Manchester City Council
Report for Information

Report to: Audit Committee – 12 June 2014

Subject: Draft Annual Governance Statement 2013/14

Report of: Assistant Chief Executive (Finance and Performance)
                   City Treasurer

Summary

This report contains the draft 2013/14 Annual Governance Statement (AGS) which has been produced following completion of the annual review of the Council's governance arrangements and systems of internal control. The processes followed to produce the AGS, improvements made, audit assurance, and public engagement relating to governance are outlined in the report.

Recommendations

Audit Committee is requested to note and comment on the contents of the draft version of the Council's 2013/14 Annual Governance Statement (AGS).

Wards Affected: All

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1.   Introduction

1.1   Local authorities have a legal responsibility to conduct, at least annually, a review of the effectiveness of their governance framework including their system of internal control. Following the review an Annual Governance Statement (AGS) must be produced, approved and published.

1.2   Audit Committee are asked to note the findings of the 2013/14 AGS and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2014/15.

1.3   The draft 2013/14 AGS is attached as an appendix to this report.

2.0   Format and structure

2.1   The layout and content style of the AGS is reviewed each year to ensure that it remains fit for purpose and identify where improvements can be made. As part of this process, consideration has been given to the recommendations relating to Councils' AGS documents in Grant Thornton's recent Local Government Governance Review 2014. For example particular attention has been paid to effective public communication, plain and clear language, partnership working, new delivery models and risk leadership.

2.2   The AGS includes the following sections:

- **1 and 2 - The scope of responsibility** and **the purpose of the governance framework;** this outlines the legal requirements for an AGS and its links to the Council's Code of Corporate Governance.
- **3 - Context;** sets out the external and internal influences which have shaped the governance systems and processes of the Council.
- **4 - The governance framework**; describes how the Council has complied with the principles in its Code of Corporate Governance.
- **5 - Annual review of effectiveness of the governance framework**; this section explains the mechanisms by which the Council assesses its governance arrangements, and what conclusions have been drawn.
- **6 - Progress on governance issues identified from last year's (2012/13) AGS;** provides an update on the progress made during 2013/14 on the four improvement actions identified last year.
- **7 - Significant governance issues identified during 2013/14;** this section details governance issues identified after the 2012/13 AGS was finalised in July 2013.
- **8 - Future actions for further improvements to governance arrangements;** this section sets out key areas which the Council will focus on in 2014/15.

3.   Process followed to produce the AGS 2013/14

3.1   A progress report was provided to Finance Scrutiny Committee in December 2013 updating members on the implementation of actions to improve governance arrangements identified in section eight of last year's AGS.

Progress since December in delivering these actions is described in section six.

3.2   To identify significant governance issues to be addressed during 2013/14 a four stage process was followed in October 2013;

- Identifying recurring issues highlighted in directorates' Annual Governance Self Assessment Questionnaires;
- Analysis of key performance documents, such as the Budget Monitoring Reports and Risk Reports;
- Discussions with the Council's external auditor, Grant Thornton, and an analysis of external audit recommendations reports;
- A meeting of key Strategic Management Team (SMT) Leads to identify and discuss any potential emerging governance issues.

This identified the governance issues described in section seven. This section also sets out action to address these issues.

3.3   The Annual Review of the Effectiveness of the Governance Framework described in section five, including consideration of how the Council has complied with the principles in its Code of Corporate Governance (section four), has informed the identification of the future actions for improvement described in section eight. The Annual Review also included the Head of Internal Audit and Risk Management Annual Opinion 2013/14 and the evaluation of the effectiveness of processes to gain reassurance about the robustness of governance arrangements in the Council's Significant Partnerships. A report providing an update on progress in implementing actions for governance improvement is due to be submitted to Finance Scrutiny Committee in December 2014.

4.   Communication of Governance Arrangements

4.1   Internal Audit has produced an interim position statement on the arrangements in place to support the preparation of the AGS, and to provide assurance over its reliability and completeness. The statement confirms that **substantial** assurance can be given over the effectiveness of the process used to produce the 2013/14 AGS to 31 March 2014. The conclusion states; *"Overall we considered excellent progress has been made to produce an AGS which is complete and accurate, although we consider that more could yet be done to improve its accessibility for the lay reader.."*

4.2   The Council is committed to improving the transparency of its governance arrangements, and ensuring it publishes clear and concise explanations of these arrangements in a format easily accessible to the public. In support of this and to implement the decision of the Audit Committee in March 2013, officers in Performance and Intelligence attended Manchester's Youth Council to describe and discuss the Council's governance arrangements. This meeting led to the establishment of 10 governance commitments, which summarise the commitments in the Code of Corporate Governance, in plain and clear

language. These commitments are published on the Council's website and set out below;

•   We will clearly set out our objectives and what we're trying to achieve.
•   We will measure how effective our services are and take action to improve them. We will publish information showing how we are progressing towards our objectives.
•   We will work with other public services, such as the Police and NHS, to improve services for Manchester residents.
•   We will ensure we make the best use of taxpayers' money by taking prudent financial decisions and measuring the level of value for money we achieve.
•   We will set out in our Constitution who can take which decisions.
•   We will behave in ways that reflect our values and high standards of conduct.
•   We will ensure people in the Council making decisions have access to accurate information to help them take decisions in the best interests of Manchester people.
•   We will record and publish the decisions we take and the reasons for them. Wherever possible, we'll take the most important decisions in public.
•   We will carry out scrutiny of our services to make sure they meet our residents' needs.
•   We will be sensitive about how we collect and record information about citizens of Manchester, and safeguard it from misuse.

4.3   The Council is also exploring other options to concisely communicate key messages from the AGS to the public; these options include providing a brief summary of governance arrangements and actions to improve governance within the Council's Annual Report.

5.   Next Steps and AGS Timeline

5.1   The following table shows the key reporting dates for the 2013/14 AGS;

Date	Milestone
19 June 2014	Draft AGS 2014 to **Standards Committee**
30 June 2014	Signed Accounts and AGS produced
17 July 2014	AGS and Accounts circulated to **Audit Committee**
18 December 2014	Update on actions to deliver governance improvements to Finance Scrutiny Committee

5.2   Audit Committee is requested to note and comment on the contents of the draft version of the Council's 2013/14 Annual Governance Statement (AGS). Amendments to the statement will be included in the version submitted to Audit Committee with the accounts on 17 July 2014.

MANCHESTER
CITY COUNCIL

Manchester City Council
Annual Governance Statement 2013/14
DRAFT VERSION

Contents

1.   **Scope of Responsibility**

1.1   Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

1.2   In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council first adopted a Code of Corporate Governance in June 2008. This Code is included in the Council's Constitution (part 6 section G). It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

1.3   The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government (2012).

1.4   This Annual Governance Statement (AGS) explains how Manchester City Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

1.5   Further details on any areas of particular interest can be accessed by clicking on the hyperlinks (highlighted and underlined throughout the document).

2.   **The Purpose of the Governance Framework**

2.1   The governance framework comprises the systems and processes, cultures and values by which the Council is directed and controlled, and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Community Strategy, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These objectives are underpinned by the corporate values of People, Pride and Place.

2.2   The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control identifies and prioritises risks; evaluates the likelihood of those risks being realised and the impact should they be realised; and aims to manage them efficiently, effectively and economically.

3.   Context of 2013/14 AGS

3.1   The Annual Governance Statement forms part of the Council's Annual Statement of Accounts. The Statement of Accounts includes a foreword from the City Treasurer which sets out the legislative and policy changes over 2013/14 which have shaped how the Council functions. The key changes are summarised here and set out in detail in the foreword to the Statement of Accounts.

The Greater Manchester Strategy 2013 – 2020

3.2   The circumstances in which the Greater Manchester Combined Authority operates have changed drastically since publication of the first GMS in 2009. The economy has now returned to growth following the downturn. However, reduced public sector funding and the impact of welfare reform will mean the delivery of GM's ambitious economic growth objectives will continue to be challenging. In light of this a refreshed strategy, Stronger Together – Greater Manchester Strategy 2013 - 2020, was published during 2013. This outlined the following key priorities
- Creating the conditions for growth;
- Delivering an integrated approach to employment and skills, to prevent and reduce youth unemployment;
- Supporting business growth and
- Building independence and raising aspirations through public service reform.

Greater Manchester City Deal

3.3   In March 2012, Government announced a bespoke City Deal with Greater Manchester Combined Authority empowering the city region to make its own decisions on maximising economic growth, based on the unique needs and opportunities of the area's economy. The City Deal Implementation Plan sets out the delivery programme for the different elements of City Deal including the Earnback mechanism for funding transport infrastructure, the creation of a City Apprenticeship and Skills Hub and work with government on devolution of transport funding.

The Manchester Way – Manchester's Community Strategy 2006 – 2015

3.4   The Manchester Way sets out the vision for the city. Since 2006 there have been major financial and policy changes which bring new challenges for the city and its communities. Because of this the Manchester Partnership set out a strategic narrative shaping the priorities for the remaining years of the Community Strategy around Growth, People and Place. The refreshed strategy provides a framework for the Council's budget setting, supporting alignment of budget decisions with priorities: supporting growth and investing in people to build personal and community resilience, to reduce demand on high cost public services. The Manchester Partnership is now working on a successor to the Community Strategy.

3.5   During 2013/14 the Manchester Partnership reviewed its governance arrangements and agreed to replace the Manchester Board with the Manchester Leaders' Forum. The Forum will include leaders from a range of sectors and will enhance the partnership's leadership capacity and ability to drive forward strategic priorities. It will play a key role in developing the successor to the Community Strategy.

Transformation of Council Services

3.6   The directorates for Children and Commissioning and Families, Health and Wellbeing were brought together in a new single Directorate for Children and Families from April 2014. This supports the integration of health and social care provision based on a whole family model. It will also provide a solid infrastructure to continue new ways of delivering services such as Troubled Families, Early Years and Health and Social Care integration. The new Directorate will be led for a two year period by the Deputy Chief Executive (People), working alongside the statutory Directors of Children's Services and Adult Social Services.

3.7   A new Growth and Neighbourhoods Directorate has also been created bringing together the neighbourhood delivery and economic development functions from within the previous Neighbourhood Services Directorate and Regeneration Division. The creation of this new directorate will better align the Council's leadership and operational capacity around local areas, and with the city's growth priority. The new Directorate is led by the Deputy Chief Executive (Growth and Neighbourhoods).

Public Service Reform

3.8   Building on progress made last year, the Council continues to roll out and monitor the effectiveness of several major public service reform programmes designed to support people into independence;
    • The integration of Health and Social Care
    • Transforming the Justice System
    • Increasing work and skills
    • Providing early intervention through integrated service delivery between health and local authorities for 0 – 4 year olds
    • Reducing the number of 'Troubled Families'.

Living Longer, Living Better

3.9   Across Greater Manchester a programme entitled "Healthier Together" has been designed to reconfigure hospital services to address the inconsistent outcomes from hospital services and their uncertain financial sustainability. Across Manchester new models of primary medical care are being developed with three key aims; increase the scope of services delivered through primary care, bring consistency as part of the system and introduce a representative provider voice to primary care. The goal for Manchester is for the population to be living longer and living better, which is the name given to the integrated health and social care programme. This is part of the growth and reform plans within health and social care being led by the Health and Wellbeing Board.

Influencing Behaviours

3.10   A key component of the Council's approach to people based reform is influencing behaviour. A programme of work is being undertaken to understand what behaviours the Council needs to influence and change, be they behaviours of local residents, such as not littering, having a good attendance record at school, or accessing services online, or behaviours of staff or partners, such as working together more efficiently or improving motivation and engagement.

Financial Settlement 2013/15

3.11   During the year 2013/14 the Council has implemented changes to save the £80m
        required by the 2013/15 settlement. Staffing levels have fallen by approximately one
        third between December 2010 and December 2013, a total of £24m of the £80m has
        been saved through staff leaving the organisation. Workforce reductions during this
        budget period have been enabled through a Voluntary Early Retirement and Severance
        Scheme which has supported workforce reductions aligned to the organisation's
        objectives and transformation. Central to the operation of the scheme was the objective
        of ensuring that the skills needed for the future were not lost and transition well
        managed whilst savings were delivered. Delivery of these workforce savings in this
        context has been underpinned by a focus on skills development, succession planning,
        career pathways and the work to influence behaviours as outlined above.

3.12   Government has now published the local government finance settlements for 2014/15
        and provisional settlement for 2015/16. The Council will need to make almost £100m of
        savings over 2015/16 and 2016/17. This combined with the increased cost of the levies
        for Waste Disposal and Transport has led to a 40% reduction in resources available to
        support directorates' net revenue budgets. There have also been considerable changes
        to how local government is funded including the partial re-localisation of business rates;
        localisation of council tax support and associated reduction in funding and the transfer of
        responsibility for public health. Together these bring more volatility and uncertainty to the
        level of resource the Council will receive.

        Welfare Reform

3.13   The Welfare Reform Act 2012 has fundamentally changed the administration of and
        entitlement to welfare benefits and the process of getting people ready for work.
        Claimants who are losing entitlement to benefits as a result of the reforms may be in
        need of additional support from the Council and other organisations, and this has been
        seen in applications to discretionary funds such as the Local Welfare Scheme. The
        Council is also subject to new duties in its council tax collection and benefits
        administration role, such as the operation of the Council Tax Support Scheme. Through
        the Welfare Reform Programme Board, the Council is monitoring the impact of welfare
        reform and how best to supports local citizens.

        Education Reform

3.14   Legislation, such as the Academies Act 2010, has led to considerable change in
        education policy and the role of local authorities. A major change has been a significant
        number of schools have converted to academies which are directly accountable to the
        Secretary of State, rather than the local authority. To respond positively to the changes,
        The Council has appointed a Director of Education and Skills to provide strategic
        direction by strengthening partnership working, and linking education and skills to the
        city's growth strategy. Against this background a Strategic Education Partnership (SEP)
        has been developed, to agree and connect educational, skills and employment priorities
        for Manchester. A school-led organisation, the Manchester Schools Alliance has also
        been formed which will ensure that the SEP can deliver the vision for the development of
        education and skills in the city.

4.   The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Council operates to a Code of Corporate Governance. The Code was updated in 2013 to ensure it reflected the Council's current governance arrangements. It was approved as part of the refreshed Constitution, at the Council meeting in May 2013. The Code was last reviewed in January 2014 and was found to be fit for purpose. The table below includes examples of the how the Council has adhered to its governance commitments set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

Principle 1: Focussing on the Council's purpose and outcomes for the community and on implementing a vision for the local area		
Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
The Council will exercise strategic leadership by developing and clearly communicating its purpose and vision and its intended outcome for citizens and service users.	The Council and its partners have set out their objectives in the 'Manchester Way', Manchester's Community Strategy. A revised approach to achieving these objectives has been defined in a new strategic narrative. The Council and its partners' focus here supports the objectives for Greater Manchester described in the recently updated Greater Manchester Strategy 2013 - 2020. Progress towards these objectives is set out in the annual State of the City report. The Council's strategic and financial approach to delivering the vision for the city is set out in 'Budget 2015/17 – A Strategic Response' and the Medium Term Financial Plan for 2015/16 – 2016/17. Directorate Business Plans set out how the three Council directorates support this approach. Last year the Council consulted with local people and businesses on its budget for 2014/15, including through a video giving local people an overview of the budget setting process and how they can contribute their views. Elected members led on the development of ward plans and local plans setting the vision for addressing the needs of their local areas. The Council continues to communicate its purpose and performance through a number of channels including its website, social media, local and business specific media partners and online publications such as its Annual Report. The Council leads the Strategic Education Partnership, which works with schools and business to promote economic growth, reduce dependency, and create a skilled workforce able to access a range of economically rewarding jobs.	Greater Manchester Strategy The Manchester Way Strategic Narrative State Of The City Report Budget 2015/17 Strategic Response Business Plans Annual Report The School Governance Strategy

	The School Governance Strategy sets out the Council's approach to securing effective governance of schools and its role in supporting this within the context of local and national developments that are shaping the role of school governance. The School Governance Unit manages the Council's statutory responsibilities and partnership working with key stakeholders to support the development of the Council's strategy for effective governance.	
The Council will ensure that service users receive a high quality of service.	A Performance Management Framework enables the Council and its Committees to access timely and accurate information about service delivery. This supports service managers to intervene to address any barriers to good performance. Workforce Plans are in place for each directorate. These plans include details of development activity to support staff in improving their skills to provide a high quality service and meet service and team objectives. This is key to the 'Golden Thread' linking the Community Strategy to service and team plans, and individual appraisals. Grievances against the Council can be reported directly to the Council's Corporate Complaints team, local Councillors or the Local Government Ombudsman. Staff policy and procedural guidance on complaints handling is also available. At quarter 3, 14% of complaints referred to the Ombudsman had been upheld.	Performance Management Framework The Complaints Procedure
The Council will make best use of resources and ensure that taxpayers and service users receive value for money.	A policy statement has been produced which sets out the pivotal role reducing dependency, and therefore demand on high-cost services will play in the Council's strategy to achieve value for money. It sets out how value for money is monitored and the role of Audit and Finance Scrutiny Committee in overseeing mechanisms to control expenditure. The Council has a Revenue Gateway process, to ensure resources are allocated in a way which is consistent, clear, and transparent. The Revenue Gateway Board reviews funding proposals to make sure they are aligned to the Council's objects and are sustainable. *m people* is the Council's approach to developing and deploying its people. It enables the flexible movement of staff across the organisation, with the aim of ensuring skills and capacity are aligned to organisational priorities and can be moved at pace to meet need.	

Principle 2: Having clear responsibilities and arrangements for accountability		
Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action

The Council's governance processes will provide visible, accountable and effective leadership to the community.	The Council's Constitution sets out and describes the functions, responsibilities and lines of accountability that the Council operates within. The Constitution is reviewed at least annually to ensure it reflects legislative and policy changes at a national and local level. The Constitution has been updated and was presented to full Council in May 2013 to adopt. Several revisions were made to the Constitution during 2013/14 to reflect changes in the senior management structure of the Council such as the creation of the new Growth and Neighbourhoods Directorate.	The Council's Constitution Member Officer Relations Protocol
The Council will ensure that it has effective governance arrangements in place for partnership working, and that they are clearly communicated.	The Council has revised and published its Partnership Governance Framework which standardises the approach to managing partnerships to strengthen accountability and financial security. The framework includes clear guidance on the roles and responsibilities of Members and Officers in partnerships in line with the Council's Leadership Framework. Partnership Governance is led by the Audit Committee. The Council maintains a Register of Significant Partnerships to assess the risk governance arrangements pose to the Council's reputation, objectives and financial position. Developing the skills and behaviours for collaborative working, including around governance, is a core component of the Council's Leadership Framework with a number of elements of the framework including modules and activities focused on this. As part of the Council's strategy to support economic growth, it conducts its activities in partnership with other major organisations, which are collectively known as the Manchester City Council Group. As well as the Council itself, the Group consists of Manchester Airport Holdings Ltd (MAHL) and Destination Manchester Ltd (DML). MAHL is a joint venture, which means Codan Trust Company Limited (acting in its capacity as a trustee of Industry Funds Management (IFM) Global Infrastructure Fund) and the Council exercise joint control, with decisions relating to the organisation requiring unanimous consent of both parties. The Council is represented on the board of directors by the Leader of the Council who is a non-executive director. As at the time of production of the Accounts to year end 31 March 2014, the Council owned 35.5% of the share capital of the company. MAHL has a comprehensive system of internal control, including clearly defined organisational structures and lines of responsibility, regular board meetings, performance monitoring and an internal audit function. DML is a subsidiary of the Council, so the Council is considered to exercise control over the organisation. The directors are the Chief Executive and City Treasurer. DML owns and manages the Manchester Central Convention Complex. As well as through a partnership board, scrutiny is provided by periodic reports to Finance Scrutiny Committee. Bi-monthly	Partnership Governance Framework Register of Significant Partnerships.

	performance reporting is provided to stakeholders, and Ernst and Young LLP provide the external audit function.	
The Council will meet the responsibilities placed on it by health and safety law, and will seek to protect the wellbeing of employees and residents.	To ensure that its health and safety responsibilities are met, the Council identifies hazards and controls risks to health and safety by risk assessment and suitable risk control procedures. The Chief Executive ensures that health and safety is given the same prominence as the Council's other management functions. This includes the provision of adequate resources including staffing time and finance to maintain the health and safety of the Council's employees. To ensure effective health and safety performance, regular audit, inspection and statistical reporting is carried out. In October 2012, the Council agreed a proactive and engaging approach in this area, set out in the Employee Health and Wellbeing Strategy which is now being implemented.	Health and Safety Policy

Principle 3: Promoting the values of the Council and demonstrating values of good governance through maintaining high standards of conduct and behaviour.		
Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
The Council will ensure its values are put into effective practice.	The Council's values are **People, Pride, Place**: These values are effectively communicated and are taken into account in the development of the organisation's strategies and business plans. Assessing the demonstration of these values is a key component of the **m people** approach to supporting internal movement.	The Council's Values
The Council will ensure Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	The Localism Act 2011 requires councils to adopt a local Code of Conduct for elected and co-opted Members of the Council together with arrangements for dealing with allegations that a Member has breached the Code of Conduct. This requires that elected members record their interests in a register; which is published on-line including any "disclosable pecuniary interests" (as defined by The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. Failure to comply with regulations relating to "disclosable pecuniary interests" is potentially a criminal offence. The Council has a Standards Committee to champion high standards of ethical governance from elected members and the Council as a whole. During 2013/14 it championed good practice amongst members in areas such as information protection, declaration of interests and use of social media. The organisation's Competency Framework has been reviewed to articulate the key behaviours required within the workforce to support Public Service Reform, these behaviours are aligned to those being supported to develop across the city.	Local Code of Conduct for Members Members' Register of Interests Whistle Blowing Procedures

Principle 4: Taking informed and transparent decisions that are subject to effective scrutiny and managing risk		
Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
The Council will be rigorous and transparent about how decisions are taken, and have effective measures to hold decision makers to account. The Council will listen and act on the outcome of constructive scrutiny.	The decision making process is defined in the Council's Constitution. All Council and Committee meetings are held in public and agenda and reports are available in paper form and on-line. The Council publishes a Forward Plan of Key Decisions to notify the public of the most significant decisions it is due to take. The Council has six scrutiny committees which play a key role in ensuring that public services are delivered in the way residents want. For example, the Environmental Sustainability Subgroup monitored the implementation of recommendations designed following research by elected members and engagement with interest groups on how economic growth can be supported while limiting the impact on the environment. Scrutiny Committees also hold decision makers to account through the call in process. To promote transparency and wider engagement with Council decisions, residents can use social media to get updates and interact with the Council. Council meetings are also now available to view as videos on the Council's website. The Council's City Solicitor undertakes the role of the Monitoring Officer. The Monitoring Officer ensures that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with. The Monitoring Officer is a member of the Council's Strategic Management Team and is therefore able to ensure the Council's direction and strategies complies with law and regulations. Reports providing evidence to inform decisions taken by the Executive and Council Committees include full details of legal considerations in accordance with the advice of the Monitoring Officer. The Council has agreed a Pay Policy Statement which acts as the overarching framework to ensure transparency of decision making and operation in relation to Pay and employment and, in particular, senior pay.	[Constitution](#) [Social Media Updates](#) [Online Videos of Council Meetings](#) [Forward Plan of Key Decisions](#) [Scrutiny Committees](#) [Environmental Sustainability Sub Group](#)
Decision makers will have good-quality information, advice and support to ensure that the	The Council's Performance Management Framework provides accurate, relevant and timely information to Council and Committees through performance reports and dashboards, to inform effective and efficient decision making. The Council works within the Code of Recommended Practice for Local Authorities on Data Transparency and publishes data on performance in a timely manner and in a clear	[The Intelligence Hub](#) [Open Data](#) [State of the City Reports](#)

Council delivers services effectively to meet community needs.	format and complies with requests to publish data whenever this is in the public interest. The Council also maintains an Intelligence Hub, an online interactive tool for accessing ward-level statistics about the city. The Council has ensured that it complies with its obligations under Section 149 of the Equality Act 2010. A robust Equality Impact Assessment (EIA) framework that informs decision making and budget considerations is in place. Equality Assessments have been carried out in a range of areas including changes to Indoor Leisure provision, the localised Council Tax Scheme 2013 – 14 and Active Lifestyles where proposed decisions have been shown to be relevant to equality.	Joint Strategic Needs Assessments Equality Impact Assessment Framework
The Council will be transparent about how decisions are taken and recorded.	The Council publishes all decisions taken by Council, the Executive and Committees, the reasons for them and the alternatives considered, online.	Council meetings and minutes

The Council will operate a risk management framework that aids the achievement of its strategic and business outcomes and priorities, protects the Council's reputation and other assets and is compliant with all applicable laws and regulations.	Effective risk management is an integral part of robust performance management; managing identified risks and mitigating their potential negative impact helps to ensure the effective delivery of projects to deliver the Council's objectives. Risk management is a key tool in ensuring maximum value for money and effective deployment of available resources.
	The Council's risk management methodology can be summarised as follows;
	    1. Identify the risk 5.Identify responses to risk
	    2. Record existing controls 6. Identify risk owners
	    3. Evaluate the risk 7. Create risk register and record actions
	    4. Assess acceptable levels of risk 8. Report and review
	A comprehensive toolkit is available for officers to ensure consistency; this is supplemented by training with an e learning module under development. The Executive Member for Finance and Human Resources leads on risk management and champions the risk management programme. The Audit and Finance Scrutiny Committees have consistently championed the need for effective risk management strategies, practices and support. Scrutiny of the risk process and progress against organisational risk objectives is undertaken by Audit Committee members. Elected Members oversee work to identify and mitigate risks to directorate's objectives through scrutiny of business plans.
	In late 2013 Manchester's Corporate Risk Register was compared with that of other Core Cities. This identified a range of different practices, including different sorts and different volumes of risks included. Manchester's register detailed more risks than most other Core
		Corporate Risk and Resilience Strategy 2014/15
		
		Corporate Risk Register

	Cities and included a clear articulation of risk themes and mitigating actions, whereas most other core cities had adopted a broader generic approach. The exercise provided assurance that Manchester's Register was robust and thorough.	

Principle 5: Developing the capacity and capability of Members and officers to be effective		
Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Ensuring Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.	The People Strategy provides a framework for ensuring staff skills are developed and an effective infrastructure is in place to support the workforce in meeting the Council's priorities. This is supported by an Organisational Development Board and a Skills Development Board which work to drive the delivery of the People Strategy objectives. The Skills Development Board includes workforce development leads for each directorate and oversees approaches to developing skills informed by current and future need and workforce intelligence. Workforce Plans have been developed for each directorate and more detailed Workforce Development Activity plans are in place setting out the activity which will be commissioned in the coming year aligned to Corporate and Directorate priorities. Current focus is on succession planning, including career pathways and a range of programmes acting to ensure key skills are both retained and developed from entry level (apprentices) to senior management (the Leadership Development Framework) New members receive an Induction which includes training throughout the year. Development opportunities are available for all members throughout the year such as training opportunities, including courses with the North West Employers Organisation; Online e-learning and training and in-house briefing sessions.	People Strategy 2013/15. Business plans
Develop the capability of people with governance responsibilities and the organisation's understanding of governance	An Annual Members' Assurance Statement is compiled to identify governance challenges relating to the roles of elected members. This year's statement did not identify any issues to be addressed as part of the Annual Governance Statement. In accordance with their public service contracts elected members submit cyclical reports on their activities, which are available for public inspection. The Handbook for Leaders has been refreshed and rebranded as the 'Council Handbook'; it includes guides for staff and elected members on all aspects of the Council's governance arrangements in plain, clear terms. The Handbook has been actively promoted to all staff.	

| To ensure people can engage with the work of the Council and have opportunities to seek election to the Council. | The Council communicates its work through a wide range of channels including social media, its website and consultations. The Council organises briefings prior to elections for people interested in standing for election to the Council.
The Council has continued to support and develop a Youth Council to ensure young people can become involved with the work of the Council. | Consultations portal.
Manchester Youth Council Facebook page |

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.		
Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
To exercise leadership through a scrutiny function that engages local people and partnerships and develops constructive accountability.	The Council communicates the outcomes of its scrutiny process, described under principle four above, through regular online updates and news bulletins. The Council continues to maintain an effective internal audit function operating in accordance with the 'Code of Practice for Internal Audit in Local Government' issued by CIPFA and the Public Sector Internal Audit Standards. A self-assessment against these requirements has been carried out as part of the annual review of the effectiveness of the system of Internal Audit.	Scrutiny Committee news bulletins
The Council will take an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly, in partnership or by commissioning.	The Council uses a wide range of social media to enable residents to keep up to date with what is happening in their local area, to interact with the Council, and share their views. A quarterly telephone survey is carried out to understand residents' perceptions of issues in their area. Results are publicly available via the Intelligence Hub. Consultations with residents are undertaken when major service changes are proposed. This ensures residents have the opportunity to inform decisions. Consultations this year included developments at the Christie hospital and the local Council Tax Support Scheme. The Annual Report provides a concise and clear summary of the Council's activity over the previous year. Residents can see where money has come from, where it has been spent and what this has achieved. A summary of the Annual Accounts is provided in the report, this summarises the Council's spending in an accessible format for non-specialists. The Ward Co-ordination process continues to facilitate direct communication between residents and their elected Councillors on service improvement at a neighbourhood level.	The Intelligence Hub Consultations Hub Annual Report
To meet consultation and engagement	The Council maintains a clear and consistent policy on consulting staff and their representatives on proposals concerning changes to services and employment policies	

| responsibilities to staff, and agree and enact policies which make best use of human resources. | and procedures. The Council has continued to communicate to staff the challenges facing the organisation and the changes being implemented to meet those challenges. Consistent practices are in place for communicating to staff and their representatives through the service redesign process, including an opportunity for the Trades Unions to comment on any proposals submitted to the Personnel Committee.
Effective engagement with the workforce takes place through a range of channels and activities including the appraisal and 1-to-1 process and the staff magazine 'Cascade'. Feedback from staff has been gained through a rolling programme of assessment against the Investors In People (IIP) framework. | |

5.   Annual review of effectiveness of the governance framework

5.1   The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. After conducting this review the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was arrived at.

Summary of the process of challenge and scrutiny by Council and its Committees

5.2   The Council has four bodies jointly responsible for monitoring and reviewing the Council's governance:
- The Executive - proposes the budget and policy framework to Council and makes decisions on resources and priorities relating to the budget and policy framework;
- Audit Committee - approves the Council's Annual Accounts, responds to External Auditors' recommendations and oversees the effectiveness of the Council's governance, risk management and internal control arrangements;
- Finance Scrutiny Committee - considers the implications of financial decisions and changes to corporate, partnership and city region governance arrangements;
- Standards Committee - promotes high standards of ethical conduct, advising on the revision of the Codes of Corporate Governance and Conduct for Members.

5.3   There is provision for Councillors (minimum of five or the Chair of the relevant Scrutiny Committee) to 'Call In' decisions taken by the Executive (or Senior Officers under delegated authority), for consideration by the relevant Scrutiny Committee. The Committee will then consider the reasons for calling the decision in and either confirm the decision, refer it to the decision maker for reconsideration, or refer it to full Council if the Committee believes that the decision runs contrary to the budget or policy framework. One decision was subject to the 'Call In' process during 2013/14, relating to a Day Care report which was examined by the Health Scrutiny Committee. The outcome of the call in was that, after full consideration of the issues, it was not necessary to refer the matter back to the decision maker for re-consideration.

Head of Internal Audit and Risk Management Annual Opinion 2013/14

5.4   The Public Sector Internal Audit Standards (PSIAS) are the agreed professional standards for internal audit in local government which the Internal Audit Service operated under during 2013/14. In conformance with PSIAS requirements the Head of Audit and Risk Management reports an annual assurance opinion on the adequacy and effectiveness of the Council's internal control arrangements. The report for April 2013 to March 2014 highlights matters for consideration and refers to plans for further assurance activity in areas of concern. The extent and direction of audit coverage is driven by an assessment of risk and, by necessity, available resources.

5.5   Overall, the Head of Audit and Risk Management can provide **substantial** assurance that the Council's governance, risk and control framework is generally sound and operated reasonably consistently other than in respect of a small number of significant control issues identified. The opinion is based on delivery of planned Internal Audit work

and reliance on some other assurances available in the period. The key issues identified were as follows:

- Given the scale and range of data and information assets held by the Council there remain inherent risks of loss or leakage of sensitive information that requires a sound system of risk management and control. This risk is increased by the nature of social care, health partnership and reform work requiring substantial volumes of data sharing between the Council and other organisations. During 2013/14 there were a small number of incidents that emphasised the need for controls to be strengthened. Actions were taken in a number of key areas and there is a corporate commitment to deliver on a focused improvement plan during 2014.
- There have been a number of positive steps taken to strengthen the Council's ICT arrangements and 2013/14 was a year of further progress with major programmes of improvement delivered including the Town Hall Extension fit out and the establishment of the new data centre at The Sharp Project. Nonetheless there remain key challenges to be addressed in terms of security, resilience, bringing more applications to the latest upgrade versions and the prioritisation of business projects with ICT interdependencies to provide the capacity to support transformation to the scale of the Council ambitions.
- A second limited assurance opinion was issued in respect of safeguarding casework compliance operated for the Council by Manchester Mental Health and Social Care Trust. This has accelerated a programme of improvement activity and was subject to further audit in April 2014. A report will be presented by senior management to the Council's Audit Committee in July focusing on actions being taken to respond to recommendations made through the audit.

5.6   The challenge from an audit perspective, as recognised by management and Members, remains the financial context and the impact of delivering a continuous programme of substantial savings continues to impact on all areas of the business. Savings plans are well established and being delivered for 2013-2015 and planning for 2015 onwards is underway which will have further significant impact on the way the Council operates. Whilst the Council remains well placed to respond, the scale and pace of required savings remains a fundamental risk.

5.7   In a Council of Manchester's size and complexity, with its significant ambitions, change agenda and savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. Internal Audit has worked actively with management to identify and examine these areas of potential risk and support them in anticipating future risks and challenges for 2014/15 and beyond. Where audit work has highlighted areas for improvement recommendations have been made to address the risk and management action plans agreed.

5.8   Schools remained an area of focus for Internal Audit. The Council gave moderate assurance for the majority of schools audited but found examples of good practice in others. The Council provided limited assurance for a small number and will target follow up work to ensure recommendations are implemented. The Council has responded to a number of requests for audits of schools experiencing difficulties or where audit involvement could add most value. Key risks continue to be around procurement and purchasing controls including the engagement of governors in decision making. Cash handling and dinner money also remained key themes. The Council continues to engage effectively with schools, and the Manchester Schools Alliance as well as school cluster

group conferences and events, to develop new ways of supporting head teachers, business managers and governors.

Annual Review of the System of Internal Audit 2013/14

5.9 In accordance with the requirements of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011) an annual review of the effectiveness of the system of internal audit was undertaken as part of the Council's governance assurance processes. The 2013/14 review demonstrated there was an effective system of internal audit in place including a policy framework, internal audit function, Audit Committee and effective management engagement. Internal Audit operates in conformance with PSIAS and codes of ethics for the delivery of audit work. The Internal Audit Team delivered its audit plan on time, had a sound base for carrying out audit activity and met its overall objectives of providing audit assurance and advisory support to the Council. The external auditor's planning risk assessment for 2013/14 concluded that the Internal Audit function forms an effective part of the Council's control environment.

External Auditor's Review of the Effectiveness of Governance Arrangements

5.10 The Council's external auditor, Grant Thornton, produces an Annual Audit Letter which summarises the key issues highlighted by the work they have carried out. The Annual Audit Letter 2012/13 was reported to Audit Committee on 28 November 2013. The main conclusions of the Audit Letter regarding the key assessment areas were:

Value for Money and Financial Resilience;
"On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013."
"The Council's strong arrangements for financial governance, planning and control position it well to respond to the significant challenges arising from continuing financial austerity."

Annual Governance Statement;
"The Council updated the format and contents of its Annual Governance Statement for 2012-13 and we concluded this was consistent with our knowledge of the Council and met the requirements of the CIPFA/SOLACE "Delivering Good Governance in Local Government" framework."

The Annual Accounts;
"Our opinion confirms that the Council's single entity accounts gave a true and fair view of the Council's financial position and of its income and expenditure and that the Council's group accounts gave a true and fair view of the group's financial position and of its income and expenditure, except for the effects of the non-alignment of group accounting policies for land and buildings ."

5.11 In response to the qualified audit opinion on the Council's 2012/13 Group Accounts relating to the non-alignment of group accounting policies the Council has, in liaison with Manchester Airports Holdings Ltd (MAHL), commissioned valuations of the land and building assets for Manchester, Bournemouth and East Midlands Airports. Discussions are being held with the valuers commissioned and Grant Thornton to ensure that all parties are aware of the method of valuation of each type of assets. The Council is also

in the process of commissioning updated valuations in relation to Stansted Airport from the company who undertook this work as part of the purchase of Stansted by MAHL. All valuations will be available to be used in the Council's 2013/14 Group Accounts.

5.12   The Annual Audit Letter for 2013/14 is due to be reported to Audit Committee in September. As part of the 2013/14 audit, Grant Thornton will provide its opinion on the Annual Accounts 2013/14, and a value for money conclusion that will take account of key risk areas including financial resilience.

5.13   The Council monitors the implementation of external audit recommendations. Assurance reports are presented to Audit Committee and Grant Thornton bi-annually summarising the Council's performance in implementing recommendations effectively and within agreed timescales. The latest assurance report was presented to Audit Committee on 20 March 2014 and the next report will be in October 2014.

Annual Review of the role and responsibilities of the Senior Finance Officer

5.14   As part of its work on governance and financial management across public services, CIPFA issued its Statement on the role of the Chief Financial Officer in Local Government (the Statement) in 2010. The Council has undertaken a review of the role and responsibilities of its Chief Financial Officer (CFO) against the five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

5.15   The review concluded that the CFO meets the responsibilities of the Senior Finance Officer in full and is ideally placed to develop and implement strategic objectives both within Manchester City Council and the Greater Manchester Combined Authority, given his role as the City Council's Section 151 Officer, City Council Treasurer and Greater Manchester Combined Authority (GMCA) Treasurer. He reports directly to the Chief Executive and is a Member of the Council's Senior Management Team. The CFO influences all material business decisions and oversees corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Assessment of the robustness of corporate governance in business planning, including analysis of findings from the Governance Self Assessment Questionnaire

5.16   The annual business planning process includes a questionnaire about the extent to which high governance standards are embedded in each directorate. In 2013/14 the questionnaire was amended to align with the Council's Code of Corporate Governance. Responses have been analysed to identify areas of governance which can be strengthened. The assessment identified that whilst staff across the organisation have a good understanding of the Code, further work is required in three areas:
   • Arrangements for communicating processes and policies should be strengthened. There is an inconsistent level of understanding of whistle blowing, Anti-fraud, Anti-Corruption policies, the Council's Constitution and Financial Regulations.
   • Ensuring staff understand essential practices in protection of information. Mandatory learning and development in this area will support practical improvements.

- Responding to recommendations from internal and external auditors within deadlines.

Evaluation of the effectiveness of processes to gain reassurance about the robustness of governance arrangements in the Council's Significant Partnerships

5.17   Since 2008 the Council has maintained a Register of Significant Partnerships. It lists all partnerships considered to be of the highest significance to the financial position and reputation of the Council and to achieving its objectives. There are a variety of partnership arrangements involving the Council in place, ranging from joint ventures, statutory groups and Private Finance Initiatives (PFIs). Governance structures in place across partnerships differ depending on their legal status. A number of improvements were made in 2013/14 to strengthen the Council's assessment of partnership governance arrangements, and to support officers and stakeholders in ensuring good practice is understood and embedded.

5.18   The partnership governance self-assessment forms which are completed annually have been reviewed to include more effective questions which support objective analysis. The assessment process is as follows:
- An officer with a detailed knowledge of the partnership provides a self assessment risk recommendation
- The self assessment forms are reviewed by a panel of officers with expertise in governance, audit, financial regulations and applicable legal regulations, who assess whether there is sufficient evidence provided to justify the recommended risk rating, request further evidence where necessary to justify the risk score and amend the rating where satisfactory evidence justifying the recommendation cannot be provided.
- Strategic Management Team Leads have oversight and approval of the assessment summary, to ensure it reflects their knowledge of the operation of the partnerships gained as a result of their board membership.

5.19   The Audit Committee has led work to raise partnership governance standards. In 2013 the Committee recommended that the assessment process be strengthened by verifying that assessments were an accurate reflection of governance arrangements. In January 2014 the Committee reviewed the significant partnerships register and requested a further report in six months detailing the improvements to governance arrangements that had been made in those partnerships whose governance arrangements had been rated as a medium or high risk through the assessment process. This will ensure continued focus on the promotion of good partnership governance standards.

5.20   The Council's Partnership Governance Framework was updated in 2013 and published on the Council's website. The Framework has been reviewed to improve the quality and clarity of guidance and will assist in embedding a consistent understanding of risk, and good governance practices especially in new and emerging partnerships.

5.21   Developing the skills and behaviours for collaborative working is a core component of the Council's Leadership Framework with a number of elements of the framework including modules and activities focused on this. The Collaborative Leadership Programme is the flagship development programme for leaders and working in partnership is the key focus of this.

5.22   In 2014/15 the partnership assessment process will be reviewed to ensure it fully
        encompasses partnerships responsible for delivering services according to new delivery
        models designed as part of the Council's Public Service Reform programme and
        partnerships established to commission and monitor delivery of services. As
        transformation resulting from public service reform continues it is likely that new delivery
        models will become more widespread, therefore ensuring good governance of these
        models will be critical.

The Council's internal governance and internal control management groups

5.23   Responsibility for internal governance and internal control lies with the Chief Executive
        and Strategic Management Team (SMT). The SMT Use of Resources Sub-Group is
        responsible for evaluating the effectiveness and fitness for purpose of the Council's
        corporate governance arrangements and for leading the development and
        implementation of changes necessary to bring about improvement. The Annual
        Governance Statement (AGS) Working Group is responsible for supporting the work of
        the SMT Use of Resources Sub-Group and developing this AGS.

Manchester City Council's 2012/13 Local Accounts

5.24   The Care Quality Commission (CQC) is the regulatory body responsible for the quality of
        health, mental health and adult social care in England. The CQC publish information of
        the standards of residential, nursing and home care. Until 2009/10 the CQC produced
        an annual assessment (Capturing Regulatory Activity at a Local Level - CRILL) of how
        each local authority commissions services for people in their local area. However,
        changes to the role of the CQC means Councils are now advised to produce 'local
        accounts'. This is not a statutory requirement but good practice in demonstrating
        accountability and transparency. Local accounts must demonstrate how the Council has
        safeguarded and maintained personal dignity, put people first and achieved value for
        money, judged against the health and social care outcomes for their area. The
        conclusions from both the 2012/13 and 2013/14 Local Accounts will be available in
        August 2014.

5.25   Currently, across the north-west region, Councils are working on a sector led
        improvement programme to raise standards in adult social care through peer support,
        challenge and review. A suite of performance measures are being developed to support
        benchmarking of social care provision.

The Office for Standards in Education, Children's Services and Skills (Ofsted)

5.26   Ofsted inspects and regulates services which care for children and young people and
        those providing education and skills for learners. As of 31 March 2014, Ofsted inspection
        reports were published for 62 schools for 2013/14. Ofsted concluded that 41 or 66% of
        schools inspected were good or better for overall effectiveness, 17 or 27% required
        improvement and 4 or 6% were inadequate, 2 of which are in special measures. 79% of
        schools in Manchester are judged to be good or better in their most recent inspection,
        17% are judged to require improvement and 4% are judged to be inadequate with 3% in
        special measures. 77% of all children in Manchester schools attend an outstanding or
        good school, 18% a school that requires improvement and 5% a school that is
        inadequate. All school inspection reports are published on the Ofsted website.

5.27   The last Safeguarding Children Ofsted judgement of the Council took place in November
        2010. Manchester was judged as 'Adequate'. A more recent Safeguarding Peer Review
        took place in March 2013. The findings are currently being acted upon and progress is
        regularly monitored. An Ofsted Inspection of the Council's Fostering Service in March
        2013 judged it to be 'Good'. Ofsted have introduced a new inspection framework for
        inspection of services for children in need of help and protection, children looked after
        and care leavers, which came into effect in November 2013. To ensure compliance with
        the standards of the new framework, the Council has carried out a self assessment and
        is monitoring progress against required actions. For example, an action plan is being
        prepared to address operational data quality issues.

6   Progress on governance issues identified from last year's (2012/13) Annual Governance Statement

6.1   This section summarises the activity against each of the governance improvement
        actions identified in the 2012/13 AGS.

        Monitoring the Impacts of Organisational Change – Context

6.2   The 2012/13 AGS acknowledged that in light of new directorate structures, workforce
        reductions, closer partnership working, transformation, public service reform and welfare
        reform it has become increasingly important to monitor the effect of changes using real-
        time, or as up-to-date information as possible. This was found to be crucial for budget
        monitoring and the evaluation of new ways of working. As regards budget monitoring up
        to date data supporting budget monitoring and forecasting and tracking progress
        towards savings was identified as a priority. A robust evaluation and reporting framework
        in support of each of the Public Service Reform (PSR) workstreams is a crucial part of
        this, to support decision makers in their strategic planning.

        **Monitoring the Impacts of Organisational Change – The Performance Management
        and Evaluation Framework**

6.3   Budget monitoring at both a directorate and a corporate level has been strengthened by
        submitting savings trackers regularly to directorate management teams, SMT and its
        subgroups. These show progress towards savings targets and assign a RAG (Red,
        Amber or Green) risk rating based on the level of likelihood and the impact of the saving
        not being achieved. Internal Audit have reviewed the governance of savings and
        continue to provide positive assurance. Financial monitoring activity includes, for
        example, work to mitigate against the risk of £200k of Facilities Management savings not
        being met, and a predicted Learning Disability overspend for 2013/14, which is being
        mitigated by other funding sources, and will continue to be closely monitored in 2014/15.

6.4   There is a strong focus on collecting accurate and meaningful data in the
        implementation of new PSR workstreams. This enables evaluation of new workstreams
        on a regular basis to understand the impact new models are having and the difference
        between them and the existing or previous delivery models. As an example findings from
        regular evaluations of the Troubled Families programme have been submitted to the
        Manchester Investment Board to provide a common understanding of the outcomes and
        financial impact of the programme to inform the direction of the programme and the
        development of investment agreements. A key part of the improved support provided to

the Council's SMT and the Manchester Partnership is the development of a PSR Dashboard. This reports the latest available data for the Troubled Families, Early Years, Health and Social Care and Transforming Justice workstreams. This measures the outcomes for recipients of services and is being developed to show the financial impact on the Council and its partners.

6.5   Place based reporting, for example of Welfare Reform, has been expanded to measure the effect of changes in service delivery on different areas. Changes can be monitored to ensure required outcomes are achieved, and where issues are identified they are addressed quickly by targeted multi-agency actions, before they become more complex and costly to solve. Directorates receive budget information at monthly management meetings, so where necessary there can be intervention to ensure savings targets are met.

6.6   Work is underway to improve the quality, reliability and clarity of data held on the Council's integrated information system, SAP. This includes work to better align human resource data and financial data for reporting and operational management purposes. This will lead to a strengthened evidence base for the identification of workforce and financial risks and issues and improved assurance supporting future workforce planning and savings tracking.

Monitoring the Impact of Organisational Change – Responsibilities of Staff in Partnerships

6.7   Following the reduction in resources for public services, it has become even more important that maximum value is obtained from the total public resources available for the city. In recognition of this, the Council has put greater emphasis on partnership working to ensure that cohesive services are delivered across organisational boundaries. The volume of staff, at all levels of the organisation, involved in partnership working has increased significantly. To support an effective understanding of the roles, responsibilities and expectations of staff working in partnerships as well as to support them in maximising the benefits of collaborative working a range of measures and activities have been put in place, these include:
- Developing the skills and behaviours for collaborative working is a core component of the Council's Leadership Framework
- As part of work on influencing behaviour change a set of core values have been developed for the workforce. These will help to embed the behaviours which, as an organisation we expect our staff to embody when working on partnership and which are key to Public Service Reform.
- Workforce Development Plans are in place for each directorate which set out the key activity required to support delivery of the Directorate's priorities.
- A template secondment policy has been developed to both simplify the process for seconding staff from the Council to partner agencies (and vice versa) and to ensure that the governance around this process is improved.
- The process for recording gifts and hospitality has been strengthened and re-enforced to managers. This improvement supports the Council's anti-corruption policy in general, as well as partnership governance specifically.

6.8   The Chief Executive has taken on a focused role to assure multi-agency safeguarding arrangements. The Chief Executive meets quarterly with the Independent Chair of the Children's and Adult's Safeguarding Boards and commissioned from him an Independent Review of safeguarding for adults and children in the context of reform

arrangements. The key recommendations from this review were accepted by Personnel Committee in January 2014, and include the following changes to improve safeguarding arrangements;

- Separation of Safeguarding Delivery and Quality Assurance functions.
- Creation of an Integrated Safeguarding Unit.
- Strengthening the Safeguarding Boards.
- Establishment of a Multi-Agency Safeguarding Hub
- Strengthening the Capacity and Coordination of Domestic Abuse services.

The proposals will be implemented using a phased approach. Progress made will be monitored by an internal group chaired by the Chief Executive, consisting of Executive Members, Strategic Directors and the Independent Chair of the Safeguarding Boards.
Monitoring the Impact of Organisational Change – Governance of the Commissioning Hub

6.9   It was highlighted in the 2012/13 AGS that there is a need to ensure that sound governance arrangements are in place for the management and operation of the Commissioning Hub. A management structure has now been implemented for the Hub. The Commissioning Hub Manager reports to the Head of Strategic Commissioning and works closely with the Assistant Chief Executive (Finance and Performance). The Head of Strategic Commissioning reports to the Strategic Director, Children and Commissioning. This arrangement allows for sufficient oversight from senior officers with responsibility for both financial management and operational delivery.

6.10   A Strategic Commissioning Board has been established to make decisions relating to services within Children and Families and to oversee all commissioning activity across the Council. The board includes senior representation from finance, legal and performance to ensure legal, regulatory and financial arrangements are adhered to and that commissioning activity is aligned to the council's strategic objectives. Current arrangements are being reviewed by a panel of officers and elected members to ensure they work effectively in the new organisational and partnership structure.

Information Governance

6.11   In the 2012/13 AGS it was highlighted that evidence based decision making, a key part of Public Service Reform, relies on the availability of accurate data. In light of the increasing volumes of personal and sensitive data held by the Council to achieve this, robust security and governance arrangements need to be in place to safeguard the control of this data. The points below summarise actions taken to strengthen governance in this area.

6.12   The City Solicitor's division have ensured that information sharing aspirations across public sector partners are in line with the Data Protection Act and other relevant legislation and good practice. Although the Council was amongst the first Local Authorities to achieve Public Services Network (PSN) accreditation, the evolving PSN standards have required that the Council make considerable further investment and enhancements to the current ICT Infrastructure to maintain this ongoing compliance. The Council is in constant dialog with the Cabinet Office to ensure compliance continues. This in turn will provide assurance that the most sensitive data being communicated between Manchester and other PSN connected organisations is secure.

6.13   The Corporate Information and Risk Group (CIARG) has increased the frequency of its meetings, and the Terms of Reference are being reviewed to ensure that the most benefit can be gained from the group. The group reviews risks to information security and ensures mitigating actions are implemented. The group is attended by the Directorate Senior Information Risk Officers (SIROs), who take responsibility for the governance of information security in each directorate.

6.14   Work in the year has also included a '10 Golden Rules' communications campaign with associated e-learning and guidance for all staff and managers. Given inherent risks around information security and information sharing this remains an ongoing high priority area of focus across all Directorates.

6.15   The Council has established a Data Quality Forum chaired by the Assistant Chief Executive (Finance and Performance) and a Data Governance Team to oversee and drive the Data Quality Programme. A number of measures are being implemented to improve data quality:

   • The Council is currently implementing a Master Data Management system to ensure customer name and address records are recorded accurately, and in a standard way, across all systems. This will improve its usability for performance analysis purposes. Reports and action plans for data owners, and an awareness campaign for managers and staff will ensure progress this year.
   • In line with Internal Audit recommendations, the process to administer information access rights for staff is being reviewed and strengthened to ensure that employees may only access the information that is essential to their role. This will be completed during 2014 and will focus on three areas: new starters, staff transfers and leavers. Security has also been improved by the introduction of "Two Factor Authentication" (2FA) for staff remotely accessing the Council's network. Security is greater as the system requires a code generated by an electronic "token", in addition to a password. During 2014 this will be extended to review the access requirements for external organisations.

Review of Public Health Expenditure

6.16   The AGS 2012/13 identified a governance action focused on the transfer of responsibility for public health to the Council. It identified that the whole programme of public health spend should be reviewed during 2013/14 to ensure that it was spent on delivery of services with a strong evidence base of success, aligned to delivering public health outcomes, supported the integration of health and social care and would achieve the best possible efficiency and value for money through integration and reduction of duplication with other areas of Council and NHS spend.

6.17   The programme of public health spend has now been fully identified and established with detailed contracts and service specifications for every commissioned service. There is a high volume of services (over 100) and considerable spend (c. £40 million) and so prioritisation has taken place based on size of contract and potential for savings. Detailed reviews of priority services are underway, with further services to follow during 2014/15.

6.18   Work is underway to ensure that all public health commissioned services are on a robust contractual footing, and provide a solid base on which to build future contract monitoring

and review. This will strengthen governance practices in this area and support broader reform objectives.

ICT

6.19   Key areas of focus for ICT in 2013/14 identified in the last AGS where progress has been made are ;
- An ICT Continuity Change and Risk Group, has been established, to lead on ICT Projects such as the relocation to a new data centre. Risk management throughout ICT is currently being strengthened, led by the ICT Policies, Standards and Governance Manager.
- Risks around migration and security of data are managed by the above group.
- Funding streams have been put in place to improve resilience within the data centre, network and telephony systems.

7   <u>Significant governance issues identified during 2013/14</u>

7.1   The following issues were identified as ways to manage possible risks to the resilience of the Council's governance arrangements and/or systems of control, after the publication of the last AGS , through a four stage process:
- Preparation for Business Planning documents, which incorporate the Annual Governance Self Assessment Questionnaire;
- Analysis of key performance documents, such as the Budget Monitoring Reports and Risk Reports;
- Discussions with the Council's external auditor, Grant Thornton, and an analysis of external audit recommendations reports;
- A meeting of key SMT Leads to identify and discuss any potential emerging governance issues.

Impact on Resources of the Financial Environment – Financial Settlement Response and the Volatility of Business Rates

7.2   The requirement to reduce the Council's expenditure by up to £100m during 2015/16 – 16/17 will pose significant challenges and require strong governance processes to implement effectively. Announcements regarding the financial settlements are monitored, as an integral part of the budget process, and analysis is provided to officers and members as soon as possible to allow decisions to be made in a timely manner. A formal response to the settlement from senior officers and members is also submitted to the Department for Communities and Local Government (DCLG).

7.3   Councils continue to receive an element of Revenue Support Grant. This means government will retain the ability to reduce spending in line with Comprehensive Spending Reviews. The impact of the Local Government Financial Settlement 2013/15 was included in the revenue budget report considered by Executive on 12 February 2014. The Executive also received a report on the provisional financial settlement for 2015/16 and the proposed approach to the budget challenges for 2015/16 and beyond.

7.4   The 2013 Local Government Resources Review (LGRR) brought major changes to how Councils are funded primarily relating to the partial re-localisation of business rates. New monitoring arrangements have been put in place for the Business Rates Retention Scheme so that the impact of the introduction can be assessed. This monitoring includes

an estimate of the likely effect on business rates due to outstanding appeals against rateable values and this is included in the Global Monitoring Report to Executive. The final position for the year has resulted in a claim against the Safety Net. This is mainly due to the level and volume of appeals as well as an increase in the amount of empty property relief granted.

7.5   This is an extremely volatile area and there is a lack of guidance. The Council meets its Relationship Officer at the Valuation Office to discuss the information that is provided about outstanding appeals to the Council. Whilst a prudent approach is taken, the Council has included a reserve in its 2014/15 budget to mitigate against business rate risks.

Partnership Working with Health, Social Care, Mental Health and PSR Investment Agreements

7.6   As part of Greater Manchester's (GM) health and social care reforms, the GM Healthier Together programme has been set up to improve health and care provision in the region. The programme has three elements; Integrated Care and Primary care (which together make up "Out of Hospital" care) and "In Hospital" care. Manchester's Health and Wellbeing Board, in partnership with the NHS, leads on the local development and implementation of plans to ensure integrated community health and social care services in line with the GM Integrated Care Programme. A consultation relating to the Integration of Health and Social Care will be carried out from June 2014.

7.7   The Council's Living Longer Living Better (LLLB) programme to transform health and social care services is extensive, and involves partnership working with eight statutory bodies. The Health and Wellbeing Board (HWB) is the main body accountable for the delivery of the programme. The Board will;
   • Approve the vision and direction for health and social care integration across Manchester.
   • Support the implementation plans, and seek assurance that they are delivering the intended outcomes for Manchester residents.
   • Define behaviours that will shape a collaborative culture to foster effective partnership working.
   • Provide transparency relating to progress with service integration, and potential impacts on hospital services.

7.8   The HWB has statutory responsibility for allocating money from the Better Care Fund. This fund was announced by Government in June 2013, and is a pooled budget to support health and social care services to work more closely together in local areas. Additional funding will come from the Local Development Fund which is made up of investment from Clinical Commissioning Groups and Public Health. Funding will be used, for example in;
   • Co-ordination and commissioning of LLLB developments across Manchester.
   • Service and resource shifts supported by evidence based joint commissioning.
   • Recyclable investment, and scaling up of integrated out-of-hospital care.
   • Enabling innovation and testing of new delivery models.

7.9   So that there is effective oversight of the implementation of LLLB, and the allocation of resources from the Better Care Fund (BCF), the Council's external auditors have been provided with details of the governance structure of LLLB, a breakdown of the BCF

funding allocation for 2014/15 and 2015/16, the BCF submission in February 2014 and feedback on the submission received from NHS England in April 2014.

7.10   A 20% shift from acute to out-of-hospital care over the next five years is required, which means change at significant scale. Challenging performance targets have been developed to monitor progress over this period.

7.11   Reporting to the Health and Wellbeing Board is the Executive Health and Wellbeing Group. This provides a forum for close joint working of the Chief Executives of the partner organisations. The Group's remit includes;
   • Shaping decisions for integrated working for recommendation to the Health and Wellbeing Board, and ratifying vision proposals and implementation plans.
   • Delegating key tasks to a Citywide Leadership Group to deliver the programme of work required to implement the agreed vision.
   • Monitoring progress against programme milestones and delivery of intended outcomes.

7.12   The Mental Health Improvement Programme (MHIP) Partnership Board has been established to have responsibility for the work of the MHIP until the end of March 2015, in line with the Joint Manchester Clinical Commissioning Groups and the Council's Commissioning Intentions for Mental Health Services in Manchester 2015-2018. The Board is responsible for ensuring strategic alignment of the programme with Living Longer Living Better, with specific focus on residents whose needs are most complex. It will also ensure that the MHIP aligns with the City's priorities as set out in the refreshed Community Strategy and the Greater Manchester Strategy, with particular reference to sustained economic growth and reform of public services, to improve access to work through the complex dependency programme, e.g. Work Leavers Programme and Troubled Families.

7.13   The contractual relationship between the Council and Manchester Mental Health and Social Care Trust is underpinned by a section 75 agreement (NHS Act 2006), which sets out the delegated duties. This is monitored through monthly contract meetings and a Quarterly Board.

Strengthening Arrangements for Communication of Processes and Policies in the Context of Significant Internal Movement

7.14   Directorates' governance self-assessment questionnaires consistently identified a need for improved communication to all staff of key policies and procedures. Two focus groups, held in August 2013, to review how the organisation was being communicated to, suggested that the organisation had improved its internal communications, especially around the budget position. The IIP assessments process has also provided initial feedback that staff feel that they are being communicated with, that they have a good understanding of their service's business plan, and understand how their role contributes to its delivery.

7.15   Corporately, communication and engagement is delivered through the organisational management structure via a Wider Leadership Team and Senior Managers Forum and Directorate management structures. This is supported by a range of regular activities including the employee magazine 'Cascade', weekly employee broadcasts and the intranet supplemented by specific activity to communicate key messages. Although each directorate currently has its own communication strategies for ensuring messages reach

those parts of their workforce without intranet access, work is underway to provide a larger volume of employees with access to the City Council intranet and email as a minimum.

7.16   With regard to communicating key messages around organisational change in particular, all transformation projects include at least two 'Dialogue Events' for all staff involved.

7.17   The importance of providing an effective induction for staff who are both new to the organisation or who are moving across service areas was a priority within the 2013/14 HROD and Transformation Service Plan. This is of particular significance given the high volume of internal movement aligned to **m people**.

7.18   In support of the above, an updated induction process and guidance toolkit for managers has been agreed which makes clear to managers the importance of and expectations around induction for staff who move internally. Additionally, movement check lists have been updated to ensure Disclosure and Barring Service (DBS) requirements for roles are clear from the outset.

Low uptake of Key Essential E-Learning Modules around Core Issues such as Data Governance

7.19   Directorates' governance self-assessments revealed that although a broad range of essential E-Learning modules are available, take up of modules relevant to particular services could be improved.

7.20   The Council is increasingly utilising E-Learning to deliver learning and development activities, some of which is mandatory for all staff, or for specific groups. It is made clear to all staff that they should take personal responsibility for ensuring they complete all mandatory activity, with line managers acting to provide assurance of this.

7.21   To improve the quality of reporting on E-Learning, which will support managers and course sponsors, training has been delivered to staff who will have responsibility for reporting on participation. There are also plans to utilise a scheduled reporting procedure to automatically generate information which will support assurance in this area. A suggested governance and administration structure for e-learning has been developed. This clearly articulates the roles and responsibilities of staff, managers, HROD, the Shared Service Centre and the course commissioner / sponsor.

Information Governance, including Data Quality and Freedom of Information Requests

7.22   The importance of focus on information governance is highlighted by Directorates' self assessments which indicate a challenge in ensuring all staff fully understand procedures and their responsibilities in this area.

7.23   There is a risk that poor data quality will lead to ill-informed decisions at a case, managerial or strategic level. High quality data is reliant on accurate data entry and effective system functionality across an array of systems and involving significant numbers of staff. As data quality remains a key issue, the Council is continuing to progress a programme of data quality improvement, which involves a review of policies and procedures, action plans for individual systems to assess and improve data quality where required and investment in system changes which will enhance the accuracy of

data capture. The programme of activity is being overseen by the Assistant Chief
Executive (Finance and Performance).

7.24   The Council continues to receive a high level of requests for information, and work is
        underway to embed responsibility for dealing with such requests within the appropriate
        Council Directorate. Support on complex requests is being maintained as needed by
        specialists based centrally. Work will be undertaken to review and update Information
        Governance policies and guidance. Training relating to information security and
        governance remains a high priority, targeting for example take up of corporate e-learning
        training modules particularly as part of induction procedures. The Council has recently
        agreed to a consensual audit by the Information Commissioner's Office in relation to the
        Council's data protection practices. The audit, which is scheduled for December, will
        provide an opportunity for the Council to review its areas of good practice and consider
        in the light of the Information Commissioner's audit recommendations where
        improvements might be appropriate.

        ICT Security and Resilience

7.25   ICT improvements remain a high priority for the Council in 2013/14. The reason for this
        is that historic underinvestment had led to reliance on out of date infrastructure and
        systems. Essential work was required to move towards a reliable service which can
        meet the needs of the business, its stakeholders and residents. Due to the extensive
        nature of the programmes of work started following a major review of ICT Strategy in
        October 2011, progress was ongoing in 2013/14.

7.26   Infrastructure investment includes the Telephony Project, which delivers an integrated
        modern telephony system. Benefits to this include reduced outages, and the ability for
        users to be able to login to any phone irrespective of location. Also, the Council's Wide
        Area Network (WAN) is currently being upgraded to bring greater speed and reliability to
        the data connections between Council premises, which means that a failure of one site
        cannot cause multiple site failures.

7.27   A significant part of the fragility of ICT was due to the data centre environment where the
        Council's servers and applications were located, leading to ICT failures which posed
        increasing risk for the organisation. The investment made has been critical to reduce
        impact of ICT issues on citizens, officers and Members. To solve the issues with the
        data centre environment, a new centre has been built at The Sharp Project to replace
        the existing data centre at Daisy Mill, completion is due in August 2014. Advantages of
        the new site are backup of power, applications and services, increased capacity,
        modernised servers, and disaster recovery via a connection to Salford Council's data
        centre.

7.28   Business continuity plans are in place to identify, and mitigate against risks involved with
        the complex infrastructure changes which are being made. Significant planning work is
        carried out for each major ICT change, which is overseen by the Business Continuity
        Change Board to ensure robust continuity arrangements are in place.

7.29   The infrastructure improvements will allow the introduction in 2014 of a modern software
        suite, in the form of Microsoft Office 365. New features will be added each year at no
        additional cost. Mobile working for staff will be easier, as services will be accessible on
        smart phones, tablets and mobile devices.

7.30   ICT will need to enhance and continue to ensure security of service by implementing controls to protect against security threats including virus attacks, spam emails and service attacks. ICT also undertakes, and needs to continue to deliver, external penetration testing activities, so that no vulnerabilities in any of the Council's security controls are exposed. ICT will continue to make regular updates to the ICT infrastructure with recommended vendor patches, to mitigate the risk of any vulnerability. ICT continues to address challenges concerning the limited capacity of the security team resources through a review of roles and responsibilities.

7.31   To improve the security measures governing the granting of ICT access, a process has been introduced which means all new access requests must be approved by HROD, to confirm they are an employee, and to the Directorate SIRO to ensure that the level of access is proportionate to the role the individual is undertaking.

Impact on Resources of Welfare Reform

7.32   The Council set up a Welfare Reform Programme Board in September 2012 to provide strategic direction for the response in Manchester, and to coordinate a programme of work across the Council and key partners. The Board monitors intelligence on the cumulative impacts at a local level, identifying existing and emerging areas of need and gaps in resources as well as ensuring that practical issues and actions are coordinated across the Council.

7.33   The Council's response has focussed on reducing dependency on services and promoting independence and responsibility, ensuring that residents have the information and advice they need to make informed decisions. Channelling communications and targeting those residents most affected by the reforms has been a key priority for the board. For those who are out of work and able to work, the priority is to support them into employment.

7.34   Initiatives with partner organisations and stakeholders, to provide the most cohesive response to affected residents, have been vital to avoid duplication of effort and resources. Effective neighbourhood level intelligence has allowed targeted cross-agency action including employment and IT support, budgeting advice, and joint Council and housing provider working to support households in the social sector affected by under-occupancy and the benefit cap.

7.35   The Council has also ensured that relevant staff have been trained on the impact of welfare reform. A presentation has been produced for circulation to all Council staff and partners. Information is regularly shared via ward coordination meetings and Members briefings have been carried out in all of the SRF areas.

7.36   The Council will continue to plan for the ongoing changes in terms of communications, engagement with residents and responding to the impacts, many of which have only just started to be understood as the cumulative impact is felt within households and communities, including the household benefit cap from August 2013.

7.37   The Council's focus over the next year will include;
- Explore the longer term effects of welfare reform on neighbourhoods across the city, such as the movement of households and the impact on family poverty and children.

- Monitor and where possible support and respond to the early impacts of the household benefits cap.
- Develop the Council's role in relation to the implementation of Universal Credit including the Local Support Services Framework, IT skills and budgeting support and communication with residents.
- Review and administer any discretionary areas in accordance with Council priorities with a focus on independence and the journey into sustained employment where possible.
- Work with partners to provide relevant and timely employment support.
- Commission advice services in accordance with Council priorities.
- Delivery of the second year of the Council Tax Support Scheme and delivery of associated work to support vulnerable residents.
- Roll out of Universal Credit from September 2014.

8 Future actions for further improvements to governance arrangements

8.1   The review of governance arrangements has identified seven main areas where the Council will need to focus its efforts during 2014/15.
- Supporting the implementation of the Growth and Reform Plan by working with partners to help people become more resilient, develop valuable skills and access employment opportunities.
- Establishing successful partnerships to deliver reform work including complex dependency and Healthier Together / Living Longer, Living Better at a sustainable level and at the scale and pace required.
- Designing savings proposals for 2015/16 and 2016/17 in tandem with partners to make best use of the resources available to public services in the city.
- Ensuring high standards of partnership governance: mental health and new ways of working.
- Protecting information and outcomes of the Information Commissioner's Office (ICO) audit.
- ICT security, resilience and capacity to support transformation.
- Internal communications, training and support.

8.2   Progress against the areas listed above will be reported to Finance Scrutiny Committee in an action plan in January 2015.

8.3   The Council assesses potential impacts of new legislation coming into force, to ensure that it can implement new responsibilities in a way which supports its objectives. Work is underway to assess the local effects of the Local Audit and Accountability Act 2014, which will extend the Council tax referendum provisions included in the Localism Act, and introduce a new regime for the auditing of public bodies. In May 2014, the government published the Local Government Transparency Code 2014, part of which is due to become mandatory subject to parliamentary approval in August 2014. The purpose of the code is to make more data held by the Council openly available to residents and stakeholders, so that they can participate fully in the local democratic process, and hold the Council to account.

8.4   The Care Bill will change how local authorities assess and fund adults' care needs and introduce new duties based on individual wellbeing, and is designed to mitigate pressures on self-funders and carers. Financial implications of the Bill, from April 2015,

will largely arise from additional duties to provide assessment, care, and support planning for people who currently fund their own care, people in prison and carers. Some of the costs will be met from the Better Care Fund.. Financial modelling of the potential impact of the Care Bill is in the early stages and much more work is required to effectively project the impact.

Conclusion

8.5   The governance arrangements as described above have been applied throughout the year and have provided an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Council will continue the operation of its governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Signed…………………………………………………………………………
Leader of the Council

Signed……………………………………………………………………………..
Chief Executive