Public Document Pack

MANCHESTER CITY COUNCIL

Audit Committee

Date: Tuesday, 29 November 2022
Time: 10.00 am
Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **supplementary agenda** containing additional information about the business of the meeting that was not available when the agenda was published

Access to the Council Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. **There is no public access from the Lloyd Street entrances of the Extension.**

Filming and broadcast of the meeting

Meetings of the Audit Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

Membership of the Audit Committee

Councillors - Lanchbury (Chair), Curley, Good, Russell, Simcock and Wheeler

Independent Co-opted Members – Dr S Downs and Dr D Barker

Supplementary Agenda

Further Information

For help, advice and information about this meeting please contact the Committee Officer:

Donna Barnes
Tel: 0161 234 3037
Email: donna.barnes@manchester.gov.uk

This supplementary agenda was issued on **Friday, 25 November 2022** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension (Library Walk Elevation), Manchester M60 2LA

Audit Progress Report

Manchester City Council

November 2022

mazars

01

Section 01:

Audit Progress

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

2020/21 Financial statements work

The current position with our 2020/21 audit is:

- We are awaiting DHLUC to publish a statutory instrument to provide the Council with a statutory override for the accounting for infrastructure assets. We are also awaiting CIPFA to publish an update to its Code of Practice on Local Authority Accounting to provide the Council with revised reporting requirements. When these are published the Council will need to reconsider its infrastructure assets accounting policy, and consider the impact on the 2020/21 accounting entries. We will then complete our audit work on the Council's infrastructure assets.
- We received the Council's updated version of the financial statements from the Council on 14th November following our feedback comments to the finance team. We will complete our review of the statements shortly and feedback any further comments to the Council.
- We received responses to our latest queries on the Council's Group consolidation on 15th November. These related to the treatment of Manchester Airport's assets in the consolidation. We will complete our review of the responses and aim to complete this work shortly.

2021/22 Financial statements work

We commenced our audit of the Council's 2021/22 financial statements in October 2022. We have mostly completed our audit planning work, and will present our Audit Strategy Memorandum to the next Audit Committee. Our audit work has progressed since October and we have not identified any significant matters for reporting to Audit Committee. We continue to have proactive and engaged support from the Council's finance team and wider staff, in order to complete our testing. Our current plan is to complete the audit in early 2023, subject to the continued prompt progress on the audit testing.

In line with the firm's policy for audit partner rotations, for the 2021/22 audit year we have made a change to your Engagement Partner with Suresh Patel replacing Karen Murray.

2021/22 Value for Money arrangements work

We have requested an updated self assessment from the Council for 2021/22 and will commence our detailed value for money fieldwork on its receipt. Based on our planning work completed to date there are no significant matters to report to Audit Committee and no risks of significant weakness identified.

02

Section 02:

National Publications

National publications

	Publication/update	Key points
Financial Reporting Council (FRC)		
1	FRC Major Local Audit Inspection Report	Outcome of the FRC inspection of audit quality from 2020/21 audits
Chartered Institute of Public Finance and Accountability (CIPFA)		
2	Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)	Guidance for Audit Committees
National Audit Office (NAO)		
3	Introducing Integrated Care Systems: joining up local services to improve health outcomes	Overview of Integrated Care Systems
4	A guide to corporate finance in the public sector	A good practice insight guide for senior leadership
Public Sector Audit Appointments Ltd		
5	Consultation on proposed auditor appointments from 2023/24	Consultation document

NATIONAL PUBLICATIONS
Financial Reporting Council

1. FRC Major Local Audit Inspection Report - October 2022

The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

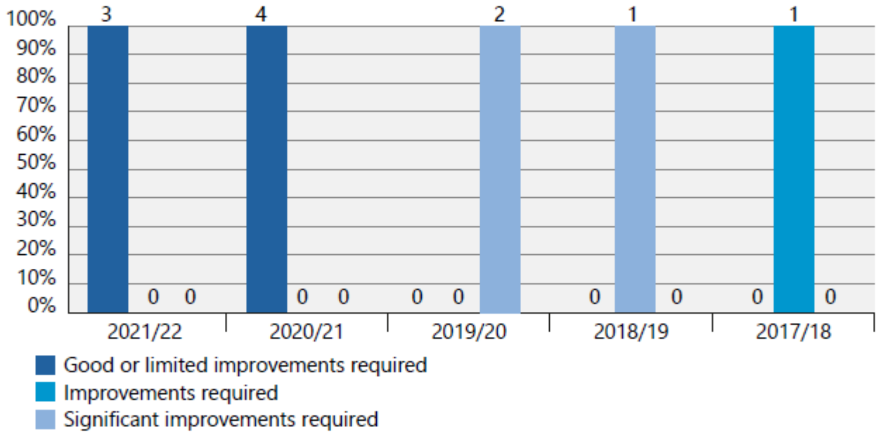
For Mazars, the FRC found that all 3 files reviewed met the expected standards. This was the second successive year of 100% compliance. Whilst the sample size is small and focused on the higher risk audits, the improvement does reflect the investment we have made in people, technical expertise, specialists (such as building on in-house valuation team and strengthening our methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

https://www.frc.org.uk/getattachment/aeb9149f-7bf9-45f2-802d-ca7b055b457e/Major-Local-Audits.pdf

Mazars LLP

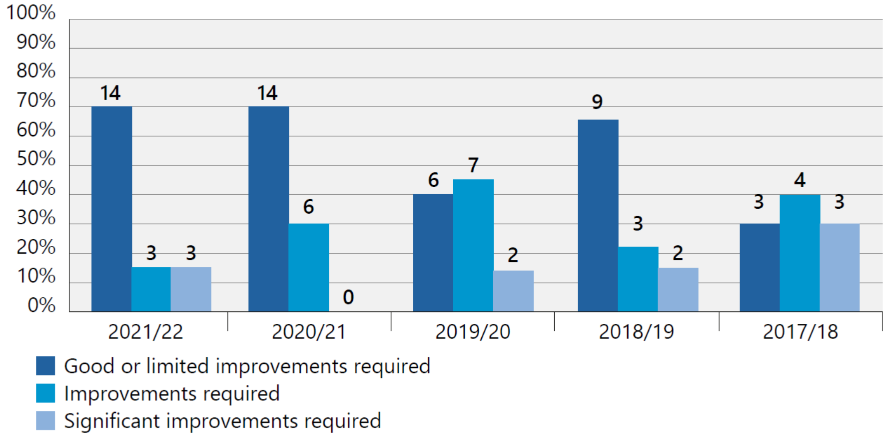
Our assessment of the quality of financial statement audits reviewed



100%

At Mazars LLP, all three financial statement audits inspected were assessed as good or limited improvements required.

All financial statement reviews – for the firms inspected



NATIONAL PUBLICATIONS
CIPFA

2. Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition), October 2022

Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA's 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.

https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition

National Audit Office

3. Introducing Integrated Care Systems: joining up local services to improve health outcomes, October 2022

Integrated Care Systems (ICSs) bring together NHS, local government and other partner organisations to plan and deliver integrated services to improve the health of the local population. There are 42 ICSs covering the whole of England, ranging in size from 542,000 people to 3.51 million. ICSs were introduced into legislation by the Health and Care Act 2022, the relevant provisions of which took effect from 1 July 2022.

This report examines the setup of ICSs by DHSC, NHS England (NHSE), and their partners and the risks they must manage. Unlike many National Audit Office reports, this is not an assessment of whether the programme has secured good value for money to date because ICSs have only recently taken statutory form. Instead, it is an assessment of where they are starting from and the challenges and opportunities ahead. NAO makes recommendations intended to help manage those risks and realise those opportunities.

The summary provides the key findings, our conclusion on ICSs' likely success, and our recommendations. The rest of the report sets out:

- an introduction to ICSs, describing their structure, objectives, and governance arrangements (Part One);
- an overview of the positions that ICSs are starting from, in terms of finances, staffing and activity levels, and some of the wider challenges facing the health and care sector (Part Two); and
- an examination of government's efforts to improve population health through better integration and a focus on prevention, and our assessment of ICSs' prospects for success this time (Part Three). Introducing Integrated Care Systems: joining up local services to improve health outcomes.

https://www.nao.org.uk/reports/introducing-integrated-care-systems-joining-up-local-services-to-improve-health-outcomes/

4. A guide to corporate finance in the public sector, September 2022

Corporate finance is a complex and specialist topic. NAO examined corporate finance transactions and the organisations performing these for more than 35 years. There are many factors senior leaders must consider to ensure public bodies manage the risks and benefits to taxpayers when using corporate finance techniques.

The interactive guide contains useful insights from 139 NAO reports and sets out key questions for senior decision-makers to consider when overseeing corporate finance activities. It may also be of interest to professionals supporting the government to deliver a range of transactions, including commercial investments, loans and guarantees.

https://www.nao.org.uk/insights/guide-to-corporate-finance-in-the-public-sector/

Public Sector Audit Appointments Ltd

5. Consultation on proposed auditor appointments from 2023/24, October 2022

PSAA has consulted on the on the proposed auditor appointments for all opted-in bodies for audits from 2023/24 to 2027/28. The consultation closed on 14 November 2022.

https://www.psaa.co.uk/2022/10/consultation-on-proposed-auditor-appointments-from-2023-24/

Contact

Mazars

Partner: Karen Murray
Mobile: 07721 234043
Email: karen.murray@mazars.co.uk

Senior Manager: Alastair Newall
Mobile: 07909 986776
Email: alastair.newall@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

www.mazars.com

Follow us:

LinkedIn:
www.linkedin.com/company/Mazars

Twitter:
www.twitter.com/MazarsGroup

Facebook:
www.facebook.com/MazarsGroup

Instagram:
www.instagram.com/MazarsGroup

WeChat:
ID: Mazars

This page is intentionally left blank

Manchester City Council
Report for Information

Report to: Audit Committee – 29 November 2022

Subject: Treasury Management Interim Report 2022-23

Report of: Deputy Chief Executive and City Treasurer

Purpose

To report the Treasury Management activities of the Council during the first six months of 2022-23.

Recommendations

The Audit Committee is asked to note the contents of the report

---

Wards Affected: Not Applicable

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Tom Wilkinson
Position: Deputy City Treasurer
Telephone: 0161 234 1445
E-mail: tom.wilkinson@manchester.gov.uk

Name: Tim Seagrave
Position: Commercial Finance Lead
Telephone: 0161 234 3445
E-mail: timothy.seagrave@manchester.gov.uk

Name: Charlotte Arrowsmith Jones
Position: Senior Finance Manager
Telephone: 0161 277 1887
E-mail: charlotte.arrowsmithjones@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy (Executive – 16th February 2022, Resource and Governance Scrutiny Committee – 28th February 2022, Council – 4th March 2022)

1 Introduction and Background

1.1 Treasury Management in Local Government is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (the Code). The City Council has adopted the Code and complies with its requirements. A primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement which sets out Council, Committee and Chief Financial Officer Responsibilities, and delegation and reporting arrangements.

1.2 CIPFA amended the CIPFA Treasury Management in the Public Services Code of Practice in late 2011, and the revised Code recommended that local authorities include, as part of their Treasury Management Strategy Statement (TMSS), the requirement to report to members at least twice a year on the activities of the Treasury Management function. The recommendation was first included within the 2010/11 TMSS approved by the Executive on the 10th February 2010, and has been approved as part of each the annual TMSS ever since. This report therefore ensures that the Council meets the requirements of the Strategy, and therefore the Code.

1.3 The Code was revised in 2021 and this report has been prepared in accordance with the revised Code. The sections of this report are shown below:

Section 1: Introduction and Background
Section 2: Portfolio Position as at 30th September 2022
Section 3: Review of Economic Conditions 2022-23 to date
Section 4: Treasury Borrowing in 2022-23 to date
Section 5: Compliance with Prudential Indicators and Treasury Limits
Section 6: Investment Strategy for 2022-23 to date
Section 7: Temporary Borrowing and Investment for 2022-23 to date
Section 8: Implications of Rising Interest Rates
Section 9: Conclusion

Appendix A: Public Works Loans Board (PWLB) Interest Rates
Appendix B: Treasury Management Prudential Indicators
Appendix C: Review of Economic Conditions, provided by advisors
Appendix D: Glossary of Terms

2 Portfolio Position as at 30th September 2022

2.1 As outlined in the approved TMSS for 2022/23 it was anticipated that there would be a need to undertake some permanent borrowing in 2022/23 to fund the capital programme and to replace some of the internally borrowed funds.

2.2 The six months since the start of April have been characterised by a volatile financial market, with bank rate rises to tackle growing inflation, and long-term interest rates also becoming significantly more expensive. In this environment the Council has sought to take additional borrowing in line with the needs of the cash flow.

2.3 Further borrowing is likely to be required during the second half of the year. The Council's debt position at the beginning of the financial year and at the end of September is compared in the table below. The gross debt is significantly below both the Council's capital financing requirement, and the authorised limit shown in appendix B.

Loan Type	31 March 2022				30 September 2022			
	GF	HRA	Principal	Avg. Rate	GF	HRA	Principal	Avg. Rate
	£m	£m	£m	%	£m	£m	£m	%
PWLB	400.0	0.0	400.0	2.00	500.0	0.0	500.0	2.32
Temporary Borrowing	10.7	0.0	10.7	0.34	62.1	0.0	62.1	2.67
Market Loans	334.2	61.4	395.7	4.47	334.2	61.4	395.7	4.47
Stock	0.9	0.0	0.9	4.00	0.9	0.0	0.9	4.00
Government Lending	19.4	0.0	19.4	0.00	17.3	0.0	17.3	0.00
Gross Total	**765.2**	**61.4**	**826.7**	**3.11**	**914.5**	**61.4**	**976.0**	**3.17**
Temporary Deposits	(122.7)	0.0	(122.7)	0.47	(180.2)	0.0	(180.2)	1.88
Internal Balances (GF/HRA)	49.5	(49.5)	0.0	0.00	*49.3*	*(49.3)*	*0.0*	*0.00*
Net Total	**692.0**	**11.9**	**703.9**	**-**	***652.5***	***17.1***	***669.6***	**-**

2.4 The temporary borrowing and deposit figures fluctuate daily to meet the ongoing cash flow requirements of the Council. The figures for these categories in the table above are therefore only a snapshot at a particular point in time.

2.5 As detailed in section 4 below, the Council has borrowed £150m during the period. The debt has been split between medium term PWLB debt and short term (364 day) borrowing from other local authorities.

2.6 Total Government Debt dropped from £19.4m to £17.3m due to a scheduled repayment of £2.1m of Salix loans. A further £1.4m was also temporarily borrowed from local partner organisations.

2.7 Total debt has therefore increased by £149.3m during the first six months of 2021/22.

2.8 The cash flow forecast suggests the level of deposits will continue to fall resulting in further borrowing being required prior to year-end. Markets and independent forecasts are being monitored on a daily basis by the Treasury team to optimise the interest rates borrowed at and the blend of short term and long-term borrowing that is appropriate given the market conditions and outlook. Any such activity will be reported in the outturn report.

3 Review of Economic Conditions 2022-23 to date

3.1 The Bank of England had a lending rate at 0.75% at the start of the financial year. There have been 4 subsequent rate changes with lending rates at 2.25% by 30 September. The Monetary Policy Committee (MPC) is expected to increase interest rates further from 2.25% currently to a peak of 5.00% in February 2023.

3.2 Appendix C provides a more detailed review of the economic situation, provided by the Council's treasury management advisors.

4 Treasury Borrowing in 2022-23 to date

PWLB

4.1 PWLB interest rates during the first 6 months of the year are illustrated in the table below and the graph at Appendix A.

PWLB Standard Borrowing Rates 2022-23 to date for 1 to 50 years					
	1 Year	**5 Year**	**10 Year**	**25 Year**	**50 Year**
Low	2.15%	2.38%	2.56%	2.72%	2.45%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.31%	5.64%	5.55%	6.00%	5.71%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	3.01%	3.12%	3.33%	3.64%	3.37%

4.2 The spread shown between the highs and lows for loans of each period in the table above highlight the challenges of the current market environment. It illustrates the general increase in rate over the period, with the lowest rates across all durations occurring in the first weeks of 2022/23 and the higher rates all at the end of the period. Rates have subsequently fallen back a little.

4.3 Manchester continues to be on the approved list of authorities that can access the PWLB Certainty Rate going forward, giving the Council access to a 20-basis points reduction on the published PWLB rates in the previous table.

4.4 The Council borrowed £100m from the PWLB during the first half of the year, as detailed in the table below, at an average rate of c 3.65%. This was based on cash flow need, and ultimately is to fund the Council's capital programme.

Maturity Date	Value (£m)	Interest Rate (%)
09/03/2028	30	3.66
09/09/2028	35	3.65
09/09/2029	35	3.64
Total	100	3.65

4.5 The loan values and maturity dates are aligned to expected future annual minimum revenue provision (MRP) charges that the Council can use to fund the repayments. The medium-term maturities reflected the increasing interest rate environment and the market expectation that rates would fall back in future years, and therefore a desire not to enter into long term debt at what would be comparatively high rates.

Temporary Borrowing

4.6 Temporary borrowing of £50m was taken from other local authorities. As with the PWLB debt it was based on cash flow need and is to fund the capital programme, with the length of the loans at under a year being a further mitigation against rates falling, as currently forecast, once inflation reaches the expected peak early next year.

Salix Borrowing

4.7 Salix Finance Ltd provides interest-free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The supported scheme in relation to LED lighting Council projects will be repaid by 1st April 2023.

4.8 In the first half of the year, the Council repaid £2.1m in line with the agreed repayment schedule, bringing the total value of Salix debt to £8.9m on 30th of September 2022.

5 Compliance with Prudential Indicators and Treasury Limits

5.1 The Council sets an operational limit on the cleared balance that is left within the Council's current accounts. The limit is aimed at minimising the cash held in these accounts which attracts no interest and thereby maximises the investment return for the authority. The limit is set at £400k and this was met during the first half of the financial year except for the breaches described below.

5.2 Where the limit is breached it means that the Council either incurred interest costs due to being in an overdraft position or lost potential investment income due to excess cash not being invested. It is important to note that any such breach will be rectified the following working day, and therefore the financial impact is minimised.

5.3 During the period 1st April to 30th September 2022 there were six breaches of the daily £0-400k limit on the Barclays current account.

i. On these six occasions, the limit was breached due to various late afternoon receipts which the Treasury Management team had not been made aware of. Where possible, officers are asked to inform the team of any expected receipts or payments over £50k in order to efficiently manage cash.

5.4 Each breach was notified to the Deputy Chief Executive and City Treasurer and action taken on the following working day to bring balances back within approved limits. No additional costs arose as a result, other than the opportunity cost incurred of not investing the surplus cash, which in the current interest market is minimal.

6 Investment Strategy for 2022-23 to date

6.1 The Treasury Management Strategy Statement (TMSS) for 2022-23 was approved by Executive on 16th February 2022. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as:

- (a) the security of capital; and
- (b) the liquidity of investments.

6.2 During the financial year the Council's temporary cash balances have been managed by the Deputy Chief Executive and City Treasurer in-house and invested with those institutions listed in the Council's Approved Lending List. Officers can confirm these institutions meet the security criteria set out in the Annual Investment Strategy agreed at Executive in February and Council in March.

7 Temporary Borrowing and Investment for 2022-23 to date

7.1 Liquidity has remained a key focus for the treasury management function, alongside agreeing additional debt as noted above.

7.2 As interest rates have risen, investment rates have increased although there has been a lag following the Bank of England rate rises on some investment instruments. The average level of funds available for investment purposes in the first six months of 2022/23 was £130.3m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, the receipt of grants, progress on the capital programme, and working capital.

7.3 As noted, additional temporary borrowing was taken during the first half of the year. The average level of temporary borrowing in this period was £18.5m.

7.4 Detailed on the next table is the temporary investment and borrowing undertaken by the Council. Historically this has been compared to the average equivalent London Inter-Bank investment or borrowing rate (LIBOR/LIBID), but following changes implemented to the UK financial markets these rates are no longer calculated. The benchmark rate is now the Sterling Overnight Index

Average (SONIA), being the overnight rate of interest banks pay to borrow sterling overnight, unsecured, from other financial institutions. With SONIA there is no “spread”, being the difference between the rate a financial institution would offer to borrow funds and the rate it would accept for funds it wished to invest.

7.5 This change means that the benchmark rate is now based on observable data, whereas LIBOR/ID was based on information provided by major banks. The impact on SONIA of changes in the Bank of England bank rate is far more immediate, particularly when compared to the investment instruments that the Council uses where there is a time lag between bank rate changing and the rate offered for the instrument reflecting that change. As interest rates have risen during the first six months of the 22/23 financial year it has therefore taken some time for the Council’s investments to rise to similar levels.

7.6 As illustrated, the Council underperformed the benchmark by 10 basis points on investments. To some extent this is as expected, as SONIA does not reflect the spread between borrowing and investing, and the latter would be expected to be lower. The treasury team will continue to search for stronger inter-Local Authority market rates and Money Market Funds which could improve return without compromising security of the funds.

7.7 The temporary borrowing portfolio consisted of loans with various investment tenors ranging from 14-day notice terms to fixed one-year maturities. The latter reflected the increases in interest rates over the period as they were taken in September and formed roughly 5/6 of the temporary borrowing at the end of the month. The average cost was therefore higher by 30 basis points when compared to the SONIA benchmark, but for context SONIA as at the 30 September was 2.19%, significantly higher than the average rate achieved.

	Average temporary investment /borrowing	Net Return/Cost	Benchmark Return / Cost *
Temporary Investments	£130.3m	1.12%	1.22%
Temporary Borrowing	£18.5m	1.52%	1.22%

**Average SONIA 1st April -30th September 22*

7.7 None of the institutions in which investments were made, such as banks, local authorities and MMFs, showed any difficulty in repaying investments and interest during the year. The list of institutions in which the Council invests is kept under continuous review.

8 Implications of Rising Interest Rates

8.1 Since the end of the 2021 calendar year interest rates have risen significantly, having been at historic lows for over a decade since the financial crisis in 2008. Whilst this is a challenging environment in which the Council must make debt and investment decisions given the volatility, the change in market rates also brings risks and opportunities which did not exist when rates were low and benign.

8.2 One such opportunity is the forward fixing of debt. As noted in the Treasury Management Strategy Statement, some financial institutions are willing to agree to lend at a fixed future point in time but fix the rate now. This would provide the Council with rate certainty for future debt, at a time when rates have been rising. However, it is not without risk, as rates could fall between the time the loan is agreed and when it is due to start, making the loan appear expensive compared to prevailing rates on the start date. However, critically, the Council would have had certainty over the rate.

8.3 Officers will continue to discuss potential debt opportunities with market participants, including over forward fixing of loans, but will only progress if any arrangements can provide value for money over the long term, and the risks of entering any arrangements are acceptable.

8.4 There is also an emerging risk regarding lender option borrower option (LOBO) loans that the Council holds. LOBO loans have options on specific dates that allow the lender to change the interest rate (the lender option), and the borrower can choose to repay the loan if the new rate is unacceptable (the borrower option). The loans have interest rates above 4%, and therefore over the last decade no lender has sought to exercise their option. However, with rates rising there is a risk that the lenders could seek to do so.

8.5 Officers will monitor the market and market expectations for interest rates, alongside any intelligence from the Council’s treasury management advisors, to monitor this risk. Should any options be exercised by any of the lenders, the decision to agree to a revised rate or repay will also be based on achieving value for money over the long term.

9 Conclusion

9.1 The first six months of year 2022/23 have seen significant levels of market volatility, and interest rate increases. The Council has taken additional debt in the period to fund the capital programme but has done so in a way which seeks to limit the long-term impact of higher interest rates, given market expectations that rates will fall back. There is a further borrowing requirement expected in the latter half of the year.

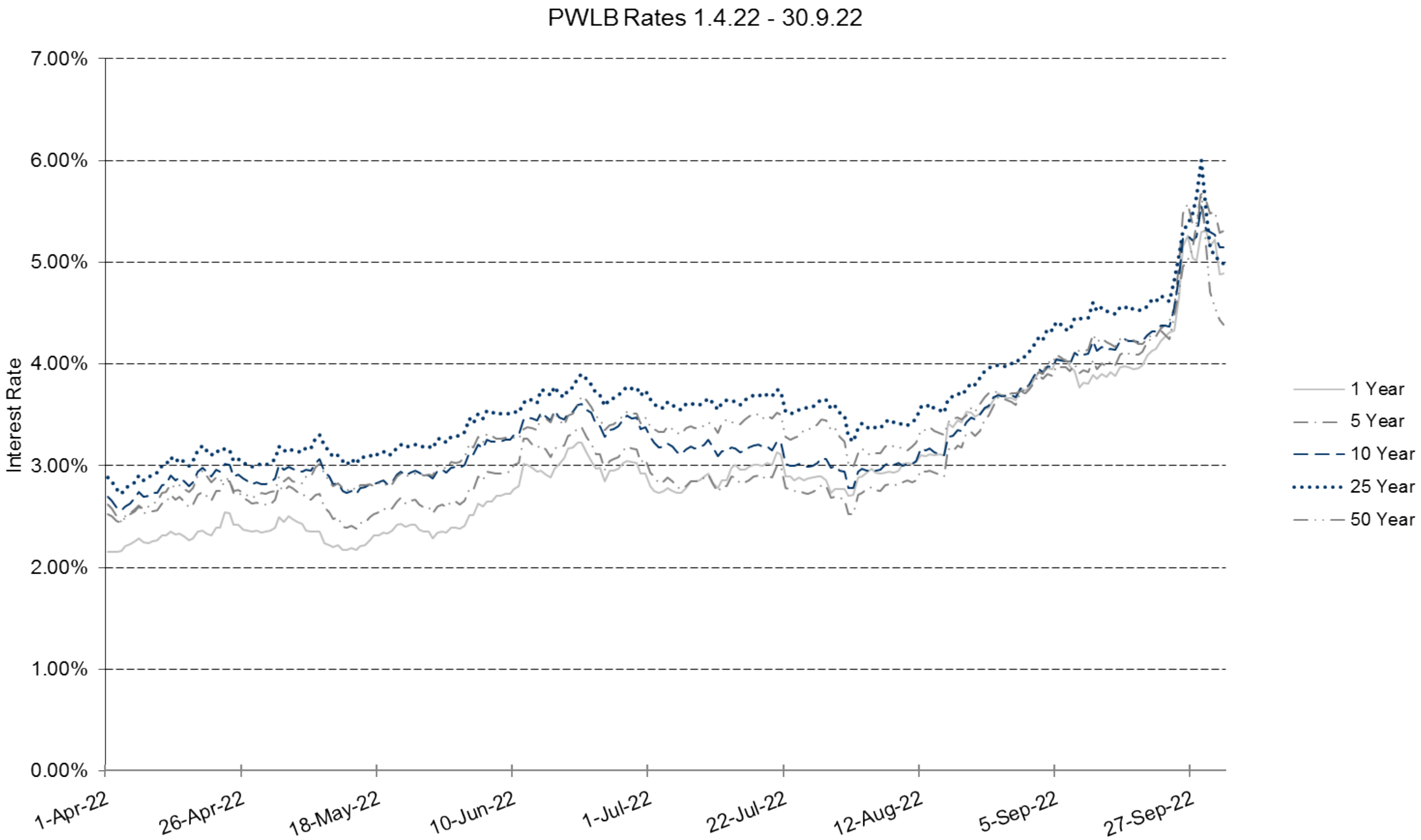
9.2 The current borrowing position reflects the strong balance sheet of the Council. It enables net interest costs to be minimised and reduces credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows, etc). The Council’s policy remains to keep cash as low as possible and not to borrow in advance of need for capital purposes.

9.3 Proactive treasury management during the year has sought to minimise borrowing costs for the Council and maximise returns on investments. Officers will continue to evaluate financial markets to look for opportunities and risks within the context of the agreed treasury management strategy

This page is intentionally left blank

APPENDIX A

PWLB RATES APRIL TO SEPTEMBER 2022



This page is intentionally left blank

APPENDIX B

Treasury Management Prudential Indicators: 2022-23 to date

	Original ***£m***	**Minimum In Year to 30 Sept 2022** ***£m***	**Maximum In Year to 30 Sept 2022** ***£m***
Operational Boundary for External Debt:			
Borrowing	1,580.2	824.2	976.1
Other Long Term Liabilities	190.0	154.3	154.3
Authorised Limit for External Debt:			
Borrowing	1,816.1	824.2	976.1
Other Long Term Liabilities	190.0	154.3	154.3
		Actual as at 30 Sept 2022	
Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services	Yes	Yes	
Upper Limit for Principal Sums Invested for over 364 days	£0	£0	

Maturity structure of Fixed Rate Borrowing	**Lower Limit 2022-23 Original**	**Upper Limit 2022-23 Original**	**Actual as at 30 Sept 2022**
under 12 months	0%	80%	12%
12 months and within 24 months	0%	80%	11%
24 months and within 5 years	0%	70%	18%
5 years and within 10 years	0%	70%	10%
10 years and above	20%	90%	49%

This page is intentionally left blank

APPENDIX C

REVIEW OF ECONOMIC CONDITIONS FOR FIRST SIX MONTHS OF 2022-23 AND FUTURE OUTLOOK

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the 30th of September 2022 and includes their forecast for future interest rates after the PWLB policy change referenced in the report.

1 ECONOMIC PERFORMANCE TO DATE 2022-23

1.1 The second quarter of 2022/23 saw:

- GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
- Signs of economic activity losing momentum as production fell due to rising energy prices;
- CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
- The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
- Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
- Gilt yields surge and sterling fall following the "fiscal event" of the new Prime Minister and Chancellor on 23rd September.

1.2 The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

1.3 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

1.4 The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.

1.5 The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.

1.6 CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below $90pb, we would expect to see fuel prices fall further in the coming months.

1.7 However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.

1.8 Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.

1.9 During H1 2022, there was a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) sought to super-charge the growth prospects for the UK economy. However, the, then, government's proposed huge fiscal loosening derived from significant tax cuts and unfunded support to households to help them with energy costs (which was estimated to cost up to £150bn or 5.7% of GDP over 2 years) came unstuck in spectacular fashion. The long list of tax measures announced at the "fiscal event" added up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. Proposed measures included the reversal of April's national insurance tax on 6th November, a cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, a cut to stamp duty and the removal of the 45p tax rate.

1.10 Fears that the government had no fiscal anchor on the back of these announcements meant that the pound weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of $1.035 on the Monday following the government's "fiscal event", it has since recovered to around $1.12. That is primarily due to the replacement of the Truss-Kwarteng team by the more orthodox and fiscally conservative Sunak-Hunt team on 24th October.

1.11 The MPC has increased interest rates at every meeting in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 75 basis points hike (3rd November) still looks relatively dovish, but was supported by MPC comments that the current market's pricing would suggest an eight quarter recession lasting to H1 2024 so perhaps rates will not need to increase to 5%+. Moreover, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

1.12 Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.

1.13 Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharp at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the, then, government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank restarted QE, although for financial stability reasons rather than monetary policy reasons.

1.14 Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.

1.15 There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.

1.16 After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

2 INTEREST RATE FORECAST

2.1 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

2.2 The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

2.3 The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors had with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control. Meantime, subsequent announcements by the Sunak-Hunt team (28th October) that public expenditure will be cut by £50bn and that taxes will rise, have underpinned gilt markets and reverse the losses suffered when the Truss-Kwarteng team were at the helm.

2.4 Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

APPENDIX D

Glossary of Terms

Authorised Limit - This Prudential Indicator represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate – the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

Constant Net Asset Value (CNAV) – refers to Funds which use amortised cost accounting to value all of their assets. The aim is to maintain a Net Asset Value (NAV), or value of a share of the Fund at £1.

Counterparty – one of the opposing parties involved in a borrowing or investment transaction

Credit Rating – A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

Discount – Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

Fixed Rate Funding - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

High/Low Coupon – High/Low interest rate

LIBID (London Interbank Bid Rate) – This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a particular time period. For example, 6 month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

LIBOR (London Interbank Offer Rate) – This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a particular time period. For example, 6 month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

Liquidity – The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

LOBO (Lender Option Borrower Option) – This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

Market - The private sector institutions - Banks, Building Societies etc.

Maturity Profile/Structure - an illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the Council vulnerable to current interest rates in that year.

Monetary Policy Committee – the independent body that determines Bank Rate.

Operational Boundary – This Prudential Indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Premium – Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

Prudential Code - The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

PWLB - Public Works Loan Board. Part of the Government's Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government is able to sell Gilts.

Specified Investments - Sterling investments of not more than one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside the Council's minimum credit rating criteria.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

This page is intentionally left blank

Manchester City Council
Report for Information

Report to: Audit Committee – 29 November 2022

Subject: Risk Management Strategy and Corporate Risk Register

Report of: Head of Audit and Risk Management

Summary

It is the role of the Audit Committee "to obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements".

This report supports the Committee in discharging its risk management assurance role by providing:
- A copy of the latest refresh of the Corporate Risk Register.
- A summary of the approach being taken to respond to inflationary finance risks

Recommendations

The Committee is recommended to consider the assurance provided by the risk management report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
None

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
None

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Risk management is an integral part of the Council's governance arrangements. It helps to inform good decision making and improves the likelihood of the Council achieving its objectives and manging untoward events. This contributes to being a well-run Council and indirectly to the achievement of organisational objectives and the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:
- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue - None
Financial Consequences – Capital – None

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3506
E-mail: carol.culley@manchester.gov.uk

Name: Tom Powell
Position: Head of Audit and Risk Management
Telephone: 0161 234 5273
E-mail tom.powell@manchester.gov.uk

Name: Richard Thomas
Position: Deputy Head of Audit and Risk Management
Telephone: 0161 455 1019
E-mail: richard.thomas@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Risk Update Audit Committee 14 June 2022

1.0 Introduction

1.1 It is the role of the Audit Committee "to obtain assurance over the Council's corporate governance risk management and arrangements, the control environment and associated anti-fraud and anti-corruption arrangements".

1.2 To support this responsibility, Audit Committee receive progress reports in relation risk management activity and key risks being monitored by the Strategic Management Team (SMT).

1.3 For the purposes of Audit Committee assurance this paper provides the following:

- Risks as articulated on the latest refresh of the Corporate Risk Register (CRR).
- Key steps taken by the Council to respond to inflation risk.

2.0 Corporate Risk Register Update

2.1 In line with the timetable for periodic review, corporate risks were last discussed in detail at SMT in September and an updated CRR was considered in November.

2.2 Prior to the September and November 2022 refresh, the CRR from June 2022 comprised 5 high, 8 medium and 4 low risks. The highest scored risks on the register reflected key themes around financial resources; economy of the City; capacity / capability of the workforce to respond to current demands; climate change; and cyber security.

2.3 In their September review, SMT discussion focused on links between several risks on the register and the intersections between these. This led to a fundamental rewrite of the risks and the description of response actions. Financial risks relating to revenue budgets, contract costs and capital financial resources on the CRR from March 2022 were integrated into an overall finance (impact on the Council) risk. A risk on climate change was split into two new risks; one focused on Council actions towards zero carbon and the other on Citywide actions. This process affected the following eight risks from the March 2022 register which were incorporated into new or existing risks:

Medium term financial resources (high) Risk SR1	Included in new risk SR24 Finance and cost of living crisis– impact on the Council
Costs of capital and revenue contracts (high) Risk SR22	
Impact on the capital programme (medium) Risk SR14	
Economy of the City (high)	Included in new risk SR23 Finance and cost of living crisis – impact on businesses and the economy of the City
Climate change action (high) Risk SR3	Split into two new risks SR25 and SR26

Embedding case management systems (medium) Risk SR16	Included in new risk SR27 Delivery of digital and ICT strategy priorities
ICT systems not implemented or maintained (medium) Risk SR11	
Wellbeing, welfare, morale of staff (low) Risk SR5	Included in risk SR6 Capability/capacity of workforce

2.4 A risk relating to increases in covid19 infection rates impacting on the ability to deliver priorities and safe services to Manchester residents whilst also ensuring the safety and wellbeing of staff was removed as this was not assessed as a corporate risk

2.5 The review highlighted a range of concerns over the impact of inflation, rising interest rates and energy price rises on the Council but also on the local economy and on residents. The cost-of-living crisis was the key theme that was discussed with an acknowledgement that the response to the issues presented by the crisis and related risks was complex and multi-faceted.

2.6 Discussion included the possible impact of the crisis on the wellbeing of staff. Whilst it was acknowledged that there had been positive progress in many aspects of wellbeing including recognition of Manchester as Council of the Year, it was important to retain this risk on the CRR as part of the 'capacity and capability of the workforce' risk to ensure that visibility was sustained pending feedback from the current staff survey.

2.7 The risk on health and care governance was also revised and refocused on outcomes for adults and children rather than structural change, albeit it is acknowledged that work to embed the Integrated Care System and Integrated Care Board and the Place Based Partnership for Manchester is ongoing. The rating of this risk has been reduced to reflect positive outcomes of Ofsted and Care Quality Commission reviews of Children's and Adults Services in 2022.

3.0 Corporate Risk Register (CRR)

3.1 The CRR is not intended to cover all risks but to focus on those that are cross cutting and of strategic impact. Risks such as recycling and waste (Neighbourhoods), delivery of the Better Outcomes Better Lives Programme (Adults), presentations (Homelessness), school place planning (Children's and Education) and benefits caseload (Core) are managed at directorate or service level.

3.2 A summary of the risks agreed at SMT in September 2022 are as follows:

Risk Title	Sept 2022 Impact x Likelihood	Movement	Previous June 2022
1. Finance and cost of living crisis – impact on residents	4x4=16 High	New	
2. Finance and cost of living crisis – impact on the Council	4x4=16 High	New	

Risk Title	Sept 2022 Impact x Likelihood	Movement	Previous June 2022
3. Delivery of climate change action – Citywide	4x4=16 High	New	
4. ICT Resilience and Cyber security	4x4=16 High	↔	16
5. Scale and type of housing in the City not sufficient to meet demand	4x4=16 High	↑	12
6. Capability/capacity of workforce	4x3=12 Medium	↔	12
7. Health and care outcomes for adults and children and social care reform	4x3=12 Medium	↓	16
8. Delivery of digital and ICT strategy priorities	4x3=12 Medium	New	
9. Finance and cost of living crisis – impact on businesses and economy of the City	3x3=9 Medium	New	
10. Delivery of climate change action – Council	3x3=9 Medium	New	
11. Failure of key suppliers and supply chain disruption	3x3=9 Medium	↔	9
12. Safeguarding children and vulnerable adults.	4x2=8 Medium	↔	8
13. Equality, Diversity and Inclusion in the design of services and across the workforce	4x2=8 Medium	↔	8
14. Serious avoidable data loss	2x3=6 Low	↔	6

4.0 Inflation Risk

4.1 A critical area of risk relates to finance and the cost-of-living crisis. This has implications for residents and for the economy of the City and some direct impacts on the Council including the costs of borrowing and the increasing budget pressures caused by inflation costs on supplies, utilities and pay. In response to the ask for further information on the Council's response some additional information is set out below.

4.2 In respect of the cost-of-living crisis, the infrastructure that was enhanced as part of the response to the pandemic has been reinstated with the Cos-of-Living Free Advice Line up and running since early October and Helping Hands Manchester updated on the website. Additional funding of £14.6m has been allocated for 2022/23 including the Household Support Fund 3 as well as a proposed £1.7m of additional Council resources. As well as the citywide response Teams Around the Neighbourhood (TANs) are coordinating the local response with partner & VCSE organisations, with a particular focus on the wards, which are most affected.

4.3 As part of the budget process there is a proposed £3.55m for 2023/24 and beyond to support our most vulnerable residents, and the Government have announced a further allocation of £1bn of the Household Support Fund for 2023/24 as part of the Autumn Statement. These proposals are set out in full in the recent Budget Report to November Executive and include the following:

	2023/24 Proposed £000	**Comments**
Food response	1,000	Working with the Community Food Partnership the majority will be invested in ambient stock and storage which all food providers in the city can access. In addition, there will be targeted support in the 11 priority wards where there is greatest need /vulnerability to the cost-of-living crisis.
Local Welfare Provision	600	Additional funding for the Local Welfare Provision scheme operated by the Revenues and Benefits Service. This scheme helps cover essential costs for households in crisis including one-off crisis cash payments and basic white goods & furniture for residents moving from temporary to permanent accommodation.
Other Welfare Schemes	50	Additional support for S17 payments to vulnerable families and for care leavers.
Discretionary Housing Payments	1,000	This is to reinstate the previous budget reduction in this area due to the growing demand for support. The primary aim to support people in their own tenancies and to stop people from becoming homeless.
CHEM	200	Covid Health Equity Manchester to support Communities experiencing racial inequality and other inequalities more likely to be impacted by the cost-of-living crisis
Support to VCSE	500	Additional support to increase the capacity of the VCSE sector to respond to the COL crisis in the wards most affected and citywide
Expand advice & debt support offer	200	Additional investment to expand the advice & debt support offer with a focus on residents who are in the private rented sector
Total	**3,550**	

4.4 In addition, support has been put in place for Council staff who are struggling with the cost of living. This includes links to advice for residents and other sources in key risk areas such as money, energy costs and loans. It includes an intranet site with resources in one place to help remind staff of the benefits of working for the Council including the MCR+ discount scheme and access to childcare vouchers as well as links to support for health, wellbeing and employee assistance.

4.5 Manchester has been accredited as a real living wage organisation for some years and in October was accredited as a Living Wage City. We are working with employers across all sectors to encourage them to become Living Wage accredited, as part of our response to addressing in-work poverty. Commitments have already been made, with additional funding included in the 2022/23 budget to paying staff in social care the real living wage and so had sought to address some of the emerging cost pressures in this sector.

4.6 The costs of inflation and the recent pay award have had a significant impact on the budget, costing an additional £58m over the period 2022/23 to 2024/25, an additional £42m to be found as part of the 2023/5 budget process. The current year budget was set in February 2022, prior to the Russian invasion of Ukraine, and the amounts factored in for increased energy costs to reflect the increases in demand following the pandemic were not sufficient to cover the total additional cost. This is the main driver behind the in-year overspend and the budget monitoring process, which provides an early forecast of the position, has enabled some corrective action to be taken. The Council operates a robust 5-year medium term financial plan and budget model, which allows different scenarios to be planned for and the future inflation risks are fully allowed for in the budget process.

4.7 The Council also holds reserves in order to manage financial risk and to smooth the use of any one-off funding. The sound management of reserves and the finances overall, has provided some resilience to fund the immediate pressures. In the meantime, this allows the Council to develop strategies to meet budget shortfalls in a planned way that seeks to protect services from such external shocks. The use of the smoothing reserves enables this approach and forms part of the overall financial strategy of the Council.

4.8 The Council spends around £600 million a year in revenue and £300 million in capital with third party suppliers. These contracts have a significant impact on the local and regional economy, the provision of services to residents and in the delivery of Council services. The council has instigated a number of new arrangements to improve its approach to Contract Management development of Contracts Registers for all directorates, ranking all contracts as Gold, Silver and Bronze depending on their criticality to Council objectives and the Commercial Board now receives a report on Procurement and Commissioning as a standing agenda item.

4.9 The Social Value Contract and Commissioning Group meets on a monthly basis and provides a forum to address common issues including contract management, the new procurement regulation and inflationary pressures caused by unprecedented energy price increases and recruitment and retention difficulties for various types of employees. The council's own contracts generally do not include any right for a supplier to an uplift for inflation and there is an expectation that suppliers will take action to mitigate and absorb any inflation increases. There is scope for a supplier to make representations for increases in exceptional circumstances as part of normal contract management discussions. This also happens if discussions are taking place over an option to extend a contract. It is recognised that the current circumstances are exceptional, and it has not been appropriate to flatly refuse to consider price increases as this could lead to cancellation of contracts as suppliers are unable to fulfil their obligations which would lead to disruption of services. Note some contracts have been let under a national or regional framework where inflationary increases may be baked into the framework terms and conditions and outside of the council's control.

4.10 Recent developments include the establishment of a Major Contracts Oversight Board, the launch of the corporate Due Diligence Framework and the streamlining of online solutions, providing analysis of a company's financial health. The Council has also just been to tender for an electronic Contract Management system and is on the point of awarding the contract which will, when implemented, ensure that the management of the council's contracts is consistent and at a high standard.

4.11 In relation to capital financing, where there has been an increase in the interest rates across the UK and the world, the Council has set aside sufficient budget to allow the current capital budget to be financed which has meant that the current approved programme can be delivered within the existing resource base. However, construction inflation and higher prices generally, a higher cost of borrowing, and suppressed asset values as a result of recession, will impact on the Council's future capacity to fund major capital schemes. This will be managed through a revised capital governance process and Strategic Asset Management Plan. This will allow the Council to manage the tighter resources for the future programme to ensure it is prudent, affordable and sustainable.

5.0 Recommendation

5.1 The Committee is recommended to consider the assurance provided by the risk management report.

Appendices:
Appendix 1 – Corporate Risk Register
Appendix 2 – Glossary of Terms and Assessment Criteria

This page is intentionally left blank

Appendix 1 – Corporate Risk Register

								Impact x Likelihood			
#	**ID**	**Theme**	**Corp Plan Link**	**Risk Description**	**Risk Consequences**	**Risk Owner**	**Existing Key Controls, Sources of Assurance and Key Comments**	**Previous Mar 2022**	**Current Sept 2022**	**Target Mar 2023**	**Areas for Key Actions and Deadlines**
1	SR22	Manchester People	1 2	**Finance and cost of living crisis – impact on residents** Considerable challenges for residents with costs of energy and other essentials contributing to October 2022 inflation hitting 9.6% for the Consumer Prices Index. Compounded by range of wider impacts including Covid19, unemployment, poor health and wider economic uncertainty.	Residents unable to pay bills or meet the cost of essentials and fall into crisis with additional urgent need for Council financial support or services (housing, social care, welfare support etc). There are a range of impacts on residents, families and children including mental and physical health and wellbeing and their consequent ability to secure or maintain effective education, training or employment.	CEX	Key strategies to support residents including Family Poverty Strategy, Making Manchester Fairer, Tackling Health Inequalities in Manchester 2022-2027 and the Our Manchester Strategy, Forward to 2025. Partnership working with VCSE services and other City and GM partners. Recognition of Manchester as a Living Wage Place. Support programmes including discretionary housing payments and Council Tax support targets to most vulnerable residents in 2022/23 and proposed allocation of £3.6m in 2023/24. Speedy allocation of Government Household Support Funding to residents who qualify /are most in need, using a cash first approach where appropriate and working with partners to reach residents who could benefit but may struggle to access Reporting to SMT; Executive Economy Scrutiny Committee and Health Scrunty Committee	NEW	4x4=16 High	4x3=12 Medium	Update to new Anti-Poverty Strategy as presented to Economy Scrunty Committee 10 November 2022 proposed for finalisation with Executive by end January 2023 (DSD) Budget proposals for finalisation as part of budget process in February 2023 includes assessment of groups at risk and support for the most vulnerable residents (DCE)
2	SR24	Our Finances and Resources	7	**Finance and cost of living crisis – impact on the Council** Considerable uncertainty over the financial position with a further one-year Finance Settlement and inflation in October 2022 hitting 11.1% for CPI. Short and medium term financial resources of the Council impacted by: • Inflationary impacts on supply and service contracts far in excess of budgeted assumptions	Resources are insufficient and this results in non-achievement of Corporate Plan priorities and the Our Manchester strategy, with consequent negative impacts on Manchester residents – both revenue and capital funding. Risk of significant budget cuts will be required for 2023/25 which will be difficult and damaging to achieve. Further increases in costs or reduction in income will further impact assumptions	DCE	Budget 2023/24 includes required cost savings. Review of contracts by Procurement and Commissioning Team with high focus on gold contracts. Reporting to Commercial Board. Review of capital projects by Capital Strategy Board, ICT Board and Estates Board, as part of budget setting and reporting to Executive and Scrutiny Committees Maintenance of reserves and the availability to support the budget. Engagement and lobbying of national decision makers including	NEW	4x4=16 High	4x3=12 High	Robust future financial planning and budget proposals and savings / income generation options based on prudent assumptions – linked to Future Shape programmes across all aspects of the Council (DCE) Completion of 2023/24 budget setting process including outcomes of the finance settlement expected late December 2022 – by end January 2023 (DCE)

#	ID	Theme	Corp Plan Link	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls, Sources of Assurance and Key Comments	Impact x Likelihood Previous Mar 2022	Current Sept 2022	Target Mar 2023	Areas for Key Actions and Deadlines
				• Higher cost of borrowing due to interest rate rises. • Demographic and demand pressures – including increased risks of homelessness and poverty across the City • Reduced income to the Council for universal services as spending power of residents and visitors is curtailed • Increased levels of indebtedness to the Council collection fund from residents and businesses . • Pressure on Council services as a result of financial pressures faced by partners across the City including the community and voluntary sector			direct to Government and via Core Cities and the LGA. Work underway in developing for 2024/25+ budget strategy and medium term capital programme. Reporting to SMT; Executive and Resources and Governance Scrutiny Committee.				
3	SR26	Manchester Places	8	**Climate Change: City Wide Delivery of Zero Carbon Targets** The Council does not undertake its leadership role effectively for Manchester to become a zero-carbon city by this date, and stay within the science-based budget for the City. Changes to the Clean Air Zone following the pause may have an adverse impact on the Manchester Economy.	Significant political and reputational damage to the Council for not seen to be acting on the climate emergency that has been declared, in terms of our leadership role across the City. Changes to the CAZ may have an adverse impact on Manchester businesses and residents. Costs of required change are significant as is the need for Government funding and leadership and clear strategy and leadership at GM level. Risks to the city's infrastructure and population due to the changing climate including flooding and impact of extreme heat.	DCE	Manchester Climate Change Strategy and Framework 2020-2025. For 2022 Green infrastructure and nature-based solutions are included as one of six priority areas in the Framework. This links to Biodiversity Strategy, green/blue infrastructure and nature based developments (such as Mayfield Park) Governance through Manchester Climate Change Partnership, Agency and Youth Board. Annual Climate Change Report – for 2022 shows targets not met and direction of travel is not in line with required emissions reductions – this is reflected in the risk score. Place based investment approach being developed to look at different funding models. Internal governance and regular reporting to SMT, Executive and the Environment and Climate Change Scrunty Committee. Reporting to SMT, Executive, Environment and Climate Change Scrunty Committee.	NEW	4x4=16 High	4x4=16 High	Updated Manchester Climate Change Agency Framework sets out the targets and scale of the action required to address climate change in the City. Key levers include development of a Local Plan Green infrastructure (GI) and nature-based solutions are as one of six priority areas in Manchester's Climate Change Framework. Role of the Council is to support and influence change and actions (with DCE and Executive Member on the Partnership Board).

#	ID	Theme	Corp Plan Link	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls, Sources of Assurance and Key Comments	Impact x Likelihood			Areas for Key Actions and Deadlines
								Previous Mar 2022	Current Sept 2022	Target Mar 2023	
4	SR21	Our Performance	All	**<u>ICT Resilience and Cyber Security</u>** A successful cyber-attack on the Councils infrastructure would have significant impact on the availability of all ICT systems over a sustained long-term period. This could impact some or all internally operated services and those consumed by our customers and residents.	Ransomware remains one of the costliest types of cyber-attacks to recover from. The financial cost to recover physical hardware such as servers, laptops and databases would be significant. The cost of data that is lost to encryption is incalculable. Total catastrophic losses of some or all systems resulting in the introduction of manual systems, with no access to historical data and corruption of council backups. Inability to access systems or core data required to deliver critical and essential services to residents, including the most vulnerable.	DCE	Identity management controls and detection solutions in place. Monthly vulnerability assessments and ongoing security patch management to all managed devices. Endpoint malware/Anti-Virus solution, stronger password requirements, M365 implemented and end user device programme to refresh desktop estate. Monitoring extends beyond cyber to system availability with all system outages subject to review and lessons learned. Cyber risk management remains a key element in ICT resilience, and this requires both technical and behavioural capability (training) and assurance. Includes communications and mandatory training for all staff. <u>Reporting to</u> ICT Board, Corporate Information Assurance and Risk Group (CIARG), SMT, Executive and Resources and Governance Scrunty Committee.	4x4=16 High	4x4=16 High	4x3=12 Medium	Corporate and departmental incident / business continuity planning to consider the wider impact of Cyber and how services could continue to be provided without access to ICT systems for a sustained period (Dir of ICT and Head of Audit and Risk) Delivery of priorities in ICT and Digital Strategy include cloud hybrid approach to strengthen resilience.
5	SR9	Manchester Places	3	**<u>Scale and type of available housing is not sufficient to meet demand</u>** of current and future residents of the City are not achieved and targets for affordable housing are not met. This includes the right quality of housing to meet expected standards and the reasonable needs of residents.	Strain on homelessness and social housing provision if developments do not offer sufficient housing that is affordable for residents. Impact on ability to attract and retain residents to the City if housing is insufficient to meet their current and future needs. Sub optimal housing has a negative impact on health and other outcomes for residents.	DSD	Manchester Housing Strategy 2022-2032 with target to increase housing supply and affordable housing growth. Links between this and wider strategies around for example school place planning, health planning, travel and the Local Plan. Governance of strategic and operational housing; and regulatory functions. <u>Reporting to</u> Housing Board, SMT, Executive and Economy Scrutiny Committee.	4x4=16 High	4x4=16 High	4x4=16 High	Ongoing development of schemes including Northern Gateway, Ancoats etc part of the city-wide masterplan.

#	ID	Theme	Corp Plan Link	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls, Sources of Assurance and Key Comments	Impact x Likelihood			Areas for Key Actions and Deadlines
								Previous Mar 2022	Current Sept 2022	Target Mar 2023	
6	SR6	Our People	7	**Capability and capacity of the workforce** is not sufficient or aligned effectively to key priorities and organisational requirements and priorities. This includes: • capacity in core managerial and technical disciplines; • capacity to deliver emerging priority areas across a wide range of services; • capacity to respond to increased levels of complex demand (homelessness, social care support, mental health support etc*)* • leadership capacity and capability to drive change and transformation; and • workforce motivation and engagement.	Motivation and engagement of the workforce is reduced (or not developed fully) impacting on the ability to respond to transformation, change and deliver organisational priorities. Skills and capacity do not match stated priorities resulting in underachievement of planned outcomes. Emergent priorities mean that areas of required focus in transformation and delivery of core services cannot be sustained. Stress and welfare impacts on the workforce. This risk incorporate previous low risk (SR5) re the wellbeing, welfare and morale of staff.	DCE	Corporate plan supported by Our People Strategy and staff engagement including Listening in Action, Our Manchester Experience and regular communications. Staff Health and Wellbeing Strategy updated to include financial wellbeing Leadership and wider skills development programmes in place. Directorate business, workforce and finance plans in place. Prioritisation via SMT, Directorate Management Teams and cross cutting working groups. Transformation programmes in place with external support, governance and reporting to SMT, Executive and relevant Committees and partners; to oversee planning, resourcing, and delivery of key priorities. Reporting to SMT, Executive and Scrutiny Committees	4x3=12 Medium	4x3=12 Medium	4x3=12 Medium	Review of Health and Wellbeing Strategy by January 2023 (DCE with Director of HR, OD and Transformation) Use of apprentices, school leavers and other recruitment options to address to address challenges in securing staff in roles (SMT and ongoing) Actions to flow from results of staff survey (issued November 2022) (DCE with Director of HR, OD and Transformation)
7	SR4	Our Partnerships	2	Failure to achieve the desired and **intended outcomes of health and social care reform** increases further pressure on Council and health budgets; and impacts on the ability to achieve improved health outcomes for Manchester residents. Better Outcomes Better Lives, stabilisation of the care market, new care models, embedding of casework management system and delivery of priorities. Also reflects the volume of work required to ensure that the Manchester system are adequately prepared for the move to the ICS arrangements in July.	Poor outcomes and increased financial pressures result in further diversion of Council resources to reactive care services without addressing root causes and whole system issues. Lack of clear and effective governance increases duplication of effort, impacts on key officers and individuals working across the system and clear accountabilities and responsibilities across partners.	CEX DCS DASS	Positive 2022 Ofsted Outcome for Children's Services overall assessed as Good Positive 2022 CQC Test and Learn Outcome for Adults Services with key strengths noted in leadership, partnerships and promoting independence. Council and NHS leadership via GM ICS and Manchester Place based partnerships built on long established partnership working. This includes the Manchester Local Care Organisation. Range of improvement programmes including Better Outcomes Better Lives programme across Adults and Ofsted Action plan in Childrens Reporting to SMT, Executive, Health and Wellbeing Board and Health Scrutiny Committee. Joint reporting within MLCO governance arrangements.	4x4=16 High	4x3=12 Medium	4x3=12 Medium	Ongoing engagement at GM and City Wide levels in establishment of Integrated Care partnerships and supporting governance and infrastructure arrangements (DASS) Delivery of BOBL Programme (DASS) Delivery of lessons learned from Ofsted reporting with focus on support for children with a disability (DCS)

#	ID	Theme	Corp Plan Link	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls, Sources of Assurance and Key Comments	Impact x Likelihood			Areas for Key Actions and Deadlines
								Previous Mar 2022	Current Sept 2022	Target Mar 2023	
8	SR27	Our Performance	7	The **Digital and ICT Strategy** is not delivered or evolved to meet the technology and data needs of the Council.	Failure to realise efficiency benefits using technology impacts on ability to achieve savings targets and refocus effort on core priorities. Technology does not meet business needs around transformation, resilience, or legal / regulatory compliance – impacting on the ability to deliver priorities.	DCE& CT	Strategy developed based on wide consultation with stakeholders. Sets out key principles and priorities to guide ICT development and investment. Strategy allows for flexibility in plans but within a core set of principles and standards. New ICT and Digital Design and Authority Board chaired by Deputy Executive Member Reporting to ICT Digital Design and Authority Board, DLT ICT Boards, SMT, Executive and Resources and Governance Scrutiny Committee.	NEW	3x3=9 Medium	3x3=9 Medium	Agreed programme of activity and investment with reporting to SMT, Executive and Scrutiny (DCE with Director of ICT).
9	SR23	Manchester People	6	**Finance and cost of living crisis – impact on businesses and the economy of the City** Economy of the City, growth and the associated health, wellbeing and economic independence of residents is impacted by rising inflation and interest rates, as well as broader macro-economic factors linked to the war in Ukraine, EU exit etc.	Growth and investment of businesses in the City slows which impacts employment opportunities for Manchester residents and the attraction of the City as a place to work and for business to invest. Onward impact on the Council in terms of business rates, footfall and capital investment across the City.		Our Manchester Industrial Strategy (2019) and Powering Recovery strategy (2020). Business and partner engagement via the Business Sounding Board, Our Manchester Business Forum and Anchors Group, Our Manchester Forum and other relevant boards. Monthly Economy Updates to Economy Scrutiny Committee Reporting to SMT; Executive, Economy Scrutiny Committee and Resources and Governance Scrutiny Committee.	NEW	3x3=9 Medium	3x3=9 Medium	Development of the new Economic Strategy as presented to Economy Scrunty Committee 10 November 2022 proposed for finalisation summer 2023 (DSD)

#	ID	Theme	Corp Plan Link	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls, Sources of Assurance and Key Comments	Impact x Likelihood Previous Mar 2022	Impact x Likelihood Current Sept 2022	Impact x Likelihood Target Mar 2023	Areas for Key Actions and Deadlines
10	SR25	Manchester Places	8	**Climate Change: Council Delivery of Zero Carbon Targets** The Council does not produce, or deliver on, a sufficiently ambitious plan to become a zero carbon Council by 2038 or earlier if possible. The Council does not plan or implement measures effectively to adapt to the impacts of climate change on Manchester in the longer term (e.g. increased risks of extreme weather, flooding and heat)	Significant political and reputational damage to the Council for not acting on the climate emergency that has been declared. Significant longer-term risks to health, society, economic and financial position of the City and the Council if mitigation and adaptation measures are not effective.	DCE	City Council Climate Change Action Plan 2020-25. This has been refreshed to include City Leadership actions and adaptation and resilience. Plan includes clear targets and milestones including the carbon reduction. Council on target to meet the 13% per annum reduction in the five year plan. Governance and regular reporting to SMT, Executive and the Environment and Climate Change Scrunty Committee. Will require fundamental changes to how we operate and significant investment across all aspects of the Council that is reflected in the risk score. Reporting to SMT, Executive, Environment and Climate Change Scrunty Committee.	NEW	4x3=12 Medium	4x3=12 High	Council plan sets out the key actions and deadlines that need to be delivered including a significant focus on energy use targets and associated actions – for example the delivery of Public Sector Decarbonisation Schemes (DCE)
11	SR12	Our Partnerships	7	**Key suppliers** of goods and services fail to develop or deliver required services and market capacity, due to lack of financial resilience or other factors, impacting the onward ability of the Council to secure required services to Manchester residents. A key risk given inflationary pressures, negotiation of UK trade deals and lack of competition in some markets.	Contractor failure (contract or provider) results in the Council having to re-procure services at short notice or deliver services in-house with significant cost and capacity implications that result in budget overspends and required cuts to other services.	DCE	Professional Procurement and Commissioning Teams in place to support services in effective management of procurement lifecycle; including supplier due diligence. Includes Contract and Commissioning Group involving all directorates. Contract management register and risk assessment in place. Bankruptcy / Liquidation Policy to enable consistent response to supplier failure. Enhanced due diligence arrangements developed and Due Diligence working group in place. Risk maintained at medium due to wider risks of supplier resilience outside of control of the Council. Reporting to: Commercial Board, SMT and Resources and Governance Scrutiny Committee	3x4=12 Medium	3x3=9 Medium	3x3=9 Medium	Programme of commissioner and contract manager training and engagement (DCE): Ongoing

#	ID	Theme	Corp Plan Link	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls, Sources of Assurance and Key Comments	Impact x Likelihood Previous Mar 2022	Impact x Likelihood Current Sept 2022	Impact x Likelihood Target Mar 2023	Areas for Key Actions and Deadlines
12	SR17	Manchester People	1 2	Inability to maintain and demonstrate organisation-wide arrangements to **safeguard children and vulnerable adults**.	Harm to those most in need with associated impact on families as well as financial and reputational damage to the Council	CEX DCS DASS	Manchester Safeguarding Boards (Adults and Childrens) Statutory roles and assurances through DASS and DCS Reporting to SMT, Scrutiny Committees and MLCO Boards.	4x2=8 Medium	4x2=8 Medium	4x2=8 Medium	Ongoing (DASS and DCS) Assurances and Action Plan that arise from Children's Ofsted Inspection (DCS).
13	SR21	Our People	7	Council does not achieve **Equality, Diversity and Inclusion in the design of services and across the workforce** in line with stated aspirations, objectives and targets.	Loss of credibility of leadership and of the Council with workforce and communities across the City. Increased risk of actual or perceived inequality; and of the Council failing to reflect the communities it serves. Failure to capitalise on the diversity of a workforce drawn from a wide range of communities – in terms of ethnicity but also in terms of other protected characteristics.	CEX and CS	Workforce Equality Strategy incorporating outcomes of Race Review and organisational wide engagement of stakeholders in design and delivery of change activities. Update to Resources and Governance Scrunty November 2022. Council recognised by Public Sector People Managers Association for 'Best Inclusion and Diversity Programme/Initiative" 2022 Mandatory leadership training and 'Lets Talk About Race' programmes and wider programme of inclusion training covering areas such as disability, LGBTQ+ awareness and mental health. Talent and Diversity Team in HR&OD supporting staff with protected characteristics to gain experience and opportunities for new roles including mentoring and leadership pathways. Strengthening EDI in recruitment and development processes. Launch of 5th Behaviour puts diversity and inclusion at the heart of all we do. Reporting to: Corporate Equality Group, SMT, Deputy Leader and Executive, Resources and Governance Scrutiny Committee	4x2=8 Medium	4x2=8 Medium	4x1=4 Low	Review of outcomes of staff survey 2022 (DCE with Director of HR, OD and Transformation) from December 2022

								Impact x Likelihood			
#	**ID**	**Theme**	**Corp Plan Link**	**Risk Description**	**Risk Consequences**	**Risk Owner**	**Existing Key Controls, Sources of Assurance and Key Comments**	**Previous Mar 2022**	**Current Sept 2022**	**Target Mar 2023**	**Areas for Key Actions and Deadlines**
14	SR13	Legal and Regulatory	7	Information governance arrangements, including behaviours of the workforce, partners and suppliers, are insufficient to prevent **serious avoidable data losses**, breaches or authorised access to systems or data.	Loss of stakeholder and public confidence. Potential for ICO fines and ability to share data with partners. Impact on individuals with additional costs of remedial actions and potential legal action.	DCE CS	Information Assurance and Risk Group (CIARG) and network of Senior Information risk Officers at Corporate, Departmental and Service Level supported by core IG and ICT security personnel, including Data Protection Officer Established breach reporting processes for ICT security and information incidents. Reporting to: CIARG, ICT and SMT	3x4=12 Medium	3x2=6 Low	3x2=6 Low	Programme of IG awareness with report to CIARG on staff take-up compliance: ongoing (CS).

Appendix 2 - Glossary of Terms and Assessment Criteria

A. Themes

Our Partnerships	Primary impacts on delivering outcomes through partnerships and key suppliers at national, regional, GM, City or local level.
Our People	Primary impacts linked to the workforce capability, capacity, skills, motivation and engagement.
Our Performance	Primary impacts on delivering on stated priorities, targets and agreed performance standards.
Our Finances & Resources	Primary impacts on financial and other (non-workforce resources) including ICT, information and premises
Manchester People	Primary impacts on Manchester residents, service users and those who engage with universal or specialist series across the City, including children and adults.
Manchester Places	Primary impacts on Manchester neighbourhoods and place, including infrastructure, transport, housing, leisure and other universal services for residents and visitors.
Statutory & Legal Duties	Primary impacts on legal duties and compliance with legislation

B. Corporate Plan Links

1	**Young People**: From day one, support Manchester's children to be safe, happy, healthy, and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better
2	**Healthy, Cared-for People**: Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives
3	**Housing**: Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes
4	**Neighbourhoods**: Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of.
5	**Connections**: Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks
6	**Growth that Benefits Everyone**: To support our priorities, we need to continue to promote and drive sustained economic growth and job creation that benefits everyone
7	**Well-Managed Council**: Support our people to be the best and make the most of our resources.
8	**Zero Carbon Manchester:** Lead delivery of the target for Manchester to become a zero-carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide

C. Risk Owners

CEX	Chief Executive, Joanne Roney
DCE	Deputy Chief Executive and City Treasurer, Carol Culley
CS	City Solicitor, Fiona Ledden
DSD	Director of Strategic Development, Rebecca Heron
DCS	Director of Childrens Services, Paul Marshall
DAS	Director of Adult Services, Bernadette Enright
DN	Director of Neighbourhoods, Neil Fairlamb
DPH	Director of Public Health, David Regan
DH	Director of Housing, David Ashmore

D. The Risk Continuum: Risk Scoring Guidelines

Risk Impact and Likelihood scores are attributed from within a sliding scale. Definitions are described in broad terms and there is a requirement to consider each risk within the continuum and apply specialist understanding or experience to apply a risk score.

Score	Impact	Likelihood
5	Life threatening / multiple serious injuries. Intense political and media scrutiny i.e. national media coverage / prolonged local media coverage. Possible legislative, criminal, or high profile civil action against the Council, members or officers. Cessation of core activities. Failure of major projects/programmes. Finance impacts that cannot be managed from within financial Directorate resources. Statutory intervention triggered. Severe impact on Priority 1 or Key Service performance / Impact on the whole Council.	Highly likely that risk will be realised (60%)
3	Threat to the health and wellbeing of one or more individuals. Potential for workdays lost to injury/stress Additional scrutiny required by management and internal committees. Service impacts require co-ordinated directorate response. Some local media attention requiring corporate intervention. Failure of projects with directorate impact Core activities continue to be delivered but reasonable adjustment required to focus resources at priority areas Budgetary realignment required to manage impacts.	Medium/Low likelihood (circa 30%)
1	Injuries / stress requiring only limited medical intervention. Limited additional scrutiny required by management. Risk unlikely to receive local media coverage. Short-term disruption of activities / service performance. Internal policies and regulations not complied with. Finance impacts managed with minimal impact.	Whilst possible the likelihood of the risk being realised is considered low (<5%)

This page is intentionally left blank