

**Greater Manchester Waste Disposal Authority**

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## Scope of Responsibility

The Greater Manchester Waste Disposal Authority (the GMWDA) was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, properly accounted for, and provided value for money. The GMWDA also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness. That duty had grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the GMWDA was responsible for putting in place proper arrangements for the governance of its affairs, which included arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The GMWDA had established governance arrangements which were consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government.

The GMWDA met the requirements of Regulation 6 of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the publication of a statement on internal control, through this document.

The GMWDA's financial management arrangements conformed to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer (Treasurer & Deputy Clerk for the GMWDA):

- ▲ was a key member of the Leadership Team;
- ▲ was actively involved and was able to bring influence on the GMWDA's financial strategy;
- ▲ led the whole GMWDA in the delivery of good financial management;
- ▲ directed a fit for purpose finance function; and
- ▲ was professionally qualified and suitably experienced.

These arrangements have subsisted throughout the 2017/18 financial year, up to the point at which the GMWDA formally became part of the extended Greater Manchester Combined Authority (GMCA) on the 1 April 2018. The previous Treasurer & Deputy Clerk GMWDA, and the current GMCA Treasurer have therefore sought to ensure a strong and seamless transition of arrangements and that abolition did not weaken focus for internal controls during the 2017/18 financial year.

The draft version of this Annual Governance Statement was considered and endorsed by the GMWDA Audit & Standards Committee at its meeting on 28 February 2018 (Minute M37).

## The Purpose of the Governance Framework

The governance framework comprised the systems and processes, culture and values, by which the GMWDA activities were directed and controlled, which it accounted to, engaged with, and led the community. It enabled the GMWDA to monitor the achievement of its strategic objectives and to consider whether those objectives had led to the delivery of appropriate, cost-effective services.

The system of internal control was a significant part of that framework and was 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 was based on an on-going process designed to identify and prioritise the risks to the achievement of the GMWDA'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 (i.e. so they deliver value for money – VfM).

The governance framework has been in place at the GMWDA for the year ended 31 March 2018, incorporating the transfer to the GMCA and up to the date of approval of the Annual Report and Statement of Accounts.

# The Governance Framework

The GMWDA was a single purpose body established in 1985 by statute as a Joint Waste Disposal Authority. As such, it was not required to have, nor did it have, a scheme of executive governance similar to those most commonly in place in the largest local authorities, the Metropolitan Districts or Unitary Councils.

As a joint authority, the GMWDA relied on its accountability to its component Districts and its stewardship of their levy payments as a vital addition to its internal governance arrangements. This was augmented, particularly in relation to budget matters, by the review processes put in place by the Association of Greater Manchester Authorities (AGMA), through both scrutiny and 'leader challenge' (see 8<sup>th</sup> February 2018 Open Budget report, item 14, for further information).

The key elements of the GMWDA's governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

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## Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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In order to ensure both its Members and Officers behaved with integrity to lead its culture of acting in the public interest there was appropriate training provided to safeguard all parties against conflicts of interest. Both Members and Officers recorded any gifts and hospitality received in accordance with the GMWDA agreed procedure. In order to enable third party challenge there was a publicised complaints procedure. There was also a Whistleblowing Policy which enabled concerns to be raised in a confidential manner.

Members took the lead in establishing this culture by completing an annual register of their interests. There was also an Audit & Standards Committee chaired by an Independent Chair in place to bring rigour to the process challenging decision. In order to manage its challenges for the financial year 2017/18 the GMWDA worked in partnership with the GMCA structure to enable better scrutiny of decisions which had future year implications.

The GMWDA was aware of its wider responsibilities with the Environment Strategy integrated into the developing conurbation wide Greater Manchester (GM) Green Cities Strategy. The GMWDA also played a key role in the development of the City Region of GM's agenda with representation on key bodies. One of the elected Members of the GMWDA (Cllr Brock) was a member of the GMCA Low Carbon Hub Board, the Treasurer & Deputy Clerk was represented on the Low Carbon Hub Programmes Board and Chief Officer Group

In order to encourage the community to engage in more environmentally supportive activities Members in their role as Community Leaders engaged in activities such as the Low Carbon Hub. Staff were assisted in this aspect by the Performance Management System which had the corporate values of the GMWDA such as increased recycling as key targets. The Procurement Policy recognised the importance of sustainability with appropriate evaluation of supplier's proposals for Social Value with included sustainability issues supported by appropriate contract clauses and monitoring. By way of example the on-going Operating Contractor procurement exercise for dealing with all the conurbations waste has allocated 15% of the overall score to social and environmental matters.

Member and Officer relationships were mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter was essential in ensuring the GMWDA maintained its leading

position in sustainable waste management, and was vital in making service changes to turn its 'our aim is zero waste' vision into reality following the transfer into the GMCA. What has been apparent over the last few years has been the overwhelming cross party support amongst Members for the Contract, which has remained non-political. Members have driven the project forward within a supportive framework of good governance arrangements. This will continue in the GMCA with the creation of a Waste Committee.

The GMWDA has also demonstrated its support of sustainability by appropriate long term self-financing capital investment in renewable energy. 2017/18 was the second successful full year of operation of the Solar Farm located at Over Hulton, Bolton.

The Chief Executive of Oldham Council was the Clerk to the GMWDA, and carried out functions associated with 'Head of Paid Service' and 'Proper Officer'. That physical separation of those functions was very useful to provide assurance over internal control, due to the small size of the GMWDA.

The Treasurer & Deputy Clerk was the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services were provided by Oldham Council under a Service Level Agreement (SLA) basis. The Audit & Counter Fraud Manager (Oldham Council) had direct access to all of the Business Management Team (BMT) and elected Members.

The system of internal financial control was based upon a framework of comprehensive financial regulations and procedures, within the Constitution, which comply with Good Practice. Control was based on regular management information, management supervision, and a structure of delegation and accountability.

The Solicitor to the GMWDA was the Monitoring Officer and was responsible for ensuring the GMWDA acted in accordance with the Constitution. That support was provided from the lead district, Oldham Council, and as such was again helpful in providing internal checks. Senior Officers had the primary responsibility for ensuring decisions were properly made within a scheme of delegation at appropriate levels of responsibility. The Constitution contained codes of conduct and protocols for Members and Officers. The Audit & Standards Committee at its January 2017 meeting reviewed the Voluntary Code of Conduct and Declarations of Interest and concluded that they remained appropriate and fit for purpose.

In order to have appropriate scrutiny of the GMWDA the Audit & Standards Committee had three Independent Members, with appropriate briefings from key officers and third parties utilised to enhance the Governance Framework.

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## Principle B - Ensuring openness and comprehensive stakeholder engagement

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The GMWDA agreed a refreshed Business Plan 2017- 2019 which sets out the GMWDA's vision and values, assimilating them in to its strategic objectives. This linked the objectives through to the outcomes, identifying the service areas responsible and performance indicators. The plan detailed what activities would be undertaken in year to deliver the long term policy objectives in the Waste Management Strategy (WMS) and details how the WMS will be achieved with key targets, timescales and measurable outcomes.

The existing Waste Management Strategy (WMS) focused, in priority order, on waste reduction, then re-use, recycling and composting, followed by using waste as a source of energy. This will help deliver our key targets of 'our aim is zero waste' and 50% recycling during 2017/18 and 60% by 2025; and 90% of waste diverted from landfill by 2020 in partnership with the constituent Waste

Collection Authorities (WCAs). The current on-going procurement of Operating Contracts aims to support the WMS by embedding key requirements such as recycling and social value linked to the performance of future contractors.

Progress on delivering the Business Plan was communicated through a performance management framework. The GMWDA received agreed reports on performance against the Business Plan. This will become a role of the Waste Committee during 2018/19. During the 2017/18 financial year the GMWDA received monthly reports on the updates to renegotiating the Contract and on the wholly owned company acquired to deliver future efficiencies in processing waste, Greater Manchester Combined Waste and Recycling Limited (GMCWR). The overall scrutiny of this complex transaction has been provided by the Audit & Standards Committee with targeted review support from Internal Audit. The monthly reports focused on the opportunities and challenges for the organisation as it looks to move away from the current method of service delivery. It has enabled the GMWDA to progress a complex transaction to currently deliver around £28m of gross benefits, with future efficiencies being rapidly advanced through both the continuation of the operating contract and the proposals set out in the Procurement exercise. All of those matters have benefited for detailed and robust Member oversight.

In order to demonstrate its openness the GMWDA also published:

- ▲ Its Pay Policy Statement to support the Annual Budget;
- ▲ Its Constitution;
- ▲ GMWDA and Committee Reports;
- ▲ Scheme of delegation reports;
- ▲ Payments over £500; and
- ▲ Health and Safety Action Plan

All reports taken as 'closed reports' benefited from Monitoring/ Deputy Monitoring Officer sign off and appropriate advice before the matter received due consideration including training where appropriate.

Those Members of the Committees supporting the GMWDA received regular training to support them to discharge the role and bring challenge to Officers.

There was regular contact with the nine constituent Districts through the meetings of the GMCA and AGMA and during 2017/18 mainly monthly meetings with Waste Chief Officers. Those in turn have been linked into wider engagements with Leadership of each District and separately with the Treasurers around the financial impact of Waste Policies, changes to the way in which the levy was proposed to be allocated (through a revised Levy Allocation Methodology Agreement – LAMA) and the impact of changes to service delivery.

The LAMA is designed to underpin the changes to service delivery whilst incentivising individual Districts to maximise recycling, and was signed in early February 2018 by the GMWDA and its nine constituent Districts. Primarily, this established the arrangements to charge the disposal and financing costs amongst the Districts. It was also supported by a Code of Conduct and 2020 shared Vision to enhance partnership working.

Increasing Recycling of the waste stream as part of the conurbations greater sustainability is seen as a key objective for the GMWDA. There is the Recycle for Greater Manchester (R4GM) initiative which is underpinned and supported by the GMWDA's own Communication and Engagement Plan, and in 2017 that was further extended by entering into a Resources Greater Manchester (RGM)

initiative partly supported by the Waste Resources Action Programme (WRAP). This has led to the 'back to basics' audit in partnership with the constituent Districts to better understand District operational requirements.

To enable the public to highlight concerns in an appropriate manner the GMWDA and the contractor had complaints procedures which enabled issues to be linked into future contract performance. These complaints were reported to the GMWDA and will in the future be reported to the Waste Committee.

This positive and occasional critical feedback has been acted upon by the GMWDA developing:

- ▲ Targeted outreach campaigns customised from feedback obtained at open days and educational visits delivered in the educational centres;
- ▲ Individual District communication campaigns developed in partnership with individual Authorities to reflect the make-up of residents;
- ▲ A website enabling both positive and negative feedback;
- ▲ Newsletters to both schools and Members of the GMWDA; and
- ▲ A member of the public asking questions at the full GMWDA.

Consideration by the GMWDA of its budget and levy took place at its 8<sup>th</sup> February 2018 meeting. Due to the need to alleviate long term cost pressures, the GMWDA from 8<sup>th</sup> March 2018 has terminated its PFI Contract supported by a refinancing. This with support from Reserves will see the 2018/19 Levy remain at the same level as that agreed for the financial year 2017/18 i.e. nil% increase).

During 2017/18 the GMWDA started a process to engage in a review of the Waste Management Strategy which aims to widen the scope of that, to fit with the wider remit and powers of the GMCA, to cover all resources and hence further enhance the way that we protect the environment, whilst also bringing forward 'green jobs' through being early movers in the market place. In summary this will ensure that through the procurement of new Operating Contracts we will deliver an appropriate environmental solution to benefit both present and future generations. Going forward this role will be undertaken by the Waste Committee.

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## Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

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The Waste Management Strategy supported by the GMWDA Business Plan, and Greater Manchester Green Cities Strategy sets out the immediate and long term vision of the GMWDA. The 2018/19 budget supports this strategy to improve performance and reflects the agreed targets of the GMWDA.

Risk management was integral to the governance arrangements in the GMWDA and the risk register was considered by: the Audit & Standards Committee and the GMWDA (via the governance arrangements in place for managing the Contract). The risks were managed by the risk holders that are predominantly members of the Business Management Team (BMT). Risks contained within the Joint Contract Risk Register, were managed by both the GMWDA and operating contractor. Risk management has been reviewed by Internal Audit and assessed as robust.

The GMWDA's risk management framework transferring to the GMCA consists of:



- ▲ a joint risk management policy with the operating contractor;
- ▲ a joint Risk Register (with the operating contractor) and a GMWDA Risk Register;
- ▲ ensuring that risk management is integral to the planning process and linked to key GMWDA and Contract objectives;
- ▲ allocated responsibilities;
- ▲ systems for mitigating and controlling risks; and
- ▲ systems for monitoring and reviewing risks and controls assurance.

Controls Assurance was an important part of the process to assure the GMWDA that the identified risks are being properly controlled. This was carried out at periodic intervals by:

- ▲ the Audit & Standards Committee;
- ▲ Directors (both GMWDA and GMCWR);
- ▲ Treasurer & Deputy Clerk; and
- ▲ Internal/External Audit.

During 2017/18 all the standard reports produced by the GMWDA included appropriate risk comments. That was the first full year of operation following the introduction of the initiative in 2016/17.

The Constitution defined and documented the roles and responsibilities of Officers and Members with clear delegation arrangements, protocols for decision making and codes of conduct for Members and staff. It was supported by an extended Members' training package which was again delivered following the positive feedback from Members.

Member and Officer Relationships were mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter was essential in ensuring the GMWDA maintained its leading position in sustainable waste management, and will be vital in making service changes to turn its 'our aim is zero waste' vision into reality. What has been apparent over the last few years has been the overwhelming cross party support amongst Members for the vision of the GMWDA, which has remained non-political. Members have driven the project forward within a supportive framework of good governance arrangements. This was reflected in a sensible approach to political representation which enabled all Members of the GMWDA to participate in shaping the future. This approach is reflected in the design of the Waste Committee within the GMCA.

All changes to Service were supported by an Equality Impact Assessment. This resulted in alternative access arrangements being made where necessary, with information provided in multiple formats including that on the website which reflected the diverse nature of the Districts who made up the GMWDA.

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## Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome

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Contract monitoring arrangements have been subject to renegotiation during 2017/18 to take account of the revised financial targets of the GMWDA. This has meant a shift in emphasis on how the Contract was measured and monitored during the year. It involved the GMWDA becoming the owner of GMCWR and appropriate advisors were engaged to support officers of the GMWDA in this matter.

Decisions were based on rigorous and transparent scrutiny and excellent relationship between Officers and Members based on mutual trust. That trust was maintained by openness and appropriate arrangements to ensure the involvement of all relevant Parties at the right level of responsibility ensuring all strategic decisions were led by Members. Member's decision were also supported by their own Senior Officers via the Strategic Officers Group (SOG), that considered all issues affecting Districts, and delivered its own programme of work through Partnership Operations Group (POG) consisting of District Waste Managers. GMCA was also regularly updated and consulted, and established an informal Group (Leaders Waste Task Group) to oversee the process chaired by the leader of one of the districts, and also involving the GMCA Chief Executive and GMCA Treasurer.

In order to achieve the long term financial targets, the GMWDA has set a budget for the financial year 2018/19 supported by an appropriate risk assessment which sets out the financial targets required by Districts. All the known risks to the GMWDA and its successor GMCA were considered in the budget report.

The Audit & Standards Committee was an essential part of good governance. The availability of three Independent Members during 2017/18 was a huge help in continuing the strong work of the Audit & Standards Committee. Internal and External Audit both had direct access to and support the Committee including the ability to have direct contact, without Officers of the GMWDA being present. The Audit & Standards Committee's Annual Report 2017/18, presented to the GMWDA on the 15 March 2018, provided positive assurances to Members about the effectiveness of the GMWDA's corporate governance in 2017/18. These included:

- ▲ Completed full work programme of reviewing adequacy of the Internal Audit processes and procedures. Able to provide the GMWDA with assurance as to the adequacy of those arrangements.
- ▲ Publication of the Audited Statement of Accounts for 2016/17 occurred on the 17 July 2017, with receipt of a clean audit certificate for the Accounts from our external Auditor, Grant Thornton LLP. That this was achieved to an accelerated timetable which resulted in publication some two months before the current (30 September) deadline and in advance of the 31 July deadline which will apply from 2018 onwards.
- ▲ Providing a strong critical friend and sounding board for the Treasurer & Deputy Clerk in the GMWDA's role as a senior lender to the Recycling & Waste Management Contract (the Contract).
- ▲ Thorough review of a range of important policies, including the Risk Management Policy.
- ▲ Confirmation of the robustness of the GMWDA's Risk Management Framework.
- ▲ Reviewed general Member standards issues, training and attendance to provide assurance over Standards matters.

Leadership (the Chair, two Vice-Chairs and three Deputy Committee Chairs) met on a monthly basis with senior officers to further discuss the work programme and enhance reporting lines.

The draft GMWDA and Committee work programmes were agreed in advance on 18 March 2017. Due to the change in emphasis in the GMWDA focus during 2016/17 this programme and the frequency of meetings changed to reflect the operational needs of the GMWDA. The changed meetings have ensured the key strategies and plans have been reviewed including:

- ▲ Treasury Management Strategy;
- ▲ Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18;

- ▲ Medium Term Financial Plan supported by an Efficiency Plan;
- ▲ Business Plan 2017-2019;
- ▲ People Strategy and Annual Plan 2017/18;
- ▲ Health and Safety Action Plan 2017/18; and
- ▲ Capital Action Plan.

The direct engagement with Districts on the provision of services under the Contract was achieved via Service Delivery Groups for Technical and Communication issues. Views are incorporated into the Contract Risk Register which was integrated into the Authorities Risk Management Framework.

Service review was carried out by monthly checks on waste and financial data provided by the contractor. This on occasion resulted in independent interrogation of actual weigh-bridge data. Where performance was perceived to be below standard contract deductions were made supported by appropriate arbitration.

The level of waste to be disposed of in year to estimate the resources required was determined by engagement with the Districts. The Inter Authority Agreement (IAA) in 2017/18 encouraged accurate data submissions with the levy calculated on data submissions.

Scrutiny of budget matters was, again, in 2017/18 carried out by various Greater Manchester Combined Authority (GMCA) bodies, including AGMA Executive Board, GMCA Scrutiny Committee, Sub Groups of Leaders, GM Treasurers and constituent Waste Collection Authority District Chief Officers. This ensured openness and transparency in the way in which Officers/Members engaged in the budget challenge process. The work of the Leaders Waste Task Group continued in 2017/18 examining specific budget challenges such as the financial support available from constituent Districts whilst delivering continued increased recycling rates. A joint budgeting exercise was undertaken with the contractor to better understand the efficiencies which could be generated long term from the contract. The medium term financial strategy reflected the long term view of the resources available to the GMWDA in the context of the available facilities linked into recycling performance and commercial risk.

The Contract Procedure Rules within the Constitution set out the GMWDA requirements on social value. Partnership working with both the Contractor and the constituent Districts led to an improvement in recycling rates for 2017/18.

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## Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it.

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To support the achievement of its strategic priorities the GMWDA reviewed the organisation annually to ensure it had the right people with the right skills. The GMWDA had Investors in People (IIP) accreditation (Silver Level). This was supported within a performance framework, a People Strategy and appraisal system with targeted, relevant training. The Business Management Team continued to develop their skills through sectional working, performance management and participating in development of and presenting reports at the GMWDA. This was enhanced through Leadership Development in 2017/18. It is recognised that it is necessary to continually promote the ethos of the organisation, and an integrated behavioural change programme is in place to continually promote the benefits of recycling. In 2017/18 all appraisals were completed the outcomes of which were used to inform individual development needs. In 2016/17 the

Communications function was transferred from the contractor to the GMWDA. This was to enhance future recycling within the conurbation. The Human Resources Policy and Procedures set out the appointment process which is transparent. In 2017/18 the staff employed within GMCWR were transferred to GMCA reflecting the change to the contract.

There are regular team meetings, and one to ones. The GMWDA implemented the national agreement on pay and conditions of service. The GMWDA has achieved its commitment to pay the Living Wage for its entire staff, and is seeking to also achieve that through its contractual arrangements.

The GMWDA to ensure an independent review of its system and processes obtained from Oldham Council its Internal Audit Service. The findings are reported to the Audit & Standards Committee which included an annual opinion on the internal control environment. The overall opinion for 2017/18 was good. Given the degree of future change within the GMWDA the Internal Audit Service was commissioned to undertake a review of key decisions taken by the GMWDA in the year. This supported external audit that will provide an opinion on key accounting entries.

Delegated decisions for all Contract matters were taken by the Project Director (Director of Contract Services, or nominated deputy) to ensure that the day to day management of the Contract ran smoothly, via these tried and tested governance arrangements. On-going technical issues were managed by the joint Service Delivery Groups (SDG's) which reported to the Senior Officer Level through the Partnership Management Board (PMB), and in turn to the Strategic Partnership Board that enabled member involvement in the detailed strategic decisions affecting the Contract.

In order to manage GMCWR and GMCWR Holdings until its solvent wind up on 22<sup>nd</sup> March 2018 the GMWDA appointed key officers as Directors with appropriate support from Officers of the GMWDA to support its plans for future service delivery

To support decision making the GMWDA worked with its Partners to maintain accurate and timely data to ensure decisions were based on a comprehensive understanding of financial costs and performance. Monthly data, reported though the partnership, was used to assess performance against the Business Plan, the Contract and to develop a detailed understanding of how the Contract was working in practice. That ensured the budget setting process could take into account the interaction between performance and costs, and support the delivery of its strategic priorities.

The Constitution was reviewed on an annual basis, with the exception of changes to the terms of reference no further major improvements to the governance arrangements were implemented in 2017/18 since streamlining Committees from five to three and new contract procedural rules had embedded well. Going forward the governance of the Waste Function will be overseen by the Waste Committee and the GMCA Constitution will be adopted

There were open and transparent mechanisms for documenting all decisions, both for the GMWDA and for the operating contractor. Report templates and all information and delegated decisions are available electronically on the Modern.Gov system, and mirrored on the internal SharePoint system. Open reports and meeting minutes are available to the general public via our website ([www.zerowastegm.co.uk](http://www.zerowastegm.co.uk)).

Arrangements and processes were in place to safeguard Members and employees against conflicts of interest. An annual reminder to complete declarations of interest was sent to all Members and followed up as needed. A gift/hospitality register and complaints procedures are also in place, and were actively used.

Key advisors procured for legal, financial and technical support in the letting of the Contract are still accessible, on a retention basis, for the implementation period of the Contract.

## Principle F – Managing risks and performance through robust internal control and strong public management

The GMWDA's Risk Management Framework has been set out under Principle B. This ensured there was continuous monitoring and reporting of risk.

Each year new Members of the GMWDA were trained prior to their adoption at the GMWDA's Annual General Meeting (AGM). This was of vital importance, given the technical complexity of the GMWDA's core operations, the Contract structure and the financial value of the Contract.

All statutory Officers received the training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development. Specific support was arranged where appropriate for the Directors of GMCWR.

The GMWDA continued to meet on a monthly basis, using revised governance arrangements introduced during 2016/17, to consider key matters including those on performance and risk. All reports were linked back to both the risk register and operation of the facilities reflecting the present priorities of the GMWDA and the GMCA.

Data on the contractual position was collated monthly and included in the reports to the GMWDA. In order to review its contractual investments there were regular reports to the Audit and Standards Committee reflecting the Authorities unique position as a Senior Lender until 30<sup>th</sup> September 2017.

The annual budget was supported by the Section 151 Officer commenting upon its deliverability and was supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the out-turn of the GMWDA, and are prepared in accordance with professional standards and subject to external audit.

In order to demonstrate robust internal control the GMWDA had:

- ▲ A Risk Management Framework linked into the GMWDA Structure;
- ▲ An appropriate suite of Anti-Fraud and Corruption Policies;
- ▲ A balanced budget supported by appropriate reserves;
- ▲ An Audit and Standards Committee supported by independent Members;
- ▲ Service Level Agreement (SLA) with Oldham to provide Monitoring Officer, Deputy Treasurer and Internal Audit;
- ▲ People Strategy and Annual Plan 2017/18;
- ▲ Health and Safety Action Plan 2017/18;
- ▲ Appropriate appointment of Directors to GMCWR; and
- ▲ Ad hoc professional support on reviewing future service delivery.

During 2017/18 the GMWDA successfully migrated its Information Technology provider from Oldham Council to GMCA. In order to effectively manage its data the GMWDA engaged with the GMCA under a SLA which set out the appropriate security standards. This was subject to review by the Audit & Standards Committee.

Waste data is produced which has been reviewed by internal audit. Verified data was shared locally with Districts and nationally.

The out-turn for 2017/18 is better than that reported to the GMWDA's budget setting meeting. The 2018/19 budget was supported by an assessment of risk from the Treasurer & Deputy Clerk. The Treasury Management and Annual Investment Strategy 2017/18 supported the ambitions of the GMWDA and had enabled a high value refinancing to be undertaken to deliver efficiencies. The financial position for 2017/18 was supported by the production of management accounts when required and regular monitoring of the finances of GMCWR.

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### Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

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The GMWDA is proactive in engaging with citizens and other key stakeholders, and indeed public consultations were instrumental in developing the WMS and the procurement of the new waste facilities.

The GMWDA in 2017/18 was once again proactive in engaging and communicating with key stakeholders to boost and maintain public understanding of, and support for, recycling as part of its vision of 'our aim is zero waste'.

For larger facilities constructed under the Contract, community liaison arrangements (including engagement with local ward Councillors) were maintained if the communities wanted that to happen. In some cases those take place as part of regular meetings whilst in others the arrangements are merely the production of regular newsletters. The GMWDA also produced information leaflets which were distributed through HWRCs and which promoted reuse/recycling themes, and have continued to increase the sales of 'Revive' compost that provide a compelling link between the residents' efforts to separate food and garden waste and the environmental benefits of reducing the use of peat in their gardens.

There was regular contact with the nine constituent Districts through the meetings of GMCA and mainly monthly meetings with Waste Chief Officers and separately with the Treasurers of the nine constituent Districts.

To underpin the Contract, the GMWDA and its nine constituent Districts signed and updated Inter-Authority Agreement (IAA) for the 2017/18 financial year. Primarily, this established the arrangements to charge the Contract costs amongst the Districts.

As part of the Transparency Agenda the GMWDA agreed to publish Senior Officer salaries and invoices over £500 on its web site. As part of this process, improvements have been made to internal control procedures on procurement, which ensure Commissioning and Procurement is fair, transparent, ethical and based on the needs of the community and an understanding of the market place. The GMWDA was attentive to the need to meet wider social and economic objectives whilst achieving VfM. Enhanced scrutiny was achieved through a procurement plan, and reporting to the GMWDA and relevant Committee. Consistent decisions are sustained through an e-procurement system (the Chest), supported by internal Policies and Procedures, with further clarity developed in 2017/18 with the launch of an Internal Procurement Handbook.

The GMWDA, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2017/18 to further support the GMWDA's preference for openness and transparency.

Apart from regular liaison with key Government bodies the GMWDA was also fully engaged with the Local Government Association (LGA), Eurocities and the GMCA Low Carbon Hub.

Internally there were well established and clear routes on how staff and their representatives are consulted and involved in decision making. These included: an annual staff survey, regular staff briefings, a staff newsletter, section meetings, staff appraisals, a consultative forum and SharePoint, a web based portal system for sharing key information and managing documents.

External Audit was provided by Grant Thornton utilising the contracts initially let by the Audit Commission. The audit was conducted with regard to the Code of Practice produced by the National Audit Office.

## Review of Effectiveness

The GMWDA annually reviewed the effectiveness of its governance framework including the system of internal control. The review of effectiveness was informed by the work of the senior managers within the GMWDA who had responsibility for the development and maintenance of the governance environment; Oldham Council's Audit & Counter Fraud Manager annual report; and comments made by the External Auditors and other review agencies and inspectorates.

The GMWDA's Governance arrangements were reviewed at its meeting in March 2017, where it was agreed in the main to maintain the existing structure, and meet on a monthly basis. Within the GMCA a Waste Committee has been set up to provide future oversight.

The GMWDA strategy and objectives were established from 2017/18 through an updated Business Plan process, which also sets out the framework for the work programme focusing predominantly on achieving efficiencies and optimisation of Contract facilities, where the most significant savings may be made. That was developed in tandem with the Annual Budget and Levy, and the Medium Term Financial Plan (MTFP), underpinned by the Financial Model of the Private Finance Initiative (PFI), and an operating contract model, to ensure integration of financial planning with the strategic and service planning process.

An internal audit programme was undertaken, which in 2017/18 has focused on payments to contractors, materials recovery/recycling income, financial systems and treasury management and risk management. It reported to the Audit & Standards Committee in relation to the Contract, Treasury Management and Fundamental Financial systems.

An external audit of the accounts year ending 31 March 2017 undertaken by Grant Thornton was reported to the Audit & Standards Committee in July 2017, which concluded the accounts and working paper were of high quality. That meeting approved the accounts almost 3 months before the 30 September statutory deadline.

A Value for Money (VfM) review was considered by the Audit & Standard Committee 28 February 2018 meeting. This was completed, using the agreed GMWDA methodology.

The complex transaction to deliver efficiencies in service delivery has been subject to Internal Audit Review.



## Significant Governance Issues

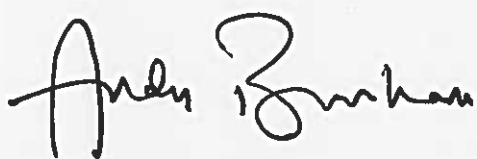
The Annual Governance Statement identified eight significant governance issues and major risks for the GMWDA. These were:

2017/18 Issues	Planned Management Action to Reduce Risk
There is a delay in starting the reprocured contracts beyond 1 <sup>st</sup> April 2019	The existing run off contract can be extended at the GMWDA's discretion, but that is likely to be at a higher costs than the expected savings. The mitigations below to ensure procurement progresses to timetable are relevant to reducing that risk.
The re-procurement exercise undertaken during the financial year 2018/19 does not deliver the initial efficiencies envisaged within the Medium Term Financial Strategy approved by the GMWDA at its meeting on 8 <sup>th</sup> February 2018 due to changes in the waste marketplace.	A detailed procurement exercise supported by appropriate specialist advice is underway. This includes a reference project to current anticipated costs if it does not prove to be possible to generate the expected level of services. This will give GMCA the opportunity to review the overall cost envelope before the final award of the contract.
The planned modifications to the plant do not proceed in the planned timescale and cannot achieve the current challenging targets for improving recycling.	Within the agreed Capital Programme there is a programme of works to modify the existing plant to both improve recycling and resilience to the waste stream. This work will be carried out during the financial year and reported to the GMCA.
In addition to the changes to plant there is a plan to change working practices to improve recycling within the Operating Contract. Within the planned timescale these changes could be challenging to implement	There is an on-going consultation process with all partners involved in the operation of facilities to agree a more efficient way of working to maximise recycling. This partnership approach will be implemented during 2018/19.
The continued payment of PFI Credits is disputed by DEFRA despite the renegotiation of the contract to achieve improved Value for Money.	Correspondence is on-going with DEFRA to resolve the matter in an informal way.  Should an informal resolution not be possible then the matter will be taken forward in a more formalised manner to be determined by an independent body.
The solvent wind up of GMCWR does not progress as planned	All appropriate information has been passed to the liquidator who is progressing the matter.  The question of taxation assets remaining within the Company to be clarified

<b>2017/18 Issues</b>	<b>Planned Management Action to Reduce Risk</b>
<p>The residual insurance claims from the previous PFI Contract are complex and time consuming resulting in some debate on the full extent of coverage for the GMCA.</p>	<p>The capital programme has been adjusted to reflect the need for the GMCA to fund the initial reinstatement works.</p> <p>There is joint working from all the interested insured parties to reinstate the assets.</p> <p>Appropriate independent advice is available to the GMCA to achieve its objectives in reinstating the facilities.</p>
<p>The integration into the GMCA from the separate entity GMWDA results in unforeseen operational and cultural challenges as working practices align.</p>	<p>There has been a phased approach to the transition with common working practices being introduced during 2017/18.</p> <p>Appropriate transitional support has been arranged in key areas to ensure a smooth transition and corporate memory is retained.</p>

## Summary

The GMWDA had in place strong governance arrangements which we were confident protected its interests and provided necessary assurances to our citizens and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the GMCA review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.



Andy Burnham  
Mayor of Greater Manchester



Eamonn Boylan  
Chief Executive GMCA

