PURPOSE OF REPORT

This report sets out the updated Code of Corporate Governance for the GMCA for consideration by the GMCA/AGMA Audit Committee.

The CIPFA/SOLACE Good Governance Framework requires all local authorities, including joint authorities and combined authorities, to develop a local Code of Corporate Governance to ensure that proper systems are in place to meet their responsibilities, and to undertake annual reviews against them.

The Code of Corporate Governance, attached to this report follows the structure recommended in the SOLACE / CIPFA guidance note.

RECOMMENDATION

Members are requested to comment upon and note the new GMCA Code of Corporate Governance before it is formally adopted by the GMCA.

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BACKGROUND DOCUMENTS
Risk Management Strategy

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<th>TRACKING/PROCESS</th>
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<td>Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board</td>
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<td>Are there any aspects in this report which means it should be considered to be exempt from call in by the Joint Scrutiny Pool on the grounds of urgency?</td>
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## Item 7

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CODE OF CORPORATE GOVERNANCE

July 2016
Introduction

‘Corporate governance’ describes how the GMCA (the Authority) directs and controls what it does. In order to fulfil its purpose and deliver better outcomes for Greater Manchester residents, businesses and visitors, the Authority needs to have a comprehensive governance and accountability framework in place to ensure it operates effectively, efficiently and ethically.

To demonstrate good corporate governance, the Authority should carry out its functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity. Good governance will enable the Authority to pursue its vision and secure its agreed objectives in the most effective and efficient manner.

The governance framework comprises the legislative requirements, principles, management systems and processes – including the Authority’s Constitution, Operating Agreement and Protocols – and cultures and values through which the Authority exercises its leadership and fulfils its functions, and by which it is held accountable for its decisions and activities.

The Code of Corporate Governance (the Code) is a public statement based on the six core principles defined in the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’ (2007). These six principles are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

This Code is a public statement that sets out the way in which the GMCA and its attendant structures will fulfil these principles in practice and demonstrate its commitment to good corporate governance. The business of the Authority will also be conducted in accordance with the Seven Principles of Public Life identified in The Nolan Committee Report (1995), namely: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership.

The Code will be reviewed annually to ensure it continues to be fit for purpose and relevant. The Authority will review the effectiveness of its governance arrangements and internal control systems annually and publish the review outcomes in an Annual
Governance Statement (AGS). The AGS describes governance structures and arrangements and reports on their effectiveness, including performance against the Code. It also highlights any significant areas for improvement and identifies actions to be taken to address them in the forthcoming year.

Role, functions and structure of the Combined Authority

The Greater Manchester Combined Authority\(^1\) is a unique model of governance for a city region. Whilst has built on the AGMA model of voluntary collaboration between local authorities, the GMCA is a statutory body with its functions set out in legislation. These functions, which cover the Greater Manchester area, include all the transport functions previously overseen by the GM Integrated Transport Authority, plus a number of economic development and regeneration functions. A set of predominantly highway transport functions, including those adopting responsibility for traffic light signals and reports on road traffic levels have also been delegated by the constituent councils to the GMCA.

The GMCA Constitution sets out the powers and functions of the Authority, those powers and functions referred or delegated to TfGM, Financial Procedures, Codes of Conduct for Members and Officers, Member/Officer relations protocol, Anti-Fraud, Corruption and Whistleblowing Policies and schemes of delegation to Chief Officers. These latter delegations provide for the day to day management, supervision and control of services provided for the GMCA, including the responsibilities of the Head of Paid Service, Treasurer, Monitoring Officer and Secretary.

The Authority’s Constitution sets out the terms of reference and rules of procedure for the Transport for Greater Manchester Committee (TfGM) as well as those for Scrutiny Pool and Audit Committee.

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\(^1\) The Authority refers to the Greater Manchester Combined Authority.
The Joint Scrutiny Pool is composed from three members drawn from each constituent authority in Greater Manchester. It provides the focus for scrutiny and challenge to the Authority, TfGM and the AGMA Executive, and is charged with investigating matters of strategic importance to Greater Manchester residents. There is also a GM Joint Health Scrutiny Committee, focusing on this policy area.

The AGMA (Association of Greater Manchester Authorities) Executive is a joint committee of the ten local authorities in Greater Manchester. The Joint AGMA/GMCA Executive board attends to policy agendas and collaboration that are outside the statutory remit of the GMCA.

The Transport for Greater Manchester Committee (TfGMC) is a joint committee of the GMCA and the ten local authorities in Greater Manchester. Formed to support the GMCA in fulfilling its wide range of transport functions, this 33 member body is responsible for advising the GMCA on transport policy, recommending how much money is spent on supporting public transport, overseeing capital schemes and monitoring the quality and performance of a range of transport services. TfGMC has three sub committees, each with their own distinct terms of reference.

Transport for Greater Manchester (TfGM) is the executive body of the Authority in relation to its transport functions and carries out the decisions of GMCA and TfGMC.

**Delivering Good Governance – Six Principles**

1. **Focus on the Authority’s purpose and outcomes for the community and create and implement a vision for Greater Manchester**

   - Exercising leadership by developing and communicating the Authority’s purpose and vision and intended outcomes for citizens and service users;
   - Ensuring service users receive high quality services whether directly, in partnership or by commissioning; and
   - Ensuring that the Authority makes best use of resources and that taxpayers and service users receive value for money.

Good governance provides the conditions for the GMCA and its partners to work effectively, economically and ethically. It helps to focus on achieving aims by
delivering leadership and excellent services to residents, businesses and communities across Greater Manchester.

This means doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It 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.

In order to achieve its objectives, the GMCA will:

- exercise leadership through setting out its vision and objectives in an agreed Greater Manchester Strategy (the Community Strategy for Greater Manchester)
- In partnership with Government, local authorities, other public bodies, the business community, and other key stakeholders, the GMCA will promote and seek the implementation of the Strategy
- continue to work with Government to help secure better outcomes for Greater Manchester. Examples include the GM’s first Devolution Agreement signed in November 2014, and subsequent budget statements in March and July 2015 and March 2016 and the Spending Review in November 2015.
- through the work of the Transport for Greater Manchester Committee, continue to plan improvements for transport and regularly monitor and scrutinise the delivery services, whether delivered directly or commissioned by TfGM
- continue to develop, implement and maintain effective partnerships with strategic stakeholders so as to secure their commitment, support and influence and in support of wider economic, environmental and social policy objectives
- regularly measure service quality and performance and identify, with strategic partners such as the Greater Manchester Local Enterprise Partnership, improvements in delivery of the Manchester Growth Company’s functions
- ensure that the Authority and partners optimise value for money, and that resources are prioritised to ensure they are directed to those activities that will have the greater impact in regard to the outcomes set out in the Greater Manchester Strategy.
- Consider the environmental impact of our policies, strategies and activities.

2. **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

The nature of the Combined Authority is such that working to deliver a common purpose and to deliver effective collaborative activities and strategies is a core function. Therefore, the GMCA ensures that:

- the roles and responsibilities of Members, Councillors and Senior Officers are clearly defined within the GMCA Constitution, Operating Agreement and Protocols
there is clarity in relation to the established Scheme of Delegation of Functions to Chief Officers / Schedule of Proper Officers within the GMCA Constitution
that Members, Councillors and Chief Officers have the advice, support and resources they require to enable them to perform effectively in their role
the GMCA Constitution is reviewed on an annual basis
advice is provided as necessary to Members and Councillors about their individual and collective roles and responsibilities when working with partners
GMCA strategic plans, priorities and measures are clear and that they develop through consultation and engagement with local stakeholders and others as appropriate

3. Promoting the Authority’s values and demonstrating the value of good governance through upholding high standards of conduct and behaviour

The GMCA reflects the values and high standards of conduct and behaviour of each of its constituent Greater Manchester local authorities, and it also benefits from the culture of collaborative working undertaken by AGMA over a 20 year period.

These high standards are further supported by Codes of Conduct for Members and for Officers, and a Member/Officer Relations Protocol which are incorporated within the GMCA’s Constitution. The operation of a Standards Committee is provided for, as may be necessary.

The business of the Authority is conducted in accordance with the Principles of Public Life as identified in The Nolan Committee Report (1995), namely: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership.

In addition, GMCA governance arrangements include systems, policies and procedures for reporting and dealing with any incidents of wrongdoing including fraud, corruption, bribery and money laundering.

4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management

The GMCA is committed to ensuring its decision-making processes provide for decision-makers to be fully informed, ensures that they have all the information they require, and that the decisions taken meet the needs of the community by following good governance standards.

Risk management is important to the successful delivery of the Authority’s objectives. In effect, the risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

In order to achieve this, the GMCA:
Constitution and Operating Agreement provide for the operation of a Scrutiny Pool, which provides for ongoing, constructive scrutiny and challenge and also assists in improving GMCA and partners’ performance.

- Maintains open, transparent and effective methods of recording decisions and challenge, through holding public meetings which are live streamed (and archived) and posting all agendas, minutes, decision notices and reports online at [www.greatermanchester-ca.gov.uk](http://www.greatermanchester-ca.gov.uk)
- Has arrangements in place to identify and register Members’ Interests
- Maintains an effective and active Audit Committee which, amongst other responsibilities, leads on overseeing the Authority’s risk management arrangements
- Has professional advice available on matters requiring legal or financial implications to assist with decision making
- Observes all specific legislative requirements placed upon it and recognises the legal limits of its role, whilst striving to use its powers, functions and responsibilities for the full benefit of Greater Manchester and its residents

5. **Developing the capacity and capability of Members and Officers to be effective**

Effective governance relies in public confidence in Authority Members, Councillors and in Officers. Governance roles and responsibilities can be challenging and demanding, and Authority members, as well as others who play a role in the Authority’s work, need the right skills for the job. In addition, governance can be strengthened by the participation of people with a range of different types of knowledge and experience.

In order to achieve this, the GMCA:

- Provides an induction and training for Members and Councillors who serve on the Audit Committee, Transport for Greater Manchester Committee, the Scrutiny Pool and other bodies
- Provides opportunities for Members and Councillors to increase their knowledge and skills
- Ensures that the Statutory Officers have the skills, resources and support necessary to effectively perform their roles
- Ensures a constructive working relationship exists between Members, Councillors and Officers

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

The Greater Manchester Combined Authority is a unique form of local government body, insofar as it brings together its ten constituent metropolitan unitary authorities in order to better co-ordinate certain conurbation-wide functions, such as transport or economic development. In terms of accountability, each Member of the GMCA (the
leader or Elected Mayor) remains accountable to their local authority for the decisions taken and the rationale behind those decisions.

The GMCA is committed to ensuring the highest possible standards of accountability and to achieve this the GMCA:

- in relation to its role to develop, agree and implement the Greater Manchester Strategy and in other policy development work, will ensure that consultation is undertaken with stakeholders, local communities, private and third sector partners as appropriate
- in relation to those functions where the GMCA either directly or indirectly delivers services, for example via Transport for Greater Manchester, will ensure that appropriate engagement with the local community, service users and wider stakeholders is undertaken to inform, monitor and evaluate the effectiveness of service delivery
- has robust arrangements for internal and external audit to provide assurances over the effectiveness of systems of internal control
- ensures the Authority’s Annual Accounts are reviewed by external auditors, and that their opinion together with the final accounts are published annually and are available for public inspection
- holds all its meetings in public, including those of the GMCA Audit and Standards Committees, Transport for Greater Manchester Committee, Scrutiny Pool, et al, unless there are good reasons to exclude the press and public
- seeks to ensure engagement with the community of Greater Manchester on specific issues affecting the provision of transport services, and ensures TfGM publish an Annual Report in relation to their transport role
- ensures that the GMCA is open and accessible, supported by a commitment to openness and transparency in all its activities, including partnerships (subject only to the need to preserve confidentiality in specific circumstances where it is necessary to do so)

**Monitoring and Review of Governance**

Each year the Authority publishes an Annual Governance Statement (AGS), together with the Authority’s Annual Accounts. This Statement is prepared following an internal review of the Authority’s governance arrangements, and it provides details of key areas where improvements can be made. The AGS is discussed and approved by the Audit Committee, and is also examined by the Authority’s External Auditors.

Along with the GMCA, the Audit Committee and the Standards Committee share responsibility for monitoring and reviewing governance arrangements and attending to issues relating to the Codes of Conduct.

The core functions of the Authority’s Audit Committee are (as noted in the GMCA’s Constitution updated June 2015):

1. **Approval of Accounts**
1.1 Approve under delegated powers the annual statement of accounts for GMCA (including consolidated figures for MIDAS, Marketing Manchester, New Economy and Greater Manchester Accessible Transport) and AGMA.

2. Governance, risk and control

2.1 Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework.

2.2 Review the Annual Governance Statement (AGS) prior to approval to ensure it properly reflects the risk environment and supporting assurances.

2.3 Review the effectiveness of arrangements to secure value for money.

2.4 Ensure the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships.

2.5 Monitor the Authority’s risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map.

2.6 Consider reports on the effectiveness of internal controls.

2.7 Monitor the anti-fraud strategy, risk-assessment and any actions.

3. Internal audit

3.1 Approve the Internal Audit Charter.

3.2 Oversee Internal Audit’s effectiveness including strategy, planning and process and ensure conformance with Public Sector Internal Audit Standards (PSIAS).

3.3 Approve (but not direct) the risk-based internal audit plan including resources, the reliability of other sources of assurance and any significant in-year changes.

3.4 Make enquiries of the Head of Audit and Risk Management and other managers to determine any inappropriate scope or resource limitations.

3.5 Consider reports and assurances from the Head of Audit and Risk Management:

- Internal Audit performance including key findings and actions from audit assignments, significant non-conformance with PSIAS and the Quality Assurance and Improvement Programme.
- Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control.
- Risk management and assurance mapping arrangements.
- Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable.
- Provide assurances over the effectiveness of internal audit functions assuring the internal control environments of TfGM and Marketing Manchester, MIDAS and New Economy.

3.6 Contribute to the Quality Assurance and Improvement Programme, including the external quality assessment of internal audit.

3.7 Consider and comment on the Treasurer’s Annual Review of the Effectiveness of the System of Internal Audit.

3.8 Develop effective communication with the Head of Audit and Risk Management.

4. External audit
4.1 Consider reports including the Annual Audit Letter, assess the implications and monitor managers’ response to concerns.
4.2 Comment on the nature and scope of work to ensure it gives value for money.
4.3 Advise on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

5. Financial Reporting

5.1 Consider whether accounting policies were appropriately followed and any need to report concerns to the Authority.
5.2 Consider any issues arising from external audit’s audit of the accounts.
5.3 Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA’s Code of Practice.
5.4 Make recommendations to the Treasurer and Monitoring Officer in respect of Part 5 of the Authority’s Constitution (Financial Regulations).

The Standards Committee terms of reference are (as noted in the GMCA’s Constitution updated June 2015):

(a) to promote and maintain high standards of conduct by GMCA Members;
(b) to assist GMCA Members to observe the GMCA’s Code of Conduct for Members;
(c) to advise the GMCA on the adoption, revision or replacement of the GMCA’s Code of Conduct for Members and the GMCA’s Arrangements for Dealing with Complaints that GMCA Members have failed to comply with the GMCA’s Code of Conduct for Members (“the GMCA’s Arrangements”);
(d) to monitor the operation of the GMCA’s Code of Conduct for Members and the GMCA’s Arrangements;
(e) to advise, train or arrange to train GMCA Members to observe the GMCA’s Code of Conduct for Members;
(f) to determine, or to delegate to a Standards (Hearings) Sub-Committee to determine, in accordance with the GMCA’s Arrangements whether a GMCA Member has failed to comply with the GMCA’s Code of Conduct for Members and, if so, to determine, or to delegate to a Standards (Hearings) Sub-Committee to determine, what action (if any) to take in respect of the GMCA Member, such actions to include –
- publication of the findings of the GMCA’s Standards (Hearings) Sub-Committee in respect of the Subject Member’s conduct;
- reporting the findings of the GMCA’s Standards (Hearings) Sub-Committee to the GMCA for information;
- recommendation to the GMCA that the Subject Member should be censured;
- instructing the GMCA’s Monitoring Officer to arrange training for the Subject Member;
- recommendation to the GMCA that the Subject Member should be removed from all appointments to which the Subject Member has been appointed or nominated by the GMCA;
- placing such restrictions on the Subject Member’s access to staff, buildings or parts of buildings provided for the use of the GMCA as may be reasonable in the circumstances.

(g) to determine appeals against the GMCA Monitoring Officer’s decision on the grant of dispensations.

4.4 Additional Roles of Standards Committee

(a) to overview the GMCA’s whistle blowing policy;
(b) to consider the GMCA’s Code of Corporate Governance and the Annual Governance Statement.