

Report to Audit Committee

Future Oversight of Council Companies and Partnerships

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

Officer Contact: Anne Ryans - Director of Finance

Report Author: Mark Stenson – Assistant Director of Finance for Corporate Governance and Strategic Financial Management

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Reason for Decision

This report sets out a proposed process for the Audit Committee to review key Council Companies and partnerships for the remainder of the financial year 2023/24 and future financial years.

Executive Summary

The previous methodology adopted by the Audit Committee to review the risks associated with partnership working was by the consideration on a regular basis of the Partnership Dashboard Report developed by the Finance Service. When this was presented to the Audit Committee meeting on 8 June 2023, the Committee requested that a review of the format of the report be undertaken.

Prior to the commencement of this Finance Service review, Local Partnerships (an organisation jointly owned by the Local Government Association, HM Treasury and the Welsh Government) produced a refreshed publication “Local Authority Company Review Guidance”. This is a toolkit for undertaking strategic and governance reviews of wholly or partly owned Council commercial entities. At Section 9 of this publication is what could be described as a Self-Assessment Checklist which identifies a comprehensive list of pertinent questions for the Council to consider. This can be utilised to review Council partnership working arrangements as well as companies.

In order to improve the oversight of Council partnerships by this Committee and the potential risks of such to the Council, it is proposed that the Finance Service undertake a review of each of the partnerships in which the Council has a financial interest in and report the findings back to the January meeting. Upon the receipt of this report the Committee can assess how the matter is discussed with the Scrutiny Board Chairs to ensure the future oversight of partnerships by the Council is as robust as possible.

Recommendations

That Members endorse the approach to reviewing Council companies and partnership arrangements detailed in this report and request that the findings of the exercise to be undertaken by the Finance Service is presented to a future meeting of the Committee.

Future Oversight of Council Companies and Partnerships**1 Background**

- 1.1 The risks of a Council not having appropriate oversight of company's and / or partnerships in which it has a shareholding have become clear over the past two years. This failure, if it results in unforeseen financial loss, can seriously impact on the long term financial resilience of the Council. In some cases, the unforeseen losses caused by the financial failures of Council companies and partnerships have contributed to the issuing by Section 151 Officers of Notices under Section 114(3) of the Local Government Finance Act 1988 (a Section 114 Notice).
- 1.2 The previous methodology adopted by the Audit Committee to review the risks associated with partnerships working was by the consideration of a regular basis of the Partnership Dashboard Report developed by the Finance Service. When this was presented to the Audit Committee meeting on 8 June 2023, the Committee requested that a review of the format of this report be undertaken.

2 Current Partnership Risk within Oldham Council

- 2.1 Previous reports to the Audit Committee have identified that at present there is minimal risk to the financial resilience of the Council from its companies and partnership working. The reports have identified that this risk profile could change over time as companies and partnerships set up to deliver Council supported initiatives develop their operations. As such, the request made by the Audit Committee at its meeting on 8 June 2023 that there is a review of the information to be provided to the Committee represents good governance.
- 2.2 In addition to supporting the Audit Committee in undertaking its role, such an exercise will also inform the work of the Shareholder Committee, set up as a Cabinet-Sub Committee and the Scrutiny Boards who have an interest in effective oversight of partnerships and partnership working.

3. Local Authority Company Review Guidance

- 3.1 Prior to the publication by Local Partnerships of the refreshed publication "Local Authority Company Review Guidance" the methodology used to review companies and partnership working was a self-assessment of risk prepared by key officers. The publication which has the sections detailed below provides a structured way for the risks to be reviewed. The key sections are:

- Foreword
 - Introduction
 - Council Governance Arrangements
 - Entity Governance Arrangements
 - Alternative Delivery Models
 - Standard Documents Required for a Review
 - Key Reference Documents
 - Summary of Evidence
 - Case Studies
 - Further Evidence
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3.2 The publication sets out that the skills required to operate a company are different from a Local Authority. It recognises that governance arrangements are critical to hold companies to account and to protect the interests of taxpayers. The summary of evidence it is suggested the Finance Service undertakes covers the following areas:

- Council Governance Arrangements
- Entity Governance Arrangements
- Alternative Delivery Models
- The standard documents required for a review
- A guidance checklist for Elected Members including the audit and scrutiny committees
- Key reference documents
- Summary of Evidence (The self-assessment checklist)

3.3 In this regard, the Audit Committee Members may wish to ask:

- Does the Committee have assurance on the adequacy of risk management, internal controls and governance processes associated with the company?
- Does the Committee have regular oversight of the company's financial affairs and how it impacts on the Council?
- Is the Committee satisfied that any recommendations from external or internal audit reviews have been implemented?
- Has the Committee ensured that any relevant risks relating to the company are included in the corporate risk register?

3.4 Whilst the Guidance document has been prepared specifically in relation to Council owned companies, the principles can be adapted for other partnership arrangements.

4 Options/Alternatives

4.1 The options the Committee can consider are:

- a) Endorse the suggested way forward as set out in this report
- b) Suggest an alternative approach

5 Preferred Option

5.1 The preferred option is the option at 4.1 (a) that the Committee endorses the way forward as set out in this report.

6 Consultation

6.1 N/A.

7 Financial Implications

7.1 N/A.

8 Legal Services Comments

8.1 N/A.

9 **Cooperative Agenda**

9.1 N/A.

10 **Human Resources Comments**

10.1 N/A.

11 **Risk Assessments**

11.1 N/A

12 **IT Implications**

12.1 N/A.

13 **Property Implications**

13.1 N/A.

14 **Procurement Implications**

14.1 N/A.

15 **Environmental and Health & Safety Implications**

15.1 N/A.

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

16.1 N/A.

17 **Equality Impact Assessment Completed?**

17.1 None.

18 **Key Decision**

18.1 N/A.

19 **Forward Plan Reference**

19.1 N/A.

20 **Background Papers**

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

File Ref: [Local Authority Company Review Guidance – Link to the document Local authority company review guidance 2023 edition - Local Partnerships](#)

Officer Name: Mark Stenson, Assistant Director Corporate Governance and
Strategic Financial Management
Contact: mark.stenson@oldham.gov.uk

21 **Appendices**

21.1 None.