

Manchester City Council Report for Information

Report to: Audit Committee – 14 June 2022
Subject: Draft Annual Governance Statement 2021/22
Report of: Deputy Chief Executive and City Treasurer

Summary

This report introduces the draft 2021/22 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

Audit Committee Members are recommended to note and comment on the contents of the draft version of the Council's 2021/22 Annual Governance Statement (AGS).

Wards Affected: All

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1. Introduction

- 1.1 Local authorities have a legal responsibility to conduct, at least annually, a review of the effectiveness of their governance framework including their system of internal control. Following the review an Annual Governance Statement (AGS) must be produced, approved and published.
- 1.2 Audit Committee Members are asked to note the findings of the 2021/22 AGS and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2022/23.

2. Format and sections of the document, including improvements made

- 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, accessibility of the document, 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 In 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 were implemented in the AGS 2020/21, 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 has reduced duplication and brought efficiencies in resource expended.
- 2.3 To further develop the document for 2021/22, accessibility improvements have been made to the layout. 'SCULPT' principles have been used, which are a simple way to make documents and content more inclusive and accessible for all. This could include, for example, people using assistive technology or viewing documents on a mobile phone. Using SCULPT principles means that we consider: Structure – the use of headings and styles, Colour and Contrast, Use of images, Links (hyperlinks), Plain English, and Tables - which are either designed so as to be accessible, or not used at all. Following this review, images and tables have been removed from the document. Tables have been replaced by headings with text underneath, and images replaced by a narrative description.
- 2.4 In 2016, the Council fully reviewed and updated its Code of Corporate Governance (the Code) to reflect the seven 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. CIPFA has highlighted the Council's Code as an example of good practice. A further full review of both the document itself, and our approach to the production of the Code is currently being carried out.

2.5 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.

2.6 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.

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 2021/22; This section provides a concise high-level summary of strategic actions taken to address the Council's governance challenges for the 2021/22 financial year, as identified in the Action Plan in the previous AGS (2020/21).

7 – Action Plan: Governance Challenges for 2022/23 Onwards; this section sets out the key areas which the Council will focus on in 2022/23, to address challenges identified and changing circumstances.

3. Process followed to produce the AGS 2021/22

3.1 To identify significant governance issues to be addressed during 2022/23 several 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 2021/22
- Where appropriate carrying forward elements of action points from 2021/22 if further work and monitoring is required.

3.2 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 2022/23.

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 Governance Commitments** – These are set out in the Code of Corporate Governance, which is written in plain and clear language. This is published on the Council's 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. As noted earlier in the report, we have also made accessibility improvements to the layout using SCULPT guidelines.

5. Next Steps and AGS Timeline

5.1 The next key reporting dates for the 2021/22 AGS are;

- 16 June 2022 – Draft AGS to Standards Committee
- 24 June 2022 – Draft AGS included with the Council's draft Accounts 2021/22
- 26 July 2022 – Draft Accounts 2021/22 to Audit Committee

5.2 Audit Committee is requested to note and comment on the contents of the draft version of the Council's 2021/22 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 26 July 2022.