

**Manchester City Council
Report for Resolution**

Report to: Standards Committee –25 June 2012
Subject: Draft 2011/12 Annual Governance Statement
Report of: The Chief Executive and The City Treasurer

Summary

To present the draft Annual Governance Statement, which has been produced following completion of the annual review of the Council's governance arrangements and systems of internal control.

Recommendations

To comment and note the findings of the Annual Governance Statement and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2012/13.

Wards Affected: N/A

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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 Standards Committee are asked to note the findings of the 2011/12 AGS and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2012/13.
- 1.3 A draft AGS was presented to Audit Committee on 7 June 2012 and Finance Scrutiny Committee on the 24 May 2012. The comments of both Committees have been reflected within the latest draft of the AGS.
- 1.4 The draft 2011/12 AGS is attached as Appendix 1 to this report.

2. Structure of the 2011/12 AGS

- 2.1 The structure of the AGS has been updated in line with feedback from Audit Committee, Internal Audit and our External Auditors and after reviewing the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) guidance on Framework for Delivering Good Governance in Local Government.
- 2.2 The Statement comprises the following eight sections
 - The Relevant Body's Scope of Responsibility
 - The purpose of the governance framework
 - Context of the AGS
 - The Governance Framework and how the principles in the Code of Corporate Governance are met
 - Review of the Effectiveness of the Governance Framework
 - Progress in Governance Issues Identified from 2010/11 AGS
 - Significant Governance Issues Identified during 2011/12
 - Future Actions for further Improvements to our Governance Arrangements.

3 Next Steps

- 3.1 Grant Thornton our external auditors, will be conducting its annual review of the 2011/12 AGS as part of their work to inform their Value for Money Assessment on the City Council's Accounts.
- 3.2 A final AGS will form part of the Final Accounts that are reported to Audit Committee on 12 July 2012. Following that the AGS will be available on the Council's website. Hyperlinks are embedded within the document to direct readers to sources of further information.



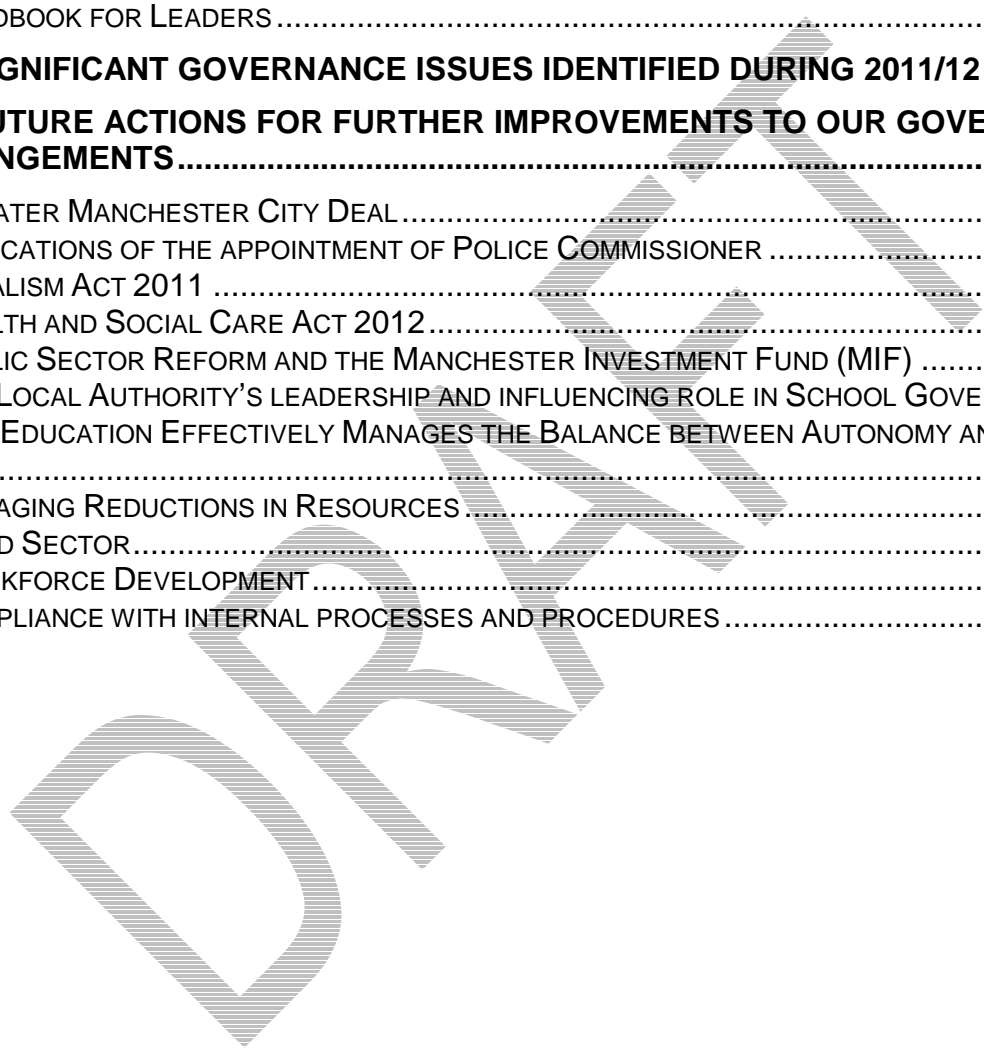
MANCHESTER
CITY COUNCIL

Manchester City Council
Annual Governance Statement 2011/12

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Manchester City Council Annual Governance Statement 2011/12

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 are followed. It must also ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Manchester City 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 for facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Manchester City Council adopted a Code of Corporate Governance in June 2008 which is incorporated in the [Council's Constitution](#) (part 6 section G). 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](#) (2007).
- 1.3 This Annual Governance Statement (AGS) explains how the Council has complied with the Code of Corporate Governance and also meets the requirements of regulation 4(3) of the [Accounts and Audit \(England\) Regulations 2011](#) in relation to the publication of an AGS that accompanies the Annual Accounts.
- 1.4 The AGS aims to provide brief information about the different elements of our governance framework, key issues and the main areas of work that have been progressed during 2011/12 and are being developed going forward in 2012/13. 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 authority is directed and controlled, and through which it accounts to, engages with, and where appropriate, leads the community. It enables the authority to monitor the achievement of its strategic objectives as set out in the ['The Manchester Way: Manchester's Community Strategy 2006 – 2015'](#) and the [Corporate Plan 2011-2014](#), and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These are underpinned by the values of People, Pride and Place.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Manchester City Council policies, aims and objectives. It should also evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 Manchester City Council has been working to its Code of Corporate Governance for the year ended March 2012 and up to the date of approval of the Annual Report and Statement of Accounts.

3. Context of 2011/12 AGS

- 3.1 In Autumn 2010 the Government published its [Comprehensive Spending Review \(CSR\)](#) which outlined the spending plans for 2011/12 to 2014/15. This indicated substantial reductions in public expenditure. The CSR outlined real term reductions of 28% in Central Government funds for local government. While the CSR covers a four year period, it was made clear that the financial settlement would only cover a two year period (2011/12 and 2012/13). During this time a fundamental review of how local government would be funded in future would be carried out. The implications of the local government settlement 2011-13 were reported to Manchester City Council's Executive on [16 February 2011](#).
- 3.2 The delivery of a sustainable budget over the longer term is dependent on the delivery of economic growth and linking this to the residents who live in the City. Through public sector reform we need to reduce levels of dependency and hence the need for public sector spend.
- 3.3 Throughout 2011/12, the Council has been driving its public service reform work. This has culminated in the agreement of the award of the Whole Place Budget Pilot in December 2011 and a package of proposals agreed with Whitehall as part of the City Deals announced in March 2012. The whole area budget pilot will test the concept of community budgets as a way of accelerating the pace and scale of reform to integrate health and social care, transform the justice system, increase early intervention with children in their early years and reduce the number of troubled families.

Economic Growth

- 3.4 Greater Manchester has significant economic potential which if properly supported can generate jobs and growth that will impact on the economy of the UK as a whole. [The Greater Manchester Local Economic Partnership \(LEP\)](#) and all ten local authorities in Greater Manchester are working to deliver a single investment strategy, underpinned by a new Greater Manchester Investment Team who are based at Manchester City Council. The strategy is underpinned by the availability of a range of financial support, totalling more than £100m. These include the Regional Growth Fund (RGF), Growing Places Fund (GPF), Evergreen Fund, European Regional Development Fund (ERDF), Homes and Communities Agency. Each of the funds has different eligibility criteria, which means that a broad spectrum of development propositions can be considered.
- 3.5 The City Deal empowers the region to maximise economic growth through a range of agreements between the Government and Greater Manchester Combined Authority (GMCA). The centrepiece of the City deal is a payment by results Infrastructure Fund where Greater Manchester will 'earn back' part of additional tax revenue from Gross Value Added (GVA) increases resulting from up front investment in infrastructure. This is forecast to unlock £1.2bn of infrastructure investment, generating a 30-year revenue stream of up to £30m a year from 2015. A Greater Manchester Investment Framework will be established to align core economic development funds.

- 3.6 At the heart of [Manchester's Community Strategy 2006 - 2015](#) is the imperative to link Manchester residents with the economic growth of the city, to reduce worklessness and to improve skills. Public Sector Reform involves reforming the way residents receive services and in doing so reduces dependence on high cost public services.

Manchester Investment Fund (MIF)

- 3.7 The objectives of public sector reform and community budgets are to:
- Adopt progressive approaches to resource reduction to sustain improvement;
 - Create incentives and removing blockages for investment across agency boundaries and into earlier intervention;
 - Be underpinned by integrated decommissioning and recommissioning;
 - Drive cashable savings from investment to scale up reform and reduce levels of spend.
- 3.8 The [MIF](#) is Manchester's version of a Community Budget for Complex Families. [The Budget and Council Tax 2011/12 Budget](#) established the MIF in order to pull together the budgets that are focused on complex families into a single budget across the Council. The fund includes elements of the Supporting People Budget, Early Intervention Grant (EIG), funding for family intervention projects and funding for drug and alcohol treatment. The work will be underpinned by an Investment Agreement with partners underpinned by robust evidence on what works.

Review of the Manchester Partnership

- 3.9 Throughout 2011/12 there have been significant changes to the governance structures of the [Manchester Partnership](#). The Partnership includes Executive Members. Locally elected members take an overview of partners' contribution to strategic priorities for the city through the scrutiny process. [Thematic Partnerships](#) have been rationalised but continue to direct and co-ordinate activity that deliver [Manchester's the Community Strategy 2006-2015](#). The main governance changes are summarised in [paragraph 5.16](#).

Service Transformation

- 3.10 A service transformation programme was underway before the announcement of the financial CSR settlement in autumn 2010. However, the pace and scale of change required to deliver the priorities for the Council and the City was accelerated. This has resulted in fundamental changes to the way in which the Council is organised and services are delivered. The impact of this transformation process has been significant with more than 2,000 people leaving the Council mainly through the large scale voluntary early retirement / voluntary severance scheme. This pace and extent of change presented risks to the delivery of budget savings and achieving objectives. These risks have been managed and monitored through the [Medium Term Financial Plan 2010/11 to 2012/13](#) and [m people](#).
- 3.11 [m people](#) was agreed with Trade Unions in November 2010 in preparation for the scale of transformation required. It set out a framework to more flexibly deploy the workforce to areas of greatest need and develop skills for the future. [m people](#) enables movement and development of the existing workforce, providing entry level rates for Manchester residents through apprenticeships. This, in turn, supports the Council's priority of reducing worklessness in the City. The direction of travel and approaches to resourcing is reflected within the refreshed [People Strategy](#). (See paragraph 4.18-4.20 for further information).

- 3.12 2011/12 was also a period of considerable legislative change.

The Localism Act 2011

- 3.13 [The Localism Act 2011](#) was passed on 15 November 2011. Implications for governance include the abolition of the Standards Board and greater local control over business rates. With the abolition of the Standards Board the Council will need to adopt its own Code of Conduct for elected and co-opted members of the Council and put into place its own arrangements for investigating allegations of misconduct by elected Members and for decisions to be made in relation to them. It will also be a criminal offence for an elected Member to deliberately withhold or misrepresent a “disclosable pecuniary interest” in a matter. See [paragraph 8.5](#) for further information and [paragraph 6.10](#) for how the Council has progressed implementing the Act.

Health and Social Care Act 2012

- 3.14 The [Health and Social Care Act 2012](#) will lead to major restructuring of healthcare services, councils' responsibilities for health improvement and the coordination of health and social care. The Act devolves power and responsibility for commissioning of NHS Services, creates a new role for local authorities in public health and establishes new accountability and scrutiny arrangements. An independent NHS Commissioning Board and statutory health and wellbeing boards, at local authority level, are expected to be in place by April 2013. Paragraph 5.16 outlines Manchester's Health and Well-Being Board that is currently operating in shadow form.

Education Act 2011

- 3.15 The [Education Act 2011](#), passed on 15 November 2011, signalled significant changes to the relationship between local authorities and schools. The Council has established and commissioned [One Education](#), a wholly owned Manchester City Council company, to assist the local authority to respond to the changes in a positive way, both in terms of the interface with schools and in providing challenge as champions of children in the City. See [paragraph 8.11](#) for further information about One Education.

Greater Manchester Combined Authority (GMCA)

- 3.16 From 1 April 2011 the first ever Combined Authority came into being. [Greater Manchester Combined Authority \(GMCA\)](#). The GMCA is a unique model of governance for a city region, provided for by the Local Democracy, Economic Development and Construction Act 2009. Whilst it builds on the AGMA model of voluntary collaboration between local authorities through a Joint Committee, the GMCA is a statutory body with its functions set out in legislation. These functions, which cover the Greater Manchester area, include all the transport functions previously overseen by GMITA, plus some economic development and regeneration functions. A new set of transport functions, notably those adopting responsibility for traffic light signals and reports on road traffic levels have also been delegated by the constituent councils to the GMCA. The aims of [GMCA](#) will also be complemented by the work of [AGMA](#) which continues to collaborate across the city region on health; public protection; housing; strategic planning; environment; improvement and efficiency; and grants.

Greater Manchester Local Enterprise Partnership (GMLEP)

- 3.17 The [Greater Manchester Local Enterprise Partnership](#) (GMLEP) is a business-led partnership between local government, businesses, further and higher education bodies and voluntary and community sector organisations. GMLEP plays a key role in shaping strategy and overseeing delivery in a number of areas:
- Employment and Skills
 - Business Support for New Businesses and Growth
 - Inward Investment and International Trade
 - Marketing and Tourism
 - European Funding
 - Low Carbon Economy
 - Planning, Housing and Transport
 - Research and Strategy Development
- 3.18 Although not a formal part of the GMCA governance arrangements, the GMLEP includes representation from the Chair and Vice Chairs of the GMCA. Minutes of the GMLEP are reported to GMCA, who integrate Local Authority economic development functions as delegated by the Greater Manchester districts.
- 3.19 In March 2011 a new [Local Investment Plan \(LIP2\)](#) was agreed as a prospectus for public and private sector investment in GM regeneration and housing. This supported all GM authorities working together through AGMA and with the [Homes and Community Agency \(HCA\)](#) in developing new models of investment, agreeing overall priorities and improving autonomy around sign off processes.
- 3.20 The key governance arrangements for the [GMCA](#) and the Transport for Greater Manchester Committee (TfGMC) are prescribed in the [GMCA Order 2011](#). These arrangements are supplemented in the [GMCA constitution](#) and the [GMCA Operating Agreement](#), which deals with the respective roles of the GMCA, the TfGMC and Transport for Greater Manchester (TfGM) in delivering efficient and effective transport arrangements for the Greater Manchester Region. As a statutory body, GMCA is obliged to produce an [Annual Governance Statement \(AGS\)](#) which provides more fuller details about its governance arrangements and a review of their effectiveness.
- 3.21 [Transport and Economic Development Protocols](#) deal with arrangements for the [GMCA](#) to discharge functions (including Post-16 Education and Training; Air Quality; Housing Strategy; Sustainable Community Strategy; Visitor and Conference Promotion) which are more efficiently and effectively dealt with at a "regional" level.
- 3.22 Following the creation of [GMCA](#) and [GMLEP](#), [AGMA's governance arrangements](#) were reviewed and a revised [AGMA constitution](#) has been adopted.

4. The Governance Framework

- 4.1 Manchester City Council's Code of Corporate Governance has been aligned with the guiding core principles contained with the CIPFA/SOLACE [framework for delivering good governance in local government](#) (2007). Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The Code of Corporate Governance, contained within the Council's [Constitution](#) supports the Council in

translating the Council's Pride in Manchester as a Place and its Pride in the People of Manchester, into better lives for all of the city's citizens and communities. This section of the AGS summarises the six principles of the Code of Corporate Governance and the wider governance framework that supports its delivery.

- Principle 1: Focussing on the Council's Purpose and Community Needs;
- Principle 2: Having clear responsibilities and arrangements for accountability;
- Principle 3: Good conduct and behaviour;
- Principle 4: Taking informed and transparent decisions that are subject to effective Scrutiny and risk management
- Principle 5: Developing the Capacity and Capability of Members and Officers to Be Effective
- Principle 6: Engaging With Local People and Other Stakeholders to Ensure Robust Public Accountability

Core Principle 1: Focusing on the Councils Purpose and Community needs

Manchester's Vision

4.2 Manchester's vision is to be a world-class city with a larger population that is wealthier and living longer, happier and healthier lives in diverse, stable and cohesive communities. This is articulated in [The Manchester Way: Manchester's Community Strategy 2006 – 2015](#) which outlines the commitment to:

- Building and sustaining economic growth;
- Reducing dependency of complex families;
- Supporting public service reform.

4.3 [The Manchester Partnership](#) is a mature partnership of public, private and third sector organisations that work together to deliver Manchester's [Community Strategy Delivery Plan 2011-2015](#). The delivery plan describes the context and purpose of the strategy, along with the partnership structures and governance arrangements that have been developed to deliver the strategy.

4.4 Manchester City Council's [Corporate Plan 2011-2014](#) sets out further information about our vision, key strategies, priorities and related activities. It also includes the corporate values that underpin all our work.

Our Vision articulated in the Budget Setting Process

4.5 Spending decisions are based on the Council's priorities and the [budget principles](#) agreed as part of the 2011/13 budget process. These principles are based around the organisation's role as a leader of public service reform and provider and commissioner of universal and targeted services. It is also based on a strong commitment to neighbourhood focused working supported by a streamlined core of corporate services. The budget proposals are set out in the [suite of budget reports](#) for 2011/13. This work has been underpinned by the Council's values of [People, Pride and Place](#) and a commitment to developing the skills of the workforce aligned to the principles of [m people](#) (see paragraphs 4.18-4.20).

Creating a Vision for the Local Area

- 4.6 Local councillors alongside local businesses, residents, public, private and voluntary sector organisations are crucial in creating a vision for their local areas. Underpinning the vision are local plans and ward plans. Local Plans have been developed where neighbourhoods will undergo significant long-term transformation. These plans analyse the existing physical, social, economic and environmental conditions in an area. Ward Plans are developed for every ward in the city and their key focus is in improving services at the local level. Ward plans highlight the aims and objectives being undertaken to achieve the transformation of neighbourhoods across the city and clearly articulate the priorities for each ward.
- 4.7 Ward councillors will, through structures such as ward coordination, ensure that a neighbourhood focus is maintained and outcomes are delivered that meet the needs of individual wards and its communities. The ward coordination process will be responsible for identifying the needs of residents and their respective neighbourhoods. Services that are integral to the ward coordination process will ensure that issues raised are dealt with and outcomes fed back through the ward coordination system.

Implementing a Vision for the Local Area

- 4.8 Manchester as a geographical area has been grouped into six Strategic Regeneration Framework (SRF) areas. Strategic Regeneration Frameworks (SRF) provide a long term vision for an area. They set a broad spatial framework within which investment can be planned and guided to make the greatest contribution to social and economic objectives. SRFs reflect the aims of the Community Strategy and address how they contribute to the City's objectives.
- 4.8 The Strategic Regeneration Framework (SRF) Delivery Groups deliver SRF priorities. Membership of the SRF Delivery Groups includes Senior Management Team (SMT) officers and representatives from Job Centre Plus, further education colleges, third sector organisations and primary & secondary healthcare providers.
- 4.9 The SRF Delivery Groups ensure the co-ordination and effective delivery of neighbourhood focused services; develop shared outcomes and performance management tools and structures, derived from citywide models. This enables all members of strategic partnerships to learn from, scale-up and roll out lessons from specific initiatives. There needs to be consistency of approach adopted across all SRF delivery groups. Governance arrangements of SRF's including member engagement, are under regular monitoring to ensure a consistent approach across the city.
- 4.10 For neighbourhood working citywide, accountability and scrutiny is via the Manchester Board, Neighbourhoods Board and Manchester Investment Board. At neighbourhood level, wards remain the fundamental building blocks for service delivery and the key accountability to Members is through ward co-ordination. Members are consulted and engaged with key regeneration initiatives at SRF member briefings, through ward co-ordination and where relevant local plan steering groups.
- 4.11 The Neighbourhood Focus Strategy sits at the heart of Council priorities. It is an essential component in the delivery of the Community Strategy and our services enabling us to create successful neighbourhoods which attract and retain people from diverse communities and in which people feel secure and supported. It is central to the way we

respond to the needs of the communities that live and work in Manchester. Working at a neighbourhood level allows us to be much more responsive as well as more efficient and effective in our use of resources.

Reviewing the Vision

4.12 We review the implications of our vision on our governance arrangements through:

- Regular refreshes of the Community Strategy and Strategic Regeneration Frameworks.
- [The Medium Term Financial Strategy \(MTFS\) 2010/11 to 2012/13](#) and the Budget Report for 2013/15 sets the approach for the next two years.
- A new [Performance Management Framework](#) (PMF) introduced in 2011/2012 presents robust performance and financial information to inform how best to use resources to focus on achieving the outcomes of the [Corporate Plan 2011-2014](#) and [The Manchester Way: Manchester's Community Strategy 2006 – 2015](#). The new PMF has strengthened the business planning process, the corporate and Directorate performance dashboard reporting and has enabled an improved understanding of the drivers for performance through the interdependencies between performance, cost, risk and value for money. This has enabled reporting of performance data to be more open and transparent. Scrutiny is provided through the [Overview and Scrutiny Committees](#).
- Regular [resident consultation and engagement activities](#).
- Engagement with staff, to help assess how we support them and deliver against our commitments to People. Staff engagement is through a number of mechanisms; including appraisals, 1to1 meetings between staff and managers and regular employee surveys. The last employee survey took place in 2011.

Communicating the Vision

4.13 Effective external communication of our vision, purpose, and performance is through:

- The Council website. SOCITM (national body for local authority communications and IT management) awarded our website 4 stars, the highest possible rating. The website has also been named best in the North West;
- Key publications such as [The Annual Report](#); [State of the City](#) and [State of the Wards](#);
- [Activity-based consultation](#) - providing people with an opportunity to share views and opinions on our future plans and our performance in delivering services. Consultation exercises included [The Budget and Council Tax 2011/12 Budget](#)
- Communication tools including social media sites; Blog Networks to make use of key bloggers across the city to promote our key messages;
- Effective working arrangements with our media partners, including the Manchester Evening News (MEN), local media news services, Manchester Confidential, business specific media and online marketing solutions;
- Manchester Library Business Information Services ;
- Business Enterprise Network;
- Housing Association links;
- The Manchester College;
- Marketing Manchester ;

- Cityco Monthly communications;
- Regeneration Teams and Ward Coordinators;
- School Newsletters;
- Leaflets such as About Your Services and Education Benefits;

Value for Money

- 4.14 Manchester City Council [Value for Money Strategy 2010-2013](#) was approved in 2010. The Strategy defines Value for Money (VfM) as: *“about obtaining the maximum benefit from the resources available to the organisation. It is often defined as achieving the right balance between economy, efficiency and effectiveness, the 3 E's - spending less, spending well and spending wisely. For Manchester this means delivering the best services at the lowest possible costs to our residents.”*
- 4.15 The [VFM Strategy](#) is regularly monitored through the VfM action plan. In addition, VfM is an integral component of the Council's business planning process and is integrated and monitored through the [Performance Management Framework](#) (PMF).

Failure in Service Delivery

- 4.16 The Council is committed to ensuring the highest possible standards of public accountability. It operates a well published [Complaints procedure](#). Grievances against the Council can be reported directly to the Council's Corporate Complaints team, local Councillors or the local government ombudsman. The Complaints procedure is published in the booklet [“Comments, Compliments and Complaints – Let us know what you think about Council services”](#). Staff policy and procedures guidance is also available.

Principle 2: Having Clear Responsibilities and Arrangements for Accountability

Having clear responsibilities and arrangements for accountability;

- 4.17 In order to achieve this we have:
- A clear statement of the respective roles and responsibilities of all Councillors and senior officers;
 - Clear guidance for Councillors on their individual and collective roles and responsibilities when working with partners;
 - The Council's [Constitution](#) which includes a Scheme of Delegation that states which senior officers have which delegated powers. The Constitution is reviewed annually to ensure it reflects political and organisational changes in the national and local context;
 - The Code of Conduct for Members and Code of Conduct for Employees in the Council's Constitution (Part 6, Section A and Part 6, Section E respectively);
 - The Member/Officer Relations Protocol set out in Part 6, Section F of the Council's Constitution. The Protocol ensures Members receive objective and impartial advice and that Officers are protected from accusations of bias and any undue influence from Members;
 - A Chief Executive who is responsible and accountable to the Council for operational management;
 - The Handbook for Leaders which is an internal Guide for senior managers to assist them to better understand and perform their duties. It brings together and summarises the various codes, policies and protocols concerned with the governance of the Council.

Throughout the guide there are signposts to more detailed policies and procedures and training opportunities.

Principle 3: Promoting the Values for The Authority And Demonstrating Values Of Good Governance Through Maintaining High Standards Of Conduct And Behaviour.

People Strategy and m people

- 4.18 The [People Strategy](#) sets out the organisation's key priorities in relation to developing and supporting its people between now and 2015. The Strategy was refreshed in March 2012 within the context of the evolving role of the local authority from direct provider to enabler of public services and the people requirements of the Council's transformation programme. It is supported by [m people](#) and also the organisation's Values of [People, Pride and Place](#).
- 4.19 [m people](#), launched in January 2011, provided a structured framework for supporting staff movement across the organisation and enabling staff development. [m people](#), with its nine underpinning principles, drives transformation to a smaller, more agile and skilled workforce. [m people](#) has enabled over 40 large scale service redesigns to be delivered during 2011/12, directly impacted over 5,000 employees and supported the achievement of circa. £57 million in workforce savings. Since March 2011 over 3,000 [m people](#) placements have been made.
- 4.20 The focus in the coming year will be on developing staff whilst continuing to stimulate movement and embedding [m people](#) within the organisation.

Officer Competencies

- 4.21 As part of the Council's Transformation Programme, services have been redesigned to strengthen their outward focus on achieving outcomes for residents. Employee job roles have been reassessed to clearly identify the key competencies of the job profile. We have moved from specific job descriptions towards generic, flexible role profiles that reflect the organisation's evolving role in light of public service reform. To reflect this approach, we now have nine behavioural competencies. Demonstrating the competencies and values is a core component of the recruitment and selection process, staff assessment and appraisal.

Conduct and Behaviour

- 4.22 The Code of Conduct for Members and Code of Conduct for Employees, referred to in paragraph 4.17 above, sets out high standards of personal conduct and behaviour based on the [7 principles of public life](#) enunciated by the Nolan Committee. The shared object of these codes is to enhance and maintain the integrity (real and perceived) of local government. The Member/Officer Relations Protocol, also referred to in paragraph 4.17 above, reflects the principles underlying the Code of Conduct for Members ("the Members' Code") and the Code of Conduct for Employees ("the Employees' Code").
- 4.23 The [Standards Committee](#) reports annually on ethical governance within the Council. Alongside the Audit Committee it has overview of the Council's [Whistle Blowing Procedures](#). The Council's [Whistle Blowing Policy](#) enables employees and others to raise matters of concern about potential malpractice, in any respect of the Council's work.

- 4.24 To prevent Members from being influenced by prejudice, bias or conflicts of interest, we maintain and perform regular checks on our [Register of Interests](#) for Members.
- 4.25 The Council also operates an [Anti Fraud and Anti-Corruption Policy](#) relating to anti-bribery and money laundering regulations, all supported by detailed operational procedures. Further guidance on the policies is provided in the Handbook for Leaders, a guide for Senior Managers.
- 4.26 The Council's diverse learning and development programme raises staff awareness and equips staff with the skills and tools required to effectively deliver good customer service and sound financial management practices.

Principle 4: Taking Informed and Transparent Decisions that are Subject to Effective Scrutiny and Managing Risk

Informed and transparent decision making

- 4.27 The [Council's Constitution](#) sets out the decision making framework and processes. Paragraph 4.17 above provides further information.
- 4.28 Key and major decisions taken by the [Executive](#) and Regulatory Committees are made in public meetings (subject to limited exemptions). Agendas and reports are made available to the public well in advance of meetings. The [Personnel Committee](#) makes key decisions in relation to the workforce, including the establishment of senior posts. From April 2012, these decisions will be made within the framework of the Council's [Pay Policy Statement](#), which will be refreshed annually in line with the requirements of the [Localism Act 2011](#).
- 4.29 The Council continues to deliver both its strategic objectives and services through partnership arrangements. The 2011 Register of Significant Partnerships lists details of those arrangements that are of key significance to the achievement of our outcomes. These partnerships are not uniform in their nature and cover a wide range of activities from The Manchester Partnership to major regeneration partnerships such as New East Manchester. The Council annually reviews the Register as part of the process of reviewing our governance arrangements.
- 4.30 A Partnership Governance Framework is in place to provide guidance and support to Council staff engaged with partnership working. The framework covers issues of accountability, managing risk, rationalise working arrangements and achieve value for money.
- 4.31 The Manchester Partnership's annual suite of [State of the City](#) reports and other needs assessments such as the [Joint Strategic Needs Assessment \(JSNA\)](#) informs our vision for Manchester, directs the development of commissioning intentions and the subsequent procurement activity within each of the partner organisations.

Business Planning

- 4.32 The Council's Business Planning process is a three year rolling cycle. The current cycle runs from 2012-2015. Overarching business plans are produced for the Directorate for Adults, Health and Well Being, Children's Services, Neighbourhood Services, the Corporate Core and the Manchester Investment Fund. Each Strategic Director provides assurance and evidence of how its directorate operationalises the delivery objectives of

[The Manchester Way: Manchester's Community Strategy 2006 – 2015](#). Directorate Business Plans also set out how corporate values of [People, Pride and Place](#) and corporate priorities are reflected in the directorate's work. The business plans include budget delivery and workforce development plans. Business plans are available for call in by Scrutiny Committees. The final versions of the plans are informed by feedback from the scrutiny committee process.

- 4.33 Directorate Business Plans direct the work of individual services and teams. Staff are set objectives to further their service/team plans via the appraisal process. Communication events and information is circulated to assist staff to understand how their daily work impacts on achieving positive outcomes for residents.

Use of Information

- 4.34 The [Performance Management Framework \(PMF\)](#) provides decision makers with the performance and financial information needed to allocate resources. PMF aligns people, physical assets and financial resources across agencies. (See paragraph 4.12 for further details).
- 4.35 The Council's is continuing to develop an Intelligence Hub to support integrated commissioning. The prototype version will be in place by 31 May 2012. It will be further developed in 2012-13. The Intelligence Hub will become a live source enabling decision makers and commissioners to access more timely information. It will include an interactive, public-facing web tool that will bring together:
- The [State of the City](#) reports;
 - [Joint Strategic Needs Assessments](#);
 - [ward profiles](#);
 - performance information dashboards and statistics;
 - Links to advice and guidance about procurement, commissioning and the provisions of the [Data Protection Act 1998](#) and the [Freedom of Information Act 2000](#).

The Equality Act 2010

- 4.36 The Council must consider its obligations under [Section 149 of the Equality Act 2010](#). The Council is committed to demonstrating due regard in the execution of all of its existing and planned functions by extending its [Equality Impact Assessment](#) (EIA) framework. An internal audit of this framework in October 2011 offered substantial assurance over its robustness and effectiveness in assisting the decision making process. The internal audit report made recommendations to strengthen some areas that impact governance arrangements, including the approval process for final sign-off of the EIAs, publication arrangements and accessibility improvements to improve website navigation. The Council will continue to address these areas and progress improvements.

Scrutiny Committees

- 4.37 [Scrutiny Committees](#) review decisions made by the Council and makes recommendations to ensure that the people of Manchester get the best out of their public services and that they are delivered in the way residents want. Membership includes at least seven elected members.

Publication of Committee Papers

- 4.38 The [Forward Plan](#) contains all the key decisions that the Council expects to make over the next four months. The plan is rolled forward every month. The Forward Plan and [Executive and Committee agendas](#) are published in advance of the scheduled meetings. They are available to the public, along with reports and Minutes, on the Council's website. Key decisions delegated to officers are recorded and publically available on request.

Risk Management

- 4.39 The City Treasurer has overall responsibility for the Risk Management function and the Head of Internal Audit and Risk Management manages these functions. The Risk Management function is primarily concerned with:
- Reviewing governance, risk management and internal control arrangements;
 - Providing support in improving arrangements for the identification, evaluation and management of risks, including the provision of health and safety support, business continuity planning and insurance;
 - Reviewing strategic risk management and business continuity arrangements as set out in the [Corporate Risk and Resilience Strategy 2012](#).
- 4.40 The [Corporate Risk and Resilience Strategy 2012](#) sets out the objectives and priorities for risk and business continuity. It is set within the context of changes in governmental policy, Public Service Reform, fiscal constraints and the Council's transformation programme.
- 4.41 The Corporate Risk and Resilience Team (CRRT) has designed and implemented an approach to corporate risk reporting that reflects the Council's growing risk maturity. It allows a sharper focus on intervention and action within the broader context of the risk landscape in which the Council operates. The approach distinguishes between the external, strategic risks and the key risks relating to internal operation and governance. The key strategic, external "outward facing" risks are at least partially dependent on external factors such as changes in national policy and the external economic environment. "Inward facing" internal operation and governance risks are those directly within the control of the Council through its strategies, policies, structures, business planning and reporting frameworks.
- 4.42 The Council's Strategic Directors and their management teams identify, scrutinise and manage the risks to the delivery of their business plans and broader strategic risks to their service in a Directorate Risk Register.

Principle 5: Developing the Capacity and Capability of Members and Officers to Be Effective

- 4.43 A cross party Member Development Group chaired by the Deputy Leaders meets regularly to discuss the development needs of Councillors. The group agrees their overall strategy for learning and development as well as considering individual training requests. A new personal Member development planning programme was successfully piloted during 2011/12 and will be rolled out during 2012/13. The induction programme for new members has been revised in light of feedback received from newly elected councillors during the May 2011 election. It includes sessions on the decision making process and appropriate Members conduct and behaviour. We will continue to operate internal training courses and signpost Members to training opportunities, including online courses and programmes provided by The North West Employers Organisation.

4.44 Public Sector Reform (PSR) is increasingly important. Briefing sessions continued to be offered by Strategic Directorate teams on changes and potential changes as a result of PSR.

4.45 During 2011/12 Members training sessions included:

- Putting Fairness at the Heart of Budget Decisions;
- Early Intervention for Families at Risk;
- Championing Health in Your Community;
- Localism for the New Councillor;
- MCC's Budget & Business Planning Process;
- Equality Impact Assessments;
- Localism Act Seminar: Preparing a Pay Policy Statement;

4.46 The Member's dedicated Intranet Site has been developed to signpost Councillors to information that is specifically of relevance to them. Members also have access to the same information as staff via the Council's Intranet Site.

Connect Events 2012

4.47 The Council operates an internal communication events programme: 'Connect 2012' to help staff gain a better understanding of:

- The neighbourhoods working approach;
- Community budgets and complex families;
- Work to achieve economic growth;
- The skills, knowledge and behaviours needed now and in the future;
- How staff can share information about what works best and what can be built on.

Principle 6: Engaging With Local People and Other Stakeholders to Ensure Robust Public Accountability.

4.48 Councillors are democratically elected and accountable for the decisions in their local area. This gives them a clear leadership role in building sustainable communities. Robust public accountability is achieved by:

- Maintaining a robust scrutiny function (see paragraph 4.37);
- Engaging with all sections of the community, recognising that different sections of the community have different priorities (see paragraph 4.36);
- Ensuring that we have a clear policy on the types of issues that warrant us to consult with the public and services users;
- Identifying within Directorate Business Plans, key engagement and communication activities that will provide opportunities for local people to influence decision making;
- Operating a [Council Complaints Procedure](#) (see paragraph 4.16);
- Publishing a [Corporate Plan](#) (see paragraph 4.4);

- Publishing annual financial statements and the Council's Annual Accounts. These are also reviewed by the Council's external auditor, whose opinion is also published;
- Publishing an annual [State of the City Report](#) (see paragraph 4.35 above);
- Publishing ward newsletters, ward plans and regular ward updates;
- Consulting with businesses and local residents about the budget process, published on the [budget consultation](#) pages of the Council's website. We also make available a suite of budget reports to local business representative groups such as the local Chamber of Commerce;
- Operating a paper and [e-petition scheme](#);
- Operating a Publication Scheme describing the information that the Council routinely makes available to the public together with the Council's obligations for public access to information under the [Freedom of Information Act 2000](#), [Environmental Information Regulations 2004](#) and for handling Section 7 requests under the [Data Protection Act 1998](#);
- Responding to the Department for Communities and Local Government's [Code of Recommended Practice for Local Authorities on Data Transparency](#) and amendments to the [Freedom of Information Act 2000](#) in the [Protection of Freedoms Bill 2011](#), which became [The Protection of Freedoms Act 2012](#) on 1 May 2012. This Bill requires public authorities to proactively consider releasing information in re-usable electronic machine readable formats.

5. Annual review of effectiveness of the governance framework

- 5.1 Manchester City Council (MCC) has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. MCC has gained assurance and concluded that's its governance systems are robust through its review of effectiveness carried out during 2011/12. The six principles of the Code of Corporate Governance (paragraph 4.1) were reviewed though the following mechanisms:
- Internal Audit's ongoing review across the Code (paragraphs 5.7 – 5.11)
 - Audit Committee's challenge and scrutiny of the work of internal audit and review of the internal systems of risk and governance (paragraph 5.4)
 - External Auditors opinion of the effectiveness of our systems of risk and governance as part of their annual Value for Money assessment (paragraph 5.12)
 - External assessments carried out by regulatory bodies (paragraphs 5.20 – 5.21)
 - Our internal business planning process that requires our Chief Officers to review how effectively they manage their Directorate's governance arrangements (paragraph 5.17)
- 5.2 The Council has four committees jointly responsible for monitoring and reviewing the Council's governance. These are:
- [the Executive](#);
 - [the Audit Committee](#);

- [Finance Scrutiny Committee](#) (formerly known as Resource and Governance Overview and Scrutiny Committee);
- [The Standards Committee](#).

The Executive

- 5.3 Responsible for proposing the budget and policy framework to the Full Council, and for discharge executive functions. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget and policy framework.

Audit Committee

- 5.4 Responsible for approving the Council's Annual Accounts and responding to the External Auditor's recommendations. It also oversees the effectiveness of the Council's governance and risk management arrangements, the internal control environment and associated anti fraud and anti corruption arrangements.

Finance Scrutiny Committee

- 5.5 Responsible for scrutinising the implications for our governance arrangements in relation to financial and budgets management, corporate, partnership and city region governance and the Council's Transformation Agenda.

The Standards Committee

- 5.6 [The Standards Committee](#) is responsible for promoting and maintaining high standards of conduct amongst Members, advising on the adoption and revision of the Code of Conduct for Members, and for monitoring the operation of the Code of Corporate Governance. The end of the national standards framework for conduct of elected members means that the Council must put in place, by 1 July 2012:

- A new code dealing with the conduct of Members and co-opted members that is consistent with the [Nolan Principles of Public Life](#);
- Arrangements for the recruitment of one or more independent persons;
- Adopt arrangements for the investigation of allegations that a member of the Council or Ringway Parish Council has failed to comply with the Code;
- Establish and maintain a register of interests of Members and Co-opted Members;
- Consider whether to establish a voluntary Standards Committee and if so what form it should take.

Reviews conducted by Internal Audit and Risk Management

- 5.7 The Head of Internal Audit and Risk Management is responsible for providing an independent opinion on the adequacy and effectiveness of the Council's systems of internal control. This is delivered through an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. Internal Audit Assurance Reports are presented to Audit Committee to provide assurance that the annual programme is being delivered as planned. This culminates in the Annual Opinion Report.

Head of Internal Audit and Risk Management Annual Opinion 2011/12

- 5.8 Based on the programme of planned Internal Audit work and other than in respect of a small number of significant control issues that have arisen during the year which have been referred to in reports to the Council's Audit Committee, the Head of Internal Audit and Risk Management has provided substantial assurance that the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across departments. Areas of concern reported to Audit Committee and subjected to scrutiny in the year included purchasing arrangements in schools, care home monitoring, control of ICT assets and the resilience and security of the Council's ICT infrastructure. Audit processes ensure improvement actions are taken by management on all agreed reports and progress in the implementation of these actions are reported regularly to the Committee throughout the year.
- 5.9 There are no specific governance, risk management and internal control issues which cause any qualification of the above opinion. The main issue and priority, as recognised by management, is that the Council sustains and completes the programme of transformational change and embeds improvement across the Council whilst maintaining service delivery and the effective operation of key controls. Good progress has been made in the following key governance, risk management and internal control areas which are integral to continued improvement:
- ICT resilience and reliability;
 - revised social care offer and customer journey;
 - information governance and security;
 - youth and early years;
 - neighbourhood focus and delivery models; and
 - workforce capacity and development
- 5.10 In a Council of Manchester's size and complexity, with its significant change agenda and the impact of the [Comprehensive Spending Review \(CSR\)](#) settlement in 2010, there is a heightened risk of reduced compliance with control mechanisms, particularly where roles and systems are changing. Areas of potential risk and areas for improvement have been identified, recommendations have been made to address the risk and management action plans have been agreed.

Review of effectiveness of the system of Internal Audit

- 5.11 In accordance with the requirements of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011) the Council conducts an annual review of the effectiveness of its system of internal audit to be considered as part of its governance assurance processes, including the production of the AGS. The 2011/12 review demonstrated that we have an effective system of internal audit including a policy framework, internal audit function, Audit Committee and effective management engagement. Internal Audit continues to operate in line with professional standards and codes of ethics for the delivery of audit work. Grant Thornton, our external auditors, confirmed that they take assurance over the quality and extent of audit work done in 2010/11 including assurance over the core financial systems activity. They have also agreed to the approach taken in the 2011/12 audit plan.

External Auditor's Review of Effectiveness of our Governance Arrangements

5.12 The External Auditor's Annual Audit Letter summarises the key issues arising from the work that Grant Thornton (external auditors) carried out. The Annual Audit Letter for 2011/12 is due to be reported to Audit Committee on 6 December 2012. The External Audit Recommendations Monitoring Report provides assurance to the Audit Committee and Grant Thornton that external audit recommendations have been, or are being, implemented in a timely and satisfactory fashion. During 2011/12 Grant Thornton issued three reports:

- The [Audit of Accounts 2010/11](#) reviewed the accounting risks, issues and audit responses identified within the Accounts Audit Plan 2010-11 and the Council's Internal Audit function. Of its 10 recommendations, four were implemented and six have implementation due dates that are in the future. Their status will be reported in the next monitoring report due in September 2012. The report concluded that:

"In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion). We are pleased to report that we propose to issue an unqualified Value for Money conclusion."

- The [Financial Resilience Review](#) considered the robustness of the Council's financial systems and processes. All six recommendations were implemented. A separate financial resilience report detailing VFM conclusions, findings and recommendations will be presented in the Annual Audit Letter to Audit Committee in December 2012. The report concluded that:

"..the Council has demonstrated a robust approach to medium term financial planning and has been able to respond quickly to the significant financial challenges; and that it has strengthened its financial governance arrangements in the last 12 months with strong financial leadership from the top of the organisation, earlier business planning processes and increased member involvement and challenge in these processes."

- The [Certification work report](#) summarised our overall assessment of the Council's management arrangements in respect of the certification process. Progress in implementing the report's four recommendations will be reported in the next monitoring report in September 2012. The report concluded that:

"Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns".

Annual Review of Senior Finance Officer

5.13 As part of its work on governance and financial management across public services, the Chartered Institute of Public Finance and Accountancy 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 of its Chief Financial Officer (CFO), the City Treasurer, against the governance arrangements set out in the Statement which are required to ensure the CFO is able to operate effectively and perform their core duties. The Council's financial management arrangements fully conform to those set out in the Statement.

Annual Update of the Council's Constitution

- 5.14 The City Solicitor reported the 2011/12 review of the Council's Constitution to the Council on [16 May 2012](#). The review took into account all aspects of the constitution including the Scheme of Delegation; the Financial Regulations; and Rules of Procedure, with the exception of the Codes and Protocols contained in Part 6 of the Council's [Constitution](#) (the Code of Conduct for Members, Planning Protocol for Members and Officers, Use of Resources Guidance for Members, Gifts and Hospitality Guidance for Members, Code of Conduct for Employees, Member/Officer Relations Protocol and the Code of Corporate Governance). The Codes and Protocols contained in Part 6 of the Council's Constitution will be reviewed and revised later in the municipal year in to take account of significant changes to local authority governance contained in [the Localism Act 2011](#).
- 5.15 As a result of the review and in response to implementing the Localism Act 2011, the Constitution, was amended to include reference to the requirement to adopt a Council Pay Policy Statement; a local Code of Conduct for elected and co-opted Members and a Tenancy Strategy.

Review of the effectiveness and the Restructure of the Manchester Partnership

- 5.16 Throughout 2011/12 there have been significant changes to the governance structures of the [Manchester Partnership](#). The [Manchester Board](#) continues to drive collaborative leadership across the public, private, voluntary and community sector partners, ensuring local democratic accountability. The main governance changes are below:
- The [Manchester Investment Board \(MIB\)](#) replaces both the Public Services Board and the Place Board. Its remit combines the strategic overview previously provided by the two Boards. MIB drives delivery of the Community Strategy priorities and provides strategic leadership and direction to public service reform, including integrated commissioning.
 - The [Health and Wellbeing Board \(HWBB\)](#) will be a statutory board from April 2013. It currently operates in shadow form. The HWBB is responsible for health and wellbeing in its broadest sense, from birth to death. It covers health and wellbeing issues regarding children as well as adults. The HWBB develops the Joint Strategic Needs Assessment (JSNA) and Joint Health and Wellbeing Strategy. The JSNA is currently being refreshed. It will include clear commissioning intentions to inform the Health and Wellbeing Strategy. The HWBB reports to the Manchester Board.
 - The [Neighbourhoods Board](#) provides a central forum for managing, at city wide level, the neighbourhood aspects of key strategic and cross cutting issues. The Board's main focus is to strengthen / align current place-based governance arrangements and strengthen links to front line delivery of projects.
 - The Strategic Housing Board, the Culture Partnership, the Community Cohesion Board and the Environment Strategy Programme Board all have a place/neighbourhood focus and an obvious fit with the [Neighbourhoods Board](#). Each partnership will continue to have strategic responsibility for managing delivery and reporting on an exception/variation basis to the Neighbourhoods Board.

Review of the effectiveness of Governance through Business Planning

- 5.17 In 2011/12 the AGS assurance process was aligned with the business planning process in order to reduce duplication and ensure that the process added value to Directorates. The

self assessment element of the Business Plan included questions on governance issues. Directorates provided an overall indication of the level of assurance of their governance arrangements, and identified improvement and development objectives.

Refresh of our Register of Significant Partnerships

- 5.18 The Council's Register of Significant Partnerships comprises all our key partnership arrangements. The Register contains a summary of the governance arrangements and contacts for each partnership. Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The Register is annually refreshed to keep sight of any potential governance issues in our partnership arrangements. The main contact officer for each Partnership is responsible for completing an annual self assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is then used by senior officers of the Council to score the potential risk that the partnership presents to the reputational or financial standing of the Council. Officers work to support and strengthen governance arrangements for those partnerships that are considered to be of high risk. During the 2011/12 refresh, no partnership was considered high risk and no significant governance issues were identified.

The Council's internal governance and internal control management groups

- 5.19 Overall officer responsibility for internal governance and internal control lies with the Chief Executive and Strategic Management Team (SMT). The SMT Use of Resources and Governance 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 and Governance Sub-Group and developing this AGS.

The Care Quality Commission (CQC)

- 5.20 [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 produces an annual assessment of how each local authority has commissioned services for people in their local area. However, in future, Councils will be required to instead produce 'local accounts'. 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. Although not yet a legal requirement, Manchester has drafted a shadow 2011/12 Local Account which will be published later in the year.

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

- 5.21 [Ofsted](#) inspects and regulates services which care for children and young people, and those providing education and skills for learners. As of 4 April 2012, Ofsted inspection reports were published for 42 schools (including three Academy Schools). Ofsted concluded that 52% of schools inspected were good or better for overall effectiveness. One of the Academy Schools was judged to be good or better for overall effectiveness.

Two were judged to be good or better for Leadership and Management. All [school inspection reports](#) are published on the Ofsted website.

Outcome of SIP Quality Assurance Review of Governing Bodies in Schools

- 5.22 Schools Quality Assurance Reports received in September 2011 indicated that 64% of schools self evaluated their overall effectiveness, including governance, as: good or outstanding; 31% satisfactory and 5% inadequate. During 2011 those schools self evaluating as satisfactory, who were also inspected by Ofsted, were judged to be at least satisfactory with the exception of two schools.
- 5.23 Additional governors have been placed on a number of Governing Bodies where greater levels of challenge were required to improve attainment. Work is ongoing with the Manchester Governors Association to provide additional support. Governing bodies can also access a number of bespoke training and development support packages provided by [One Education](#), who play a key role in supporting governing bodies. (For further information about One Education see [paragraph 8.11](#)).

Investors in People (IiP) 2011 Assessment

- 5.24 In November 2011 the City Council was subject to an external reassessment of its Investors in People (IIP) accreditation. It focused on how the Council manages change and people's experience of that change. The IIP Managing Assessor reported "*satisfied beyond any doubt that Manchester City Council continues to meet the requirements of the Investors in People Standard.*" The reassessment outcome identified a number of continuous improvement opportunities and a clear programme is in place to support delivery of these opportunities.

6 Progress on governance issues identified from last year's (2010/11) Annual Governance Statement

- 6.1 This section summarises the activity against each of the governance actions from the 2010/11 AGS.

Governance of the Manchester Partnership

- 6.2 The restructure of the [Manchester Partnership](#) has been outlined in [paragraph 5.16](#).

Performance Management Framework (PMF)

- 6.3 The [PMF](#) has facilitated a move toward greater integration of information on finance, performance, risk, HR/OD, research and intelligence, with a shift of emphasis to reporting intelligence rather than performance indicators. See paragraph 4.10 for information.

Manchester Investment Fund (MIF)

- 6.4 Paragraphs 3.7 – 3.8 outlines the [MIF](#) and its significance to driving the work of the Council over the past year and into future years. Phase one of the MIF developed a New Delivery Model to provide integrated support to complex families and individuals in Gorton/Longsight and Wythenshawe. This work was underpinned by a robust evaluation

methodology. Phase two of the MIF was rolled out in April 2012. Integrated commissioning will take place through the North Strategic Regeneration Framework.

- 6.5 The MIB, chaired by the Deputy Chief Executive (Performance) has oversight of the [MIF](#). It is the key forum for the strategic engagement of external partners at a senior level. The MIB reports to the [Manchester Board](#), chaired by the Leader of the Council. MIB papers are also subject to scrutiny.
- 6.6 The MIF Commissioning Board (MIFCB), chaired by the City Treasurer, presents quarterly progress reports to the Greater Manchester Community Budgets Investment Board. Membership of MIFCB is being developed and will comprise partners who make a financial investment into the MIF. A prospectus is being finalised to set out the arrangements and encourage investment from partners. This Board is responsible for:
- The commissioning and decommissioning of services;
 - Investing the [Manchester Investment Fund](#) monies;
 - Maintaining links directly into Whitehall;
 - Monitoring delivery of the Community Budgets Project, New Delivery Models and New Investment Models.
- 6.7 The Public Service Reform Governance Board (PSR GB) reports to the Manchester Investment Fund Commissioning Board (MIF CB) and the Manchester Investment Board (MIB). The PSR GB provides strategic direction to the four Community Budget programmes that form our Public Service Reform work. They are Troubled Families, Health and Social Care, Early Years and Transforming Justice, underpinned by the work to develop New Delivery Models and Investment Agreements.

Integrated Commissioning

- 6.8 Work has been progressing throughout 2011/12 to identify options for the establishment of a Commissioning Hub. This Hub will support Integrated Commissioning at Greater Manchester, citywide and neighbourhood level and support the growing focus on integrated commissioning based on families and place. The options will be considered by the Council's Senior Management Team in June 2012. They will inform substantial changes to link the key commissioning components within the commissioning cycle i.e. the Intelligence Hub, Commissioning, Contract Management and Procurement.
- 6.9 The Intelligence Hub, described in paragraph 4.35, supports integrated commissioning.

Localism Act 2011

- 6.10 The [Localism Act 2011](#) has many different parts which will take effect at different times during 2012/13. In implementing the Act, the Council has:
- Worked with Whitehall departments on a range of devolution and growth measures allowed by the Act (Sections 15-20) and contained in a 'Greater Manchester City Deal' that will permit accelerated economic growth in the city region;
 - Responded to the consultation on powers for City Mayors in January 2012;
 - Preparations for the City Mayor referendum on 3 May 2012 are being made subject to the City of Manchester (Mayoral Referendum) Order 2012;

- Updated the Council's [Constitution](#) Article 4 Policy Framework for approval at the Council AGM in [May 2012](#) to include a Council [Pay Policy Statement](#); Code of Conduct for Members and a Tenancy Strategy, as required by the Act;
- Engaged with other AGMA local authorities on the Community Infrastructure Levy and development of local charging schedules;
- Considered how the future elements of the Local Development Framework could take full account of the potential for a stronger neighbourhood structure, which can support updated Strategic Regeneration Frameworks and offer more resource-efficient responses to neighbourhood-level planning;
- Prepared the first annual [Pay Policy Statement](#) which was approved by full Council in [March 2012](#). The Statement sets the framework for all decisions in relation to pay and remuneration, including senior pay.

School Governance and Financial Management Arrangements

- 6.11 The [Financial Management Standard in Schools \(FMSiS\)](#) was replaced by the [Schools Financial Value Standard \(SFVS\)](#). Schools are required to self-assess and report directly to the [Department for Education \(DfE\)](#) rather than the Local Authority. The content of the [SFVS](#) is similar to the school audit programme used in Manchester; audit work will still address the key issues in the SFVS. In 2011/12 specific interventions were targeted at those schools that did not meet the previous [FMSiS](#) standard, to help them make the necessary improvements to achieve SFVS. Overall there has been an improvement in the assessed governance and financial management arrangements across schools, based on Internal Audit work. The 2011/12 Head of Internal Audit Annual Opinion noted that overall there has been an improvement in the opinions issued following school audits. Some key themes remain where Internal Audit continues to make recommendations but based on audit work the overall understanding and appreciation of governance, financial management and control in schools appears to have improved.
- 6.12 As well as standard school audits, Internal Audit has undertaken specific audits of particular risk issues identified in individual schools as well as audits ensuring compliance with agreements for schools transferring to academies. It has also undertaken two thematic audits looking at arrangements for management of the payroll and purchasing arrangements in schools. As a result of this work guidance notes were issued to all schools. Purchasing remains an area of risk and the need for all schools to clearly demonstrate value for money has been reflected in updated Schools Financial Regulations. The engagement of Internal Audit and Education Finance in schools forums and other events has continued schools to engage positively in discussion and debate on how best to evidence the economy, efficiency and effectiveness of their procurement and purchasing arrangements.
- 6.13 Some schools have engaged well and clearly understand the benefits of clear, transparent and effective financial management and governance arrangements. For those schools that engage less and see less immediate benefit from local authority challenge and support, Internal Audit explore other ways to engage including the direct engagement of governors. The Local Authority compliance role applies only to maintained schools so the approach to school development is to support and influence good governance through advice, guidance and the provision of direct support. Advice has been provided, for example, to schools transferring to academy status to ensure staff and governors understand the principles of good governance and how best to embed these in new systems, structure and processes.

- 6.14 Scrutiny of financial management and governance arrangements has continued through the Schools Finance Board. The Board coordinates and communicates performance within an agreed Quality Assurance Framework. A robust Scheme of Delegation to Schools and new Schools Financial Regulations, have been issued to schools. Within the Scheme of Delegation, the Notice of Concern has been revised to deal more effectively with financial management. Two Notice of Concerns have so far been issued. Regular finance briefings and bursars meetings are held for High School Head Teachers. Service Level Agreements (SLAs) and a formal performance review process are now in place with [One Education](#).

The Education Act 2011

- 6.15 Please see Section 3, paragraph 3.15 for further information on the [Education Act 2011](#).

New Service Delivery Models within Children's Services

- 6.16 Both [One Education](#) and the re-commissioning of Early Years are key elements of our drive to improve outcomes for children, young people and families in the City. Governance arrangements have been put in place for both initiatives. An Early Years Transformation Board has been established, Chaired by the Deputy Director of Children's Services, accountable to SMT, with support and challenge from Children's Services SMT and a Corporate Challenge Group. The Transformation Board manages progress against the transformation delivery plan. The Board links through the Integrated Design Authority and the Children's Board to create integrated care pathways. The Health Visiting Task Force ensure engagement and integration with key partner agencies.
- 6.17 In light of the Education Act 2011 and changing policy landscape, current arrangements are being reviewed in order to determine how the leadership and influencing role of the Council can be strengthened across an increasingly diverse education system which will include more academies as well as free schools. This is highlighted in the actions to further improve governance arrangements.

Public Health Manchester

- 6.18 Please see [paragraph 8.7](#) for information.

Third Sector

- 6.19 Work has progressed to improve governance and strategic links with the third sector. [Manchester Alliance for Community Care \(MACC\)](#) have been given a grant agreement, for an initial 18 month period (with a view to extending the agreement for a further 12 months) to provide a single infrastructure service for the third sector. The Service will focus on developing skills, supporting groups to bid for commissioned services, strengthening volunteering and community engagement. The restructuring of the MACC Executive Board will allow for two Council representatives to be represented on the Board.
- 6.20 Extensive consultation exercises with communities are underway on the service design of a volunteering centre for Manchester, a specialist commissioning support service and a revised community engagement programme. An interim volunteering service is now in operation providing basic volunteer centre functions. Both the governance and management of the organisation will be reviewed following the outcomes of the consultation.

- 6.21 Proposals for a third sector assembly are currently in development. The assembly will provide a strategic interface between [MACC](#) and the broader third sector as well as between the public and third sector.
- 6.22 The third sector grants management system is under review to develop new processes that will ensure all third sector funding is transparent, reportable and accountable. A grants gateway for applications for funding, better due diligence and contract management of third sector providers will be part of the new approach. This will ensure consistency of practice across all commissioning services using third sector grant funding and will avoid duplication.

Business Continuity

- 6.23 The new Corporate Risk and Resilience Team, formed in October 2011, merged the Business Continuity Team with the Corporate Risk Management Team. There is good evidence of sustained improvement throughout the year. Corporate incidents over the year, for example, ICT outage, severe winter weather and industrial action have tested the Council's Business Continuity arrangements and essential services have continued to be delivered. The lessons learnt from these incidents continue to further develop our systems for incident triage and allocation of essential corporate resources.
- 6.24 Directorate Business Continuity needs are now resourced corporately through an established network of named Risk and Resilience Leads. Much of the directorate focussed work is driven by the refreshed risk management health checking process. Integration of risk management and business continuity into a unified structure will, over time, ensure that all directorates develop a streamlined approach to risk and resilience service planning, evaluation and scrutiny. The Corporate Performance Management Framework will include specific performance data relevant to risk and resilience.
- 6.25 The transformation of Council Business Continuity and AGMA Civil Contingencies services is a critical component of current workstreams. The Business Continuity service contributes to the management of effective resilience within the City as part of a wider Greater Manchester Emergency Planning response. The approach developed was presented as part of an informal visit to the Emergency Control Centre by members of Audit Committee on 22 March 2012. Members were satisfied that effective arrangements were emerging for joint working as and when appropriate.
- 6.26 A new emerging training offer will provide training and awareness raising opportunities for Council officers and significant partnerships, at a series of levels of seniority and appropriate to their level of engagement with risk management and business continuity workstreams. This training offer will be launched in summer 2012.

ICT Service

- 6.27 An ICT Strategy is in place with clear objectives and timelines. Its delivery is supported by an ICT Business and Delivery Plan which informs, and has been informed by- service and directorate business plans. New Leadership and a new ICT Service structure are in place to establish an ICT Centre of Excellence. However, a review of operations and staff skills has demonstrated that there are gaps in both processes and knowledge. The ICT Service is working with HR to address this.

- 6.28 Governance in ICT continues to be strengthened. The ICT Board is chaired by the Chief Executive and meets monthly to oversee the ICT Strategy, infrastructure changes and skills development. The ICT Project Board also meets monthly and a number of sub-groups exist to ensure progress on key ICT linked projects. Regular meetings are also held to support procurement of major tenders, contract reviews and people management issues. This ensures ICT is integrated into the organisation and focused on delivering service improvements and supporting the transformation agendas. Regular performance updates are provided to the ICT Board and the Senior Management Team (SMT).
- 6.29 Collaboration with Salford on projects like the Data Centre, Disaster Recovery and the Wide Area Network improvements are providing value for money. Ongoing improvement work includes:
- Delivering a SAP upgrade;
 - Delivering a fit-for-purpose Data Centre (at Sharp);
 - New telephony;
 - Improved Wider Area and Local Area Networks;
 - Property rationalisation;
 - A digital workplace strategy to support neighbourhood and mobile working.
- 6.30 Information governance and security arrangements have been further developed. The Corporate Information Assurance and Risk Group (CIARG), chaired by the City Solicitor provided corporate oversight of the development of policies and procedures. The Council has approved a revised Information Security Policy. A range of detailed supporting policies and procedures are currently being drafted. A wider communications and awareness campaign is being implemented to increase organisation wide understating of information security risks. This is supported by briefings, on-line training resources and information assurance reviews undertaken by the Internal Audit and Risk Management Service.
- 6.31 In conjunction with improvements in the ICT infrastructure, a separate Data Governance Team has been established within the Research and Performance function. This team oversee a programme of data quality improvement to underpin the Information Strategy. The Strategy aims to use information more effectively for decision making.

Handbook for Leaders

- 6.32 See paragraph 4.17 for further information about The Handbook for Leaders. A communications strategy will be developed to help embed the Handbook within the organisation and develop robust internal channels of communication.

7 Significant governance issues identified during 2011/12

- 7.1 In addition to the governance risks identified in the 2010/11 AGS, the 2011/12 AGS also considers any governance issues and risks which may have emerged during 2011/12. These risks and emerging governance issues were identified through a four stage process:
- Business Plan Self Assessments, which incorporated the Annual Governance Questionnaire. (See paragraph 5.16 for further information);
 - Analysis of key performance documents, such as the Budget Monitoring Reports and Risk Reports;

- Discussions with our 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.

8 Future actions for further improvements to our governance arrangements

- 8.1 The review of governance arrangements has identified eleven areas where the Council will need to focus its efforts during 2012/13. Some of the issues highlighted arise from national changes in policy that we need to ensure we have robust governance arrangements in place for.

Greater Manchester City Deal

- 8.2 In March 2012 Government announced a City Deal for Manchester which includes a radical Earn Back Model. The Model is based on the principle that up to £1.2 billion invested up front in infrastructure improvements by Greater Manchester will be 'paid back' to the combined authority as real economic growth is seen. These 'earned back' funds will be reinvested in further infrastructure improvements to allow Greater Manchester to reach its economic potential. Manchester City Council will support GMCA to implement the City Deal Agreements (see [paragraph 3.3](#) for more details). Future investments that would underpin the City Deal operate under the AGMA/Combined Authority Governance Structure, in particular the AGMA Investment Group and AGMA Core Investment Team. Council officers will work to provide support to the AGMA governance structures in place.

Implications of the appointment of Police Commissioner

- 8.3 On 15 November 2012, Greater Manchester will elect a Police and Crime Commissioner, with responsibility for:
- Appointing the Chief Constable and holding them to account for the running of their force;
 - Setting out a five year Police and Crime Plan based on local priorities, developed in consultation with the Chief Constable, communities and others;
 - Setting the annual local precept and annual budget;
 - Making grants to organisations aside from the police (including but not limited to Community Safety Partnerships).
- 8.4 There are a number of governance implications for local authorities arising as a result of Police and Crime Commissioners coming into post. As required by the Police and Social Responsibility Act 2011, a Greater Manchester Police and Crime Panel will be established. The role of the Panel will be to scrutinise and challenge the decisions of the Police and Crime Commissioner, particularly on those areas of responsibility mentioned above. It is intended a shadow Panel will be in place from June, with the formal Panel meeting from November. It will be important as these changed governance arrangements become established that effective links are maintained between the relevant Manchester Scrutiny Committees and the Community Safety Partnership with the new arrangements across Greater Manchester.

Localism Act 2011

- 8.5 [The Localism Act 2011](#) has many different parts which will take effect at different times during 2012/13. Government will be publishing statutory guidance and regulations on the different parts of the Act. After this information is released, we will be better able to assess the implications for our governance arrangements. The sections of the Act that have yet to be implemented are:
- Community rights - In May 2012, Government published the [draft statutory Regulations](#) and [draft Statutory Guidance](#) on the 'Community Right to Challenge' part of the Localism Act 2011 (Sections 82 -86). The Government has announced that the Community Right to Challenge and associated Regulations and Statutory Guidance will come into force on 27 June, 2012. The Community Right to Challenge will impose a new duty on the Council to "consider expressions of interest" from "relevant bodies" in providing a Council service. For the purposes of the Community Right to Challenge, "relevant bodies" are voluntary and community bodies, organisations set up for purely charitable purposes, parish councils and two or more Council employees. The Community Right to Challenge applies to any service provided on or on behalf of the Council in the exercise of its functions, unless specifically excluded by the Regulations. The Council must consider an expression of interest which is in writing and meets the requirements set out in the Regulations. An expression of interest may be rejected by the Council, but only on the grounds set out in the Regulations and Statutory Guidance. Where the Council accepts an expression of interest for a Council service, it must carry out a procurement exercise for the service.
 - Assets of Community Value and the Community right to Bid for these Assets (Sections 87 – 108) will enable community organisations to bid to take over land and buildings that are important to them. They can nominate them for inclusion to the community assets register. If that asset then comes up for sale communities are able to trigger a pause for up to six months in order to raise capital and bid to purchase before it goes on the open market.
- 8.6 We will assess the implications of these new powers on our governance arrangements, in particular on the new skills and knowledge our staff will need to respond to Community Right to Challenge. Governance implications for this part and all the other parts of the Localism Act will be monitored during 2012/13 and reported to Constitutional and Nomination Committee, Finance Scrutiny Committee and full Council as appropriate. (See [paragraph 6.10](#) for details of the parts of the Localism Act 2011 already implemented).

Health and Social Care Act 2012

- 8.7 The [Health and Social Care Act 2012](#) signalled wide ranging reorganisation of the NHS with significant implications for local government. It places greater emphasis on integration between health agencies, social care and other council services to deliver person centred support that promotes early intervention, independence, health and wellbeing. The Act brings in changes to governance arrangements:
- The Health and Wellbeing Board has been established as a formal Council Committee (this Board will be statutory from April 2013) with a remit to develop a joint Health and Wellbeing Strategy and to oversee the joining up of services;
 - Replacement of NHS Manchester (the Primary Care Trust) with three Clinical Commissioning Groups;

- Integration of the public health function into the Council by April 2013. The latter is currently the subject of an ongoing transformation project with support from the MCC Transformation Team.

8.8 The ongoing implementation and emerging implications of these changes will be formally considered both by the Health and Wellbeing Board and by the Health and Wellbeing Overview and Scrutiny Committee. Some aspects of the changes are likely to require formal decisions to be made by the City Council and these will be taken through the Executive and other MCC Committees as appropriate.

Public Sector Reform and the Manchester Investment Fund (MIF)

8.9 With the development of the Whole Place Budget pilot and the roll out of Phase two of the MIF from April 2012 it is important that governance structures are in place to oversee this development. We will continue to develop and monitor the effectiveness of the governance arrangements both within the council and in the work with out partners.

The Local Authority's leadership and influencing role in School Governance

8.10 In light of the Education Act 2011 and changing policy landscape, current arrangements are being reviewed in order to determine how the leadership and influencing role of the Council can be strengthen across an increasingly diverse education system which will include more academies as well as free schools. A separate piece of work has been commissioned to ensure:

- That the Council has in place systems and capacity to provide strong leadership;
- Strategic governance arrangements are in place to provide an effective means for driving performance and that that schools are supported to carry out a full role in delivering the Community Strategy;
- Local Authority governors are effectively supported to discharge their role; this means providing specific support and training for LA governors.

One Education Effectively Manages the Balance between Autonomy and its Client Side

8.11 [One Education](#) Limited is now a successfully established organisation providing school improvement services which schools can commission. It started on 1 September 2011 following an extensive period of development including consideration of the governance arrangements for the new company. One Education is a wholly owned City Council company with the facility for Council representation on the Board. There is currently one Council Officer represented on the Board. One Education operates under a Service Level Agreements (SLAs) with the Council and is subject to a formal performance review process.

Managing Reductions in Resources

8.12 The combined impact of the Local Government Resource Review and other changes to funding arrangements means that there is still significant uncertainty about the level of resource that will be available to support Council services after 2012/13. Whilst difficult to quantify, this will lead to further [significant funding reductions and pressures over 2013/15](#). It is a priority to ensure that effective arrangements are in place to manage these reductions during 2012/13.

Third Sector

- 8.13 Work has progressed to improve governance and strategic links with the third sector. Extensive consultation exercises with communities is underway regarding the final service design of a volunteering centre for Manchester, a specialist commissioning support service and a revised community engagement programme. Both the governance and management of the organisation will be reviewed in light of the outcomes of the consultation. (See [paragraphs 6.19-6.22](#)).

Workforce Development

- 8.14 The extent of organisational movement and change over the past year has presented an organisational challenge in ensuring the workforce remains aware of and compliant with both organisational and departmental governance processes and practices. [m people](#), launched in January 2011, provided a structured framework for supporting staff movement across the organisation and enabling staff development. Work will continue during 2012/13 to implement the People Strategy and to support effective workforce and skills development within the council and with our partners.
- 8.15 Part of this work will involve ensuring that there are the right skills and capacity in place to deliver the ICT service.

Compliance with internal processes and procedures

- 8.16 The Handbook for Leaders is also a tool for assisting managers to better understand and perform their duties and has been informed by the work reviewing the effectiveness and understanding of processes and procedures within the council. It brings together and summarises the various codes, policies and protocols concerned with the governance of the Council. The guide will be re-launched in 2012/13 with an associated programme of training and support.

Signed:
Leader of the Council

Signed:
Chief Executive