

Report to Audit Committee

Local Code of Corporate Governance

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

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Reason for Decision

The purpose of this report is to propose a refreshed Local Code of Corporate Governance for Oldham Council.

Executive Summary

The Council is required to produce a Local Code of Corporate Governance, which is subject to review every two years or when there have been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed in May 2017.

A refreshed Local Code of Corporate Governance is presented for review at Appendix 1.

Recommendations

The Committee notes the refreshed Local Code of Corporate Governance for Oldham Council.

Local Code of Corporate Governance

- 1.1 In order to assist with complying with the Accounts and Audit Regulations 2015 which requires the annual production of an Annual Governance Statement, the Council is required to produce a Local Code of Corporate Governance.
- 1.2 This Code is to be reviewed every two years or sooner if there are changes to the Governance Standards. It was last reviewed in May 2017. The Code reflects the seven principles of the Governance Framework introduced in 2016/17.
- 1.3 The Head of Corporate Governance, in conjunction with the Director of Finance will review the code on a regular basis whilst also monitoring the progress made by the Authority on complying with its policies and procedures to ensure best practice.

2 Options/Alternatives

- 2.1 The Audit Committee can either:
 - a) Consider and accept the refreshed Local Code of Corporate Governance.
 - b) Consider but not accept the refreshed Local Code of Corporate Governance and suggest an alternative approval.

3 Preferred Option

- 3.1 The preferred option is that the Audit Committee accepts and notes the refreshed Local Code of Corporate Governance for Oldham Council.

4 Consultation

- 4.1 N/A.

5 Financial Implications

- 5.1 N/A.

6 Legal Services Comments

- 6.1 N/A.

7 Cooperative Agenda

- 7.1 N/A.

8 Human Resources Comments

- 8.1 N/A.

9 Risk Assessments

- 9.1 N/A.

10 IT Implications

- 10.1 N/A.

11 **Property Implications**

11.1 N/A.

12 **Procurement Implications**

12.1 N/A.

13 **Environmental and Health & Safety Implications**

13.1 N/A.

14 **Equality, community cohesion and crime implications**

14.1 N/A.

15 **Equality Impact Assessment Completed?**

15.1 N/A.

16 **Key Decision**

16.1 N/A.

17 **Forward Plan Reference**

17.1 N/A.

18 **Background Papers**

18.1 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 at Appendix 1
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19 **Appendices**

19.1 Appendix 1 Local Code of Corporate Governance.

Oldham Council

LOCAL CODE OF CORPORATE GOVERNANCE

1.0 INTRODUCTION

1.1 The term Corporate Governance refers to the *system “by which the Council directs and controls its functions and relates to the community it serves”*. It is therefore the framework of policies, systems, procedures, and structures that together, determine and control the way in which the Council manages its business, determines its strategies and objectives and sets about delivering its services to meet those objectives for the greater good of the community of the 7 District Executive areas within Oldham.

1.2 The basic principles of good corporate governance as set out in the Corporate Governance Code requires the Council to:

- carry out its functions in a way that is completely open and inclusive of all sectors of the community;
- demonstrate the utmost integrity in all its dealings; and
- be fully accountable to the public it serves.

The Council supports these principles fully. This Code is a public statement of the commitment to these principles and sets out clearly the way in which the Council will meet that commitment.

1.3 In order to follow Best Practice in Corporate Governance, the methodology adopted by the Authority has been to base the approach on the following:

- Complying with the guidance published in the Good Governance Standards for Public Services, which sets out the key principles which need to be adopted by the Council.
- Following advice on Delivering Good Governance in Local Government as developed by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives (CIPFA/SOLACE) to integrate the principles of the Good Governance Standard into the public sector.
- Implementing a suite of Counter Fraud Policies that reflect the Council's zero tolerance to fraud. This includes the production of a Fraud and Loss Risk Assessment to inform future pro-active work to prevent future loss.
- Setting up and maintaining appropriate networks within the Council to consider key matters on Corporate Governance. These networks include key officers from Legal, Strategy and Performance, Directorates and People Services as well as Finance.

1.4 The main body of this Code is therefore structured around the seven key principles of the revised CIPFA/SOLACE publication Delivering Good Governance in Local Government and is designed to reflect the assurance gathering process for the Annual Governance Statement which is produced to support the Statement of Accounts. Each commitment covers a particular area of the Council's responsibilities in terms of corporate governance. These principles are:

- Behaving with integrity, demonstrating strong commitment to ethical value, and respecting the law.
- Ensuring openness and comprehensive stakeholder engagement.

- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcome.
- Developing the entity's capacity including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The means by which the Council will meet and demonstrate its commitment to good corporate governance in relation to that particular principle is exemplified in **Section 2** below.

1.5 In order to assist with complying with the Accounts and Audit Regulations 2015 which require the annual production of an Annual Governance Statement, this Code will be reviewed as a minimum every two years or when there are changes to the Governance Standards. Also, the Head of Corporate Governance in conjunction with the Director of Finance will take an overview of the Code on a regular basis and monitor the progress made by the Authority on compliance by reviewing that the policies, procedures and working practices reflect best practice.

1.6 Further information about the Authority's corporate governance processes, are available from the Head of Corporate Governance by email at mark.stenson@oldham.gov.uk

2.0 THE SEVEN KEY PRINCIPLES

2.1 **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

Both Officers and Members are public servants and operate a culture where acting in the public interest is a primary objective. To do this, the Council sets out clear statements about the roles and responsibilities of Members and senior officers. These clear statements are supported by appropriate policies and protocols which are updated on a regular basis.

The Chief Executive supported by Senior Officers is responsible for all aspects of operational management and demonstrates sound corporate governance by ensuring:

- A constitution is maintained and updated which includes Contract and Finance Procedure Rules which set out the commitment to sustainability and social value. This sets the standards expected of third party suppliers to the Council.
- An appropriate Scheme of Delegation is maintained that sets out the roles of all Cabinet Members and Officers.
- Records are maintained of decisions taken which are supported by evidence to justify the decisions made.
- Officers at a senior level are given the appropriate statutory responsibilities for finance (section 151 role), education, children's services, adults social care, public health and monitoring officer responsibilities (legal).
- An appropriate suite of anti-fraud and corruption policies including whistleblowing are in place. This supports human resource policies to ensure inappropriate behaviour is subject to review.

- A Standards Committee is established to consider matters of compliance with the Members Code of Conduct.
- As a Co-Operative Council, every effort is made to assist Oldham residents to be more self-sufficient as this results in a more sustainable Local Authority. The key objectives are set out in the Corporate Plan.
- A regular review of key partners is reported to Senior Officers to ensure the Council's values are represented in operations.
- A complaints system is in place which enables matters to be raised by the public on both organisational and operational matters.
- A reserves policy is prepared and regularly reviewed to support the Council's Co-operative values and continued financial resilience.

The Audit Committee is an essential part of the Authority in providing scrutiny of financial affairs.

2.2 Ensuring openness and comprehensive stakeholder engagement

In order to discharge their duties, it is important that both Members and officers are open about both remuneration and how the Council spends its resources. The Council publishes its key decisions in line with the Constitution. In order to demonstrate transparency, it publishes all transactions over £500 as per the Local Government Transparency Code and its Pay Policy Statement. Key meetings such as Council are streamed live to enable local citizens to review decisions as and when they are made.

One way that the Council demonstrates it is working coherently is by operating management arrangements that show it is improving the services it delivers and achieving best value. Independent Scrutiny is undertaken by a Scrutiny Board, the Overview and Scrutiny Performance and Value for Money Select Committee and Audit and Standards Committees. Both internal and external audit officers have informal access to the Audit Committee before each meeting. The Standards Committee is supported by independent members who review the investigations into matters of conduct. Where appropriate, investigations are reported in detail to full Council.

An effective Local Code of Corporate Governance has been produced because it supports the organisation's vision of what it wants to achieve. It is an integral part of the Council demonstrating to its key stakeholders in its agreed Corporate Plan that its underlying policies and procedures are sound. It is supported by a communications strategy to ensure residents' views are reflected.

Some services are delivered by working in partnership with a number of third parties. Both Members and officers work in a number of diverse partnership arrangements. It is important that they are aware they represent the Council and that each partnership has in place appropriate Corporate Governance arrangements which work and fit in with the Corporate Vision of the organisation and also satisfy the requirements of the Council.

There is extensive consultation on key policies and developments to ensure the aims of the Council support their environmental priorities within a defined financial envelope.

Key policies such as the Co-operative vision are only developed following consultation with both the public and key public bodies such as the levying bodies.

The Council is a key Member of the Greater Manchester Combined Authority (GMCA) and has worked in partnership with the other Greater Manchester District Councils to attract extra investment which benefits the wider area than just that covered by the

Council. In terms of the Greater Manchester Pension Fund (GMPF), it has worked in partnership to deliver long term savings by better targeted investment.

The budget process balances the operational needs of the Council given the pressures on certain operational areas with consideration of affordability for local Council Tax payers. This future vision is set out in the Medium Term Financial Strategy (MTFS) which is subject to regular review.

2.3 Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council Corporate Plan sets out how the Council will deliver its agreed Co-Operative values. It presents the long term sustainable vision where residents do as much as possible to assist themselves with the Council acting as a provider of last resort. It determines how the Council operates in partnership with its citizens, Elected Members, other public bodies (on integrating services to minimise waste) and key partners such as the constituent Districts who have a joint interest in the GMCA.

In order to deliver its core business, the Council has both a Corporate Governance Framework and a Risk Management Framework which is subject to independent scrutiny by both Senior Officers and the Audit Committee. This is demonstrated by key decisions including details of mitigations for risks. The effective use of resources is reflected in the agreed budget and Medium Term Financial Strategy which takes account of the views of the budget consultation. Approved budget expenditure is incurred in accordance with the constitution which sets out the priorities of the Authority in relation to Co-Operative Values which in turn reflect the importance of both Social Value and Sustainability.

In order to improve future outcomes for service users there is partnership working at either the locality level (health and social care) or through GMCA (children and regeneration). This has involved the Council considering the risk it is prepared to underwrite to guarantee future investment both locally and at the conurbation level. Fair access to service is underpinned by the production of equality impact assessments which form key elements of the decision making process when the Council is considering budget options.

2.4 Determining the interventions necessary to optimise the achievement of the intended outcome

To ensure that Council decisions are subject to appropriate review the following has been developed:

- A Cabinet Structure with appropriate amendments made to responsibility annually with monthly meetings reflecting the need to take proper political and operational decisions. This is supported by appropriate officer support and training.
- The two regularity Committees (Audit and Standards) which follow best practice guidance and are constituted to have a proportion of Independent Members who are non-political and are recruited on their skills which enable them to carry out the role.
- An agreed format for the delivery of budget reductions which is linked into both the Medium Term Financial Strategy and the detailed budget setting process. This involves considering the feedback from the public and staff consultation which can involve reviewing initial proposals.

- A performance monitoring system which tracks progress against the Council's objectives. This includes the production of business plans at Directorate level and independent scrutiny where objectives are not met.
- A costed Corporate Plan setting out the Co-Operative objectives of the Council.
- Appropriate partnership governance monitoring.
- Appropriate and realistic social value in commissioning including ensuring where possible outside bodies make fair payments to staff.
- Flexible working arrangements to enable the Council to respond to unplanned events and support its continued operation of Co-operative and Social Values.

2.5 Developing the entity's capacity including the capability of its leadership and the individuals within it

All new Members and officers have a specific induction programme which is kept under regular review and tailored when required. For Members, the Council has enhanced an existing development programme, which provides regular updates on new issues. This programme supports Councillors in a modern environment in whatever role they have in the Council. In respect of the specialist regulatory committees of both Audit and Standards, specialist training for members is arranged by the Authority. The structure of responsibility at officer and Member level is set out in the scheme of delegation within the Constitution.

All staff are subject to an annual appraisal which allows both staff and their managers to identify staff needs and produce annual training plans. From 2016/17 this has been supported by the Council's People Strategy. The introduction of a new integrated HR/Payroll system has ensured key personnel information is better recorded and processes for both managers and staff have been improved.

All jobs within the Council have job descriptions supported by person specifications which enable staff to carry out their roles. These are consistent with the principles set out by the National Joint Council.

The Council's People Strategy and Corporate Plan are reviewed on a regular basis. To ensure it is achieved, it is supported by a Performance Monitoring System which includes a training needs assessment, and which reports on a quarterly basis. The Council is undertaking a capacity building programme recognising the risks of downsizing which are resulting from continued budget pressures.

The Audit Committee is essential for independent scrutiny reviewing reports from both internal and external auditors. This includes the overall opinion of the internal control environment from internal audit and the audit findings report from external auditor.

To maintain the health and wellbeing of employees there is a Health and Safety Working Group. In order for concerns to be raised both internally and externally there are policies covering grievance and whistleblowing.

Partnerships and their effectiveness are reviewed by Senior Officers with more detailed scrutiny as and when needed.

2.6 Managing risks and performance through robust internal control and strong public management

The Council has an embedded Risk Management Strategy and Framework which is subject to regular review by both Senior Officers and detailed scrutiny from the Audit Committee.

The reports submitted to the Audit Committee as routine business show publicly how the Authority demonstrates it has a robust system of internal control.

The Performance Framework includes regular reports on progress to achieving the Corporate Objectives of the Council. Data is collated monthly and reported on a quarterly basis to both the Cabinet and Scrutiny Committee. Where performance is below the agreed standard then presentations supported by reports are made to the Scrutiny Committee setting out the plans to achieve the agreed standard.

The budget is subject to regular review by the Cabinet Member responsible for Finance supported by the Director of Finance. It is supported by a costed Medium Term Financial Strategy, a detailed Capital Programme and Strategy, and Treasury Management Strategy setting out the financing requirements of the Council. A statement on the robustness of the budget is prepared by the Director of Finance (Section 151 Officer) and this is supported by a reserves policy which underpins the long term resilience of the Council.

The data security standards required by the Council are monitored under an arrangement with a key partner who provides ICT services. These are supported by appropriate Information Security protocols and an officer group which meets quarterly to consider data matters. Data security is subject to external scrutiny around the need to comply with national standards such as Public Services Network (PSN).

2.7 Implementing good practices in transparency, reporting and audit to deliver effective accountability

All meetings of the Council, and Cabinet and also the Planning, Audit and Licensing Committees are held in public and the only matters considered in private are those matters, which, after advice with key personnel such as the Monitoring Officer, are deemed to be confidential with regard to relevant legislation.

The work on public stewardship culminates in the production of the Annual Report of the Head of Corporate Governance on the overall internal control environment. The Internal Audit Service works to the Public Sector Internal Audit Standards.

The Statement of Final Accounts is produced in accordance with appropriate professional standards which includes the relevant performance information and feedback from other independent assessments. The Accounts are audited by the end of July which is consistent with the Accounts and Audit Regulations and in line with the present statutory framework. A draft set of accounts is presented to the Audit Committee in May to enable additional scrutiny to take place of this important document.

3.0 KEY ACTIONS WHICH SUPPORT GOOD CORPORATE GOVERNANCE

3.1 Production of an Annual Governance Statement

The Council, to support its requirements under Good Governance, will produce an Annual Governance Statement. This Statement will follow best practice guidance and progress on monitoring action against any issues identified in the Statement will be the responsibility of the Head of Corporate Governance at officer level. It will also be subject to independent review by the Audit Committee at Member level when the Final Accounts are considered. This Statement will be subject to review by the external auditor as part of the routine external audit undertaken on the accounts.

3.2 Reports to Members

The Council's Audit Committee, which is independent of the Authority, receives quarterly reports on the Annual Governance Statement including potential emerging issues. A separate report will be produced on the Statement itself at the year-end.

3.3 Reducing Fraud

The Council, to minimise its risk of suffering losses due to fraud has adopted best practice as set out in recent standards produced on fraud and as a result has in place:

- a strategic approach as set out in its Counter Fraud Strategy to reduce the risk of fraud.
- a culture of zero tolerance to fraud.
- an effective Counter Fraud Framework including Whistleblowing Arrangements for staff, contractors and members of the public.
- a dedicated team to investigate allegations of fraud.
- continued improvement to systems of Internal Control.
- effective partnership working arrangements with third parties.

To monitor that the organisation has an effective framework to reduce fraud, the Audit Committee will consider informal updates on the measures the Council is adopting to reduce its risk to fraud and loss.

4.0 FURTHER INFORMATION

4.1 If you have any concerns about the way in which the Authority, its Members, officers or agents conduct its business, or believe that elements of this Code are not being complied with, please contact one of the following as appropriate. Your enquiry will be treated confidentially, and a response made following investigation of the facts in each case.

(i) **Chief Executive (Head of Paid Service)**

Dr Carolyn Wilkins OBE
Chief Executive
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(ii) **Director of Finance (Section 151 Officer)**

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(iii) **Monitoring Officer**

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(iv) **Head of Corporate Governance**

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(v) **External Auditor**

Karen Murray
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