

**Manchester City Council  
Report for Resolution**

**Report to:** Audit Committee – 15 April 2019

**Subject:** Draft Annual Governance Statement 2018/19

**Report of:** Deputy Chief Executive and City Treasurer

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**Summary**

This report contains the draft 2018/19 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. Related activity to promote better understanding and transparency in relation to governance arrangements, both within the Council and for the public is also described.

**Recommendations**

1. to note and comment on the contents of the draft version of the Council's 2018/19 Annual Governance Statement (AGS).
  2. to delegate authority to the Chief Executive in consultation with the Committee Members, to approve revisions to the AGS reflecting further progress against governance challenges made during the remainder of the 2018/19 financial year.
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**Wards Affected: All**

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## 1. Introduction

- 1.1 Local authorities have a legal responsibility to conduct, at least annually, a review of the effectiveness of their governance framework including their system of internal control. Following the review an Annual Governance Statement (AGS) must be produced, approved and published.
- 1.2 Audit Committee are asked to note the findings of the 2018/19 AGS and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2019/20.
- 1.3 The draft 2018/19 AGS 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 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 2018, 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.
- 2.3 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.
- 2.4 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 – Progress in addressing the Council’s governance challenges;** This section explains progress made in addressing challenges identified in last year’s AGS.

**7 – Action Plan: Governance Challenges for 2019/20 Onwards;** this section sets out the key areas which the Council will focus on in 2019/20, to address challenges identified and changing circumstances.

### **3. Process followed to produce the AGS 2018/19**

3.1 A progress report was provided to Audit Committee in November 2018, updating members on the implementation of actions to improve governance arrangements identified in the action plan at the end of last year’s AGS. Progress since November in delivering these actions is described in section six of the new AGS.

3.2 Subsequently, to identify significant governance issues to be addressed during 2019/20 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 2018/19
- Where appropriate carrying forward elements of action points from 2018/19 if further work and monitoring is required.

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 2019/20.

### **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. A number of separate steps have been taken to achieve this, which are outlined below.

- 4.2 **The Council's Governance Commitments** – In support of this and to implement the decision of the Audit Committee in March 2013, officers in Performance and Intelligence attended Manchester's Youth Council to describe and discuss the Council's governance arrangements. This meeting led to the establishment of 10 governance commitments, which summarise the commitments in the Code of Corporate Governance, in plain and clear language. These commitments are published on the Council's website.
- 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.
- 4.4 **The Annual Report** – the Council's Annual Report includes an overview of the AGS. This sets out a summary of the Council's governance standards and challenges in a concise and clear way. The publication of the last report was promoted on the Council's website and via social media, to promote public engagement with the report.

## 5. Next Steps and AGS Timeline

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

Date	Milestone
15 April 2019	Draft AGS to <b>Audit Committee</b>
31 May 201	Draft AGS passed to External Audit as part of the Accounts.
31 July 2019	Final AGS and Accounts circulated to <b>Audit Committee</b>
Autumn 2019	Update on delivery of governance improvements for 2019/20 (as set out in AGS Section 7 Action Plan) to <b>Audit Committee</b>

5.2 The AGS has been produced early again this year as the deadline for the submission of Accounts for auditing was moved forwards from last year onwards to 31 May. The Accounts and Audit Regulations 2015 brought forward the timetable for the preparation of 2017/18 and subsequent draft Accounts by one month, and the deadline for audit by two months. This means that to comply with the Constitution and submit a draft of the AGS to Audit and Standards Committee before it is finalised in the Accounts, it must be taken to the March and April Committee meetings, rather than June as in years prior to 2017/18. This means that there will be some subsequent revisions to the final AGS from the version provided with these papers, based on further progress made to address governance challenges during the remainder of this financial year.

- 5.3 Subsequent amendments will require oversight and clearance before the signed AGS is passed to external audit. To address this, Audit Committee are requested to delegate authority to the Chief Executive in consultation with the Committee Members, to clear the revised version as there are no further Committee meetings prior to 31 May. A revised version will be circulated by email for approval.
- 5.4 Audit Committee is requested to note and comment on the contents of the draft version of the Council's 2018/19 Annual Governance Statement (AGS). Any amendments to the statement requested by Committee will be included in the signed draft version included with the Accounts and passed to External Audit on 31 May 2019.