Health Integration do not result in the efficiencies anticipated due to increased demand.</p>	<p>The risk is factored into the planning process for reforming Adult Social Care within the Oldham Locality which is moving on with the current re-alignment which will be expanded as more services are integrated.</p> <p>The Director of Finance considers the emerging risks arising from the transformation to-date as part of the closure of accounts and during the monitoring arrangements for 2019/20.</p>
<p>There has been a structural overspend on the revenue budget linked into Children’s Social Care for the past two financial years despite additional funding been made available.</p>	<p>A management review is underway to identify future efficiencies.</p> <p>The Council has set a budget with appropriate resources for 2019/20 to enable the out-turn to be in line with agreed resources.</p> <p>Oversight of performance against budget for the service will be provided by the Overview and Scrutiny Performance and Value for Money Select Committee during 2019/20.</p> <p>The Director of Finance considers the residual risks arising from the potential future financial resilience as part of the closure of accounts and during the monitoring arrangements for 2019/20.</p>
<p>Dedicated Schools Grant is in a deficit position which requires assurance to be given to the Department for Education that it will be brought back to break over a three year timeframe.</p>	<p>The recovery plan agreed in 2018/19 has supported the reduction in the deficit. The actions identified to reduce the deficit will be continued during 2019/20 to negate the need to report to the Department of Education at the year-end.</p> <p>The Director of Finance considers the residual risks arising from the potential future financial resilience as part of the closure of accounts and during the monitoring arrangements for 2019/20.</p>

Summary

The Authority has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Authority's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.

Councillor Sean Fielding
Leader of Oldham Council

Dr Carolyn Wilkins OBE
Chief Executive Oldham
Council and Accountable
Officer Oldham Clinical
Commissioning Group