
**Manchester City Council
Report for Resolution**

Report to: Standards Committee – 24 June 2013
Subject: Annual Governance Statement
Report of: Deputy Chief Executive (Performance) and The City Treasurer

Summary

To present the 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 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 2013/14.

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 2012/13 AGS and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2013/14.
- 1.3 The draft 2012/13 AGS is attached as Appendix 1 to this report.

2. Structure of the 2012/13 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*.

3. Internal Audit's Assurance Opinion on the draft 2012/13 AGS

- 3.1 Internal Audit has produced an interim position statement on the arrangements in place to support the preparation of the AGS and to provide assurance over its reliability and completeness. The statement concludes:

"Overall we are satisfied at progress made towards production of a draft AGS and will continue to participate through the Governance Working Group. We will undertake further work in the New Year up until submission of the final report and will provide a formal assurance opinion at that time."

4. Composition of the draft 2012/13 AGS

- 4.1 The AGS comprises the following eight sections:
 - The scope of responsibility – This section outlines the legal requirements for an AGS and its links to the Councils Code of Corporate Governance.
 - The purpose of the governance framework – This section outlines why the Council needs an AGS and how the AGS will be used.
 - Context of the AGS – This section sets out the external and internal influences which have shaped the governance systems and processes of the Council which are outlined in the AGS.
 - The governance framework – This section describes how the Council complies to the six principles of governance contained within the Council's Code of Corporate Governance. This section contains a brief description of the relevant systems and processes under each of the six codes but then focuses on the main changes that have taken place during 2012/13.
 - Review of the effectiveness of the governance framework – This is an annual review of the effectiveness of the Council's governance framework. This section looks at various methods of reviewing the effectiveness of the

Council's governance arrangements and uses these to generate a conclusion on the overall effectiveness of the Council's governance framework.

- Progress in governance issues identified from 2011/12 AGS – This summarises the activity against each of the twelve governance improvement actions identified in the 2011/12 AGS. For each governance action an update is provided detailing the progress during 2012/13.
- Significant governance issues identified during 2012/13 – This section looks at significant governance issues which were identified after the 2011/12 AGS was signed off in July 2012. For each issue an update on progress during 2012/13 is provided.
- Future actions for further improvements to our governance arrangements – After an analysis of the AGS any governance issues which are considered significant and that need to be monitored during 2013/14 are identified in this section. For each of these issues an update will be provided to Finance Scrutiny in January 2014 and will form part of the 2013/14 AGS.

5. Reporting Timescales

5.1 The following table shows the key reporting dates for the 2012/13 AGS:

Revised Key Reporting Milestones	Date
Draft 2011/12 AGS to Finance Scrutiny Committee	23 May
Draft of 2011/12 AGS to Audit Committee	6 June
Final AGS with signatures provided to Financial Accountancy	1 July
Signed AGS to Standards Committee	24 June
Signed 2011/12 AGS to Audit Committee for information NB: Agenda will be issued 4 July	11 July

6. Next Steps

- 6.1 Grant Thornton our external auditors, will be conducting its annual review of the 2012/13 AGS as part of their work to inform their Value for Money Assessment on the City Council's Accounts.
- 6.2 The AGS will form part of the Final Accounts that are reported to Audit Committee on 11 July. 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 2012/13

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Manchester City Council Annual Governance Statement 2012/13

1. Scope of Responsibility

- 1.1 Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the [Local Government Act 1999](#) to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 1.2 In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council first adopted a Code of Corporate Governance in June 2008. This Code is included in the [Council's Constitution](#) (part 6 section G). It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.
- 1.3 The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for [delivering good governance in local government](#) (2012).
- 1.4 This Annual Governance Statement (AGS) explains how Manchester City Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the [Accounts and Audit \(England\) Regulations 2011](#) regulation 4(3) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).
- 1.5 Further details on any areas of particular interest can be accessed by clicking on the hyperlinks (highlighted and underlined throughout the document).

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, cultures and values by which the Council is directed and controlled, and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the [Corporate Plan 2011/2014](#), and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These objectives are underpinned by the corporate values of People, Pride and Place.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control identifies and

prioritises risks; evaluates the likelihood of those risks being realised and the impact should they be realised; and aims to manage them efficiently, effectively and economically.

3. Context of 2012/13 AGS

- 3.1 Over the past year the Council has been developing and strengthening work on new delivery models to implement Public Service Reform, and the additional responsibilities placed on the Council by new legislation. This includes the Localism Act 2011, Health and Social Care Act 2012 and Welfare Reform Act 2012. The Council has introduced new governance structures and systems and made a number of revisions to the Code of Corporate Governance, to support our on-going transformation and to ensure that the Council is well positioned to deliver its new responsibilities effectively. This section sets out brief details of the key policy and legal drivers to transformation.

The Local Government Settlement December 2012

In December 2012, Government published the provisional local government finance settlements for both 2013/14 and 2014/15. The settlements were broadly as expected, which left the Council with the expected £80m (approximate) funding gap in 2013/15. The impact of this has been that the Council has faced significant funding reductions from 2010/11 and 2014/15, with an overall reduction in the Council's budget of 28% during this period. This combined with the increased cost of the levies for Waste Disposal and Transport has led to a 37% reduction in the resources available to support the Directorate net revenue budgets. In addition, there have also been considerable changes to how local government is funded including:

- Local Government Resource Review and the partial re-localisation of business rates
- Changes to the Council Tax system with the localisation of council tax support and associated reduction in funding, the resultant changes to how the tax base is calculated and the ability to generate income locally through council tax charges
- Reform of the funding arrangements for schools from 2013/14
- Transfer or responsibility for public health functions from 1 April 2013

Together these bring more volatility and uncertainty to the level of resource the Council will receive.

Impact of Welfare Reform Act 2012

- 3.2 The Welfare Reform Act 2012 has fundamentally changed the administration and entitlement of welfare benefits and the process of getting people ready for work. The reforms are expected to lead to a migration of benefit claimants from areas with a high cost of living to more affordable localities both within and across councils. This could significantly impact on key services such as school allocations, or primary and social care services. Manchester City Council has a critical role in managing the impact the changes will bring both to place and people and influencing the

behavioural changes that will help people move from welfare dependency to work and independent living. Key elements of the Act include:

- Universal Credit – The introduction of a single welfare payment to replace a mix of out of work benefits and working tax credits
- The Work Programme – A single welfare to work programme to support the long term unemployed into work
- Fit for Work Assessments – Aimed at reassigning disability and incapacity benefits based on an individual's capability to work

- 3.3 The Council's performance management framework has been updated to include a real time 'Welfare Reform Dashboard'. This dashboard presents intelligence and insights on the impact of welfare reform and measures the effectiveness of interventions and activities. In collaboration with the Core Cities Working Group, the performance measures have been developed to ensure comparative benchmarking data is available across the core cities. The Welfare Reform Dashboard is reported to the Strategic Management Team (SMT) led by the Chief Executive, the Strategic Housing Board and Welfare Reform Programme Board.

Greater Manchester City Deal

- 3.4 In March 2012, Government announced a range of bespoke City Deal Agreements with Greater Manchester Combined Authority. This was a major step in empowering the region to make its own decisions on how to maximise economic growth, based on the unique needs and opportunities of the region's economy. The City Deal Implementation Plan sets out the delivery programme for the different elements of City Deal including the creation of a City Apprenticeship and Skills Hub, a housing investment fund, and a revolving infrastructure fund on an 'earn back' basis; strengthening of the Greater Manchester Business Growth Hub; and work with government on devolution of transport funding.
- 3.5 Governance of City Deal is delivered through the Greater Manchester Combined Authority. The Combined Authority has a track record of multiple authorities pooling resources, sharing risks and benefits, agreeing strategic investment programmes and working together to deliver. The Local Enterprise Partnership (LEP) is a key component of Greater Manchester's governance arrangements combining business leadership with the political accountability of the local authority. The LEP brings together nine private sector, four local authority members and two observers that support the City's growth strategy.

A New Strategic Narrative

- 3.6 A new strategic narrative reflecting the changed context for the City, has been developed through a process of engagement with key partners, to accompany The Manchester Way: Manchester's Community Strategy 2006 – 2015. The narrative supports the strategic priorities of the Manchester Partnership and the Council's budget setting process. It emphasises the importance of aligning budget decisions with the overall vision for the City, through supporting growth and investing in the future of the City. It also emphasises the need to invest in people, to build personal and community resilience, in order to reduce demand on high cost public services.

The strategic narrative provides the high level policy framework for transformation and reform.

Transformation of Council Services and Public Service Reform

- 3.7 Over the past year the Council has accelerated the pace of transformation across services. Social care and health services have been integrated into two Directorates: Children and Commissioning Services and Families, Health and Wellbeing. The latter also has responsibilities for commissioning and delivering services to protect and promote public health. From 1 April 2013 the statutory Health and Wellbeing Board will be in place -shadow for a year - with responsibility for a programme of integration, public health and prevention. The Council has stepped up reform, taking a longer term sustainable approach that is evidence based, with the objective of reducing dependency on public sector services. The Greater Manchester Whole Place Budget is a key element of this work testing new methods of commissioning, co-investing and delivering services across public sector agencies to:
- Integrate health and social care
 - Transform the justice system
 - Increase work and skills
 - Increase early intervention with children in their early years, and
 - Reduce the number of troubled families.
- 3.8 The Council's Manchester Investment Fund (MIF) enables continued investment in interventions that aim to reduce dependency, implement new delivery models, and produce results that will secure reinvestment in the Fund.
- 3.9 The funding reductions set out in the final financial settlement in January 2013 will lead to further reductions in our workforce to deliver savings of approximately £24 million. In December 2012, the Personnel Committee and the Executive agreed a VSS Scheme (combined Voluntary Severance and Voluntary Early Retirement Scheme) to support the transformation of the workforce and to achieve the anticipated workforce budget savings across 2013/14 and 2014/15. The practical application of the VSS Scheme has been developed to ensure that important skills necessary for the future needs of the Council are not lost and disruption to services is managed on a practical level. The on-going review of services and skills will drive workforce reductions and be linked to corporate objectives in line with **m people** principles.

4. The Governance Framework

- 4.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. It also encompasses the values that councils hold important and promote throughout their work. The Council operates to a Code of Corporate Governance. This is set within the Council's [Constitution](#). The Code and the Constitution are reviewed annually. The Code was last updated in July 2012. However, given the pace and scale of change since then, the Code is currently being revised. It was approved, as part of the refreshed Constitution, at Full Council in May 2013.

4.2 This section of the AGS outlines the key changes that have been made to the Council's governance framework during 2012/13. These changes have been organised around the six principles of good governance in local government:

- Principle 1: Focussing on the Council's purpose, its outcomes for the community and on implementing a vision for the local area;
- Principle 2: Having clear responsibilities and arrangements for accountability;
- Principle 3: Promoting values for the authority, demonstrating values of good governance and upholding good conduct and behaviour;
- Principle 4: Taking informed and transparent decisions that are subject to effective scrutiny and managing risk;
- 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

Principle 1: Focussing on the Council's purpose and outcomes for the community and on implementing a vision for the local area

Manchester's Vision

4.3 The New Strategic Narrative, described in paragraph 3.6, refreshes and updates [The Manchester Way: Manchester's Community Strategy 2006 - 2015](#). Progress towards achieving the vision for Manchester continues to be measured through the State of the City indicators and reported in the annual [State of the City report](#). Additional performance indicators are being developed to measure progress against new areas in the Strategic Narrative. This work is overseen by the Manchester Board and will be completed by July 2013. More frequent reporting on the strength and performance of Manchester's economy is through [The Real Time Economy Dashboard](#).

4.4 Manchester City Council's [Corporate Plan 2011/2014](#) sets out our key strategies, priorities and related activities to deliver the Community Strategy.

Our vision articulated in the budget setting process

4.5 The budget setting framework includes a [budget reporting](#) and public consultation process. This allows people to express their views on where money should be invested and where savings should be made to ensure we set a balanced budget. The 2013 budget consultation process included online and hard copy questionnaires. The online form was available on our Council consultation webpages, which were publicised through a variety of digital, business and community channels. All Manchester households received information about the budget consultation. Front-line staff were made aware of how to appropriately collect and record budget responses. Residents who needed additional support were able to request a digital recording of their views through the Customer Contact Centre.

Creating a vision for the local area

4.6 Local Councillors (Members) are our key community leaders. They work with local businesses, residents, public, private and voluntary sector organisations, to create

and manage the delivery of a vision for their local area. Underpinning the vision are [Local Plans](#) and [Ward Plans](#). The ward co-ordination process allows flexibility for Members and Ward Co-ordinators to deal with resident engagement and local issues in ways that best suit the needs of their wards.

Implementing a vision for the local area

- 4.7 Manchester has been modelled into [Strategic Regeneration Framework \(SRF\)](#) areas to set a broad spatial framework within which investment can be planned and guided to make the greatest contribution to a local area. The [Neighbourhood Focus Strategy](#) takes a strategic approach to the neighbourhood aspects of economic, environment and housing strategies. The Neighbourhoods Board plays a key role in responding to the new challenges and opportunities presented by the 'Place' agenda and for 'Place Shaping'. Membership of the Board includes partners from a range of organisations with a clear stake in local delivery and management.

Reviewing the vision

- 4.8 We continue to review the implications of our vision on our governance arrangements through:
- [The Medium Term Financial Strategy \(MTFS\) 2010/11 to 2012/13](#).
 - The [Performance Management Framework](#)
 - Member Scrutiny through the [Overview and Scrutiny Committees](#)
 - Regular [resident consultation and engagement activities](#) and engagement with our staff

Communicating the vision

- 4.9 We communicate our vision, purpose, and performance through a number of channels. These include: our Council website; social media sites and Blog Networks; online digital publications; local and business specific media partners and printed publications such as [the Annual Report](#) and the [State of the City](#) report.

Value for Money

- 4.10 Manchester City Council [Value for Money Strategy 2010/2013](#) 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."*
- 4.11 The [VfM Strategy](#) is regularly monitored through the VfM Action Plan. It is an integral component of the Council's business planning process and the [Performance Management Framework](#) (PMF). The VfM Strategy has come to the end of its lifecycle and is being reviewed to ensure the lessons learnt from the deliver of the VfM Strategy inform future VfM work which will be embedded into the PMF rather than continuing with a standalone strategy.

Failure in service delivery

- 4.12 The Council's [complaints procedure](#) is committed to ensuring the highest possible standards of public accountability. 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 procedural guidance on complaints handling is also available.

Principle 2: Having clear responsibilities and arrangements for accountability

- 4.13 The Council's [Constitution](#) sets out and describes the functions, responsibilities and lines of accountability that the Council operates within. The Constitution is reviewed at least annually to ensure it reflects political and organisational changes in the national and local context. The Constitution has been updated and was presented to full Council in May 2013 to adopt. The Constitution includes:
- A Scheme of Delegation that states the decision making powers of the Chief Executive, the City Treasurer (The Section 151 Officer), City Solicitor (The Monitoring Officer) and senior officers;
 - The Code of Conduct for Members and Code of Conduct for Employees;
 - The Member/Officer Relations Protocol which ensures Members receive objective and impartial advice and that Officers are protected from accusations of bias and any undue influence from Members;
 - 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;
- 4.14 Several revisions were made to the Constitution during 2012/13 to keep pace with new legislative requirements coming into effect at different times in the year. For instance, the Health and Social Care Act 2012 transferred the general duty to improve and protect public health from the NHS to local authorities, along with some mandatory public health functions. The Constitution was amended to include a Health and Wellbeing Board for Manchester, as a Committee of the Council, and a scheme of delegation for a Director of Public Health.
- 4.15 The [Partnership Governance Framework](#) sets out the Council's expectations of governance arrangements in its partnerships. The Framework is currently being reviewed to ensure that it remains relevant to partnership working in the current climate and continues to be underpinned by principles of good governance. The Framework also makes clear the roles and responsibilities of Members and Officers, both individually and collectively. The Council's Register of Significant Partnerships lists brief details of all our key partnership arrangements. This Register is reviewed annually to ensure it remains up-to-date.

Principle 3: Promoting the values for the authority and demonstrating values of good governance through maintaining high standards of conduct and behaviour.

- 4.16 The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct. These values underpin everything the Council does, including

how it works with partners and serves its local communities. The Council's values are **People, Pride, Place:**

- **People** - *Every day Council employees will go further to make a difference to the lives of Manchester people. Council employees will treat colleagues, partners and customers with the respect they deserve and believe only their best is good enough*
- **Pride** - *Council employees are proud of the role they play in making Manchester a success. Council employees accept the responsibility invested in them and rise to meet the challenges they need to overcome*
- **Place** - *Council employees celebrate all things Manchester and strive to make Manchester's streets, neighbourhoods and city an even greater place to live, work and visit.*

- 4.17 The Localism Act 2011 required councils to adopt a local Code of Conduct for elected and co-opted Members of the Council. Manchester City Council's Local Code of Conduct for Members was adopted by the Council in July 2012. It is based on the [7 principles of public life](#), set out by the Nolan Committee on Standards in Public Life, to enhance and maintain the integrity (real and perceived) of local government.
- 4.18 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](#). Policies that relate to ethical governance include the [Whistle Blowing Policy](#), [Anti Fraud and Anti-Corruption Policy](#) and Anti-Bribery and Money Laundering Regulations.
- 4.19 To prevent Members from being influenced by prejudice, bias or conflicts of interest, the Council maintains and performs regular checks on our [Register of Interests](#) for Members.

Principle 4: Taking informed and transparent decisions that are subject to effective scrutiny and managing risk

Informed and transparent decision making

- 4.20 The [Council's Constitution](#) sets out the decision making framework and processes. Paragraph 4.13 provides further information. The Council and Committee meetings are held in public (subject to limited exemptions). Agendas and reports are made available to the public well in advance of meetings. The Council also publishes the [Forward Plan of Key Decisions](#). This Forward Plan provides the public with notification of key matters that will be considered and resolved by Council and Committees.
- 4.21 The Council's Performance Management Framework provides accurate, relevant and timely information to Council and Committees through performance reports and dashboards. This crucial information supports decision making and informs how resources can be allocated in the most cost effective and efficient way. Committee reports provide clear explanations of technical issues and their implications. Appropriate legal, financial and other professional advice is also included and considered as part of the decision-making process.

Scrutiny Committees

- 4.22 The decisions of the Executive and the way in which Council services are delivered, are subject to scrutiny by [Scrutiny Committees](#). Members of Scrutiny Committees hold decision makers to account and consider how public services are meeting the needs of local residents. Scrutiny Committees have a key role in ensuring that the people of Manchester get the best out of their public services and that they are delivered in the way residents want.

Business planning

- 4.23 Each of the Council's Directorates produced a Business Plan. These Business Plans focus on the Council's priorities of Sustainable Economic Growth, People and Place. The plans identify the risks and potential impacts policy changes such as welfare reform changes. Business Plans also include budget delivery and workforce development plans. The Council's Scrutiny Committees are responsible for reviewing the Business Plans. Different elements of a plan are then allocated to individual services and teams to deliver. Staff are set individual objectives based on their team plans, via the appraisal process, and their performance against these objectives is measured throughout the year.
- 4.24 Significant progress has been made with the Council's transformation programme to commission and deliver health and social care services for adults and children under a single, integrated approach. As the future plans for these directorates focus on a shared approach it was not sensible to produce separate plans for Children's Services and the Directorate for Adults, Health and Wellbeing. In recognition of this, an Integrated Health and Care Delivery and Integrated Commissioning Plan was developed covering these two directorates.

Use of information

- 4.25 The Council works within the Code of Recommended Practice for Local Authorities on Data Transparency. The Council publishes data on our performance in a timely manner and in a clear format, and complies with requests to publish data whenever this is in the public interest. Manchester launched its Intelligence Hub in September 2012. The Intelligence Hub is an interactive, on-line product which includes an analysis tool containing over 100 statistical variables, spanning different themes of data. The tool enables a user to display statistical data in different formats and to export it for their own analysis. The Hub brings together information on:
- The [State of the City](#) reports;
 - [Joint Strategic Needs Assessments](#);
 - [Ward profiles](#);
 - Performance Dashboards and statistics, including the Real Time Economy Dashboard that is published online every month;
 - Links to advice and guidance about procurement, commissioning and the [Data Protection Act 1998](#) and the [Freedom of Information Act 2000](#).

The Equality Act 2010

- 4.26 The Council must consider its obligations under [Section 149 of the Equality Act 2010](#). We have in place a robust [Equality Impact Assessment](#) (EIA) framework that informs decision making and budget considerations.

Risk Management

- 4.27 The City Treasurer has overall responsibility for the Risk Management function. The Head of Internal Audit and Risk Management manages these functions through the Corporate Risk and Resilience Team. The Risk and Resilience function is primarily concerned with:
- Supporting and embedding effective 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 2013/14](#).
- 4.28 The Corporate Risk and Resilience Strategy 2013/14 articulates the objectives and priorities for risk and business continuity. It is set within the context of changes in government policy, Public Service Reform (PSR), financial constraints and the Council's Transformation Programme. 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

- 4.29 A cross party Member Development Working Group (MDWG), chaired by the Deputy Leaders, meets to review the training needs of Members. The MDWG ensures that Members have the correct skills and knowledge to deliver their Council duties. Development opportunities are available through:
- Internal and external training opportunities, including courses with the North West Employers Organisation;
 - Online e-learning and training;
 - Council in-house briefing sessions.
- 4.30 Members are accountable for their performance to their political leadership and to their constituents. All Members sign a Public Service Contract that requires them to submit cyclical reports on the level and nature of their activities as Members. These reports are available for public inspection. The Political Groups on the Council also have their own internal performance management systems.
- 4.31 The Council's People Strategy was first agreed in 2007. It set out the organisation's key priorities and objectives with regards to developing the skills and capacity of the workforce. The Strategy was refreshed in 2012, with the revised document agreed by the Personnel Committee. [The People Strategy 2013/2015](#) sets out the organisation's key workforce development priorities in the context of a significant period of change. The Strategy is aligned with the commitments and approach to

managing the workforce detailed in the [m people agreement](#). The Strategy focuses on five themes which are being taken forward both corporately and at a Directorate level:

- Developing leadership skills and capacity
- Planning the future workforce
- Developing workforce skills and capacity
- Reducing worklessness
- Reward and recognition

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

- 4.32 The [Ward Co-ordination](#), process facilitates direct communication between residents and their elected Councillors and ensures a focus on service improvement at a neighbourhood level. Councillors are democratically elected and so accountable for decisions in their local area and responsible for providing a leadership role in building sustainable communities. Public accountability is also achieved through the scrutiny function (see paragraph 4.22).
- 4.33 Business Plans identify key engagement and communication activities that will provide opportunities for people to influence decision making. Our Community Engagement Strategy sets out different ways of effectively engaging with our communities. It is supported by the Community Engagement Toolkit which provides practical guidance on implementing the Strategy.
- 4.34 Paragraph 4.12 sets out the [Council Complaints Procedure](#) which allows people to scrutinise and challenge decisions made by the Council. Regular review and analysis of complaints has enabled the Council to strengthen weak processes and procedures.
- 4.35 The [Council's Publication Scheme](#) describes the information that the Council routinely makes available to the public and the Council's legal obligations for making information publically accessible.

5. Annual review of effectiveness of the governance framework

- 5.1 Manchester City Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. Through evaluation and analysis during the 2012/13 review, the Council has good assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance (see paragraph 4.1).
- 5.2 The 2012/13 review of governance arrangements comprised:
- Evaluation of the process of challenge and scrutiny by Council and its Committees;
 - The Annual Opinion of the Head of Internal Audit and Risk Management;
 - Outcomes of the Annual Review of the Systems of Internal Audit;
 - Our External Auditor's opinion of the effectiveness of our systems of risk and governance;

- Review of the role and responsibilities of the Chief Finance Officer;
- Assessment of the robustness of corporate governance in business planning, including analysis of findings from the Governance Self Assessment Questionnaire;
- Evaluation of the effectiveness of our processes to gain reassurance about the robustness of governance arrangements in the Council's Significant Partnerships;
- Outcomes of external assessments carried out by regulatory bodies.

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

- 5.3 The Council has four committees jointly responsible for monitoring and reviewing the Council's governance:
- [The Executive](#) - Proposes the budget and policy framework to Council and makes decisions on resources and priorities relating to the budget and policy framework;
 - [The Audit Committee](#) - Approves the Council's Annual Accounts, responds to the External Auditor's recommendations and oversees the effectiveness of the Council's governance and risk management arrangements, the internal control environment and associated anti fraud and anti corruption arrangements;
 - [The Finance Scrutiny Committee](#) - Scrutinises the implications of financial decisions and budget management; corporate, partnership and city region governance decisions; and the Council's Transformation Agenda;
 - [The Standards Committee](#) - Promotes and maintains high standards of conduct amongst Members, advising on the adoption and revision of the Code of Conduct for Members, and monitoring the Code of Corporate Governance.
- 5.4 There is provision for Councillors (minimum of five or the Chair of the relevant Scrutiny Committee) to call in decisions taken by the Executive (or Senior Officers under delegated authority), for consideration by the relevant Scrutiny Committee. The Committee will then consider the reasons for calling the decision in and either confirm the decision, refer it to the decision maker for reconsideration, or refer it to full Council if the Committee believes that the decision runs contrary to the budget or policy framework. No decisions were subject to the call in process during 2012/13. This provides good assurance that decisions taken by the Executive and Committees were in accordance with the Council's agreed budget and policy framework.

Head of Internal Audit and Risk Management Annual Opinion 2012/13

- 5.5 Based on the programme of planned Internal Audit work, and other than a small number of significant control issues that arose during the year, the Head of Internal Audit and Risk Management provided substantial assurance that the Council's systems of governance, risk management and internal control were generally sound and operated reasonably consistently. Key governance, risk management and internal control issues that arose during the year are listed below:
- Internal Audit raised concerns over cash management and handling throughout the year, particularly in relation to service users. These emerged from planned audits and in response to allegations of irregularity. There are inherent risks in cash handling, especially when managed on behalf of service users and clients, but improvement is needed in 2013/14;

- Two audits raised concerns over social care casework and management, particularly on children's social care and adult mental health. Clear, comprehensive action plans to address areas for improvement are being delivered and Internal Audit will follow these up including further reports to Audit Committee in 2013/14 to independently confirm progress made;
- Given the scale and range of data and information assets held, there are inherent risks of loss or leakage of sensitive information. During 2012/13 a small number of incidents emphasised the need for controls to be strengthened and whilst work was already underway to improve the current arrangements this remained a key risk issue in the year.

5.6 The additional challenge from an audit perspective is the financial context in which the Council is required to operate. The impact of delivering savings programmes will be substantial, will impact on all business areas and is based on reasonable but ambitious assumptions. There has been extensive planning and ongoing consultation on the budget proposals. Programmes for transformation of Services have been set out in business plans. Whilst the Council is well placed to respond to this challenge, the scale and pace of required change remains a fundamental risk. In a Council of Manchester's size and complexity, with its significant ambitions, change agenda and savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. We have worked actively with management to identify and examine these areas of potential risk and support them in anticipating future risks and challenges for 2013/14 and beyond.

Annual Review of the System of Internal Audit 2012-13

5.7 In accordance with 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 production of the Annual Governance Statement. The review found that Internal Audit had continued to build on its strengths and to consolidate its role. Service delivery in support of the Council's priorities and objectives, and identifying and addressing risks to service delivery, remained key priorities. The Internal Audit Team delivered its audit plan on time, had a sound base for carrying out audit activity and met its overall objectives of providing audit assurance and advisory support to the Council. Section managers and staff were aware of and operated in line with professional standards and codes of ethics. External Audit provided positive, independent assurance of the work of the Team.

External Auditor's Review of the Effectiveness of our Governance Arrangements

5.8 Grant Thornton, in their capacity as the Council's external auditor, produce an Annual Audit Letter. The Annual Audit Letter summarises the key issues arising from the work that Grant Thornton have carried out. The [Annual Audit Letter 2011/12](#) was reported to Audit Committee on 1 November 2012. The main conclusions of the Audit Letter were:

"That the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012".

“That the AGS and Explanatory Foreword (of the Annual Accounts) were consistent with our knowledge of the Council and met the requirements of CIPFA/SOLACE and showed an overall improvement in the compilation and content of the AGS.”

“Whilst the Council faces significant financial challenges in 2012-13 and beyond, its current arrangements for securing financial resilience are robust”.

5.9 The Annual Audit Letter for 2012/13 is due to be reported to Audit Committee on 28 November 2013. As part of the 2012/13 audit, Grant Thornton will provide its opinion on key risk areas, including:

- financial resilience following the reduced central government grant settlement;
- the Annual Accounts 2012/13;
- Value for Money.

5.10 The Council takes external audit recommendations very seriously and monitors their implementation on an ongoing basis. Assurance reports are presented to Audit Committee and Grant Thornton bi-annually summarising our performance in implementing recommendations effectively and within agreed timescales. The [latest assurance report](#) was presented to Audit Committee on 21 March 2013 and the next report will be in September 2013.

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

5.11 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 and responsibilities of its Chief Financial Officer (CFO) against the five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

5.12 We have concluded that the CFO is ideally placed to develop and implement strategic objectives both within Manchester City Council and the Greater Manchester Combined Authority, given his role as the City Council's Section 151 Officer, City Council Treasurer and Greater Manchester Combined Authority (GMCA) Treasurer. He reports directly to the Chief Executive and is a Member of the Council's Senior Leadership Team. The CFO influences all material business decisions and oversees the corporate governance arrangements, audit and risk management framework, the financial and annual budget strategy and planning processes.

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

5.13 The annual business planning process includes a questionnaire about the extent to which corporate governance is embedded in each of the Directorates. Responses to the questionnaire enable us to draw conclusions about the areas of corporate governance, systems and processes our staff need support with implementing and/or understanding. During 2012/13 the governance self assessment questionnaire was amended to closely align with and reflect the Council's Code of Corporate

Governance and systems of control. Responses to the questionnaire provided crucial information about how well the Code is understood by staff and how robustly it is embedded in local procedures and working practices. Detailed guidance was also provided on sources of evidence to demonstrate compliance with the Code. The assessment concluded that staff across the organisation had a good understanding of the Code. The assessment also concluded that further work is needed to ensure robust corporate governance in three key areas. These areas are set out below and discussed in sections six and seven.

- Embedding good conduct and behaviour – This is particularly important where new integrated delivery models are in place involving staff from a number of different public sector organisations working together. We need to ensure that all staff are aware of whistle blowing, Anti-fraud, Anti-Corruption policies, the Council's Constitution and Financial Regulations.
- Impact and implications of the Localism Act 2011 and Education Act 2012 – We need to be clearer about how new Acts will affect decision making, strategic planning and operational management across all our services.
- Strengthening decision making – Whilst sound decision making processes are in place, we need to make improvements in how we gathering and use evidence-led intelligence, identify and manage risk at an appropriate level and how we manage our performance in a timely fashion.

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

- 5.14 The Council's Register of Significant Partnerships comprises a summary of all our key partnership arrangements. These partnerships are structured in a number of different forms, from joint venture partnerships, statutory partnerships and strategic alliances to partnerships responsible for key contractual agreements. The partnerships are defined as significant because they either manage substantial amounts of public money and/or are leading bodies that determine high level strategy and set out our vision for the future. As such, they present some level of risk to our reputation and standing. We provide leadership and advice on governance matters, through the Partnership Governance Framework (see paragraph 4.15).
- 5.15 In 2012/13 we reviewed the effectiveness of processes used to assess the robustness of good governance in partnership arrangements, to ensure they continue to provide a reasonable, reliable assessment of partnership governance risk. We concluded that there were a number of areas that could be strengthened.
- *Self-assessment Questionnaire*
Additional questions will be added to the partnership self-assessment questionnaire to assess the effectiveness of processes related to monitoring spend, delivering value for money, insurance liability cover and implementing recommendations from external inspection and audits. Approval of self-assessments will also need to be obtained from the Strategic Management Team (SMT) Lead Officer.
 - *Governance in new and emerging partnerships*

Information on registration and self-assessments forms will help inform Council decisions on whether to enter into partnerships, providing an early opportunity to influence governance arrangements. The Internal Audit and Risk Management Team will be able to provide early advice and guidance on governance processes to assist partnerships to manage and mitigate risks.

- *Role and responsibilities of officers and Members in partnership arrangements*

The Partnership Governance Framework will be reviewed to ensure governance arrangements reflect CIPFA principles, that the individual and collective roles and responsibilities of Members and Officers are clearly set out and that the Council's expectations of good governance systems and processes are made explicit.

The Council's internal governance and internal control management groups

- 5.16 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.

Manchester City Council's 2012/13 Local Accounts

- 5.17 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 continue to publish information of the standards of residential, nursing and home care, which includes both internal services such as Reablement and the wider care sector from whom Manchester commission care. Until 2009/10 the CQC produced an annual assessment (Capturing Regulatory Activity at a Local Level - CRILL) of how each local authority commissions services for people in their local area. However, changes to the role of the CQC means that this is no longer the case. Instead, Councils are now advised to produce 'local accounts'. This is not a statutory requirement but good practice in demonstrating accountability and transparency. Local accounts must demonstrate how the Council has safeguarded and maintained personal dignity, put people first and achieved value for money, judged against the health and social care outcomes for their area. At the time of writing Manchester's 2012/13 Local Accounts was not available for assessment and analysis.
- 5.18 Currently, across the north-west region, Councils are working on a sector led improvement programme to raise standards in adult social care through peer support, challenge and review. A suite of performance measures are being developed to allow Councils to benchmark their social care provision performance data. This data will enable Councils to engage in a process of peer challenge and review. Annual performance outturn data will be considered alongside a range of other factors in order to assess standards across the region.

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

- 5.19 [Ofsted](#) inspects and regulates services which care for children and young people and those providing education and skills for learners. As of 28 March 2013, Ofsted inspection reports were published for 50 schools during 2012-/3. Ofsted concluded that 35 or 70% of schools inspected were good or better for overall effectiveness. 41 schools or 82% were judged to be good or better for Leadership and Management. Overall, 75% of schools in Manchester are judged to be good or better in their most recent inspection. 74% of all children in Manchester schools attend an outstanding or good school. All [school inspection reports](#) are published on the Ofsted website.
- 5.20 The last Safeguarding Children Ofsted judgement of the Council took place in 2011. Manchester was judged as 'Adequate'. A more recent Safeguarding Peer Review took place in March 2013. The findings are currently being acted upon and progress is regularly monitored at the Performance Improvement Board. An Ofsted Inspection of the Council's Fostering Service in March 2013 judged it to be 'Good'.

6 Progress on governance issues identified from last year's (2011/12) Annual Governance Statement

- 6.1 This section summarises the activity against each of the governance improvement actions identified in the 2011/12 AGS.

Greater Manchester City Deal

- 6.2 A City Deal Implementation Plan was agreed between the Combined Authority and Cabinet Office in September 2012. The Plan sets out an agreed programme of delivery and progress is discussed on a monthly basis with the Cabinet Office. Good progress has been made on most areas although some milestones, in particular related to the Earnback model, have been significantly delayed in progressing through Whitehall departments. Agreement to the detailed arrangements for Earnback is expected shortly.

Progress to date includes:

- Endorsement of the Greater Manchester Investment Framework aligning core economic development funds, enabling the more efficient use of investment that meets Greater Manchester's economic priorities. The Regional Growth Fund 3 programme has been incorporated within the framework and further work is in hand to ensure that this forms the platform for further devolution of funding or increased influence over national programmes;
- Funding has been agreed for the City Apprenticeship and Skills Hub which will place apprentices with Small and Medium Enterprises and a skills tax incentive pilot. Implementation is underway. Good progress is being made to link mainstream skills funding with local labour market priorities. The analysis of labour priorities is complete and work to develop a mechanism to link these to outcomes is progressing. These initiatives will help deliver a step change in labour market participation, and help drive down welfare dependency;
- Funding from Regional Growth Fund 2 to strengthen Greater Manchester's Business Growth Hub is due to be agreed imminently providing businesses large and small with the support they need to grow;

- MIDAS and UK Trade and Investment are developing pilot proposals to increase high value inward investment following agreement of the GM Internationalisation strategy. The first phase will focus on e-health.
- The Low Carbon Hub has been established with a plan to reduce emissions by 48% by 2020 and is developing a portfolio of investment propositions as part of the joint venture with the UK Green Investment Bank;
- A housing investment board has been established with the Homes and Communities Agency as part of the investment framework with a business plan to support delivery of projects across GM and enable receipts to be recycled locally;
- Good progress has been made on transport projects with the announcement of the High Speed 2 rail line with stations proposed at Piccadilly and Manchester Airport and funding for the Northern Rail Hub. Manchester is working across the North to develop proposals to for the devolution of rail franchising.

6.3 Further support from Government is sought focused on the outputs of the Greater Manchester Community Budgets pilot. The Community Budget work demonstrates how Greater Manchester can effectively deliver savings through developing new public service delivery models that reduce dependency and support growth. Further funding would be devolved to a local level under proposals put forward by the Heseltine Review of October 2012. This has been broadly adopted by Government to advance decentralisation, unleash the potential of local economies, strengthen partnerships with industry and foster economic growth. Central to the Review was empowering Local Economic Partnerships (LEPs) and devolution of some central funding streams into a single Local Growth Fund pot from 2015 onwards, the content of the Single Local Growth Fund will be addressed at the spending round in June 2013.

6.4 Governance of City Deal is through the Greater Manchester Combined Authority. See paragraphs 3.4 to 3.5 for further details.

Implications of the Appointment of Police and Crime Commissioner

6.5 The Greater Manchester Police and Crime Panel hold monthly, public meetings. It first met on 30 November 2012. At that meeting the Panel's governance arrangements and rules of procedures were agreed. The Association of Greater Manchester (AGMA) structures include the Police and Crime Panel, the Steering Group and the Police and Crime Leads meeting. Manchester City Council's representative at these meetings is the Leader of the Council. A Working Group is in place to support the Police and Crime Commissioner. The Working Group includes representation from Manchester City Council (Councillor Priest and the Deputy Chief Executive (Neighbourhoods)).

6.6 The Greater Manchester Police and Crime Panel discusses matters relating to how it contributes to AGMA level discussions, opportunities to collaborate on jointly commission services and interventions to create economies of scale within the community safety agenda. The Police and Crime Commissioner is responsible for the Police and Crime Plan, produced through consultation with the Police and Crime Panel Steering Group and other key partners, including Manchester City Council.

Localism Act 2011

- 6.7 Different parts of The Localism Act 2011 took effect at different times during 2012/13. A new "local" Code of Conduct for Members and new arrangements for dealing with complaints that a Member has acted in breach of the Code, are now in place. There is also a new "Register of Members' Interests" on the Council's website. Independent Persons and Co-opted Independent Members of the Council's new voluntary Standards Committee have also been appointed. Revisions to the Council's Constitution to include new procedures to address the following aspects of the Act, are currently under consideration:
- The 'Community Right to Challenge' expressions of interest submitted by a voluntary or community body, charity or Council employees, to provide or assist in providing a service provided by, or on behalf of the Council;
 - The "Community Right to Bid" nominations for assets to be included on the Council's Register of Assets of Community Value";
 - The designation of community groups as Neighbourhood Forums, with powers to submit Neighbourhood Development Plans and Neighbourhood Development Orders for planning permission.
- 6.8 The Localism Act also required the development of an annual Pay Policy Statement setting out the Authority's position with regard to pay in general and the pay of Chief Officers in particular. Manchester's second statement was agreed by full Council in March 2013.

Health and Social Care Act 2012

- 6.9 The Health and Social Care Act 2012 signalled wide ranging reorganisation of the NHS with significant implications for Councils. The Act has placed greater emphasis on integration between health agencies, social care and other council services to deliver person centred support that promote early intervention, independence, health and wellbeing. The Act also established statutory Health and Well-Being Boards to provide governance for public health. The Boards work towards encouraging agencies who arrange the provision of any health or social care services in Manchester to work together in an integrated way, to advance the health and wellbeing of Manchester's residents.
- 6.10 Membership of the Health and Wellbeing Board includes the Director of Families, Health and Wellbeing, the Director of Children's and Commissioning Services, the Director of Public Health, at least one elected Member of the Council and representatives from each of the three Clinical Commissioning Groups (CCGs). A representative of the Council's Local Healthwatch organisation will also be included on the membership (yet to be appointed).

Public Service Reform and The Manchester Investment Fund (MIF)

- 6.11 The Whole Place Community Budget (WPCB) work started the journey of Public Service Reform (PSR) in Greater Manchester. PSR aims to reduce dependency on high cost services and support economic growth across Greater Manchester. It also aims to ensure that residents of all ages in Manchester are learning, working, developing their skills and enjoying life in the city. PSR is key to the future

development of Greater Manchester in terms of helping to deliver the Greater Manchester Strategy and the role of the Combined Authority.

- 6.12 The first phase of the WPCB was completed in October 2012. The business cases, which were the outcome of joint work with Whitehall colleagues, were presented to AGMA and Government Ministers. They were also show-cased at a national conference in November 2012. The second phase of WPCB was completed in March 2013. The evaluation of outcomes from this phase will inform the evaluation and reporting framework of the Council's PSR Programme. The four themes of the Programme are:
- Troubled Families and Work and Skills
 - Integrated Health and Social Care
 - Early Years
 - Transforming Justice.
- 6.13 The Greater Manchester Public Service Reform Executive has overall responsibility for the PSR Programme. The PSR Executive in turn reports to the AGMA Wider Leadership Team and the AGMA Joint Committee / Combined Authority. Thematic Strategic Groups and operational groups drive progress on particular themes. At a Greater Manchester Level there is also a GM Troubled Families Steering Group. Progress is reported nationally to the Troubled Families Unit through regular returns and attendance at regional/national events or visits to Manchester.
- 6.14 The work in Manchester is overseen by the Manchester Investment Board (MIB). This Board is chaired by the Deputy Chief Executive (Performance) and includes representation from Strategic Directors and partners. There are governance arrangements in place for each of the four themes:-
1. There is a Troubled Families Board. Local Integration Teams (LITs) review performance and direct activity around Troubled Families at a local level. The LITs report to the Troubled Families Board, which reports progress to the Manchester Investment Board.
 2. Health and Social Care is governed via the Blueprint Steering Group and the Health and Wellbeing Board
 3. Early Years via the joint steering group with the Health, also the Health and Wellbeing Board
 4. Transforming Justice is governed at a Greater Manchester level.
- 6.15 These governance arrangements have strengthened the links between delivery at a local level and the citywide strategic direction for the PSR Programme. Involvement of partners at both local and Board level has strengthened the commitment and involvement of partner organisations. It has also provided a higher level of scrutiny to the work required to secure investment, and maximised the knowledge and intelligence of different organisations.
- 6.16 An evaluation framework for the Troubled Families Workstream has been developed to monitor progress and to highlight risks. An interim evaluation of the Troubled Families programme highlighted a positive cost benefit analysis ratio. However, it is too soon to fully evaluate the programme as most of the interventions currently in place are still running their course. An evaluation framework is also in place to

assess the effectiveness and resilience of new delivery and investment models in place across Targeted and Specialist Services.

6.17 The core principles of Public Service Reform are:

- Interventions chosen on the strength of the evidence base.
- Integrated, co-ordinated and sequenced interventions packaged in the right order and at the right time for each family.
- Family based approach not just focus on individual, in order to best influence behaviour.
- New investment models to move money and resources between partners and enable sharing of investments and benefits.
- Robust evaluation evidence to inform investment decisions.
- Decommissioning of some existing provision and integrated recommissioning of provision by scaling up proven pilots, together with early intervention and prevention.

The Local Authority's Leadership and Influencing Role in School Governance

6.18 In light of the Education Act 2011 and changing policy landscape, governance arrangements were reviewed in order to strengthen the leadership and influencing role of the Council across an increasingly diverse education system. A new collaborative partnership, the Strategic Education Partnership (SEP), was established between the Council, partners and all schools. See paragraph 7. 10 for further information about the SEP.

6.19 The Council maintains an 'intelligence-led' approach to ensuring that governing bodies are effectively discharging their duties including their statutory responsibilities. It brings together data from school performance and inspections, school finance teams, Internal Audit and Human Resources/Organisational Development (HR/OD) to identify key issues and determine support and intervention. Overall this approach supports the development of community accountability.

6.20 A rolling programme is being developed to systematically review all current School Governor appointments. A role specification is being developed to clearly set out the competencies, roles and responsibilities of School Governors. Terms of Office in relation to both the school and the Council will also be specified. The Council will provide ongoing training and information to support School Governors in their role. A Local Authority Governance Unit will also be established to provide ongoing support.

One Education

6.21 One Education Limited promotes school improvement services which schools can commission. It began operating 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 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 (SLA) with the Council and is subject to a formal performance review process.

- 6.22 Various SLAs are in place with One Education including one which focuses on the appointment and training of School Governors and management of the Governors database. In discussion with One Education, this SLA was reviewed and a decision was taken to end the SLA. These functions are now being managed internally within the Council. One Education, together with the Council, are undertaking a review of the current business model.

Third Sector

- 6.23 Following a collaborative design process between the Council and representatives from volunteering-focused third sector organisations, an interim volunteering service began delivery in January 2012, branded “Volunteer Centre Manchester”. The volunteering service provides volunteers with new ways to develop skills and gain experience of the workplace as well as providing capacity to the third sector to deliver services to local residents.
- 6.24 The new Volunteer Centre Manchester successfully gained accreditation with Volunteering England in late December 2012. The centre now runs sessions in the Customer Centre at First Street (and will continue to offer them from the newly refurbished town hall extension). A total of 2,500 volunteers have registered with the centre since it began operations in January 2012 and 308 organisations now use the volunteer centre to recruit volunteers to over 3,700 volunteer opportunities.
- 6.25 The Third Sector Assembly provides an important strategic link between the sector and the Council. With a clear mandate from its membership and a reporting structure through which to feed back, representatives of the Assembly can liaise between the member organisations and the Council on a range of issues, including future budget reductions. The Assembly has provided an excellent opportunity to involve the third sector in the planning and delivery of consultations.
- 6.26 Between March 2013 and August 2013 the infrastructure support service to the third sector will be retendered. The third sector assembly will form a key part of the revised specification alongside the volunteer centre and a bespoke support service to help third sector organisations access commissioning opportunities.

Managing Reductions in Resources

- 6.27 The funding reductions set out in the financial settlement in January 2013 led to further large scale transformation across the Council with a greater emphasis on Public Service Reform (PSR). Strong governance arrangements to support delivery of changes are necessary to continue to provide effective services with due regard to our legal obligations. New governance arrangements include the Targeted and Specialist Board which will assist in monitoring delivery of savings and performance improvements needed across Integrated Delivery and Commissioning.
- 6.28 The Council’s budget decisions are framed around our ability to achieve the strategic objectives outlined in the Greater Manchester Strategy and the recent refresh of the New Strategic Narrative. The strategic approach is supported by the detailed budget reports and business plans. Where necessary proposals are subject to consultation

and consideration of Equality Impact Assessments (EIAs) before final decisions are taken. When considering service redesign or service reduction, a range of factors including costs, efficiencies, impact on equalities and local factors (such as resident need and access to services) are taken into account before decisions are taken.

- 6.29 In December 2012, Personnel Committee and the Executive agreed a time limit VSS Scheme (combined Voluntary Severance and Voluntary Early Retirement Scheme) to support the transformation of the workforce and assist with the anticipated workforce budget savings across 2013/14 and 2014/15. Potentially the staffing implications impact on all the spines in the Community Strategy. However, the ongoing review of services and skills will drive workforce reductions and be linked to corporate objectives. The practical application of the VSS Scheme has been developed to ensure that important skills necessary for the future needs of the Council are not lost and disruption to services is managed on a practical level.

Workforce Development

- 6.30 Organisational change and workforce development are governed through the **m people** principles and an agreed set of principles for organisational design. These organisational design and budget principles are aligned with our values, PEOPLE, PRIDE and PLACE. When workforce changes are being considered HR/OD Strategic Business Partners work within the Directorates to ensure these principles and values are considered as part of strategic decision making. From a skills perspective each Directorate operates a Workforce Development Group (WDG). The WDG is responsible for delivering the Directorate Workforce Development Plans agreed through the business planning process and underpinned by the People Strategy. The WDG also considers current and future skills needs and investment. These Groups are responsible, with their Heads of Service, for identifying and commissioning development for the next financial year.
- 6.31 **M people** is an effective framework for delivering the required workforce changes needed by the transformation programme. It has been successful in supporting over 5,000 staff through service redesigns and provided a flexible framework to move individuals to the point of greatest organisational need whilst supporting skills development and aspirations. **m people** will remain critical as the workforce transforms further over the coming year. The Support for Change Programme was externally evaluated and received nationally recognition in the 2012 National Training Awards.
- 6.32 Directorate Assistant Business Partners have an important role in coaching and developing managers in their understanding and subsequent compliance with the policy framework. Information is also available on the newly updated intranet pages, through the HR/OD helpline service and via manager briefings.
- 6.33 The ICT structure was reviewed and this has led to a mini service redesign. In addition to structural changes the ICT Management Team have developed a training plan which identifies the required skills and level of competence for all roles within the service, and links them to service outcomes. The training plan captures both the technical ICT development and non technical development required for all staff within the service. Successful implementation of the Plan will result in an improved ability to

support the back-end functionality of some of the infrastructure and an improved understanding of the project governance process. The impact on service/customers would be expected to be felt through a streamlined project process and an ability to start to provide management information on some elements of infrastructure performance.

- 6.34 The Council's workforce must have the appropriate skills and capacity to support Public Service Reform (PSR), to support economic growth and achieve better outcomes for residents. Skills development needs to be focused around leadership and management as well as financial modelling, commercial acumen and research and evaluation.

Compliance with Internal Processes and Procedures

- 6.35 The Handbook for Leaders is an online resource which brings together and summarises the various codes, policies and protocols concerned with the Council's governance arrangements. It provides signposts to more detailed policies and procedures and who to contact for help. The Handbook was refreshed in June 2012. A communication campaign was developed to raise awareness of the Handbook. The Handbook had a constant presence on the staff intranet front page for the month of July. In addition, the Handbook was featured in the staff news, Love Manchester and **m people** broadcasts. Six different messages were developed for the campaign, each different and each adapted for the different types of staff communication channel. The communication campaign was successful with site usage improving from an average of 50 distinct users a month before the campaign, to an average of 560 distinct users a month by 6 August 2012.
- 6.36 A link to the Handbook for Leaders has been added to the **m people** offer letter. This will ensure that everyone who takes a **m people** placement has the opportunity to read the appropriate guidance within the Handbook.

7 Significant governance issues identified during 2012/13

- 7.1 The following issues were identified as ways to manage possible risks to the resilience of our governance arrangements and/or systems of control, after the publication of the last AGS , through a four stage process:
- Business Plan Self Assessments, which incorporated the Annual Governance Self Assessment Questionnaire;
 - 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.

Local Government Resources Review (LGRR)

- 7.2 The Local Government Resources Review (LGRR) has brought, and will continue to bring, major changes to how Councils are funded, including the partial relocation of business rates. Finance Scrutiny Committee on 6 September 2012 considered a

paper on the possible implications for the Council's funding position and the proposed new Business Rates Retention Scheme. The new scheme will increase volatility to the Council's funding system as levels of funding will fluctuate depending on the change in business rates income from year to year. The Council has taken measures to adequately address any appeals to business rate changes and is looking into new ways of monitoring resources in this area.

- 7.3 Councils will continue to receive an element of Revenue Support Grants. This means government will retain the ability to reduce spending in line with Comprehensive Spending Reviews. The impact of the local government financial settlement 2013/15 has been included in the budget reports considered by The Executive. Finance Scrutiny Committee also received a paper in January 2013 which set out the financial consequences of the settlement.
- 7.4 The other significant change is the localisation of the Council Tax Support Scheme with a 10% grant reduction. A new scheme has been implemented. This is likely to impact collection rates as many of those residents now liable for Council Tax previously did not have to pay. The scheme was approved by the Executive Committee on 16 January 2013, having been reviewed in detail by the Finance Scrutiny Committee and will be carefully monitored.
- 7.5 New monitoring arrangements are in place for the localised Council Tax Support Scheme and new Business Rates Retention Scheme in order that the impact of their introduction can be assessed and inform preparation for the challenges of the 15/16 Comprehensive Spending Review.

Welfare Reform

- 7.6 Welfare Reform changes are expected to affect approximately 12,500 social tenants in Manchester, who under the new under-occupancy rules, could potentially lose up to 25% of their Housing Benefit. Universal Credit has capped benefit for around 600 residents and removed direct rent payments to social landlords. This could lead to an increase in rent arrears and household debt, and ultimately homelessness. In addition, there could be increased movement between landlords, or across Council boundaries as tenants may be driven toward the private rented sector, already under pressure from reductions in Local Housing Allowance. Work has been ongoing with housing providers to develop initiatives to support tenants likely to be impacted by the changes.
- 7.7 A corporate officer Welfare Reform Programme Board is in place to ensure all services take a co-ordinated approach to dealing with impacts. Directorate Business Plans recognise the risks and potential impacts and include measures to keep any increase in demand from the most vulnerable of families under close review. SRF Delivery Groups include representation from across the public sector, enabling agencies to coordinate and deliver effective integrated responses to the impacts relating to both welfare reform and cuts in services. Briefing sessions for Ward Members have also taken place. A Welfare Reform 'dashboard' is now in place to monitoring impacts of welfare reform as changes start to take effect.

- 7.8 The Council's new Local Welfare Provision Scheme has replaced the Discretionary Social Fund (includes community care grants and crisis loans) from April 2013. The new scheme was approved by Executive on 16 January 2013. Access to the scheme will be online, at council buildings, or with support from other agencies, for example through a Housing Association. The new scheme will help our most vulnerable residents with basic furniture packages where people are being rehoused, additional furniture or equipment where residents require support to stay in their home, and small emergency loans for those in need of immediate financial assistance following a crisis. Our scheme has tight eligibility criteria, as we need to be able to manage the fixed budget for the whole year.
- 7.9 When considering applications for support, staff will consider individual circumstances and where necessary will link through to wider support packages and Council priorities, including safeguarding, Complex Families workstream, debt and money advice. The scheme has been developed so that it supports appropriate circumstances and need and does not reward negative or inappropriate behaviours or perpetuate dependency. On this basis future applications can be restricted and as a general rule any cash payments need repaying to the Council.

The Strategic Education Partnership and the Schools Alliance

- 7.10 A new collaborative partnership, the Strategic Education Partnership (SEP) was established between the Council, partners and all schools. A Strategic Education Partnership Board, chaired by the Leader, established the aspiration, direction and vision of education in Manchester by engaging and securing commitment from all partners. Board membership includes representation from the Council, schools, health partners, businesses, industry, higher and further education.
- 7.11 The Schools Alliance (SA) was created to ensure that the SEP could deliver the City's vision and aspiration. A Director of Education and Skills was appointed with responsibility for the Implementation Plan to establish the SEP and SA as fully operational from 1 April 2013. The SA is coordinated and managed through a Forum chaired by a Head Teacher, who is also be a member of the SEP Board. The Forum will also scrutinise the work of the SA to ensure it remains focused on school improvement. The SA will report to the SEP and to Manchester City Council. Members will have opportunities to scrutinise the work of the SA through the committee process.

Compliance Issues

Information Governance

- 7.12 The Council handles a significant volume of data and information relating to residents, customers and service users. Our governance and security arrangements help safeguard personal and sensitive data. These arrangements remain under continual review as there have been examples where security arrangements have been shown to be vulnerable in the year. Lessons learnt from our reviews have led to further improvements and refinement of our arrangements. The Council's Internal Audit Team has focused its review on controls over identity passes, email groupings and email access. Work to further strengthen arrangements in these and other areas

of information security will continue with the oversight of the Corporate Information Assurance and Risk Group during 2013/14.

Social Care Casework

- 7.13 Following an internal audit of casework management arrangements in Children's Services, concerns were raised with management regarding issues of non-compliance with standards of recording in the electronic social care system (MiCare). The issues raised reflected risks in terms of the completeness and accuracy of records and the ability to readily access information that was held outside of the system. In response the Strategic Director of Children and Commissioning Services is responsible for the development and implementation of an Improvement Action Plan which included briefings to senior staff, the establishment of a Quality Assurance Framework and management audits of case files. These issues and the management response were the subject of a report and update to Audit Committee on 24 January 2013. The Action Plan has had an impact on the quality of recording and this will be subject to independent verification as part of a Peer Review and further Internal Audit work scheduled for 2013/14.
- 7.14 Delivering social support and health-related services involves handling perhaps the most sensitive and confidential information about citizens. Using, sharing and protecting this information effectively is fundamental to the transformation and integration of these services. In 2012/13, the Directorate for Adults, Health and Wellbeing achieved baseline compliance with the social care delivery version of the NHS Information Governance Toolkit – an annual self assessment framework for information-handling in health-related organisations. In 2013/14 work will continue to improve performance against the IG Toolkit standards and to develop our information governance arrangements in the light of the recently published second Caldicott review

Behavioural change across the workforce and within Manchester's communities

- 7.15 A key element of achieving our priorities will be creating the conditions that facilitate the sustainable behavioural change of our workforce and communities. Changing structures, processes and organisational arrangements alone will not create the scale and pace of change required. We must also develop resilient and aspirational communities with the skills and behaviours to access the opportunities created through growth.
- 7.16 It is essential that the behaviours that are most effective in reducing demand and creating independence are clearly identified and articulated. Appropriate rewards, disincentives and sanctions need to be built into the way services operate, in order to encourage behaviours for independence and discourage those behaviours that perpetuate demand. Approaches to achieving behavioural change for both staff and Manchester residents are currently being progressed.
- 7.17 A Members group has been established to oversee the approach to behavioural change and monitor progress and impact. Each Transformation Programme will incorporate behavioural change projects which will be governed through Transformation Boards. A co-ordination group of Senior Officers from across the

Council will ensure consistency of approach, ensure that appropriate models of behavioural change are deployed, share learning and address issues as they arise.

8 Future actions for further improvements to our governance arrangements

- 8.1 The review of governance arrangements has identified four areas where the Council will need to focus its efforts during 2013/14.

Monitoring the impacts of organisational change

- 8.2 Following the introduction of new directorate structures along with workforce reductions and closer partnership working, transformation, public service reform and welfare reform, real-time performance information will become increasingly important for budget monitoring and forecasting. We will ensure that our performance management framework provides appropriate intelligence and data to support decision makers to strategically plan and deliver against our key objectives. Each of the PSR workstreams will need to be supported by a robust evaluation and reporting framework, this is currently under development.

- 8.3 During 2013/14 PSR work will be expanding. There is a need to ensure that roles, responsibilities and expectations of staff working in partnerships are clearly set out and communicated. In addition, there is a need to ensure that sound governance arrangements are in place for the management and operation of the Commissioning Hub.

Information Governance

- 8.4 Evidence based decision making is a key part of public service reform which in turn relies on quality data. The Council holds increasing volumes of personal and sensitive data and there are governance and security arrangements to help safeguard the control of this data. The Council will need to ensure that data security, information sharing protocols and data quality issues are appropriately addressed.

The Integration of Health and Social Care

- 8.5 The whole programme of public health spend will be subject to a review during 2013/14. This will include a review of all contracts to ensure that expenditure is evaluated to ensure that it is evidence based, aligned to delivering the public health outcomes, supports the integration of health and social care and achieves the best possible efficiency and value for money through integration and reducing duplication with other areas of Council and NHS spend. The transfer of public health to the Council has been a lengthy and complex task. A good understanding exists with the City's three Clinical Commissioning Groups to enable local resolutions of any issues whilst changes are being embedded. It is clear that the integration of public health into the Council brings with it many opportunities to do things differently and for the Council to strengthen its leadership role as a public health and prevention focused organisation. Further work is currently underway to identify options for achieving this.

ICT

- 8.6 There is a comprehensive governance structure in place led by the ICT Board. An ICT Continuity Change and Risk Group has been established to lead on ICT Projects such as the relocation to a new data centre. Risks around the migration and security of data need to be clearly identified and managed. There are funded improvements underway with the data centre, network and telephony which are designed to improve resilience. We will monitor and report progress on these and other key ICT projects throughout the year.

Signed:

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Leader of the Council

Signed:

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Chief Executive