

Audit Committee

Minutes of the meeting held on 21 January 2016

Present

Councillor Lanchbury (In the Chair)
Councillors Ahmed Ali, Hassan, Ollerhead and Watson
Independent co-opted members Mr S Downs and Dr D Barker

Also Present

Mark Heap – Grant Thornton
John Farrar – Grant Thornton

Councillor Flanagan, Executive Member for Finance and Human Resources
Councillor Andrews, Executive Member for Adult Health and Wellbeing

Apologies

Barrett, Russell, and Siddiqi.

AC/16/1 Chair

Councillor Lanchbury was nominated to chair this meeting in the absence of the Chair. This was seconded and approved.

Decision

To appoint Councillor Lanchbury to chair the meeting. Councillor Lanchbury welcomed Dr David Barker to

AC/16/2 Minutes

Decision

To agree that the meeting on 19 November 2015 was not quorate so there were no minutes to consider. The minutes of the meeting in September will be brought to the next meeting of the Audit Committee.

AC/16/3 Treasury Management Strategy Statement & Borrowing Limits and Annual Investment Strategy 2016/17

The report of the City Treasurer set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2016/17 and Prudential Indicators for 2016/17 to 2018/2019. As such, it is aligned with the Medium Term Financial Plan, which sets out a framework for delivery of a balanced budget, aligned to the priorities of the Community Strategy.

The City Treasurer explained to the Committee that in the late 1800s, the Council issued classes of 3% and 4% stock. The total value of this debt is currently £8.085m

and the Council pays total annual interest of £272k to over 200 stockholders. Currently the Council is experiencing a positive cash flow and this position affords an opportunity to redeem this long standing stock.

The financial benefit from redemption of the stock will be to remove the annual payment of £272k interest. This saving must be compared against the notional lost investment interest on the £8.085m it will cost to redeem the stock. Current yields suggest this notional lost investment income is in the range £20-25k per annum. Despite this offset to the annual interest saving there is still a strong financial case to progress the redemption.

Redemption of the stock will also avoid considerable administrative work. There are eight separate exercises each year to raise interest payments, a detailed manual Stock Register must be maintained and this is additionally supported by the operation and updating of a dedicated computer system.

A component of the stock is irredeemable which means redemption is at the discretion of the stockholder. Subject to confirmation from Legal Services it is intended to make the offer for the irredeemable stock time bound giving the same 12 months notice as required for redemption of the redeemable stock, i.e. the stockholder will be required to advise the Council within this timeframe if they wish to keep their holding.

It is intended to offer redemption of the stock at par for both the redeemable and irredeemable stock. The majority of the stockholding comprises very small amounts and this offer is expected to be attractive to both classes of stockholder as current market prices are lower than par. Stockholders will find it difficult to sell their stock at higher commercial rates, particularly those who hold a small value. It is planned that the redemption will be initiated during 2016.

The Committee questioned whether the owners of the stock are known, given the length of time that has passed since the stock was issued. The City Treasurer said that the majority of the owners of the stock are known, and that measures have been taken to hold monies from redeemed stock where the owners are not known. The City Treasurer also said that revenue gained from the exercise is not tied to any particular asset or budget, but can be allocated where it can be best utilised across all business areas and budgets, the City Treasurer also explained the opportunity that might be available to restructure Lender Option Borrower Option (LOBO) loans on favourable terms.

Decision

1. To recommend the report to Executive as part of the Council's budget.
2. To delegate authority to the City Treasurer, in consultation with the Executive Member for Finance, to approve changes to the borrowing figures as a result of changes to the Council's Capital budget and submit to Executive.
3. To request Executive to recommend to Council to agree the proposed Treasury Management Strategy Statement, in particular:

- The Treasury Indicators listed in Appendix A of this report
 - The MRP Strategy outlined in Appendix B
 - The Treasury Management Policy Statement at Appendix C
 - The Treasury Management Scheme of Delegation at Appendix D
 - The Borrowing Requirement listed in section 5
 - The Borrowing Strategy outlined in section 8
 - The redemption of Council Stock described in section 8
 - The Annual Investment Strategy detailed in section 9
4. To request Executive to delegate to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources, the power to pursue any restructuring, rescheduling or redemption opportunities available, including if it requires changes to the Treasury Management Strategy. Any changes required to the Strategy will be reported to members at the earliest opportunity.

AC/16/4 Internal Audit Progress Report 2015/16

The Internal Audit Section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. This work culminates in the Annual Head of Internal Audit Annual Opinion and an Annual Assurance Report. This report provided a summary on the work undertaken and audit opinions issued in the period April to December 2015.

The Head of Audit and Risk Management told the Committee that Internal Audit obtained approval from the City Treasurer to buy in resource to support delivery of the 2015/16 standard school audit programme in collaboration with Bolton Council. The exercise was advertised and formally assessed in December and a decision taken allowing audit work to begin mid January. The objectives are to provide resource for the audit work planned as well as to seek some independent input and review of the schools audit programme to ensure it remains fit for purpose. All work will be overseen by the Audit Manager.

The Head of Audit and Risk Management also explained that the assurance level for Children's Services was improving, especially with regard to the governance arrangements for the Improvement Programme. There are still several areas of limited assurance that require improvement, and the Committee were told that although progress appeared to be slow, efforts were being concentrated on measured improvement that was sustainable rather than quick, short term measures that potentially had a higher risk of failure in the longer term. The newly appointed Director of Children's Services will be working with the newly appointed management team, and the Committee were told that although there had been a loss of momentum in the improvement programme at the end of 2015, as some key officers had left the service, this has now been addressed and progress will resume as planned.

The Committee were told that caseloads continued to decrease, especially for Newly Qualified Social Workers (NQSW) and a Quality Assurance (QA) assessment of

social work showed that improvements in the quality of the work being undertaken was evident. The new QA team will continue to push through improvements. The Committee were also told that Leeds City Council have been brought in as an improvement partner. This was because Leeds CC had been in the same position as Manchester, with an inadequate rating after an OFSTED inspection, but were now rated as good. Leeds CC was able to provide examples of good practice that would assist with the improvement plan and progress currently being made in Manchester.

The Committee expressed disappointment that they had been given reports for over 4 years that said that the situation was improving, but that the assurance level for Children's Services was still limited. The Committee raised concerns that there was limited assurance given with regard to Team Manager approval and review, as they viewed front line management as crucial to the progress and success of the improvement programme. The Committee also queried whether the quality of social work was improving as well as the quantity of work being undertaken. The Committee were assured that the quality of the work undertaken by front line management is very closely monitored, and that action is taken when this is found to be less than adequate.

The Committee were told that Internal Audit were giving more time and attention to individual Social Work reports than had been the case in the past, and that this provided a better evaluation of the quality of the work being undertaken, giving a more detailed assessment of the current position and areas that needed improvement. The Committee were also told that realistically, there would not be substantial assurance for over 12 months but that the position was progressing towards moderate assurance. The Committee were told that there will be a further OFSTED inspection later this year, which will hopefully provide an improved rating.

The Committee queried why, despite requests, they had never been provided with a detailed breakdown of where the additional funding for the Children's Services Improvement Programme of £14m had been spent. The Committee were told that information had been supplied to the Finance Scrutiny Committee at their November meeting, and that more detail had been requested. This had not been provided, so the Committee requested that more detailed information be sent to Finance Scrutiny Committee, and that this information also be fed back to Audit Committee.

The Committee were told that the DBS process had been audited across the whole service, and that there had been problems identified as a result of constant changes to the counter-signatory. This has now been rectified and a permanent counter-signatory has been appointed. The Committee were told that once the problem had been identified and raised with the Executive Member for Human Resources, the solution was treated as a high priority and addressed.

The Committee were told that a peer review into Adults Safeguarding Case Management had identified some concerns with regard to the recording of cases. A new Head of Safeguarding has now been appointed, and as a result revised processes and procedures have been implemented that have led to improvements in a very short time frame.

The Committee queried why there were a number of deferred and cancelled audits

listed in the report, and the Head of Internal Audit and Risk Management told the Committee that this was as a result of ensuring that the audits that were completed were deliverable by the end of the financial year. Of the audits that had been deferred or cancelled, it was confirmed that Contract Management will be addressed in the audit plan for the next financial year. The Committee expressed the opinion that this audit was essential and must be addressed in next years audit plan.

The Committee were told that the recent ICT outage offered the opportunity to review the effectiveness of controls during a live incident. A draft report on the assurance opinion on those controls will be issued in January 2016. In addition, a specific update in relation to work to ensure that the Council's ICT systems are compliant with the requirements of the Public Service Network will be sent to the Finance Scrutiny Committee, and members of the Audit Committee will be invited to the meeting to receive the update.

Decision

1. To note the report
2. To request that the Finance Scrutiny Committee be sent a detailed breakdown of where the additional £14m provided to the Children's Services Improvement Programme has been spent.

AC/16/5 2015/16 Annual Governance Statement (AGS) – Summary of Progress to Date

This report set out a brief summary of the progress that has been made to date in implementing the governance recommendations from the 2014/15 Annual Governance Statement (AGS). It also outlined the next steps in the process of producing the Annual Governance Statement 2015/16.

The Committee were told that significant progress has been made to deliver the Care Act 2014 requirements from 1 April 2015. All transformation work was overseen by the Care Act Board chaired by the Senior Responsible Officer (SRO) of the programme and supported by a small Programme Management Team.

For Learning Disability the following mitigating action is being taken to address the budget pressures;

- A review of high cost packages, looking at both transition cases and working age cases, where negotiations with providers should lead to savings. A plan has been developed for new staff to review high cost cases, with all spot purchased residential placements to be reviewed.
- Complete the filling of all Network voids.
- Moving citizens who are over 65 to alternative accommodation.

The Committee queried whether this involved just moving budgets around and not taking proper consideration of the actual needs of service users into account. The Committee were assured that this was not merely a budget movement exercise, but was implemented after working on an individual basis with service users, their families and advocates to ensure that any measures put in place are appropriate and

legal. The Committee were informed that there were legal steps that had to be taken before changes are made to the provision for service users, and that these steps provided the appropriate checks and balances to ensure that provision was appropriate to the needs of the customer.

Decision

To note the report.

AC/16/6 Significant Partnerships Register

This report contained the 2015 Register of Significant Partnerships. The format, and the review and assurance process associated with the register was outlined in the report, including an explanation of improvements made to the process. The report itself focused on either partnerships which have been added to the Register during 2015/16, those where the risk rating has changed, or where the risk rating remains “medium” or “high” following last year’s self assessment. The full Register was attached as Appendix one.

The Committee were told that the membership and governance structure of the Manchester Safeguarding Adults Board had changed, and that this had led to an improvement based on the actions of a strong Chair and a complete change in culture and attitude towards the work that they do.

The Committee also commented on the increased risk from “Low” to “Medium” with regard to the East Manchester Academy. The reason for the risk rating is that the 2015 GCSE results indicate that there are challenges in the leadership, teaching, learning and assessment at the Academy. The Committee were told that discussions have taken place between the Director of Education and Skills, the Academy Sponsor, and the Regional Schools Commissioner so that actions can be identified which can then start to address these challenges.

The Committee noted that the Manchester Mental Health and Social Care Trust have a proposed Partnership Governance Risk rating of “High”, which is the same rating given in 2014. At a strategic level, the Trust Development Authority (TDA) have agreed, following due process and through the Sustainability Steering Group, to lead a procurement process to facilitate the acquisition of the Trust by one of the two other existing Mental Health Trusts in Greater Manchester. The Council and the CCGs are jointly producing the required specifications for the social care and clinical services that will form the transaction. The Committee commented that there was not enough detail in the report about the Trust Development Authority, and would require more detail when the draft of the Annual Governance Statement is taken to Audit Committee in June 2016.

(Mr S. Downs declared a personal interest in this item)

Decision

To note the report.

AC/16/7 Compliance and Licensing Activity.

This report provided an overview of how compliance and licensing services work together and with wider partners.

The Neighbourhoods Service has recently undergone a service redesign which has led to the development of a Compliance, Enforcement and Community Safety function within The Neighbourhood Service. This incorporates the services which fulfil the Council's duties in respect of protecting the public and the environment and keeping citizens safe through reducing crime. The broad service areas are Environmental Health (Food, Health & Safety), Environmental Protection, Trading Standards, Private Sector Housing, Premises Licensing Compliance, Street Trading compliance and enforcement, Neighbourhood Management compliance and enforcement, Community Safety and Anti Social Behaviour.

Through bringing these services together the aim is to make them

- more neighbourhood focused,
- targeted so that resources are used where they are most needed using intelligence and meeting neighbourhood priorities
- more flexible so that services can be provided at times when they are most needed including weekends, evenings and nights
- consistent
- better integrated with other compliance and enforcement and neighbourhood services and partner enforcement agencies
- more focused on delivering strategic priorities and key programmes of work

Effective partnership working, with both internal and external partners, is critical to achieving effective enforcement particularly in the context of decreasing resources. This also makes it important to achieve changes in the way that businesses, residents and staff respond to the regulatory environment as it is essential that customers become less reliant on public services and recognise that action will be taken against them when they fail to comply with the law.

The Committee queried why there was no information regarding building control and planning permissions in the report, and it was explained that this is dealt with through other channels as the regulatory framework is different to the Licensing and compliance regime.

The Committee discussed the measures available to address non-compliance with legislation and licensing permissions, and thanked the authors of the report for providing interesting information that had not been available to the Committee before this meeting.

Decision

To note the report.

AC/16/8 Final Whistleblowing Policy

This report presented to the Committee the final version of the revised Council's Whistleblowing Policy.

This was originally presented to the Committee in draft on 24 September 2015 and refreshed to take account of comments from Members. The document was subsequently approved by Standards Committee and Personnel Committee with no further requests for changes to be made.

Decision

To note the report.

AC/16/9 Manchester City Council Grant Certification Letter - Local Government – 2014/15

The Committee considered a report of the Council's external auditors, Grant Thornton, on the outcome of the grant certification work relating to **2014/15** undertaken by them.

The report noted that Grant Thornton were able to offer unqualified assurance in relation to the Housing benefit Subsidy Claim for 2014/15 and qualified assurance in the Teachers pensions EOYC. The Committee noted that the reason for the Qualified assurance was that some schools did not use the Council's payroll system and that no other concerns had been raised.

Decision

To note the report.

AC/16/10 Manchester City Council Audit Committee update January 2016

The Committee considered a report of the Council's external auditors, Grant Thornton, which provided detail on progress in delivering their responsibilities as the Council's external auditors, along with emerging national issues and developments which may be relevant to the Council.

Decision

To note the report.

