PURPOSE

The Greater Manchester Combined Authority’s (GMCA) Annual Governance Statement (AGS) for 2016-17 reflects the changes made to its recently adopted new Code of Corporate Governance. This Code, agreed by the GMCA in February 2017 is compliant with the new Chartered Institute of Public Finance and Accountancy (CIPFA) Local Governance framework (2016).

The adoption of this new Code, coupled with the transition to the new mayoral GMCA, with its substantially increased powers, has prompted a review of the structure of the AGS. One significant proposed change to the Statement is that section 4, the Governance Framework will comprise a series of tables, one for each of the CIPFA good governance principles. The tables will describe how the GMCA’s governance meets each principle and sub-principles and give examples of how it is implementing them. The table below illustrates the proposed approach.

Example: A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

<table>
<thead>
<tr>
<th>Good Governance Principle</th>
<th>How the GMCA meets these principles</th>
<th>Where you can see governance in action</th>
</tr>
</thead>
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<tr>
<td>Behaving with integrity</td>
<td>The GMCA’s whistle-blowing policy provides protection for individuals who raise any serious concerns they have about suspected illegal or illegitimate practices.</td>
<td>The GMCA’s constitution sets out its whistle-blowing policy (pp148-9)</td>
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</table>

It is suggested that this approach will ensure systematic coverage for each of the seven good governance principles and enhance both the transparency and accessibility of the GMCA’s governance.
The attached draft Statement provides members with an outline structure of this 2016-17 AGS. Officers will continue to develop the draft in the light of Audit Committee’s comments, for inclusion with the GMCA’s draft accounts in July 2017.

RECOMMENDATIONS:

Members are asked to comment and review the outline draft of the Annual Governance Statement.

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BACKGROUND PAPERS:

[link to GMCA Code of Corporate Governance]

<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
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<tbody>
<tr>
<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>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXEMPTION FROM CALL IN</th>
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</thead>
<tbody>
<tr>
<td>Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AGMA Commission</th>
<th>TfGMC</th>
<th>Scrutiny Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
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</tr>
</tbody>
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1 INTRODUCTION

1.1 2017 is an important year for the Greater Manchester Combined Authority (GMCA) as it prepares to take on significant new powers devolved from government set out in a series of devolution agreements. The future governance of the combined area of Greater Manchester is currently subject to a series of Parliamentary orders which will set out the new powers of the GMCA and the elected mayor (implementing GM’s devolution agreements). The GMCA’s new powers will come into force on the 1st April 2017, and the mayoral powers on the 8th May 2017. A new Code of Corporate Governance for the GMCA reflecting these changes will be produced once all the orders have been agreed.

1.2 This Annual Governance Statement sets out how the GMCA meet its governance standards as set out in in Code of Corporate Governance agreed by the GMCA in February 2017. It also describes how it meets the requirements of regulation 4(3) of the Accounts and Audit [England] Regulations 2011 in relation to the publication of an Annual Governance Statement that accompanies the Annual Accounts.

1.3 Each year the GMCA publishes an Annual Governance Statement to accompany the Annual Accounts (see p152). The Statement provides an overall assessment of the GMCA’s corporate governance arrangements and how it adheres to the governance standards set out in this Code. Evidence relating to the principles of this Code is reviewed and analysed to assess the robustness of the GMCA’s governance arrangements.

1.4 This Statement includes an appraisal of the key controls in place to manage the GMCA’s principal governance risks and the effectiveness of systems and processes governing decision-making and financial control. The Statement also provides details of where improvements need to be made. Actions to address significant governance issues are identified and recorded in an action plan. The Annual Governance Statement is audited by the GMCA’s external auditors as part of the audit of the annual accounts.

2 SCOPE OF RESPONSIBILITY

2.1 The Greater Manchester Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority 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.

2.2 In discharging these responsibilities, the Authority must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The GMCA’s Code of Corporate Governance sets out how the Authority operates, how decisions are made and the procedures which are

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1 The GMCA’s new Code meets requirements of the new CIPFA Local Governance Framework published in 2016
followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Authority to choose.

2.3 The Code of Corporate Governance and the GMCA’s Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government (2012). CIPFA has issued a 2016 update to the Framework, which will be applicable for the preparation of the Annual Governance Statement (AGS) from 2016/17 onwards.

2.4 This AGS explains how the GMCA has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

3 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

3.1 Corporate governance describes how the GMCA directs and controls what it does. Good governance provides the conditions for the GMCA and its partners to work effectively, economically and ethically. The GMCA should carry out its functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity. Good governance will support the GMCA to pursue its vision and secure its agreed objectives.

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

3.3 This Annual Governance Statement demonstrates how the GMCA is doing the right things, in the right way in a timely, inclusive, open, effective, honest and accountable manner.

3.4 The following sections of this document describe how the GMCA fulfils the requirements set out in the seven principles good governance.

4 THE GOVERNANCE FRAMEWORK

4.1 [Underway] It is proposed that this section will comprise a series of tables, one for each of the good governance principles.
EXAMPLE:
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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The good governance principles are:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B. Ensuring openness and comprehensive stakeholder engagement
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
D. Determining the interventions necessary to optimise the achievement of the intended outcomes
E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it
F. Managing risks and performance through robust internal control and strong public financial management
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

5 ANNUAL REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

Leadership of governance and internal control

5.1 [Underway led by Audit]
Summary of the process of challenge and scrutiny

5.2 [Underway led by Audit with GMIST]
Head of Audit and Risk Management Annual Opinion 2016/17

5.3 [Complete – see report to Audit Committee 19 April which confirms substantial overall assurance. Once agreed a summary will be included in the AGS noting areas for development. AGS to note planned review of risk and assurance framework as proposed in report to 19 April Audit Committee.]
Annual Review of the System of Internal Audit 2016/17

5.4 [2016/17 Review completed but next review of Manchester City Council Audit Service (who provide the GMCA’s audit function) including peer review by Liverpool City Council to be completed week 1 May 2017 so this will be reflected in the final version of the AGS.]

Annual Review of the role and responsibilities of the Chief Finance Officer

5.5 As part of its work on governance and financial management across public services, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its Statement on the Role of the Chief Financial Officer in Local Government (the Statement) in 2010. For the purpose of the GMCA's Annual Governance Statement, the role of the Chief Financial Officer has been reviewed against the governance arrangements set out in the Statement, which are required to ensure the Chief Financial Officer is able to operate effectively and perform their core duties. Full conformance with these arrangements was confirmed.

6 PROGRESS IN ADDRESSING THE CHALLENGES IDENTIFIED IN THE 2015-16 ANNUAL GOVERNANCE STATEMENT

To refresh the GMCA’s Code of Corporate Governance to reflect the powers of the new Mayoral GMCA

6.1 A revised Code of Corporate Governance was approved at January 2017’s Audit Committee describing the Greater Manchester Combined Authority’s (GMCA) governance arrangements for 2016-17 only. This code responds to the substantially changed arrangements of the new CIPFA Local Governance framework published in 2016. A new code for the GMCA will be produced for the Mayoral Greater Manchester Combined Authority once the GMCA’s new constitution has been approved Annual General Meeting in June 2017. The new code will be brought to the July 2017 Audit Committee.

To strengthen the GMCA’s approach to communications

6.2 There has been significant developments in this area of the GMCA’s work, particularly establishing an integrated way of working for communications staff from Fire, Office of the Police and Crime Commissioner, the GMCA and Health.

6.3 The Greater Manchester Scrutiny Pool established a task and finish group to review the GMCA’s approach to communications. Their review has now concluded this work and you can see the completed report on the GMCA’s website here. One of the task and finish group’s recommendations was to strengthen member and staff engagement. A specific element, raised by elected members as part of the scrutiny work, was to produce some documents designed to help Councillors across Greater Manchester to engage with local communities about devolution and the GMCA. This work stream has recently been completed thanks to some funding made available to the GMCA by the Local Government Association (LGA) who have produced a range of materials including a PowerPoint presentation, timeline and infographic showing how things work in simple terms. You can access these resources here on the GMCA website.
Strengthened and expanded scrutiny arrangements

6.4 The GMCA has established a working group to consider future arrangements for GMCA’s scrutiny function. The group’s work focussed on the following areas:

- **Structures** – To consider what would be the most effective structures to help members from across GM to scrutinise the policy and decisions of the GMCA and elected mayor;
- **Powers** – To review scrutiny’s current powers to ensure that the proposed new arrangements allow GM’s scrutiny members to provide meaningful challenge and proper checks on the decisions taken by the elected mayor and the GMCA;
- **Legal Compliance** – To ensure that GM has a scrutiny function compliant with the provisions of the Cities and Local Government Devolution Act 2016 (including any compliance with the recently approved Statutory Instrument Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Orders 2017) by the Secretary of State under the Act);
- **Health Scrutiny** – To develop proposals on how the scrutiny of health and social care should be configured to allow meaningful involvement of members while recognising that no additional decision making powers are moving from the NHS to the elected mayor or the GMCA;
- **Officer Support** – To consider how the new scrutiny arrangements could be best supported by officers.

6.5 It is planned for the group’s proposals to be taken to the GMCA in May 2017 and this section of the AGS will be updated in line with the final agreed recommendations.

Streamlining the arrangements and increasing the capacity for managing the GMCA’s grant funding

6.6 **[To be updated – Finance Team]**

Corporate Risk Register and assurance mapping

6.7 The Corporate Risk Register and is overseen activity by senior officers including the GMCA Treasurer, Monitoring Officer and Head of Paid Service. This is also informed by risk review within Transition Board which has its own programme risk and governance arrangements. This will remain a key area of focus during 2016/17.

6.8 **[Ongoing - a fundamental review and refresh of risk and assurance approach planned for May-June to reflect changes in the GMCA and ensure a clear, consistent and robust framework for the governance and assurance of risk management is proposed and outline approach to be presented to Audit Committee 19 April to be included in this section].**

7 FUTURE IMPROVEMENTS TO GOVERNANCE ARRANGEMENTS

7.1 **[Underway].** This will be informed by the findings of the annual opinion of the Head of Audit include a summary of the transition work stream.

7.2 A complete review and update of the GMCA’s constitution and associated policies procedures and protocols is currently underway and will be reported to the GMCA’s annual meeting.

7.3 Revised scrutiny and audit arrangements will be implemented from June 30 onwards after the GMCA’s annual meeting.