

**Manchester City Council
Report for Information**

Report to: Standards Committee – 17 June 2021
Subject: Draft Annual Governance Statement 2020/21
Report of: Deputy Chief Executive and City Treasurer

Summary

This report contains the draft 2020/21 Annual Governance Statement (AGS) which has been produced following completion of the annual review of the Council's governance arrangements and systems of internal control. The processes followed to produce the AGS are outlined in the report.

Recommendations

Standards Committee is requested to note and comment on the contents of the draft version of the Council's 2020/21 Annual Governance Statement (AGS).

Wards Affected: All

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1. Introduction

- 1.1 Local authorities have a legal responsibility to conduct, at least annually, a review of the effectiveness of their governance framework including their system of internal control. Following the review an Annual Governance Statement (AGS) must be produced, approved and published.
- 1.2 Standards Committee are asked to note the findings of the 2020/21 AGS, which is attached as an appendix to this report.

2. Format and sections of the document

- 2.1 The content and style of the AGS is reviewed each year to ensure that it remains compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines, and that improvements are made where possible. There is a focus in the document on effective public communication, plain and clear language, partnership working, and ensuring transparency and clarity over what the Council's governance challenges are, alongside what is being done to address them.
- 2.2 For 2020/21, a desktop review of the AGS process was carried out to identify improvements and efficiencies. A review of good practice was undertaken, including comparison with peer authorities. The improvements identified have been implemented for the draft AGS, with a more concise document template now being used. In particular, the governance challenge update section now has a clearer focus on a high-level summary of the strategic oversight of improvements, avoiding the reproduction of detailed updates which are available in other existing Committee reports. This will reduce duplication, bring efficiencies in resource expended, and aims to improve the accessibility of the document.
- 2.3 In 2016, the Council fully reviewed and updated its Code of Corporate Governance (the Code) to reflect the seven new principles detailed in CIPFA's "*Delivering Good Governance in Local Government: Framework (2016)*". Alongside the CIPFA principles, the vision and values of the organisation – the Our Manchester principles - are at the heart of the Council's approach to governance. Our Manchester was therefore also integral to the way the standards in the Code were defined when it was reviewed. The Code was subsequently updated again in 2019, to ensure that the contents remained accurate, up to date, and that they reflected all applicable relevant legislation.
- 2.4 A key element of compiling the AGS is an assessment of the extent to which the Council has adhered to the governance standards set out in its Code, and providing a robust evidence base for this, set out in a clear way. This can be seen in Section 4, The Governance Framework.
- 2.5 The AGS includes the following sections:
 - 1 – Introduction** This section provides a clear, plain language explanation for the lay reader as to what the purpose of the document is. The reader is also

signposted to the Council's Annual Report as a companion document to the AGS, where the reader can access information about the Council's expenditure, policies and performance.

2 and 3 - The scope of responsibility and the purpose of the governance framework; these sections outline the legal requirements for an AGS and its links to the Council's Code of Corporate Governance.

4 – The Governance Framework; this describes how the Council has complied with the principles in its Code of Corporate Governance, and includes links to online documents where the reader can access more detailed information.

5 – Annual review of effectiveness of the governance framework; this section explains the mechanisms by which the Council assesses its governance arrangements, and what conclusions have been drawn.

6 – Strategic oversight of actions to address the Council's governance challenges in 2020/21; This section provides a concise high-level summary of strategic actions taken to address the Council's governance challenges for the 2020/21 financial year, as identified in the Action Plan in the previous AGS (2019/20).

7 – Action Plan: Governance Challenges for 2021/22 Onwards; this section will set out the key areas which the Council will focus on in 2021/22, to address challenges identified and changing circumstances.

3. Process followed to produce the AGS 2020/21

3.1 To identify significant governance challenges to be addressed during 2021/22 a number of evidence sources were considered including;

- Analysis of responses from Heads of Services to the online annual governance questionnaires which provide a self-assessment of compliance with the Code of Corporate Governance.
- Significant governance challenges in Partnerships as identified by the Council's Register of Significant Partnerships assessment process.
- A meeting of key Senior Officers with responsibility for Governance, to identify and discuss emerging governance issues
- Consideration of risks identified in the Corporate Risk Register
- Emergent challenges identified by the work of Internal Audit during 2020/21
- Where appropriate carrying forward elements of action points from 2020/21 if substantial further challenges and monitoring is required.
- Annual Report of the Standards Committee - The Council is committed to promoting the highest standards of conduct by members and has adopted a Code of Conduct for all members as part of its constitution. The Annual Report of the Standards Committee is one of the Council's sources of governance assurance.

3.3 These processes, described in more detail in section 5 of the AGS itself, led to the identified governance challenges described in section seven. This sets out an Action Plan, which looks ahead to the main challenges where the Council will need to focus attention in 2021/22.

4. Communication of Governance Arrangements

4.1 The Council is committed to improving the transparency of its governance arrangements, and ensuring it publishes clear and concise explanations of these arrangements in a format easily accessible to the public.

4.2 **The Council's Code of Corporate Governance** – The Council's Code is written in plain and clear language and is easily accessible on the Council website. CIPFA has highlighted the Council's Code as an example of good practice.

4.3 **Accessibility of the AGS** – The AGS has been written in such a way as to make it as accessible as possible for the lay reader, for example by focusing on making the governance challenge updates as plain, clear and concise as possible. As well as being included as part of the Council's Annual Accounts, it is also easily accessible separately on the Council's website.

5. Next Steps and AGS Timeline

5.1 The following table shows the key reporting dates for the 2018/19 AGS;

Date	Milestone
17 July 2021	Draft AGS included with draft Council Accounts
27 July 2021	Draft Accounts to Audit Committee

5.2 Currently the AGS is reported to both Audit Committee and Standards Committee. In addition, the Annual Report of Standards Committee already informs the AGS as a source of assurance. Therefore, it is proposed that for 2021/22 and subsequent years that instead of the AGS itself being brought to Standards Committee and Audit Committee, that it is instead in future taken to Audit Committee only. This will improve the efficiency of the process. Due to the timing of the usual Committee schedule, this will allow the draft version of the AGS to be in a more complete year-end position when reported to Committee, therefore reducing officer resources required to update and produce the document.

5.4 Standards Committee is requested to note and comment on the contents of the draft version of the Council's 2020/21 Annual Governance Statement (AGS). Any amendments to the statement requested by Committee will be included in the draft version included with the Accounts and passed to External Audit prior to Audit Committee on 27 July 2021.