

## Report to Audit Committee

# Annual Governance Statement for 2020/21

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

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**Ext.** 4783

**29 June 2021**

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The purpose of this report is to update the Audit Committee on the draft Annual Governance Statement for the financial year 2020/21.

This report supports the draft Statement of Accounts which are considered elsewhere on this Agenda.

### **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.

At regular meetings of this Committee, update reports have been produced highlighting the progress made on issues identified for improvement in the Annual Governance Statement produced for 2019/20 and what new issues require consideration. This has informed the production of the Annual Governance Statement for 2020/21 which is attached at Appendix 1.

### **Recommendations**

The Committee notes the draft Annual Governance Statement included within the draft Statement of Accounts for the financial year 2020/21.

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## **Audit Committee**

### **Annual Governance Statement for 2020/21**

#### **1 Issues included in the 2019/20 Annual Governance Statement**

- 1.1 The 2019/20 Annual Governance Statement (AGS) identified a total of nine issues for the Council, which via this Committee, were monitored in the financial year 2020/21 as to how the risk to the Council was being reduced. The issues highlighted included the need to strengthen internal control within both the Payroll Service and the financial administration systems in Adult Social Care. Both of these matters have been long term issues for the Council to address.
- 1.2 In respect of payroll there have continued to be improvements in administration which supported by the implementation of the new MYHR system means there is potential in 2021/22 for the opinion to be improved to adequate. As my Annual Report shows due in part to COVID the administration linked into Adult Social Care has not improved, and as the opinion for the Residential Care audit shows, declined in 2020/21. As such this may be an area for the Audit Committee to request a future report when the annual work programme is prepared for the September meeting.
- 1.3 As commented upon at the meeting of this Committee on 10 June 2021 it would seem sensible to also incorporate into the future work programme of the progress made to improve arrangements linked into contracting and commissioning. It is suggested that reports are submitted on this topic to the planned September and March meetings.

#### **2 New Issues considered for Inclusion in the 2020/21 AGS.**

- 2.1 As set out in the regular reports to this Committee a few issues have been considered for inclusion in the 2020/21 AGS. After consideration it is proposed to add one extra issue linked into ongoing legal issues which are not resolved yet involving third parties and other local authorities. If the local authorities lose these cases it has the potential to impact the future resilience of the Council in future financial years.

#### **3 Financial Management Code**

- 3.1 Pre COVID it was planned that 2020/21 would be the year local authorities implemented the Financial Management Code. The Council has continued its preparation for this during the financial year and completed a self-assessment which has identified the Council is compliant with a number of requirements in advance of the financial year 2021/22. Looking forward the most challenging Principle for the Council to demonstrate compliance will be Principle A involving the management arrangements for Statutory Officers.

#### **4 Annual Governance Statement for 2020/21**

- 4.1 Appendix 1 details the draft AGS for 2020/21.

#### **5 Options/Alternatives**

- 5.1 The Audit Committee considers this report which details the AGS for 2020/21 prepared as a key document within the Statement of Accounts.
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**6 Preferred Option**

6.1 The preferred option is that the Audit Committee reviews the AGS in accordance with the recommendation made.

**7 Consultation**

7.1 N/A.

**8 Financial Implications**

8.1 Any impact on the Council's overall financial position are detailed in Appendices 1, 2, 3 and 4. (Anne Ryans)

**9 Legal Services Comments**

9.1 N/A.

**10 Cooperative Agenda**

10.1 N/A.

**11 Human Resources Comments**

11.1 N/A.

**12 Risk Assessments**

12.1 These are detailed in Appendices 1, 2, 3 and 4. (Mark Stenson).

**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 Equality, community cohesion and crime implications**

17.1 N/A.

**18 Equality Impact Assessment Completed**

18.1 N/A.

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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 Appendices 1, 2, 3 and 4.  
Officer Name: Mark Stenson  
Contact No: Extension 4783

22 **Appendices**

22.1 **Appendix 1: 2020/21 Annual Governance Statement**

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### Annual Governance Statement 2020/21

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#### Scope of Responsibility

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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 plan 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 austerity programme and the uncertainty arising from the COVID-19 pandemic.

In discharging this overall responsibility, the Authority must put 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 (LCCG), an updated version of which was issued to Audit Committee for its meeting on 10 June 2021. The LCCG is publicised on the Council's website.

The Annual Governance Statement sets out how the Authority has complied with the Code and meets with regulation 4(2) of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 which have amended the Accounts and Audit Regulations (England and Wales) 2015.

Due to the COVID-19 pandemic, there was a requirement for certain decisions to be taken under emergency protocols. The Authority adopted enhanced management arrangements with a structure based on Gold (strategic), Silver (tactical) and Bronze (operational) groups. The approach to the management of the Authority's response to the pandemic was reported and agreed by full Council throughout the financial year. The arrangements enabled the Council to make its decisions as promptly and as transparently as possible. Regular update reports on the response to the pandemic were submitted to each Council meeting. Although the enhanced management structure remains in place, from December 2020 the frequency of the meetings reduced and some of the individual groups were amalgamated as the intensity of the response lessened and practices had become well established.

The Authority meets the requirements of Regulation 6 (1) b of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 in relation to the publication of a statement on internal control. It is subject to detailed review by the Audit Committee when it

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considers firstly the draft set of accounts and subsequently the final Statement of Accounts before they are formally approved. The accounts are reported to Cabinet and full Council after this Scrutiny for information.

Pre pandemic, the Authority planned to undertake significant work to address any issues required to support full implementation of the CIPFA Financial Management Code which outlines the principles of good financial management. This work was not as comprehensively progressed as originally planned in the financial year 2020/21 due to extra pressure on the Finance Service as it supported the corporate response to the pandemic. This was recognised nationally as an issue and the expected implementation date was deferred by a year. Compliance has been reviewed in 2020 and 2021. This will support the implementation during 2021/22 of any action required.

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) is not a member of the Council's Executive Management Team (EMT). However, whilst not a standing member, during the pandemic, the Director of Finance has attended meetings of the EMT / Joint Leadership Team (which includes senior officers of Oldham Clinical Commissioning Group). 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.

The Council considers that its management arrangements are appropriate in the context of compliance with the CIPFA Statement and requirements of the CIPFA Financial Management Code.

The issues identified as significant governance issues and the progress made by management throughout the financial year 2020/21 to address these issues, have been reported regularly to the Audit Committee together with an assessment made in reducing the risk as part of its Governance role within the Council.

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## The Purpose of the Governance Framework

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The governance framework comprises the systems and processes, culture, values and behaviours, by which the Authority's 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 financial year 2020/21 required changes to the standard decision-making processes adopted by the Authority so it could take decisions quickly informed by the command structure put into place to respond to the pandemic and support partners. This approach was ratified by full Council and certain key groups of officers and Members provided independent scrutiny in key areas such as grant administration and one-off support to suppliers.

The governance framework which has been in place at the Authority for the year ended 31 March 2021 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. This has included issues arising from the response to the pandemic which have highlighted where future practice could be improved.

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## The Governance Framework

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The Authority is a Metropolitan District which was created 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 set out in the sections below entitled "Communicating the Authority's Vision" and "Co-operative Council in a Co-operative Borough."

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## Communicating the Authority's Vision

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The Vision is set out in both the Oldham Plan and the Corporate Plan supplemented by the development of a COVID Recovery Strategy. These are aligned to establish a clear link between; Local, Central Government and Greater Manchester regional priorities, including the devolution of health services. It establishes the Council's priorities developed in partnership with key stakeholders and the local community around the delivery of the core business of the Council.

The Council initially endorsed the vision July 2017. It is a collective action statement covering the period 2017/2022 setting out the areas that 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.

Clearly, the delivery of the vision as initially planned for 2020/21 was interrupted by COVID, although the response to the pandemic has been framed around the guiding principles. Updates on the action taken to support the response to the pandemic, following the established principles have been reported to each regular business meeting of the Council.

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## Co-operative Council in a Co-operative Borough

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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 being achieved by a real commitment to change and working closely with residents, partners and the wider communities to create a confident and ambitious borough.

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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 2020/21 budget, circa £200m of budget reductions have been introduced. Further recurrent savings £8.793m were agreed at the 2021/22 Budget Council meeting and there is a significant savings target over the remainder of the period covered by the current Medium-Term Financial Strategy (MTFS), (2022/23 and 2023/24).

It is clear that the Council cannot continue to deliver services as we have always delivered them and a response to the financial challenge was required. The response followed the ethos of the 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 the Council continues to provide its statutory services and duties, it will continue to work more closely with all partners and stakeholders in Oldham to ensure that the services delivered continue to; provide value for money, meet the specific needs of Oldham's communities, remove duplication and ensure the combined skills, resources and influence are used 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.
  - Procuring the Social Value Portal to implement the Themes, Outcomes and Measures framework on future capital developments.
  - 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.
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## COVID 19 Pandemic

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During March 2020 before the production of the previous Annual Governance Statement for the financial year 2019/20, it became apparent that the United Kingdom was facing a public health challenge due to the COVID-19 pandemic. Due to its role both as a provider of key public services and as a partner to the NHS, Oldham Council had before the start of the financial year 2020/21 instigated its service continuity measures to ensure the continued provision of its essential services. This included the enactment of emergency decision-making powers which continued throughout the financial year 2020/21 (as appropriate) when it became clear the pandemic was a serious public health issue that required longer term management.

In order to support the wider Government response to the pandemic the Council both directly and acting as an Agent for Government departments, delivered services in response to the pandemic and provided Financial Support to third parties including businesses within the area. This support has been significant and where appropriate has required the reallocation of staffing resources from business as usual to ensure the administration process used was sound and effectively undertaken.

In part, this unforeseen reallocation of resources required several staff within the Internal Audit Service to be deployed on the administration of grants to businesses throughout the first four months of 2020/21. As such reports of the Head of Internal Audit to the Audit Committee reflect this matter. As a consequence, only a more limited assurance on the control environment can be given to the Audit Committee for the financial year 2020/21.

The impact of the pandemic on the Council has the potential to be long term, particularly financially, through increasing demand for services and a potential permanent reduction in future income. The impact upon the long-term financial position is very difficult to accurately assess with key elements of the Statutory Accounts such as the Collection Fund (which manages Council Tax and Business Rate collection) severely impacted. The Government is allowing Councils to manage Collection Fund losses over a three-year period (2021/22 to 2023/24) to phase the impact of income lost in 2020/21 and allow time for collection to recover. If this recovery does not happen then there is a risk of the legacy of COVID having a more longer lasting financial impact on the Council.

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## Key elements of the Governance Framework

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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:

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## **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 challenges to Authority operations there is a publicised complaints procedure. There is also a Whistleblowing Policy, updated at full Council during 2020/21, 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. The Scrutiny process was subject to review during 2020/21 and issues of governance/ scrutiny which highlighted where improvements could be made in processes at certain other local authorities as set out in the public domain, were reported to appropriate Committees to enable them to better discharge their roles. This included a review of partnership governance within the Council which was reported to the Audit Committee.

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 in his role 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. This operated until 24 March 2020 when in accordance with Government Instruction the country went into a national lockdown, thus instigating home working (where practical) and preventing the holding of public meetings. At this point the emergency powers in the Constitution delegating decision making to the Council Leader and the Chief Executive were introduced until legislation was enacted to enable meetings to be held live using video conferencing technology such as Microsoft Teams, beginning in late April 2020. Given the sensitivity of planning matters no emergency decisions were made that would have normally been under the remit of the Planning Committee. All decisions taken at Committee level have been via meetings conducted remotely via video conferencing.

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In order to encourage the community to engage in more co-operative activities, Members in their role as Community Champions often, either individually or in partnership with the District Elected Lead Member, 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 and subject to a report to full Council.

The Council has a clear set of values and behaviours which are shared borough-wide with residents, partners and the business community. 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. The pandemic has given staff the opportunity to demonstrate these values.

Staff would normally be assisted in this aspect by the Corporate Personal Performance Framework (suspended due to the pandemic) 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 pandemic has involved the Council working extensively with its partners with some Council staff redeployed to support partner service provision.

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. During the pandemic the Council, in providing support to suppliers followed Government advice to preserve the supply chain where appropriate, to guarantee future service delivery.

The Procurement 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.

The Corporate Peer Review findings formally received in March 2020, indicated this relationship works well in taking forward improvements within the Borough. Whilst the Authority hoped to take forward the recommendations in 2020/21, it has not been possible due to the pandemic.

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,

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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. This was supplemented in 2020/21 by the Council, at its meeting on 9 September 2020, supporting the United Nations Sustainable Development Goals.

The Authority has also demonstrated its support of sustainability by appropriate self-financing of capital investment in renewable energy. In previous financial years it has supported the creation of an independent Community Interest Company which is now operating in a sustained and independent manner, administered the warm homes project to alleviate fuel poverty and installed solar panels on the Tommyfield Market. In 2018/19 approval was given to develop a new eco-centre at Alexandra Park with construction now planned in 2021/22 following detailed design and remodelling exercise in 2020/21. This has been supported by a successful bid to the Government's Decarbonisation Fund to support the planned eco-friendly/ carbon efficient heating system.

The Council, at its meeting on 11 September 2019 agreed to declare a Carbon Emergency and set itself the challenging target of being Carbon Neutral by 2025 with an aspiration for the Borough by 2030. In addition, the Council supported specific green projects with continued work to develop the concept of Northern Roots which is a future eco-friendly sustainable development consistent with the green aspirations of the Council. This project was on-going throughout 2020/21 with the Council looking to create a charitable company to develop the concept and utilise Towns Fund grant from Government to support future development works. The feasibility of a Solar Farm at the Wrigley Head site was also further developed to reflect the affordability and the Council's desire to facilitate the construction. The Green Agenda is a key element of both the Creating a Better Place Initiative and Community Wealth Building Initiatives.

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). During the financial year 2020/21, the Council's Chief Executive continued to undertake the role of Accountable Officer for the Clinical Commissioning Group in the Locality better integrating both organisations with a Joint Leadership Team management structure. The Executive Management structure will continue to be subject to regular review as integration with the NHS develops in Oldham.

During 2020/21 the Chief Executive Officer/Accountable Officer was seconded to assist the national effort on developing Track and Trace in response to the pandemic. Appropriate management arrangements were put in place to provide cover as required.

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 (virtually throughout 2020/21) 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 2020/21 and the subsequent 2021/22 budget, alternative proposals were presented and subject to Scrutiny before consideration at full Council.

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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 Internal Audit (The Head of Corporate Governance at Oldham Council during 2020/21) 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 identifying the Council followed best practice was reported to the Audit Committee on 25 June 2019.

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. A substantial update of The Finance Procedure Rules was agreed by full Council at its meeting on 8 January 2020. 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. A fundamental review of the Contract Procedure Rules (CPR) was undertaken during 2020/21 and these revisions were ratified at the first meeting of the Council during the first Council meeting of the Municipal Year 2021/22.

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. The Council has struggled to recruit to these roles. The recruitment of an Independent Chair was not successful despite three separate adverts. A further exercise was deferred in 2020/21 due to the pandemic. This recruitment will now be undertaken in 2021/22.

The Audit Committee members receive appropriate briefings supported by training from key officers and third parties to enhance the Governance Framework. In the financial year 2020/21 the membership of the Audit Committee did not change so no specific training was required as it was provided in 2019/20.

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.

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## **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 into its

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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. During 2020/21, the Leader of the Council was the GMCA lead for Education, Skills and Digital across the region.

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) traditionally receives quarterly reports on both performance against the Corporate Plan and budget monitoring in addition to matters referred to it by Cabinet. These quarterly reports focus by exception and set out corrective measures where key performance indicators or the agreed budget have not been met. It is important to note in 2020/21 financial monitoring information was produced monthly in order to ensure transparency in the COVID response.

The Overview and Scrutiny Board receives reports on specific matters and policy initiatives to be considered by Cabinet at future meetings, whilst overall scrutiny is provided by both the Audit & Standards Committees.

During the financial year 2019/20 the Council strengthened its Scrutiny arrangements by creating a Health Scrutiny Committee prior to its detailed review undertaken in 2020/21.

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.
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The Council operates a system of a District Lead Elected Member supported by a system whereby individual ward members have a specific budget (£0.006m in 2020/21) to spend on local priorities. Working through their local contacts, these local representatives utilising their budgets were able to support a number of community groups during the pandemic.

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 undertaking the role as a District Lead Member 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 concern and agree a common approach on shared issues.

In order to ensure its message is effectively communicated to its citizens, the Council’s Communications function proactively prepares 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 website was redesigned in the 2019/20 financial year and ensures the communication medium with the Council and its residents remains up to-date. This was an important means of communication with citizens and source of information throughout the pandemic during 2020/21.

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 2020/21 with a small underspend of £2.153m. The pandemic linked into COVID-19 has resulted in additional expenditure for the financial year 2020/21 which has been financed by enhanced Central Government support. It proved challenging monitoring the financial position during the year with ever increasing levels of Government grant being provided for general purposes and specific initiatives. Overall, the modest favourable variance will assist future financial resilience.

Central Government provided wide ranging funding throughout the financial year to support increased expenditure in response to the pandemic, to compensate for loss of income and relieve hardship for residents.

Further financial support for adult social care was received from the NHS via Oldham CCG to support hospital discharges but also more specific adult social care functions. This was facilitated via the Section 75 pooled budget agreement.

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Further additional grant funding was received to administer support to businesses, starting with £54.738m paid right at the beginning of 2020/21. This was initially paid to enable the Council to act as an agent on behalf of Government to administer a mandatory grants under the Small Business Grant Fund (SBGF) and the Retail, Leisure and Hospitality Grant Fund (RLHGF). This was then extended to include a discretionary grant scheme. In total £47.845m was paid under the SBGF and the RLHGF and £2.501m under the discretionary scheme. As per the guidance, unspent grant was repaid to Central Government in 2020/21.

As it became apparent further restrictions to businesses would be required in the financial year, the Council acted as both the agent and principal (dependent upon the type of grant) to further Government support to businesses (Local Restrictions Support Grant and Additional Restrictions Grant). It also received funding to support vulnerable residents, to contain the spread of the virus and a grant to support enforcement. Overall a further £110.669m of specific and unringfenced grants were received by the Council from Central Government to aid the response to the pandemic.

Consideration and approval by the Authority of its future budget for 2021/22 took place at its 4 March 2021 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 (with a further 1% increase deferred to 2022/23) and a 0.99% Council Tax increase for general services.

The budget was set having regard to the anticipated financial implications of COVID-19 and the impact on future financial resilience together with expected levels of extra Central Government support. There is a risk the financial legacy of COVID impacts on the longer-term resilience of the Council. This will become clearer as further information becomes available.

The Council's Four-Year Efficiency Plan was initially prepared to give certainty over the level of Central Government funding from 2016/17 to 2019/20, and effectively planned for year on year reductions to budgets. This was initially agreed by Cabinet on 5 September 2016 and the period the plan covered is now complete. This underpinned the Medium-Term Financial Strategy (MTFS) of the Council at the time to support the budget process until the end of the Financial Year 2019/20. It supported the financial resilience of the Authority enabling it to withstand unforeseen events and pressures by maintaining an appropriate level of reserves and balances to support on-going resilience and future development of efficiencies. Since then there has only been two single year financial settlements from Government which has resulted in the preparation of the MTFS with the inclusion of a range of key assumptions about further Government grant support.

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 during the 2021/22 budget process facilitated planned one-off financial support (over 2 financial years) to enable the efficient transformation of both the

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Council and the Locality with a planned implementation in a managed manner. It supported the continued improved planned pooling of resources with health service partners to deliver future efficiencies.

With the pandemic occurring during March 2020, it impacted in the short term on the plans for transformation during 2020/21 and future years. It is the availability of the reserves which provide short term financial resilience so the Council can continue service provision and the response required to the COVID-19 pandemic and allow time for the transformational activity to be embedded. It is possible that Central Government support for the Council will be much more limited as the country emerges from the pandemic and the financial strategy will be shaped by this as the information emerges.

The overall financial strategy following the COVID-19 pandemic enabled Council Tax rises to be set at a level, which balanced the needs of the Council around ongoing financial resilience with affordability to residents. It has also enabled the Council to manage successfully, continued pressures of demand around Children's Social Care within its 2020/21 budget.

Appropriate consultation was 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 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. Already it is clear that this type support will have to continue to adapt because of the pandemic due to a significant number of Oldham residents losing their jobs due to the restrictions applied nationally.

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### **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 2020/21 budget delivered within the agreed resource allocation, supported this vision.

The 2020/21 budget was set pre pandemic. The resources available to the Council reflected a different operating environment and were planned to be deployed to continue to improve performance and reflect the agreed vision of a Co-operative Council in a Co-operative Borough. These principles and aspirations of the Council have not changed but are likely to require review as the full impact (the legacy of COVID) to both service provision and on financial resilience of responding to this emergency becomes clear linked into future long-term Government financial support.

Risk management is integral to the governance arrangements in the Authority and the key risks are considered by the Audit Committee and EMT. During the financial year 2019/20 an opportunity was taken to update and refresh the Risk Management

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Framework. This revised approach was becoming embedded in the Council pre pandemic and was incorporated into the production of Service Plans for 2020/21.

Regular updates on Corporate Governance are reported to the Audit Committee. In advance of each meeting of the Audit Committee there is the opportunity for the External Auditor to hold 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;
- 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 managed. This is carried out during the financial year by:

- the Audit Committee;
- the Standards Committee;
- Chief Executive/ Accountable Officer;
- Deputy Chief Executive, the Strategic Directors, Managing Directors 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; and
- Appropriate Scrutiny arrangements which hold the Cabinet to account.

In 2020/21 the 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

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of conduct for Members and staff. It is supported by an extended Members' training package which has received positive feedback from Members. Towards the end of March 2020 due to the pandemic it was necessary to instigate emergency delegation as per the Councils Constitution to support decisions required in response to the pandemic. Virtual meetings were instigated from late April 2020 to ensure decision-making was in accordance with the Constitution.

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 are 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 wards that make-up the Authority. This is demonstrated in the Council budget meeting with high risk budget proposals being supported by an Equality Impact Assessment. It is also demonstrated in standard reports produced to support key decisions.

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

The management structure continued to be realigned during 2020/21 to take account of both the Co-operative Vision, continual challenging financial targets of the Authority, the continuing integration of health and social care services, the part time secondment of the Chief Executive/ Oldham CCG Accountable Officer the requirement to respond to the pandemic and specific service challenges. Appropriate management arrangements were put in place to provide cover as required.

Decision making before the pandemic was 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. This has continued in 2020/21 with remote working practices instigated.

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 at its 4 March 2021 meeting set a budget for the financial year 2021/22 supported by an appropriate assessment of risk by the Director of Finance. All the expected risks post the pandemic as at 4 March 2021 were considered in the budget report. The future savings required by

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the Council with the planned achievement from future transformational activity were also presented.

Financial resilience was supported by an agreed Reserves Policy which pre pandemic was subject to regular review underpinning the long-term financial resilience of the Council and supporting 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 2016/17 to 2019/20 budgets, with associated savings, were based upon this. The efficiency plan gave certainty of the main Government grant funding streams for the period now ended.

With 2019/20 being the last year of this agreement with Government and the Government announcing a one-year settlement for 2020/21 (also for 2021/22), a key issue for the Council is the uncertainty about Government funding for 2022/23, 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. It is not certain given the national pandemic (and whether the restrictions linked into the opening of the economy ease) and the split from the European Union whether this certainty will be provided during the financial year 2021/22. The reserves and balances available to the Council supporting its immediate financial resilience are therefore important in the context of managing a period of potential financial turbulence.

Building on the Income Strategy, Corporate Property Investment Strategy and Corporate Property Strategy which were approved prior to 31 March 2019, the Income Strategy and the Commercial Property Investment Strategy was refreshed on 16 December 2019. These are key to ensure that the Council makes the most efficient and effective use of resources and its property assets and can deliver approved budget reductions. Recent Government and CIPFA guidance have curtailed some of the planned commercial investment anticipated within the Creating a Better Place programme meaning the Corporate Property Investment Strategy is no longer being pursued (the Creating a Better Place programme was subsequently reviewed and realigned in August 2020). The pandemic will impact on these strategies even more and a further review will be required in 2021/22.

A Transformation Programme was already in progress pre pandemic under the joint working arrangements with the CCG, which sought to generate more effective service delivery and future efficiencies. The future workload of this programme has been influenced by the impact of the pandemic during 2020/21 and will be influenced by the forthcoming national changes to the delivery of NHS functions.

All meetings of the Cabinet and key Committees are publicised and are open to public scrutiny which has been enhanced by the virtual meetings taking place in the financial year 2020/21 only. 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. Several urgent decisions for the financial year 2020/21 were required under emergency procedures due to the nature of the pandemic.

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The Audit Committee is an essential part of good governance. It reviewed the control environment for all the Council during 2020/21 and considered the progress made on issues highlighted in the Annual Governance Statement, including specific reports on certain issues such as the implementation of the payroll system.

Internal and External Audit both have direct access to and support the Committee including the ability of the External Auditor to have direct contact, without Officers of the Authority being present. To support the Committee specific training was provided in the financial year 2019/20 and as the Committee membership did not change in 2020/21, members were considered to be appropriately skilled to continue their function in 2020/21. All meetings in 2020/21 were held virtually.

The detailed matters reviewed by the Audit Committee during 2020/21 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;
- key developments impacting on financial resilience of other local authorities due to poor governance such as partnership governance;
- the 2019/20 Statement and Accounts and associated external audit findings;
- issues linked into data protection and cyber security; and
- the Internal Audit Charter

The Council, in order to discharge its statutory functions 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 virtually during 2020/21. 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 devolution remit. In order to improve Scrutiny a specific committee to review health matters was created during 2019/20.

The Standards Committee reviews Members' conduct following the receipt of any complaints about official conduct on Council business by commissioning independent investigations. Where appropriate matters are reported and considered by full Council. The Standards Committee operated as expected throughout 2020/21.

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

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Independent service reviews are carried out under the performance management frameworks which results in formal quarterly reports to both the Cabinet and the PVFM Select Committee. Where performance is perceived to be below corporate standards, specific reports are presented to the PVFM Select Committee or in the case of Educational attainment at schools, a special session is arranged to discuss issues including Academies. In addition, in 2020/21 the PVFM Select Committee reviewed the impact of budget monitoring reports with increased frequency given the pressure on both income, expenditure and the impact of receipt of government financial support which was notified at different points in the financial year.

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 2020/21 budget as funded growth to implement associated improvements identified by the January 2019 Ofsted inspection of Children’s Social Care Services and the September 2019 Ofsted and Care Quality Commission inspection (revisit) of the Special Educational Needs and Disabilities service provision. These reports found services had improved from the previous inspections, but further work was required.

The Council was subject to an Ofsted focused visit during 2020/21 to review the performance of the children’s social care system within the context of the restrictions during the COVID-19 pandemic. The majority of findings were positive. Also, during the year, the Special Educational Needs and Disabilities Strategy and Development Plan was reviewed to consider the impact of the pandemic on services. All of these reviews are influencing current and future service delivery.

Scrutiny of budget matters including those of the administration and opposition were, again, during 2020/21, carried out by the PVFM Select Committee. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process. The MTFS approved for 2020/21 to 2024/25 reflected the 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 2020/21 to continue to be part of the Greater Manchester Business Rates Retention pilot scheme. Taking part in this pilot scheme has enabled the ten Greater Manchester Authorities to test and shape the new financing regime for Local Government which is expected to be based on the retention of business rates, whilst at the same time benefitting from funding gains offered to pilot scheme Authorities. This is in addition to the benefits arising from business rates pooling which has been in operation for several financial years. It had been anticipated that a new national business rates funding regime would be implemented in 2021/22. This has not proved possible and for the financial year

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2021/22 the existing scheme has remained unchanged before its expected replacement in 2022/23.

The Contract Procedure Rules (CPR) within the Constitution alongside the Co-operative Values and Behaviours set out in the Corporate Plan, clearly establish the Authority's requirements on social value. These have been subject to revision in 2020/21 with Council agreeing the revised CPR's at its first meeting during the municipal year 2021/22.

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### **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 organisational framework annually to ensure it has the right people with the right skills. The Authority has an agreed Workforce Strategy, working in partnership with NHS partners. This was refreshed in 2020 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 applicable to the appointments process. This is transparent, and available to staff via the Council's intranet site.

There are targeted programmes often utilising E-Learning with the Organisational Development team supporting these policies 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 two-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 2020/21 to support the vision of a Co-operative Council. The content of the programme changes annually 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 of Internal Audit are reported to the Audit Committee which includes an annual opinion on the internal control environment. The overall opinion, based on more

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limited assurance for 2020/21 is adequate, indicating the continuation of a well-managed Council.

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 and key updates were undertaken in 2020/21 including a comprehensive review of the Contract Procedure Rules and the protocols for holding meetings remotely.

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.

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

The Council's Risk Management Framework which was refreshed during 2019/20 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. There were no elections in 2020/21 resulting in no new members requiring specific training.

All Statutory Officers are appropriately skilled and experienced, undertake 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. Items for decision 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.

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In addition to the quarterly performance reports, Cabinet receives financial monitoring reports. During 2020/21, the frequency of financial monitoring reports was increased to a monthly basis (months 3-9) to highlight the changing financial position and present the estimated outturn against the approved budget. The 2020/21 month 9 budget monitoring report highlighted that the Council outturn would be in line with the agreed budget. The final outturn overall increased the surplus compared to the projection although the outturn on Adult Social Care was lower than projected due to the increased financial support from Oldham CCG.

During 2020/21, management of the use of reserves was in accordance with the agreed Reserves Policy and careful financial stewardship has ensured that in year an overall underspend against the budget was achieved which will be used to increase balances and support the short to medium-term financial resilience of the Council. Overall, there has been an increase in Earmarked Reserves and the level remains appropriate to support the present budget strategy as set out at the meeting on 4 March 2021.

The annual budget is supported by the Director of Finance commenting upon its deliverability and is availability of an appropriate reserves policy. The final accounts, of which this Statement is an integral part, outline the outturn 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 to underpin financial resilience; 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 was planned for the first quarter of 2020/21 but had to be deferred due to the longevity of the pandemic.

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### **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 the pandemic which has dominated the Council's working practices since mid-February 2020 drove ever closer working relationships with the National Health Service and accelerated integrated working.

The Authority in 2020/21 has demonstrated it was proactive in engaging and communicating with key stakeholders to boost and support the public. Key examples

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include setting up a hub at the Civic Centre to co-ordinate and distribute Personal Protective Equipment across all sectors with a staff redeployed to assist, facilitating external funding to provide a COVID Emergency response panel to provide support to self-isolating residents.

The Council has a key role in the Greater Manchester Agenda including devolution initiatives 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 the NHS 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 for works, goods and services 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 marketplace. 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 at the Budget Council meeting prior to the start of 2020/21 to further support the Authority's preference for openness and transparency.

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 team meetings and staff appraisals.

During 2018/19 there was a handover of External Audit responsibilities from Grant Thornton (UK) LLP to Mazars LLP. Mazars LLP undertook the audit for the last two financial years and will undertake the 2020/21 audit. The audit of the Housing Benefit subsidy claims, and Teachers Pension Service Return are being undertaken via arrangements agreed as a collaborative procurement across all Greater Manchester Councils and is being undertaken by KPMG LLP.

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All External audit work is conducted with regard to the Code of Practice produced by the National Audit Office. Going forward certain changes are expected to external oversight as the recommendations from the Redmond Review are considered.

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## Partnership Arrangements

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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 financial year 2019/20 was the first full year that the Council wholly owned the Unity Partnership Ltd. and the benefits of acquisition have continued as planned.

The Council has another wholly owned Company MioCare Community Interest Company (CIC) 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.

The Authority has continued its plans to integrate with NHS services to improve the efficiency of public services. The increased contribution to adult social care services by Oldham CCG in 2020/21 highlights the joint working taking place.

In response to governance failures reported elsewhere in the public domain the Audit Committee commissioned a review of risks associated with the governance of wider partnerships linked into the Council. This review reported that the risk, as at 31 March 2021 from the Council's involvement in partnerships, was currently being well managed.

It is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 via the production of the partnership dashboard and a report submitted to the Audit Committee highlighting the risks. This has been incorporated into the production of this Statement of Accounts and issues for consideration in the Annual Governance Statement.

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## Risks on Current Significant Projects

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The Authority has completed some significant projects, over the last 3 years, which were included in the capital programme. An on-going strategy, Creating a Better Place, is a complex initiative which will involve working in partnership with others. Some elements of partnership working 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

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Statement of Accounts and Reserves Policy. Individual reports to support investment in projects have been prepared in 2020/21 for consideration by Cabinet with appropriate comments by key officers to enable appropriate review of the issues including risks before a decision is made. This analysis of risk reflects the expenditure incurred on Town Centre Developments and new schools in the financial year 2020/21.

The issues on both partnership risk and current project risk have been incorporated into this Annual Governance Statement where necessary.

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## Review of Effectiveness

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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; The Annual Report of the Head of Internal Audit and comments made by the External Auditors and other review agencies and inspectorates.

The Authority's 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, and the MTFs, underpinned by the Reserves Policy to evidence and support financial resilience.

An internal audit programme is undertaken, which in 2020/21 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.

In the financial year 2020/21 it has not been possible to deliver a full 12 months planned programme of work by the Internal Audit function. As reported to the Audit Committee the programme of work covered an 8-month period reflecting one off support required in administering grants to businesses in response to the pandemic. This is reflected in the annual opinion and has been a direct impact of the pandemic.

An external audit of the accounts for the year ending 31 March 2020 was undertaken by Mazars LLP and was reported to the Audit Committee on 21 July 2020. At the time of the meeting there remained outstanding some technical issues not under the control of the Council. It took some time for the audit to be finalised with the accounts being finally agreed via delegation authorised by the Audit Committee on 10 November 2020. Despite the challenges in finalising sign off, the Auditor commented positively about the standard of the accounts and working papers were considered to be of high quality. The accounts were approved within the extended statutory deadline. It is planned that the 2020/21

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accounts will be presented for approval at the Audit Committee at a meeting to be arranged on 22 July 2021.

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## Significant Governance Issues

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

2020/21 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 2020/21 for the third year compared to 2017/18. Issues identified in the 2020/21 internal audits need to be implemented as a priority to improve internal control.</p>	<p>Added impetus will be given to strengthen the financial processes linked into the Mosaic system when the pressures on the service due to the COVID-19 pandemic reduce. 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 resilience (from the previous certainty guaranteed by the efficiency plan) due to uncertainty on matters outside of the Council's control such as Brexit, the longer term costs of the COVID-19 pandemic, the future level of government support for areas of high deprivation and indirectly or the impacts of commitments made under devolution. An added pressure is that the Council's previous plans to deliver savings by Transformation may continue to be constrained by the pandemic.</p>	<p>During 2021/22, despite continuing to deal with the COVID response, there are plans to improve efficiency around:</p> <ul style="list-style-type: none"> <li>• Delivering further Transformation in the Authority via the plans to deliver budget savings.</li> <li>• Continued integration and co-operation with the NHS.</li> <li>• Collection of revenues due to the Council.</li> <li>• Funding available to support the capital programme.</li> <li>• Realising the value of entities in which the Council has a financial interest.</li> </ul> <p>This will be supported by:</p> <ul style="list-style-type: none"> <li>• The Policy Team reviewing on-going updates of national and local policy.</li> </ul>

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2020/21 Issues	Planned Management Action to Reduce Risk
	<ul style="list-style-type: none"> <li>• An agreed Reserves Policy subject to regular review.</li> <li>• Joint working with key partners such as the NHS to better align resources.</li> </ul> <p>The Director of Finance considers the risks as part of the closure of accounts and during the financial monitoring arrangements for 2021/22.</p>
<p>The Council has a number of key regeneration projects planned for the future as detailed in the Creating A Better Place Programme. Should one of these high-profile projects not be delivered as planned it is likely to result in reputational damage to the Council or increase the financial pressure on the Council for the future made more challenging due to the COVID-19 pandemic</p>	<p>The Capital Investment Programme Board receives bimonthly reports on the high value projects once construction is underway.</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 included within the agreed Capital Programme will be undertaken by the Council during 2021/22 to assess the affordability of the capital programme in light of the COVID-19 pandemic and continued uncertainty over long term funding.</p> <p>The Director of Finance considers the risks as part of the closure of accounts and during the future financial monitoring arrangements for 2021/22.</p>
<p>The audit opinion of the internal control environment for the operation of payroll including pension's administration continued to improve as at 31 March 2021 although it could not be upgraded to adequate. Further improvements to both the internal control environment and efficiency of the service are required which in part are linked into the implementation</p>	<p>The administration of the payroll system will be subject to regular review by the Internal Audit Service.</p> <p>A report will be prepared for the Audit Committee at its meeting in September 2021 outlining the progress made in processing payroll on the new system.</p>

<b>2020/21 Issues</b>	<b>Planned Management Action to Reduce Risk</b>
<p>of the new integrated HR system cannot yet be fully demonstrated.</p>	
<p>The continued compliance with the National Transparency Agenda has increased the risk of the Council of a future fraud enhanced by the COVID-19 pandemic 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 including documenting changes to procedures operated due to home working to ensuring adequate controls are in place 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 unless the wider public interest is served by publication.</p> <p>The Council led Group on Information Governance takes organisational responsibility for the risk.</p>
<p>The future reforms to Health Integration do not result in the efficiencies anticipated due to increased demand due to a number of factors including the residual impact of the pandemic.</p>	<p>The Council can with Cabinet approval increase its flexibility to increase/decrease the contribution to the pooled budget managed under Section 75 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 opportunities for efficiency in Adult Social Care.</p> <p>The Director of Finance considers the emerging risks arising from the transformation as part of the closure of accounts for 2020/21, ongoing review of the council's reserves/ financial resilience and ongoing budget monitoring for 2021/22.</p>
<p>Dedicated Schools Grant is in a deficit position which has a Recovery Plan agreed by the Department for Education with the aim that it will be brought back to break-even over a three-year timeframe.</p>	<p>The recovery plan submitted and agreed by the Department for Education in the financial year 2019/20 has supported the stabilisation of the deficit. The actions identified in this Recovery Plan have begun to be implemented during 2020/21</p>



<b>2020/21 Issues</b>	<b>Planned Management Action to Reduce Risk</b>
	<p>and will continue to reduce the deficit over the three-year period. The implementation of these actions was initially delayed by the wider Council response to the COVID-19 pandemic and the need to assist schools to re-open from 1 June 2020. A review by the DfE is being undertaken in 2021/22 to assess the progress made in reducing the deficit and any recommendations made from this will be implemented by the Council</p> <p>The deficit position and the progress made to address the deficit will be subject to regular updates as part of the budget monitoring reports to be submitted to Cabinet and Schools Forum by the Director of Finance.</p> <p>Should it not be possible to reduce the deficit as envisaged then there is a risk a further Recovery Plan may need to be submitted to the Schools Forum and Department for Education for approval.</p>
<p>The financial resilience of key partners who provide services to the Council have deteriorated due to the COVID-19 pandemic which cannot be supported by the Council to guarantee continuity of service due to our reduction in financial resilience.</p>	<p>Each instance will be considered by the Council on a case by case basis as the long-term financial impact on key partners caused by COVID-19 becomes clear. Each request for assistance will be subject to a report with appropriate due diligence undertaken.</p> <p>Emergency support agreed under the urgent arrangements for COVID 19 will be regularised as normal working under the new business as usual is implemented.</p>
<p>The present contractual arrangements with a number of key suppliers needs to be reviewed and better documented so any amendments required in a future emergency can be streamlined.</p>	<p>A group of key officers led by the Director of Finance meets on a minimum of a weekly basis to review the present contract documentation in place for contracted suppliers. This will ensure that appropriate revisions are made to ensure future improvements are made.</p>

2020/21 Issues	Planned Management Action to Reduce Risk
	Should the Director of Finance require it, a report will be prepared by a Service Area to be presented to the Audit Committee outlining plans to contract and commission future services.
There are outstanding legal matters linked into ongoing action against other local authorities which have the potential to impact on past custom and practice within the Authority which could have a significant future financial impact.	<p>Key cases will be subject to regular review by key Statutory Officers within the Council to assess the risk of an adverse financial impact.</p> <p>Regular monitoring reports of the Annual Governance Statement will assess the risk to the Council and be reported to the Audit Committee</p>

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## Summary

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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 Arooj Shah  
Leader of Oldham Council

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

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