

## Report for Information

**Report To:** Audit Committee  
**Date:** 3 June 2010  
**Subject:** The Annual Governance Statement  
**Report of:** The Chief Executive, The City Solicitor and The City Treasurer

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### 1. Summary

1.1 To present a first draft of the Annual Governance Statement which has been produced following the completion of the annual review of the Council's governance arrangements.

### 2. Recommendations

2.1 To note the findings of the annual review and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2010/11 which are set out in the draft Annual Governance Statement.

2.2 To request members to identify any matters disclosed within the Annual Governance Statement which require further, more detailed consideration by the Audit Committee.

2.3 To note the requirement for Audit Committee to approve the final Annual Governance Statement at the meeting to be held on 25 June.

### 3 Wards Affected:

N/A

### 4 Contact Officers:

Richard Paver  
City Treasurer  
234 3564

[r.paver@manchester.gov.uk](mailto:r.paver@manchester.gov.uk)

Geoff Little  
Deputy Chief Executive (Performance)  
234 3280

[g.little@manchester.gov.uk](mailto:g.little@manchester.gov.uk)

Carol Culley  
Head of Financial Management  
234 3425

[carol.culley@manchester.gov.uk](mailto:carol.culley@manchester.gov.uk)

Liz Treacy  
Head of Legal Services  
234 3339

[l.treacy@manchester.gov.uk](mailto:l.treacy@manchester.gov.uk)

Andrew Ballantyne  
Interim Head of Finance (Governance and Corporate Support)  
234 1647

[a.ballantyne@manchester.gov.uk](mailto:a.ballantyne@manchester.gov.uk)

## 5. Implications for Key Council Policies

Anti Poverty	Equal Opportunities	Environment	Employment
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None	None	None	None
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## 6. Introduction

6.1 Governance comprises the systems and processes, and cultures and values by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate lead their communities.

6.2 In essence, good governance ensures that an organisation is doing the right things, in the right way, for the right people, in a timely open and accountable manner.

6.3 There is a strong correlation between effective governance and effective service delivery. Therefore to deliver the Council's ambition and support the drive for continuous improvement, strong governance arrangements need to be in place.

6.4 The Annual Governance Statement (AGS) was a new statutory requirement introduced in 2008, comprising an assessment of governance arrangements across the whole organisation against the Council's Code of Corporate Governance and whether these are supported by robust assurance processes. This review includes:

- The robustness of the Council's risk management, performance management, financial management, legal and regulatory, ICT and human resources processes and having the evidence to support that these are in place;
- The governance arrangements in place for the management of partnerships;
- The work and effectiveness of the internal audit function; and
- Assurances from those managing the business (i.e. our Heads of Service) that the processes in their area of business are robust and complied with. This is undertaken by a Heads of Service Governance Assurance questionnaire.

6.5 The external assessment of the AGS is a key component of the Use of Resources (UoR) and Organisational Assessment elements of the Comprehensive Area Assessment. As such, the Council's ability to demonstrate an awareness of where weaknesses exist within its governance arrangements and to develop and implement appropriate improvement plans will be a key piece of evidence required to achieve a UoR score of 3 in 2010 and 4 in the future.

## 7 Preparation of the Annual Governance Statement

7.1 The Accounts and Audit Regulations require that the Council reviews, at least annually, its governance arrangements and, following this, agrees an Annual Governance Statement for publication in its Accounts.

7.2 The completion of the annual review of governance arrangements has been undertaken by a Working Group led by the Interim Head of Finance (Governance

and Corporate Support) and including senior officers from Children's Services, Financial Management, Corporate Performance, Legal Services and Internal Audit and Risk Management.

7.3 In undertaking the annual review the following sources of assurance were considered:

- Self assessment against the Governance Code completed by the Working Group;
- Head of Service self assessments against a number of key evaluation criteria;
- Draft Annual Internal Audit Report;
- External Audit "*Annual Audit Letter*" – December 2009 and associated External Audit reports;
- Work of the SMT Governance sub group, including progress reports to the R&GOS Governance sub committee on the Council's Programme of Improvement for Significant Governance Issues contained in the 2009 AGS; and
- The Partnership Governance Framework and assessments.

7.4 A further input, the annual review of the effectiveness of the system of internal audit is not yet available therefore the relevant area in the AGS for which this is required has yet to be drafted.

7.5 The output of the review and those matters which warrant specific mention in terms of ongoing development are captured within the draft AGS, which has been considered by the Strategic Management Team (SMT) and the SMT Governance sub group.

7.6 The format of the AGS follows the best practice approach outlined by CIPFA, which requires the Statement to include the following:

- An introduction setting out an explanation of Corporate Governance and the purpose of the AGS;
- A description of the key elements of the systems and processes which comprise the Council's governance arrangements;
- A description of the review work within the Council to provide assurance on the governance framework;
- A summary of the significant governance areas where the Council will focus its efforts over the coming year; and
- An appendix which references the significant governance areas identified in last year's AGS to the relevant commentary on action taken in this year's AGS.

7.7 An initial draft of The Manchester City Council Annual Governance Statement is presented at Appendix 1 of this report and, once finalised and approved, will be contained within the Annual Statement of Accounts as required by the Accounts and Audit Regulations 2003. The statement will need to be signed by the Chief Executive and Leader prior to the Audit Committee meeting of 29 June.

## **8. Process for completion of the Annual Governance Statement**

8.1 Set out below are the steps in the process for the completion of the Annual Governance Statement:

- Feed back to SMT on 14 June on the outcomes of the above meetings
- The Leader and the Chief Executive to sign off the AGS between 15 and 17 June
- Audit Committee to agree the AGS at its meeting on 25 June (delegated power)
- Standards Committee to pass comment on the signed AGS at its meeting on 28 June

## DRAFT

# MANCHESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

1. Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Manchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility Manchester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
3. Manchester City Council adopted a code of corporate governance in June 2008, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement will explain how Manchester City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.

### The Purpose of the Governance Framework

4. The governance framework comprises the systems and processes, and cultures and values, by which the authority is directed and controlled and through which it accounts to, engages with and where appropriate leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Manchester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

6. Manchester City Council has been working to its Code of Corporate Governance for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Statement of Accounts.

### **The Governance Framework**

7. The Nolan Committee Report published in May 1995 set out seven principles of conduct which should underpin public life: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership. Good corporate governance incorporates these principles and requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.
8. The Council's commitment is to foster a culture of behaviour based on shared values, ethical principles and good conduct. Our vision is that Manchester will be a world class city with a larger population that is wealthier, living longer, healthier, happier lives in communities that are diverse and cohesive. We strongly believe that good governance enables us to pursue this vision in the most effective way.

The Council's governance arrangements have been reviewed against the following key parts of Manchester's Code of Corporate Governance:

- Focus on the Council's purpose and community needs, including making the best use of resources;
- Having clear responsibilities and arrangements for accountability;
- Good conduct and behaviour of members and officers;
- Informed, transparent decision making which is subject to effective scrutiny and risk management;
- Development of the capacity and capability of members and officers to be effective; and
- Engagement with local people and other stakeholders to ensure robust public accountability

### **Focus on the Council's Purpose and Community Needs**

9. The Council has a clear ambition for the city and the sub-region, recognising that their economic growth and success is key to ensuring the greatest opportunities for its residents. As such the Council plays a leading strategic role at a sub-regional level, working in partnership with other Greater Manchester authorities to align vision, priorities and resources, which are captured within *Prosperity For All: The Greater Manchester Strategy*, published in August 2009.
10. The Council has also been at the forefront of developing a model of city region governance, in direct recognition of the role this will play in terms of public sector reform for the area. This work culminated in Manchester's designation as a statutory city region in December 2009, with subsequent governance proposals having now been developed in some detail for a Greater Manchester Combined Authority and the final agreed scheme for its establishment is currently undergoing national consultation by the Secretary of State prior to any

order establishing the Authority being made later this year, for establishment from April 2011. Subject to this, agreements will be entered into with other District Councils and the Combined Authority to ensure that arrangements provide for a clear definition of detailed operating arrangements and how concurrent responsibilities and duties will be discharged.

11. The Local Strategic Partnership's vision for Manchester is set out in the Community Strategy, with the Council's own Corporate Plan and service business plans setting out the strategic outcomes and priorities which will contribute to the delivery of the overall vision for the city. The policy objectives included within the 20010/11 business planning process, which frame where the resources and efforts of the Council and its partners need to be targeted, were informed by evidence derived from The Manchester Independent Economic Review, published in 2009, along with various needs and aspiration assessments.
12. In the context of the policy objectives referred to above and increasingly difficult economic conditions, changes to the 2009 business planning process reflected the need for greater scrutiny and challenge of service priorities and resources. Specifically these have included:
  - The incorporation of service self-assessment to establish current capability and future capacity to improve;
  - The development of service 'option appraisals' to encourage services to consider how best to achieve a set of priority outcomes rather than the delivery of existing service activities; and
  - The introduction of quarterly support and challenge sessions for each Directorate to ensure much greater engagement and involvement of executive members.
13. This process has resulted in the achievement of a balanced budget for the Council and a well developed and fully integrated medium term financial strategy for the organisation over the next three years.
14. A review of the 2009 business planning process has now been completed and has informed proposals to improve the Council's Performance Management Framework, in recognition that this is critical to the effective management of performance and the achievement of objectives. It is expected that these proposals will deliver the following outcomes in the coming year:
  - Greater clarity of new organisational priorities and ambition, including a refresh of the Council's Corporate Plan and the creation of new Directorate level summary business plans;
  - Further improvements to the business planning process including; a reduction in the bureaucracy associated with the process; the greater alignment of revenue and capital resource planning; and greater linkage with the Council's annual review of governance; and
  - Improved performance reporting, including greater integration with existing arrangements for reporting on finance and risk.
15. The Council has a responsibility to explain and report regularly on its performance and financial position. It does this through the publication of:

- The Corporate Plan and associated business plans outlining the key objectives for the next three years as well as the Council's Medium Term Financial Plan;
  - The Annual Report outlining what the Council has achieved in the previous year;
  - The Annual State of the City and State of the Wards Reports. In 2009 the State of the City report was expanded to include communities of interest and vulnerable groups.
16. The Annual Audit Letter highlighted that the Council has demonstrated "an impressive response to early messages on areas for improvement in governance arrangements, particularly progress in developing the Internal Audit function and the Audit Committee, which is now cited as best practice on the Audit Commission's website".
17. Within the Manchester Partnership, all the thematic partnerships have been involved in corporate planning and assessment processes during the year, including thematic action planning and locality self assessment for the CAA. The results of this work have been used to develop eight partnership priorities and an accompanying programme of work for delivery during 2010/11 which will be used to strengthen partnership working.
18. A series of workshops is being delivered to the Partnership's Management Group during 2010 to support thematic partnerships in their production of business plans for 2011-14. The first workshop was on understanding effective governance which has resulted in the production of a document which captures the key success criteria for a successful thematic partnership. Future workshops will cover value for money, cost benefit analysis and options appraisal.

### **Making the Best Use of Resources**

19. The Audit Commission introduced the Comprehensive Area Assessment (CAA) in June 2009 as the new framework of independent assessment of local public services in England. The Organisational Assessment element of this framework, which comprises an assessment of Managing Performance and the Council's Use of Resources, replaces the previous Comprehensive Performance Assessment (CPA). The outcome of the Council's Organisational Assessment for 2008/09 was Manchester being rated as an authority which "performs well" as the Council "continues to play a strong role to develop the city and the wider region". Although not directly comparable, this assessment is consistent with the outcome of the CPA in 2007/08 which rated the Council as a 3 star authority "improving well".
20. The Use of Resources element of the assessment has changed significantly under CAA and represents a "harder test" than under CPA and as a consequence national scores have fallen. The award of a score of 2 for the Council in 2008/09, compared with the score of 3 awarded in 2007/08 under the CPA, must be viewed in this context and the auditors noted that "significant progress has been made in several areas" and an action plan, overseen by the Use of Resources sub group of the Council's Strategic Management Team

(SMT), has been developed in order for the Council to achieve its clearly stated ambition of improving its score in 2010. The CAA is discussed in more detail below.

21. The Local Area Agreement (LAA), which is the action plan for the delivery of the Community Strategy, underwent its annual refresh in March 2010. It has been agreed with government and adopted by partners from the public and third sector. Key to delivering the priorities and maximising the use of resources are effective commissioning arrangements.
22. Work undertaken in connection with Greater Manchester's designation as a pilot statutory city region and Government's Total Place initiative over the course of the year has been integral to building a better understanding of the impacts of total public spending in the city. As part of this work officers from Manchester, working closely with HM Treasury officials, have taken a lead in the development and piloting of cost benefit analysis as part of an evaluation framework which will enable analysis and comparison of the impact of interventions and associated expenditure across agency and spatial boundaries. It is expected that de-commissioning and re-investment will flow from the application of this evaluation framework to spatial and thematic interventions of public sector organisations in the city region, based upon key principles which will be developed. It is proposed that the principles cover issues such as evidence of impact upon outcomes from interventions, value for money and compliance with relevant policy and legal requirements.
23. With respect to commissioning arrangements SMT established a sub group, early in 2010, to develop the concept of integrated commissioning which is the overall strategic process of aligning resources to deliver shared outcomes. The main challenge for an integrated commissioning approach is to deliver the priorities within the Community Strategy by targeting spend to reduce dependency and thereby improve outcomes for residents and reduce future spending at the same time.
24. This approach builds on previous work undertaken on joint commissioning, principally the development of the "Manchester Model" which concentrated on the identification and application of consistent principles and processes, to focus on the delivery of improved outcomes for residents and how this is achieved in practical terms. Over the course of 2010, the sub group in conjunction with partners through the Public Services Board, will test and develop further the integrated commissioning model as a component of the public service reform agenda which is being driven by spatial and thematic pilot activity accompanying Greater Manchester's designation as a pilot statutory city region.
25. In respect of procurement the Council continues to be recognised as demonstrating national best practice and is responsible for the delivery of regional procurement programmes in the North West Improvement and Efficiency Programme.
26. A significant amount of work has been undertaken in the last year to draw together all of the strands of Value for Money (VfM) work undertaken across the

Council which has informed the development of the Council's three year VfM strategy and action plan, published in April 2010, joint leadership of which has been established between the Council's Finance Management and Corporate Performance services.

27. The purpose of the new VfM strategy is to provide strategic leadership, coordination and drive across the totality of the Council's VfM offer. The strategy has been developed in line with the Council's business and budget planning process and is inextricably linked to the Medium Term Financial Plan. The strategy will be reviewed on a quarterly basis and refreshed annually in order to provide a single summary of progress and achievements. Progress on the strategy will be reported to Audit Committee as part of the Council's Use of Resources improvement action plan combined with regular engagement with relevant executive members.
28. The key component of the 2010-2013 VfM action plan is the delivery of an ambitious programme of transformation and innovation which will be facilitated by the Directorate of Transformation (DoT), established in 2009 through the combination of the pre existing Manchester Improvement Project and the Council's ICT service. The transformation portfolio of activity, which will be delivered between 2010 and 2013 covers:
  - The Analyse and Improve Manchester (AIM) programme which sits at the heart of the Council's transformation journey, the focus of which will be to deliver savings and efficiencies across the Council that can be achieved by reducing duplication across the organisation and taking a joined up approach to service delivery which is better supported but innovative technology. As part of this activity streamlined and uniform financial, performance and risk management and monitoring processes will be embedded within the new organisational model which will underpin improved governance across the Council.
  - The Customer Services Strategy is seeking to deliver substantial improvements to all customer access channels and in doing so will enhance the customer experience whilst reducing operating costs. This will be achieved through the implementation of key changes such as a corporate contact centre, a customer service centre, a single telephone number and the development of community access points.
  - The Town Hall Complex Transformation Programme has three key outcomes: first, the modernisation and restoration of a significant element of Manchester's civic buildings; second, the way in which services are provided to customers will change, delivering efficiencies together with an excellent end-to-end customer experience and improving outcomes for customers in line with the Community Strategy; and third, the working environment for staff will be transformed; promoting behavioural change, ensuring an efficient, customer-centric office environment and ensuring the Town Hall complex is perceived as a great place to work.
  - Information and Communication Technology (ICT), which is a key enabler in all of the Council's strategic ambitions that underpins the broad

transformation programme. The priorities of the ICT service include the security of the data, the stability of systems, service consolidation and the implementation of transformational technology. The ICT service is discussed in more detail below.

29. The delivery of the transformation portfolio is overseen by the Improvement Board, which comprises senior officers from across all areas of the organisation and reports to SMT. Member oversight will be maintained through regular reporting to scrutiny committee and as part of the quarterly strategic support and challenge sessions held throughout the annual business and budget planning cycle.
30. In relation to the role of partnership working in the delivery of improved use of resources, it became evident during the CAA process that there is further work needed to both capture existing joint working practices and to develop new opportunities to take forward work across partners in areas such as the sharing of resources and joint service design. In order to take this work forward a Joint Use of Resources Task Group has been established, which will report to the Manchester Partnership's Resources and Performance sub group.
31. A specific example of joint working which has been taken forward during the year is the Council's involvement in NHS Manchester's "Securing our Shared Future" programme which was launched in September 2009. The aim of this work is "to develop and implement solutions that enable the NHS and social care in Manchester to commission and provide sustainable and high quality care in an increasingly challenging financial climate". The Deputy Chief Executive (Performance) of the Council is a member of the programme board and is helping to ensure the alignment of the programme to the Council's corporate goals, and to the shared goals within the LAA and Community Strategy.
32. Environmental sustainability is a key priority that the Council is also taking a lead on across the city region as well as at a national and international level. The development of Manchester's Climate Change Action Plan (CCAP) has been led by the Council and sets out the strategic framework of actions to be taken by individuals and organisations throughout the city to address the challenges and opportunities of climate change between now and 2020. The Strategy was launched to coincide with the Copenhagen Climate Summit in December 2009.
33. Implementation of the commitments made in the CCAP is being led by the Environmental Strategy Board which has overseen the production of a Carbon Reduction Plan for 2010/11 (published April 2010) and a process for internal engagement and planning to produce a longer term delivery plan to 2020.
34. There does, however, remain further work to embed the identification and monitoring of the environmental impact of Council policies, plans and strategies, via environmental impact assessments, within the Council's Performance Management Framework. In addition, the Council is implementing plans to work more closely with neighbourhoods to tailor recycling services to local needs and

offer additional services in order to recover a shortfall against residents' waste recycling targets in 2009/10 and to meet those set for the coming years.

### **Having Clear Responsibilities and Arrangements for Accountability**

35. The Council has clearly outlined who is responsible for the discharge of responsibilities within the constitution and has:
- Appointed a Leader of the Council;
  - Appointed an Executive whose members each have an individual portfolio;
  - Statutory officers in place with the skills and resources to fulfil those roles;
  - Appointed (on an annual basis) committees to discharge the Council's regulatory responsibilities;
  - Recognised the democratic and representative nature of locally elected members in their communities and has developed its Ward Co-ordination process to support members in discharging this role through activity such as: the organisation of regular meetings in wards between residents, members and representatives of other local organisations and service providers; the production of regular ward newsletters; the facilitation of local consultation exercises; and ensuring that the Council's activity is delivered effectively and efficiently within each ward; and
  - A published constitution which includes schemes of delegation of both executive and non-executive functions, a Members Allowances Scheme and protocols governing member /officer relations and the roles of members and officers in decision making. The constitution is reviewed annually to ensure it remains fit for purpose, reflects changes in legislation and the Council. The constitution, in particular the scheme of delegation, has been through a thorough review in 2009/10 and will now incorporate the Code of Corporate Governance.
36. As part of its work to governance and financial management across public services, the Chartered Institute of Public Finance and Accountancy issued its *Statement on the role of the Chief Financial Officer in Local Government* (the Statement) in 2010. The Council has undertaken a review of the role of its CFO, The City Treasurer, against the governance arrangements set out in the Statement which are required to ensure the CFO is able to operate effectively and perform their core duties. The Council's financial management arrangements fully conform to those set out in the Statement.
37. The Strategic Management Team is responsible for overseeing the work to improve governance arrangements across the Council. A sub group of SMT, chaired by the Deputy Chief Executive (Performance) has responsibility for overseeing work to improve governance arrangements within the Council and with partners, with a particular focus on the delivery of the Programme of Improvement for Significant Governance Issues as identified in last year's Annual Governance Statement (see Appendix 1) progress against which is reported to members on a quarterly basis.

38. In order to further develop leadership capacity and to improve engagement at all levels across the Council, a three tiered engagement framework has been established in the year, comprising:
1. A Heads of Service Group consisting of SMT and Business Heads which now meets regularly to develop leadership capacity, strengthen business planning, communication and involvement at senior levels
  2. The Heads of Service Group and the next tier of management which now form a new Wider Leadership Team which meets twice annually; and
  3. The third tier of the framework is engagement with employees through the Connect events, which provide the opportunity for senior management to engage with employees from all services to share key messages and hear from them how they are delivering services.
39. In order to strengthen governance arrangements across the Council and support members and officers in their roles, work has been undertaken on a number of fronts during the year to promote the awareness and understanding of particular aspects of the Council's constitution, codes and protocols, including:
- The development and delivery of training and a supporting guide on decision making and delegation for officers by Legal Services;
  - The continued delivery of both risk and financial management training to both officers and members;
  - The delivery of training to all senior managers on data handling and information security;
  - An intensive implementation programme, including the training of all managers in support of the Council's revised Management of Attendance Policy and Procedure; and
  - The launch in April 2010 of the Council's Leadership and Management Development Framework which draws together the governance related training across the Council to provide a consistent training and development pathway for Council managers.
40. It is however recognised that further work remains to ensure good governance process and practice is embedded within the roles and activities of all managers and employees across the organisation. This is of particular importance at a time of impending change and the Council will ensure that the opportunity to develop an integrated approach to the development of skills and an awareness of all aspects of governance, presented by the integration of the Personnel and Organisation Development functions into a multi disciplinary Human Resources service, is not missed. It is expected that this activity will encompass a refresh of the Handbook for Leaders.
41. Throughout the year there has been the continued development of strong governance and leadership models for schools, the key elements of which have been:
1. The continued growth of governing bodies' capacity to drive sustainable school improvement.
    - The new Ofsted inspection regime introduced in September 2009 includes explicit assessment of the overall effectiveness of governing bodies. To date of the 49 schools (out of a total of 170 excluding

Academies) in Manchester inspected, 96% of primary schools and 88% of secondary schools have been rated satisfactory or better in this area. In those instances where the effectiveness of governing bodies has been assessed as less than satisfactory the statutory powers of the governing body have been revoked and an Interim Executive Board (IEB) has been put in place: the IEB leads on the establishment of new governance arrangements;

- During the spring term of 2010 School Improvement Partners undertook their second statutory reporting cycle with schools. The purpose of this visit is to validate the schools own self evaluation processes. The area of focus of reporting this term was governance. The evaluation of this work, including actions to address areas of weakness will be reported in the summer;
  - The Council's Governor Support Service has put in place a visible, regular and relevant flow of practical advice, information and guidance to governing bodies, over 95% of who have now bought in to the service level agreement which incorporates their statutory requirements, legal responsibilities as well as good governance; and
  - School Effectiveness Officer's have been deployed to support governing bodies directly from the start of this academic year.
2. Ensuring consistent and universal compliance with financial regulations
- A new Schools Finance Board (SFB), chaired by the Deputy Director of Children's Services (Education) has been established. Its remit includes working in partnership with the Education Service Board to ensure that adequate financial monitoring, governance and support exists, the review of the effective use of the Dedicated Schools Grant and the effective response to issues around schools' finance raised by Internal Audit and to use this information to improve future governance arrangements. The SFB also has a compliance function and can request "health checks" for schools causing concern, with intervention up to and including the removal of delegation where necessary.
  - Manchester spent 550 days on school establishment audit work in 2009/10, which was more than double the CIPFA comparator average. The Council recognises that a robust audit adds value to the school, governing body, and Local Education Authority and this approach has helped schools to demonstrate compliance with the Financial Management Standard in Schools.
  - Children's Services have worked with the corporate procurement service to set up an approved schools provider list in order to support schools with compliant procurement activity. Schools are also beginning to make use of access to the Department for Schools and Families and local authority sponsored On-line Procurement for Educational Needs portal.
3. The improvement and formalisation of the Council's policies and procedures in relation to Children Missing from Education (CMEs).
- An integrated schools admissions service is now established and includes early years 0-5 and 16-19 admissions, the administration of children missing education, exclusions and special educational needs.

This service uses a common database for primary and secondary school children and has developed a joined up approach to child tracking and implemented associated performance monitoring;

- In partnership with Greater Manchester Police truancy sweeps are conducted across the city. All pupils categorised as CME are referred to the CME team immediately to ensure their safeguarding.

Whilst significant progress has been made in the year and effective governance and financial management arrangements are in place in many schools, there remain a number of areas where consistent improvement of existing arrangements will be taken forward over the coming year, including:

- Active governor challenge, scrutiny and decision making in key areas such as budget performance and review and approval of governance documents;
- The consistent completion, by all schools, of School Improvement Plans, deficit recovery plans and analyses of reserves;
- Full compliance with and understanding of procurement rules by all schools
- The management and security of physical assets and information.

42. Manchester continues to lead the Greater Manchester Challenge funded governance workstream on behalf of all ten local authorities. Products which are due to be launched in the coming year include :

- Improved resources for governors, including an online guide as well as a model for accreditation and continuing professional development;
- The deployment of Governor Champions from the beginning of the next academic year to build the capacity of school governance in the region;
- The documentation and communication of a single unified vision for the role of school governors including clarity over governor expectations across Manchester; and
- A governor recruitment and retention strategy and tools and networks to support this.

43. The Council is co-sponsoring seven academies in the city of which four are now open in predecessor school buildings and the remaining three are due to open in September 2010. At the heart of the Academies Programme is governance, through the opportunity for the education sector to experience and learn from the very best of practice from other sectors, and for new approaches to governance to be explored. A Collaborative Protocol has been agreed between the sponsors, including the Council, which sets out the vision, goals and partnership commitments inherent in the programme and a programme group supports a collaborative approach to common issues and themes across the academies. This group reports back to the Council through SMT to ensure that the development of the programme is consistent with its original objectives, whilst ongoing scrutiny of the programme wide impact of the academies is undertaken by the Children and Young People Overview and Scrutiny Committee.

44. As a co-sponsor the Council has two seats on the Board of each Academy Trust and to date has appointed one Board member to each Trust, in each case this is a member of SMT. Consideration is currently being given to how best the Council can be additionally represented and contribute to the strategic governance of Academies. To support the Council's Board members in undertaking their duties, a mechanism is being developed by Children's Services which will support them in understanding and fully the strategic vision and policies of the Council and Children's Trust and in sharing best practice in their approach to Academy governance. This mechanism will also provide a forum for ongoing support and training through quarterly meetings chaired by the Deputy Director of Children's Services (Education). The Academy Trusts are registered as significant partnerships on the Council's partnership register
45. As well as continuing to support academies, the authority has fostered school to school working through the National Challenge Trust, Families of Schools and the Manchester Leaders of Education (MLE) Programme where a number of MLE head teachers have a leadership role across a number of schools. Looking forwards, the publication of the government's White Paper *Your Child, Your School, our Future (2009)* highlighted the need for schools to collaborate. Manchester has responded to this development by creating a governance transition team whose purpose is to assist schools in their transition from a single institution to a cluster or a chain with a particular focus on governance arrangements.
46. An unannounced inspection by Ofsted covering "contacts, referrals and assessments" undertaken in Manchester in November 2009 identified the need to improve contact information as part of the process by which contacts are made to the Children's Services First Response Team (FRT). The effective operation of the system of making contacts with Children's Services is important, as it indicates the degree to which there is a commonly agreed and understood set of thresholds, by which children's and young people's needs can be properly assessed and responded to in the city. The Manchester Safeguarding Children Board (MSCB) is in the process of implementing actions to improve contacts to the FRT is an area which will be kept under regular review by both the Children's Board and MSCB.
47. Within Adult Services the implementation of recommendations arising from Internal Audit's review of the system for safeguarding adults undertaken in 2008 has taken place. However, recent audits of safeguarding records in both Adults and Children's Services identified significant non-compliance with documentation standards in the new MiCare system. Adult Services in particular gave rise to some significant concerns and management have agreed a series of urgent actions to be taken to reduce the Council's exposure to risk in this area, and other areas of non-compliance, which are currently being implemented.

### **Good Conduct and Behaviour**

48. The Council's refreshed budget and business planning activity this year has prompted discussions regarding the central positioning of the Council's values

to achieving its ambitions. The Council understands that shared values have high prominence in high performing public and private sector organisations and are integral to driving the Council's ethos as well as communicating the Council's culture and ambition to its residents, customers and communities.

49. A programme of work is underway, incorporating consultation and engagement with Council staff and key stakeholders around the emerging core themes of place, people and pride, which will be concluded in summer 2010. A strong corporate programme of activity will be undertaken to promote the refreshed values.
50. Work has also continued with Standards for England (formerly the Standards Board for England) to develop a set of core partnership values. Manchester provided a formal response to a draft protocol during the year, a final version of which will be published in summer 2010. The Management Group of the Manchester Partnership has already held discussions on how the protocol could be used within the thematic partnerships and the wider work currently ongoing to develop values for the Partnership.

### **Member Conduct**

51. The Constitution contains the Code of Conduct for Members. The Code sets out the standards of conduct expected of members including standards of individual behaviour; registration of financial and other interests; and the rules governing disclosure of interests and participation in the decision making process where a member has a prejudicial interest. The Members Update, a briefing on ethical governance issues, takes place twice a year. The Standards Committee's annual report to full Council details the work of the Standards Committee over the past year.
52. The Standards Committee is in place in accordance with the requirements of the Local Government Act 2000. It is responsible for promoting and maintaining high standards of conduct by members of the Council. It has twelve members, three of whom are independent co-opted members. The Committee is chaired by an independent member.
53. The Standards Committee is responsible for operating a locally based system for initial assessment of complaints that a member may have breached the Code of Conduct for Members. The Standards Committee has established sub committees, each chaired by an independent member to undertake the assessment of allegations that a member has breached the Code; to consider any request made by a complainant for a review of a decision to take no action in respect of an allegation; and to discharge the function of holding hearings in connection with investigations.
54. In 2009/10, out of 96 members and 13 co-opted members, none were found to have breached the Code of Conduct for Members. In the same period, seven complaints were considered by the Standards (Assessment) Sub Committee and one of these complaints was considered by the Standards (Review) Sub Committee. Of the seven complaints, three were referred to the Monitoring

Officer for investigation, all of which are ongoing; three, whilst not breaches of the Code, were referred to the Monitoring Officer for alternative measures and one was not a breach of the Code and no further action has been taken. The Council has reported to the Standards Board on a quarterly basis all activity regarding the local filter and has filed an annual return.

### **Officer Conduct**

55. An updated Code of Conduct for Employees was issued in 2009. The Code provides scope for the inclusion of any amendments necessitated by the anticipated publication of a statutory code by Central Government, although this has now been delayed until later in the year.
56. Sickness absence levels across the Authority have been steadily increasing over the last few years and the Council's performance is in the bottom quartile when compared to other Greater Manchester Authorities. During 2009 a working group was established to review the Council's Management of Attendance Policy and Procedure, the outcome of which was a revised policy, supplemented by an intensive implementation programme involving training of all managers which is expected to reduce overall absence levels, thereby improving the quality of service delivery and reducing the incidence of additional staffing as cover for absence.
57. The Council's Anti-Fraud and Whistleblowing policies, for which the Internal Audit and Risk Management division are custodians, were reviewed and revised during the last year. In addition a corporate fraud intranet homepage has been launched, bringing together related policies and codes to improve visibility and awareness of the corporate approach to dealing with fraud.
58. The requirements for registration of offers of gifts and hospitality and the declaration of interests in contracts are set out in the Council's constitution. Council internal communication methods have been used to raise awareness of these requirements.

### **Informed, Transparent Decision Making**

59. Manchester has adopted the principles of open government. The Council's governance arrangements ensure that:
  - Key and major decisions taken by the Executive, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;
  - The decisions of regulatory committees, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;
  - Rules and procedures which govern how decisions are made including how appropriate financial, legal and professional advice is provided are regularly reviewed and publicly available;
  - The forward plan and executive and committee agendas are published in advance and available to the public. Agendas, reports and minutes are made available on the Council's website; and

- Key decisions delegated to officers are recorded and, subject to limited exemptions, publicly available.

60. The Council has put in place arrangements to ensure that decision makers can be held to account for example, each overview and scrutiny committee has published an annual report for full Council which is accessible to the public. The 'Engaging with Local People and Stakeholders' section below sets out the arrangements in place to engage stakeholders in the decisions of the Council.

### **Customer Complaints**

61. A three stage process for dealing with public complaints is now fully embedded within all departments and details of our complaints procedures, along with on line complaints forms for each department are published on our website. An officer is dedicated to the management and development of complaints processes corporately. Departmental complaints coordinators have been appointed for each service who are responsible for quarterly monitoring of all complaints received and reporting back on how complaints have influenced service improvement. Complaints data is published for all departments on the Council's website and a report on complaints performance across the Council is made to SMT quarterly.
62. A review of the Council's complaints management process, concluded in early 2010, has identified a series of recommendations for improvement and consistency of application which will be taken forward in conjunction with DoT and the work of the Customer Strategy Board, to contribute to the wider implementation programme of the Customer Strategy. A number of the recommendations arising from this review are already in place including:
- The revision of targets for responding to complaints from 15 working days to 10;
  - The development of a strategic Complaints Panel with representatives from a number of key services;
  - The implementation of a complaints learning process; and
  - A new policy and procedures manual, available on the intranet, to assist staff in the application of consistent procedure.
63. Arrangements for managing complaints referred to the Local Government Ombudsman are reviewed annually following receipt of the Ombudsman's Annual Report for Manchester, and this report also contributes to the ongoing assessment of areas for development in the handling of complaints both corporately and departmentally.
64. A further way that the Council can be held to account is through the use of Freedom of Information requests. The Council is committed to ensuring that the arrangements in place operate as effectively and transparently as possible.

### *Risk Management*

65. The Council is continuing to develop a well embedded framework for risk management. Specific developments in 2009/10 included:

- A refresh of the Council's Risk Management Strategy and Policy;
  - A refresh of the Corporate Risk Register, in line with the methodology set out in the above strategy. The main change of focus is a reduction in the number of risks reported to SMT, a clearer linkage to Council priorities and greater emphasis on an assessment of "capacity to control" risks and "capacity to improve" to support decision making. This is now discussed on a monthly basis by the SMT Use of Resources sub group with a full quarterly review to form the basis of reports to SMT and Audit Committee;
  - The continuation of council-wide manager training in risk management (500 managers trained this year) as well as the delivery of training to SMT and Audit Committee; and
  - Further formal integration of risk considerations within business plans.
66. The acknowledged priority over the coming year is to support the embedding of risk management as a core competency across all corporate and operational services. Strategic priorities for 2010 and beyond include:
- Corporate risk managers to provide named officer support to Heads of Service and to support SMT and the SMT Use of Resources sub group in discharging their responsibilities;
  - Further expansion of the risk management training programme as well as exploration of additional approaches to training delivery; and
  - Ensuring detailed work programmes for risk management are captured within the Internal Audit and Risk Management division's business plan.
67. Members are engaged in risk management through the Audit Committee and risk in relation to strategic decision making is addressed by the inclusion of risk management commentary in committee reports.
68. A key step in developing risk management as an embedded process within partnership working has been to ensure the Manchester Partnership Risk Management Strategy is refreshed and the Strategic Risk Register has been reviewed. In addition a tailored programme of risk workshops has been developed and is being delivered to the key management groups that steer partnership working, including the Partnership Management Group, and the Thematic partnership management groups.
69. Corporate and service business continuity plans are generally well developed, reflected in the absence of any significant disruption to devices during the adverse weather conditions experienced in January 2010. Business continuity formed part of this year's business planning process, with each Head of Service having responsibility for a robust business continuity strategy and the implementation of annual testing arrangements. Quality assurance of these arrangements is provided by the corporate business continuity team. In addition an annual Business Impact Analysis process has been developed in order to provide intelligence regarding the risk exposure levels in different services and buildings and will also be the primary mechanism by which services communicate the minimum resource levels they will require to deliver acceptable service in the event of disruption. This process will be completed for all services by autumn 2010.

70. Specifically in relation to ICT disaster recovery, the ICT service now has an initial Disaster Recovery plan that is being used to prioritise and direct investment in ICT. As continuity requirements continue to emerge from services the plan will be further developed to ensure it is integrated with service contingency plans across the Council. The plan will be regularly tested to ensure it remains up to date and effective in supporting the organisation's critical systems.
71. Following the theft of two laptops in October 2008 and subsequent notification to the Information Commissioner's Office the Council was issued with an undertaking that was signed by the Chief Executive. The undertaking set out five areas of improvement that were considered necessary to demonstrate the adequacy of controls over personal data and in June 2009 SMT agreed a series of actions to ensure compliance which will remain under review to ensure that the measures are fully implemented.
72. During the past year progress has been made against these actions, in particular in the procurement and deployment of encryption for laptops and in raising awareness of information security, particularly within SMT and the Wider Leadership Team. The Council has obtained the National School of Government "Protecting Information" e-learning tutorial and is continuing to upgrade other e-learning materials. Advice and guidance through the provision of training resources on the intranet and Information Governance newsletters has been introduced.
73. However, in the last year there have been other information security incidents across the Council. Most of these have been minor involving business processes and appropriate measures have been taken to minimise future risk. However one incident, involving external providers, has been voluntarily reported to the ICO in line with their guidelines and work is ongoing to put effective measures in place to provide assurance that providers of similar services are complying with their contractual information security obligations.
74. The Council is also continuing its review of its approach to information governance, including the clarification of roles and responsibilities in the area of information governance risks, in accordance with the LGA/SOCITM Data Handling Guidelines for Local Government, which includes the designation of a Senior Information Risk Officer.
75. The failure of the Council's ICT network in February 2009, following detection of the Conficker virus, highlighted concerns around the robustness of the ICT infrastructure and its security. Over the past 12 months significant steps have been taken to address this situation, including:
  - The appointment of a Chief Information Officer (CIO);
  - The deployment of anti-virus software across the ICT estate;
  - Improved security of network infrastructure;
  - Patching of servers and strengthening of resources through a restructure;
  - and

- The appointment of a strategic IT partners and signature of the Microsoft Enterprise Agreement which provides the Council with access to Microsoft software and training sessions across a range of technologies.
76. However, the scale of issues inherited by the CIO means that he and his team have a wide range of challenging objectives, driven by the need to deliver a robust ICT service whilst actively supporting the Council's transformation and service improvement ambitions. Therefore whilst there has been a positive direction of travel and significant improvement from the position 12 months ago there remain a number of key areas to be addressed in order to deliver further significant improvements in the system of control, these include:
- The consolidation of ICT service, management, delivery and budgets consolidated under the control of the CIO;
  - The standardisation, upgrading and mapping of the ICT estate, including implementation of an agreed standard for device and server build;
  - The development of a central register of all ICT contracts and suppliers, supported by standard contract and supplier management processes and consistent application of appropriate procurement processes for all new ICT contracts and supplier engagements; and
  - Fully embedding ICT governance and project management arrangements.
77. In relation to equal pay claims, the Council continues to manage its risk by ensuring that job evaluation is completed across Council and school employees by July 2010 and defending claims and pursuing a planned settlement strategy, with over 2,000 legally binding settlements agreed since 2006. However, there currently remain several hundred live claims against the Council.

#### Developing Skills and Capacity

78. During 2009/10 progress has been made in the delivery of the Council's People Strategy, key achievements include:
- The launch in April 2010 of a Leadership and Management Development Framework which encompasses both a single management qualification pathway as well as a core offer of management development activities drawing together the best already established and commissioning others to address identified gaps in provision;
  - Work to establish a single approach to all training and development delivered through a Training Shared Service Centre has now been completed this year;
  - A training procurement framework was launched in January 2010 to ensure improved and consistent access to development activities;
  - The Council's Senior Career Development Programme and career development event "the M-Factor" continue to be used in the development of current and future senior managers, alongside the introduction in 2010 of a mentoring scheme;
  - Continued increase in the of apprenticeship posts, in support of the Council's Skills Pledge commitments, with an increase in 300 posts achieved in line with targets this year, taking the total apprenticeship enrolments to 485;

- Further development of the corporate appraisal process which requires managers to review their development needs against an agreed set of manager's expectations;
  - Implementation of service health checks to support the Council's Investors in People accreditation which will be re-assessed in November 2011; and
  - The use of the AIM work to provide a framework for the identification of cross service issues, many of which are now being taken forward through the pilots for revised working arrangements as part of the Town Hall refurbishment programme.
79. In 2010/11 the key priorities to support the improvement agenda and framework in Manchester and which will feature prominently in a refreshed People Strategy include:
- The development of a programme to deliver a constructive organisational culture as well as improved leadership capability. The first elements of this programme will be delivered during 2009/10;
  - A greater emphasis on developing career paths, so that staff from entry-level roles can more successfully progress to more senior roles; and
  - Improved use of systems and processes, so that managers are equipped with the tools and techniques to properly manage the workforce in their services and teams.
80. The updated People Strategy will be subject to consultation across a wide range of stakeholders and be in place later this year. The Council also recognises the need to refresh the measures which underpin and measure progress in taking forward the People Strategy. Employee satisfaction and motivation, particularly during a period of transformation, will be key and will be measured through the next employee survey in 2010.
81. To genuinely support the process of transformation, the Council recognises its approach to resources management has to be innovative and ambitious. As such work to refresh the People Strategy will continue alongside a specific improvement programme to combine the two existing Personnel and Organisational Development (OD) functions into a multi disciplinary Human Resources (HR) service under the leadership of a single HR and OD Director.
82. The changes resulting from the integration process, in the context of the wider transformation agenda, form part of a comprehensive approach and methodology to managing resources and deploying talent through times of organisational change, the M People Pathway. The steps within the process, upon which Union representatives are being fully consulted, will provide a positive and structured approach to resourcing and the development and re-skilling of staff, for example through talent management pathways, skills audits and the establishment of a business partner role for each Directorate. In addition the combination of the OD and HR functions presents the opportunity to develop an integrated approach to the development of skills and an awareness of all aspects of governance. The target date for implementation of the new service is September 2010.

83. Although there are some examples of cross organisational planning work, including work with other authorities within the Association of Greater Manchester Authorities (AGMA) via the AGMA Strategic HR Managers Group, more work is needed to progress joint workforce planning with other partners across the city. Improvements in this area will be instigated by the organisational development element of the Joint Use of Resources Partnership improvement Priority Project.
84. The Gender, Disability and Race Statutory Equality Schemes were reviewed and refreshed in the last year, with reference to best practice in local government and other public sector bodies, for example NHS Manchester and are now an integral part of the Council's revised business planning process. The use of information from the Council's Communities of Interest Report means the refreshed schemes are evidence based and outcome focused.
85. Previously separate equality action plans within services have now been fully integrated within the Council's business planning process. These plans include actions relating to equality and diversity in the workforce as well as the delivery of the Council's services. In addition, the Corporate Equality Improvement Group, a senior officers group with representation from all services has been established to consider the strategic equality and diversity challenges the Council faces and how effectively it is tackling these and areas for improvement. This group, which is accountable to the SMT Use of Resources sub group, also has responsibility for monitoring progress against equality action plans.
86. The Council has a well developed intranet and an award winning website, both of which have been refreshed and made more user-friendly in the year. Information to staff is disseminated through the Cascade publication and specific issues are raised through 'team briefings' supplied to all managers to enable them to cascade information to staff through team meetings.
87. In order to take forward the Council's commitment to the development of members, a Members Learning and Development group, made up of senior members and relevant officers, was established in 2009 and meets monthly. The group has overseen the following developments: an update of the members' intranet site, a key communication and signposting tool; the production of a Members Development Strategy and the development of an accompanying annual plan; the performance of a Members Development Needs Analysis across all Heads of Service which has informed the topics for monthly briefings commencing June 2010; and the production of a Councillors' Survival Guide which will be published in May. The Council will be seeking recognition for the development of these arrangements through the award of the North West Charter for Member Development in 2011.

#### Engaging with Local People and Stakeholders

88. The Council has a long history of community engagement and recognises it as being central to the Community Strategy. This is because community engagement is about ensuring that residents can participate in a range of

different ways to drive improvements to local services.

89. There are currently many different types of community engagement processes and structures in the Council enabling residents and residents' groups to put across their views and ways in which they can involve themselves in shaping services. These include formal city-wide surveys and panels such as the bi-annual Place Survey and the Citizens Panel; the ward co-ordination process which engages with all local residents at a ward level and draws up an annual consultation plan; opportunities for residents to take part in specific thematic consultation such as the Local Development Framework, Strategic Regeneration Framework and the Council's annual budget; and consultation on specific service issues. Residents also have the opportunity to take issues directly affecting them to their ward members.
90. A Community Engagement Task Group has been established to monitor, evaluate and improve the delivery of Manchester Partnership's Community Engagement Strategy. A review of this strategy is currently being undertaken, involving an extensive consultation process, with a final strategy to be published in January 2011 which will set out the agreed outcomes and commitments and form the basis for Manchester Community Engagement Agreements to which each service will commit.
91. As well as the development of the strategy, the task group is engaged in the delivery of several areas of improvement engagement activity, including:
- The development of a web based database of engagement activity to: improve the quality of engagement practices; provide a more coordinated approach to engagement; and capture feedback on the outcomes of activity.
  - The delivery of further "U Decide" participatory budgeting pilots, using cash grants
  - The delivery of a programme of engagement activity in the city's Northenden ward following a successful bid for £50,000 of central government Connecting Communities funding;
  - The production of an information pack for the city's Harpurhey ward, with the objective of developing a consistent approach to welcoming all new residents to Manchester; and
  - An increase in the frequency of ward newsletters delivered to residents of each ward from two editions to four each year.
92. The development of the concept of Pride in our Communities has been taken forward during the year and the "Be Proud, Love Manchester" campaign has seen hundreds of events, driven by community groups, taking place across every ward in the city. The projects have ranged from sporting events, planting, intergenerational work and community celebration. Around 40,000 residents have participated in these events which have all been designed to increase the sense of pride in local communities.
93. Following the appointment of a Head of Communications in 2009, the establishment of the new Communications Directorate has resulted in improvements to the quality, consistency and effectiveness of internal and

external communications. For the first time this year, the Corporate Communications Team coordinated an approach to improve public engagement in the budget consultation exercise, which resulted in a significant improvement to the number of responses received.

94. The Council recognises the importance of understanding what communities think of its performance and have launched a rolling telephone and online residents' survey through an independent social research company early in 2010. The findings from this research will be used to see how well the Council and its partners are doing at delivering the services that matter to residents and to decide what needs doing differently in the future.
95. The Council's Neighbourhood Focus Strategy, approved in October 2009, provides a framework for how it delivers services and supports neighbourhoods in response to its key policy objectives, including the development of strong, cohesive neighbourhoods. Neighbourhood working is not a new concept however having a more focused approach within neighbourhoods will enable the Council to be more responsive, efficient and effective, particularly with regard to the use of its resources.
96. The strategy does not stand in isolation, key links exist between this and other core improvement strategies such as the Customer Services Strategy, the Corporate Plan and ward plans. It is also recognised that partnership working at a neighbourhood level is crucial if the needs of residents are to be met and through the implementation of the strategy the Council will work with all key partners to enable a neighbourhood focus to develop at all levels.
97. The Council continues to develop its Neighbourhood Funding Strategy (NFS), which is now an integral part of the business planning process. The role of the NFS is twofold:
  1. To support the ward representative role of members to influence budgets through ward co-ordination; and
  2. To enable neighbourhood priorities to be reflected in mainstream budgets and business plans.
98. During 2009 Manchester residents and local organisations were consulted as part of a review of community governance (including parish) arrangements within the whole of the local authority area. The review considered community governance across the city, but also addressed two particular community governance issues that had previously been identified namely: the future of Ringway Parish and its parish council; and a petition for the establishment of a parish council in part of the Northenden ward. The final recommendations of the Constitutional and Nomination Committee, implemented in full by the Council, were that: the existing parish arrangements in Ringway should be unchanged; no parish arrangements should be established in Northenden ward (although an enhanced ward co-ordination model should be piloted); and no new parish arrangements should be established in the remainder of the city.
99. In accordance with the Local Government and Public Involvement in Health Act 2007 a review of the Council's Executive Arrangements was undertaken. A

wide-ranging public consultation was held during summer 2009 and the Council formally resolved to adopt the “new style” Leader and Cabinet model of governance, rather than the alternative elected Mayor and Cabinet Executive model, in December 2009.

### **Review of Effectiveness**

100. Manchester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
101. The Council has appointed three committees with responsibility for overseeing and scrutinising its governance and internal control arrangements.

### **Audit Committee**

102. This Committee has responsibility for:
- Approving the Council’s accounts;
  - Considering the annual Audit Letter and monitoring the Council’s response to issues of concern;
  - Considering and approving the findings of the annual Review of Effectiveness of the System of Internal Control, including the effectiveness of its systems of internal audit;
  - Making arrangements for the proper administration of the Council’s financial affairs;
  - To monitor the performance of the Treasury Management function including receiving and reviewing the Treasury Management Annual Report and monitoring reports;
  - Obtaining assurance over the Council’s corporate governance and risks management arrangements, the control environment and associated anti-fraud and corruption arrangements;
  - Reviewing and approving (but not directing) the terms of reference for Internal Audit, and the strategy and resourcing of the Internal Audit and Risk Management division;
  - Reviewing and approving (but not directing) the internal audit annual audit programme;
  - Monitoring the implementation of the outcomes of the internal audit programme;
  - Seeking assurance on the adequacy of the management response to internal audit advice;
  - Receiving the Annual Report of the Head of Internal Audit and Risk Management;
  - Engaging with the external auditor and external inspection agencies to ensure there are effective relationships between internal and external audit; and

- Making recommendations to the Chief Finance Officer and Monitoring Officer in respect of the Council's Constitution (Financial Procedures).

### **Resources and Governance Scrutiny Committee**

103. This Committee meets to hold decision makers to account and to develop policy within its area of concern. This area includes corporate finance, human resources, governance, the Manchester Improvement Programme, audit and inspection, revenue and benefits, Information Technology and the capital programme. It also has a role in providing overview and scrutiny of the Manchester Partnership and partnership working as a whole.
104. Governance is an integral part of the Committee's work programme and has featured heavily on the Committee agenda throughout 2008/09. Key pieces of work have included consideration of the Council's and investment strategy and risk; collaborative working across public services in the city; how the Council is strengthening its ICT resources; the operation of the Neighbourhood Funding Strategy and the development of the new relationship between councils in Greater Manchester; and the Government as a result of the Statutory city region agreement.
105. The Committee has continued to monitor performance towards targets in the Local Area Agreement and has a sub group to support the development of stronger governance arrangements in the Council and across its partners.

### **Standards Committee**

106. This Committee has responsibility for the Council's ethical framework, in particular ensuring the good conduct of members and officers and reviewing relevant codes and protocols.

### **Officer Responsibilities**

107. Officer responsibility for governance lies with the Chief Executive and Strategic Management Team. The responsibility for evaluating the effectiveness and fitness for purpose of the Council's corporate governance arrangements and to lead the development and implementation of changes necessary to bring about improvement has been led by the SMT Governance sub group. The objectives of this group have been to:
- Deliver a fit for purpose governance framework for Manchester City Council which seeks to achieve continuous improvement through its work; priorities have been informed by the Programme of Improvement for Significant Governance Issues set out in last year's Annual Governance Statement;
  - The identification and implementation of improvements in the way the Council manages its partnership arrangements; and
  - Review and update of the Council's Constitution including codes and protocols, Financial Regulations and format.

## Sources of Assurance

108. In the preparation of the Annual Governance Statement assurance has been drawn from the following sources across the Council:

- Internal Audit Annual Report reported to Audit Committee in June 2010;
- External Audit “*Annual Audit Letter*” – December 2009 and associated External Audit reports;
- Head of Service self assessments against key criteria;
- Self Assessment against the Governance Code;
- The Partnership Governance Framework and partnership assessments; and
- The work of the SMT Governance sub group.

## Audit and Inspection Opinions

### **Comprehensive Area Assessment (CAA)**

109. CAA is the new framework of independent assessment of local public services in England, introduced from April 2009. There are two key elements of CAA: an Area Assessment; and an Organisational Assessment, which combines Use of Resources and Managing Performance into a combined assessment of organisational effectiveness. The CAA Organisational Assessment for 2008/09 assessed Manchester as an authority which is performing well. As described above, the annual assessment of the use of resources is an integral part of the CAA Organisational Assessment and overall the Council received a score of 2 as set out below:

	2008/09
Managing Finances	2
Financial health	3
Costs and performance	2
Financial reporting	2
Governing the Business	2
Commissioning and procurement	2
Data quality	2
Good governance	2
Risk management & internal control	2
Managing Resources	2
Natural resources	2
Asset management	2
Workforce management	n/a
Overall	2

110. The Use of Resources assessment has changed significantly under CAA including, for example:

- New areas of assessment including the Council’s use of natural resources, procurement and commissioning, workforce and asset management;

- An overall 're-basing' of minimum standards, whereby achievements that would previously have demonstrated level 3 performance may now only demonstrate level 2;
- A greater focus on achievement of outcomes and Value for Money; and
- An emphasis on how the Council is strategically planning and using resources in partnership with other local organisations.

111. The consequence of the above changes is that the 2009 Use of Resources assessment represents a 'harder test' and nationally therefore scores have fallen. This does not mean that performance has deteriorated but that the standard expected, particularly in terms of demonstration of outcomes and value for money, has increased.
112. Whilst the Council's overall score has reduced from 3 to 2, this in the context of the 'harder test' described above and in line with the national picture being 're-based'. Significant progress was noted in several areas, including the development of strategic financial and business planning; the development of the Internal Audit function and Audit Committee; the move by senior management to a culture of being a VFM Council; and improvements in the preparation of financial statements.
113. The assessment highlighted a requirement for further progress in: the delivery of the Council's VfM strategy, the demonstration of key actions and outcomes from the Council's improved business planning process, the continued development of good governance arrangements, particularly in the area of risk management and the rapid resolution of the ICT issues which caused disruption during 2009. Action to address all of the issues identified in these areas has been implemented during the year, overseen by the SMT Use of Resources sub group.

### **External Audit and Inspection Work**

114. The Annual report to those charged with governance concludes that "the financial statements were presented fairly" and that "in all significant respects, Manchester City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009".
115. Ofsted indicated in May 2009 that the annual rating of Children's services would derive from a new performance profile of the quality of services and outcomes for children and young people in each local area, to bring it into line with the CAA which is informed by Ofsted's rating. Children's services in 2009 were assessed "Performs adequately" (Grade 2), the same as under the previous system of assessment in 2008, although the rating is not directly comparable. It was noted that most children and young people achieve as well as those living in similar areas, but not as well as national averages. School results have shown recent improvements but across the city, school standards are inconsistent, and some groups of pupils do not achieve what they should. Behaviour in secondary schools and levels of persistent absence (for which a

red flag representing an area of significant concern was raised in the CAA Area assessment) remain key weaknesses.

116. With respect to improving school attendance an Attendance Board, chaired by the Deputy Director of Children's Services (Education), which includes partners across the range of services meets each month to oversee the strategic direction of the Attendance Strategy and ensures all partners are engaged and focused on reducing absence. An Attendance Performance Group meets weekly to monitor the impact of strategic activity on improving attendance outcomes in all schools and to monitor the Attendance Action Plan.
117. The Care Quality Commission (CQC) which brings together the work of the Commission for Social Care Inspectorate (CSCI), the Healthcare Commission and the Mental Health Act Commission, took up its responsibilities on 1 April 2009. The CQC inherited a performance assessment process from CSCI and throughout 2009 has begun to change this process to bring it into line with the CAA, which is informed by the CQC judgement. The CQC rates the Council's adult social care as "Performing well" which, although not directly comparable, is consistent with the 2008 CSCI assessment. It noted that there is strong corporate and political leadership in plans to transform adult care services. More people who need care are being given the money they need to pay for it themselves and services are helping more people to remain in their own homes and live independently. The assessment highlighted a number of areas for improvement and action is currently being taken to address these.
118. In 2009 the Audit Commission undertook a pilot assessment of the Council's Strategic Housing Service. The outcome of this is that the Council is assessed as providing a "good", two-star service that has promising prospects for improvement. In relation to the detailed findings, strengths outweighed weaknesses and the Audit Commission identified four recommendations which have been used to inform business plan priorities going forwards.
119. Grant Thornton are still in the process of performing in-year reviews , which are in the following three areas:
- Partnership working (reporting June 2010)
  - Three ICT audits (reporting June 2010)

#### *Internal Audit Work*

#### **[Internal Audit Review of Effectiveness]**

#### Management Review

120. In addition to the assurance provided by internal audit, all heads of service have been required to complete a self assessment on the adequacy of the arrangements in place within their service area for the following areas:

- Constitution
- Business Planning
- Risk Management
- Project Management
- Information Management
- Health & Safety
- Training
- Business Continuity
- Internal Audit

- Financial Management
- Performance Management
- Human Resources
- Anti-Fraud & Whistleblowing

121. The results of the assessments have been collated and underpin the action plan.

#### Member Review

122. An assessment of the member assurance processes that are in place, which involved the Leader of the Council and the Chair of the Audit Committee, has also been carried out. Again the results of this have informed this statement.

#### Partnership Arrangements

123. The Council continues to deliver both its strategic objectives and services through partnerships. There are currently around 60 significant partnerships within which the Council is working. These partnerships are not uniform in their nature and cover a wide range of activities from The Manchester Partnership, the local strategic partnership for the city, which drives the city's Community Strategy and is responsible for the delivery of the Local Area Agreement to major regeneration partnerships such as New East Manchester and to the Sure Start Children's Centre Programme.

124. During the last year the Manchester Partnership has reviewed its ways of working at the Manchester Board and Public Service Board levels with a view to strengthening governance across the partnership. This has led to a greater focus on specific roles and responsibilities at the different levels of the partnership for delivering the Community Strategy with terms of reference updated accordingly and annual programmes of work developed. In addition a Joint Chairs Group comprising the chairs of Manchester Board, Public Service Board and Resources and Performance sub group has also been established to facilitate improved linkages between the different levels of the partnership.

125. In recognition of the Council's high number of partnerships and the anticipated increase in partnership working as a result of city region working arrangements the Council is aware of the need to ensure that all of the Council's partnerships continue to perform well, thereby delivering both value for money and the Council's strategic objectives on an ongoing basis, a Partnership Governance Framework is in place. This framework is designed to define and standardise the approach to managing its partnerships, in order to help strengthen accountability, manage risk, rationalise working arrangements and achieve value for money.

126. Work to improve governance in partnerships has continued this year including a refresh of the Council's register of significant partnerships, which now incorporates a risk rating based upon a combination of both partnership significance and strength of governance arrangements which has been used to direct the partnership review work of Internal Audit to those which represent the highest risk.

127. Significant partnerships have increasingly been embedded within the performance management framework of their host service. Evidence that this process is resulting in improvement in the governance of partnerships where underperformance is identified includes the Manchester Mental Health and Social Care Trust (MMHSCT) where it has been recognised by Adult Services during the year that its mental health services need improving and that there was a need to strengthen joint working with MMHSCT to increase the strategic effectiveness of mental health services. A review of options to resolve this issue has resulted in proposals, now being taken forward, to revise and improve the partnership arrangements, including their governance.

### **Programme of Improvement for Significant Governance Issues**

128. The Council is committed to a culture of continuous improvement and is aspiring to achieve the maximum score of 4 in the annual assessment of Use of Resources. Getting to Level 4 will demonstrate that we have improved our styles of management and leadership and the systems and processes within which staff operate. This will have a real impact on the culture of the organisation and our ability to achieve the outcomes set out in the Community Strategy.

129. The review of governance arrangements has identified areas where further improvements need to be made and where the Council will need to focus its efforts during 2010/11. These are as follows:

1. The AIM programme will transform the Council and it is vital that effective governance is in place both to underpin both an efficient process of transformation; and the effective operation of the resultant organisation. Key areas of activity to achieve these outcomes are
  - Further work to ensure that good governance process and practice is embedded within the existing roles and activities of all managers and employees across the organisation. The Council take the opportunity presented by the integration of the Personnel and Organisation Development functions to develop an integrated approach to the development of skills and an awareness of all aspects of governance. It is expected that this activity will encompass a refresh of the Handbook for Leaders.
  - The delivery, through complimentary working between the Council's corporate functions and facilitated by DoT, of standardised governance processes, such as integrated financial, performance and risk management and monitoring which will be embedded within the new organisational model.
2. To genuinely support the process of transformation, the Council recognises its approach to resources management has to be innovative and ambitious. The key actions to be undertaken over the coming year are:
  - A refresh of the People Strategy as well as the measures which underpin and measure progress in taking it forward. Employee satisfaction and motivation will be key and will be measured through the next employee survey in 2010; and

- The delivery of a comprehensive approach and methodology to managing resources and deploying talent through times of organisational change, the M People Pathway, facilitated by the combination of the two existing Personnel and Organisational Development functions into a multi disciplinary Human Resources service under the leadership of a single HR and OD Director. The target date for implementation of the new service is September 2010.
3. The main challenge for an integrated commissioning approach is to deliver the priorities within the Community Strategy by targeting spend to reduce dependency and thereby improve outcomes for residents and reduce future spending at the same time. Over the course of 2010, the sub group in conjunction with partners through the Public Services Board, will test and develop further the integrated commissioning model as a component of the public service reform agenda which is being driven by spatial and thematic pilot activity accompanying Greater Manchester's designation as a pilot statutory city region.
  4. The continued development of strong governance and leadership in schools will remain an area of focus for the Council over the coming year, in particular:
    - Continued work to ensure the governing bodies of all Manchester's schools are fully engaged in all aspects of current activity to improve their governance arrangements and that progress is comprehensively measured, monitored and reported;
    - The delivery and implementation of the various governor support products and tools being developed as part of the Greater Manchester Challenge funded governance workstream being led by the Council;
    - The continued development of new approaches to school governance and leadership arising from the Academies' programme; and
    - Further work to foster increased school to school collaboration and new models of schools governance, in response to the government's White Paper *Your Child, Your School, Our Future (2009)*.
  5. The immediate implementation by management in Adult and Children's Services of agreed actions, following the identification significant non-compliance with documentation standards in the new MiCare system, to reduce the Council's exposure to risk in this area.
  6. The Council will continue to review its approach to information governance including the clarification of roles and responsibilities in the area of information governance risks, in accordance with the LGA/SOCITM Data Handling Guidelines for Local Government which includes the designation of a Senior Information Risk Officer. In addition, assurance is being sought that the measures agreed by SMT last year in response to the ICO's undertaking and measures put in place in response to other incidents have been fully implemented.
  7. Whilst there has been a positive direction of travel and significant improvement from the position 12 months ago within the ICT service, there

remain a number of key areas to be addressed in order to deliver further significant improvements in the system of control, these include:

- The consolidation of ICT service, management, delivery and budgets consolidated under the control of the CIO;
- The standardisation, upgrading and mapping of the ICT estate, including implementation of an agreed standard for device and server build;
- The development of a comprehensive understanding of all ICT contracts and suppliers, supported by standard contract and supplier management processes and consistent application of appropriate procurement processes for all new ICT contracts and supplier engagements; and
- Fully embedding ICT governance and project management arrangements.

8. Continued work to support the embedding of risk management as a core competency across all corporate and operational services. Strategic priorities for 2010 and beyond includes:
  - Corporate risk managers to provide named officer support to Heads of Service and to support SMT and SMT sub group in discharging their responsibilities; and
  - The further expansion of the risk management training and facilitation programme as well as exploration of additional approaches to training delivery.
9. Following recognition by Adult Services during the year that its mental health services need improving and that there was a need to strengthen joint working with the Manchester Mental Health and Social Care Trust to increase the strategic effectiveness of mental health services, the implementation of improved partnership arrangements, including governance, will be implemented in 2010/11.

130. The sub group of SMT will have responsibility for obtaining assurance that these improvements are taking place and will monitor and report progress against these areas. The group will report direct to the Chief Executive and SMT.

131. We propose over the coming year to take these steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

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Leader of the Council

**Signed:**

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Chief Executive

**Action taken in relation to the Programme of Improvement for Significant Governance Issues identified in the 2008 Annual Governance Statement**

The table below incorporates the Programme of Improvement for Significant Governance Issues identified in the 2009 Annual Governance Statement and provides a reference to the relevant paragraph within the 2010 Annual Governance Statement where the action taken to address the particular issue during 2009/10 has been described. Where an action is outstanding or further action has subsequently been identified, this is incorporated within this year's Annual Governance Statement.

<b>Significant Governance Issue</b>	<b>Ref to 2010 AGS or comment</b>
<p>In order to provide the Council with assurance that managers and employees have read and understood the constitution and relevant codes and protocols a programme will be developed in 2009/10, building on previous communications, to cascade to all the Council's employees key, relevant aspects of these documents.</p>	38-40
<p>The continued development of strong governance and leadership models for schools and enabling effective partnerships with key strategic organisations is an important theme of the Council's work for 2009/10. The key areas of focus are:</p> <ul style="list-style-type: none"> <li>• The continued growth of governing bodies' capacity to drive sustainable school improvement;</li> <li>• Supporting a diverse, changing educational governance portfolio, including initiatives which lever school to school working such as National Challenge Trusts, academies federations and partnerships;</li> <li>• Ensuring compliance and control to meet key statutory obligations such as the Financial Management Standard in Schools (FMSiS) framework, which is being operated by the City Council;</li> <li>• Ensuring universal and consistent compliance with financial regulations, in particular in relation to procurement activity undertaken by schools;</li> <li>• The improvement and formalisation of the Council's policies and procedures in relation to children missing from education;</li> <li>• The leadership of the Manchester Challenge funded governance workstream; and</li> <li>• The continued development of academy governance arrangements.</li> </ul>	41-45
<p>The implementation within Adult Social Care of Internal Audit recommendations to further develop the governance of the Safeguarding Board, training of staff and compliance with policies and procedures, which are currently being implemented.</p>	47

<p>Further work to embed effective risk management across the operations and management of the Council as well as its partnerships. This work will be a key objective of the permanent Head of Internal Audit and Risk Management who has recently been appointed.</p>	<p>65-68</p>
<p>Following the detection of the Conficker virus in the Council's ICT network and subsequent widespread disruption to service delivery, a number of areas for improvement have been identified. These include:</p> <ul style="list-style-type: none"> <li>• The implementation of improved ICT estate and data security arrangements; and</li> <li>• The implementation of lessons learned from the resultant activation of the corporate Business Continuity Plan. In addition, service level business continuity plans will be adequately tested during 2009/10.</li> </ul>	<p>69-70, 75-76</p>
<p>The completion of a Council-wide review of data handling procedures informed by the best practice guidelines recently issued by LGA and SOCITM, to ensure its policies, processes and procedures are consistent with best practice information standards</p>	<p>71-73</p>
<p>The three statutory equality schemes on race, gender and disability, which are included within the Council's corporate equalities plan will be revised by August 2009 and cascaded to management and employees. The Council will also adopt the Equalities Framework for Local Government.</p>	<p>84-85</p>
<p>In order to take the Partnership Governance Framework forward further work will be undertaken during 2009/10 to further improve arrangements for services to provide assurance, on an ongoing basis, that appropriate partnership governance is in place and operating effectively for example through the incorporation of significant partnerships within service financial, performance and risk monitoring and reporting arrangements</p>	<p>125-127</p>
<p>The continued development of good governance arrangements across the Manchester Partnership, which will include:</p> <ul style="list-style-type: none"> <li>• The further development of a set of core partnership values by the Public Service Board. This will be informed by the ongoing work with the Standards Board which is due to report in June 2009;</li> <li>• The implementation across other thematic partnerships of the lessons learned for the work undertaken in the year to rationalise and improve the effectiveness of the governance and partnership arrangements that feed into the Children's Board; and</li> <li>• The provision of support in the continued development of</li> </ul>	<p>17-18, 50, 124</p>

<p>good governance arrangements across the partnership by the Non-Executive Resources and Performance sub group of the Manchester Board, established during 2008.</p>	
<p>The implementation of the Manchester Model of commissioning during 2009, to be overseen by the strategic commissioning group which reports to the Public Service Board. The approach taken will ensure that it is applied consistently through the thematic partnerships via a commissioning framework and it will be undertaken in line with business planning cycles in order to influence resource allocation.</p>	<p>23-24</p>
<p>The continuation of work to improve the governance arrangements of the Safeguarding Children's Board and the Children's Board, in particular the adoption of Government recommendations following Lord Laming's Review of Child Protection Services, issued in May 2009.</p>	<p>Improved governance arrangements are now in place</p>
<p>The development of arrangements for a central youth work support team to ensure that the core youth work teams, which are being re-organised within the Council's District Working model, retain a youth work focus on key areas of delivery and that this is done to a clear set of city-wide standards, procedures, systems and protocols.</p>	<p>These arrangements are now in place</p>