



## **Audit Committee**

Date: Tuesday, 28 November 2023

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**

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## **Membership of the Audit Committee**

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**Councillors** - Lanchbury (Chair), Curley, Noor, Kilpatrick and Simcock

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

## Supplementary Agenda

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|--|-----------|
| <b>7. Annual Accounts update</b>   | 3 - 16    |
| The report of the Deputy Chief Executive and City Treasurer is enclosed. |           |
| <b>9. Treasury Management Update</b>                                     | 17 - 40   |
| The report of the Deputy Chief Executive and City Treasurer is enclosed. |           |
| <b>10. Internal Audit Assurance (Quarter 2)</b>                          | 41 - 92   |
| The report of the Head of Audit and Risk Management is enclosed.         |           |
| <b>11. Outstanding Audit Recommendations (Quarter 2)</b>                 | 93 - 118  |
| The report of the Head of Audit and Risk Management is enclosed.         |           |
| <b>13. Register of Significant Partnerships</b>                          | 119 - 128 |
| The report of the Deputy Chief Executive and City Treasurer is enclosed. |           |
| <b>16. Annual Counter Fraud (Part B)</b>                                 | 129 - 156 |
| The report of the Head of Audit and Risk Management is enclosed.         |           |

## Further Information

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

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This supplementary agenda was issued on **Wednesday, 22 November 2023** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension (Library Walk Elevation), Manchester M60 2LA

## Manchester City Council Report for Information

**Report to:** Audit Committee – 28 November 2023

**Subject:** Annual Accounts Update

**Report of:** The Deputy Chief Executive and City Treasurer

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### Summary

This report provides the Committee with confirmation that the 2021/22 accounts have now been finalised and an unqualified Audit Opinion has been issued by the external auditors. The report also provides the planned timeline for the 2022/23 audit and 2023/24 accounts consolidation.

### Recommendations

It is recommended that the Audit Committee:

- 1) Note that the 2021/22 audit is fully complete and an unqualified audit opinion has been issued.
  - 2) Note the timeline for 2022/23 audit and 2023/24 consolidation.
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### Wards Affected: All

|   |
|---|
| <b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city |
|---|

|      |
|------|
| None |
|------|

| <b>Our Manchester Strategy outcomes</b>   | <b>Summary of how this report aligns to the OMS</b>  |
|---|--|
| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities | The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by 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                                  |  |

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### 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.

[Audit Committee report 12 April 2022 – Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty](#)  
[Audit Committee report 27 September 2022 – Draft Annual Accounts 2021/22](#)  
[Audit Committee Report 13 June 2023 - Update on Progress on the Audit of the Final Accounts for 2020/21 and 2021/22 and finalising the Draft Accounts for 2022/23](#)  
[Audit Committee 19 September 2023 - External Audit Completion Report 2021/22](#)  
[Audit Committee report 19 September 2023 – Final Statement of accounts 2021/22](#)

## **1. Introduction and Background**

- 1.1. The draft Annual Accounts for 2021/22 were reported to the Audit Committee on 27 September 2022. At the September 2023 meeting the committee received details of the amendments made to the accounts following the work undertaken by the Council's External Auditors, Mazars. Committee members were advised that the external audit of these accounts was substantially complete, subject to several outstanding items that were not expected to change the audit opinion. The Council has now received an unqualified audit opinion for the 2021/22 accounts.
- 1.2. As set out in previous reports to this committee the Council's position is in the context of significant audit delays nationally. Just 12% of local government bodies received audit opinions in time to publish audited accounts for 2021/22 by the statutory publication deadline of 30 September. It was reported on the 16th November that just 35% of 2021/22 audits have since been completed nationally, from 58 in June to 108 in November. Seven authorities have had their 2022/23 accounts audited.
- 1.3. There is consensus across all parties involved that the backlogs must be addressed and a return to timely consolidation and audit across the sector is imperative. In July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) announced a range of proposals. These included setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term. The proposals were expected to be implemented by the end of the year, an update from DLUHC is awaited.

## **2. 2021/22 Final Accounts**

- 2.1. In relation to the 2021/22 audit, the outstanding matters highlighted at the September 2023 meeting have now been resolved. The Council has received an unqualified audit opinion. In Mazars opinion, the Council's financial statements:
  - give a true and fair view of the financial position of the Council and the Group as at 31st March 2022 and of the Council's and the Group's expenditure and income for the year then ended; and
  - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update.
- 2.2. There have been no changes to the draft accounts that affect the usable reserves of the Council, and therefore its underlying resource position. The

conclusion in relation to matters which were outstanding at September 2023 is summarised as follows.

- Pension Liability – Work was completed on the final actuarial valuation report received, this has not resulted in any further matters to report.
- Movement in Reserves Statement – The conclusion of this work resulted in a reclassification of items in the Capital Adjustment account in note 39d which has been updated.
- Cost of Services expenditure and income – no further matters to report.
- Cash flow statement – no further matters to report.
- Financial Instrument disclosures – This work concluded that two financial assets with a total value of £2.5m have the correct carrying value, however, they have been misclassified. This will be corrected in the 2022/23 accounts.
- Group Consolidation – This work concluded there were adjustments required, largely relating to issues identified in the 2020/21 audit which were not resolved in time to be corrected in the 2021/22 draft.
- Final Review procedures – this work concluded that an item disclosed as a contingent asset should in fact be treated as a debtor and included on the Balance sheet. The value is £2.5m and this will be revised in the 2022/23 accounts.
- Post Balance Sheet Events - no further matters to report.
- Financial statements, Annual Governance Statement and letter of representation – The materiality levels were updated to reflect the audited position. There are no further matters to report.

2.3. Further details can be found in the Auditors Annual Report and the Audit Completion report elsewhere on this agenda. This report is supported by Appendix 1 which shows the final 2021/22 main statements. The final published 2021/22 accounts can be found on the Council's website.

### **3. Accounts timetable**

3.1. The 2022/23 draft accounts were presented to this committee on 25 July 2023 and published for public inspection on 14 August 2023. These have now been updated to reflect the final changes agreed as part of the 2021/22 audit process.

3.2. Planning for the external audit is well underway with several system walkthroughs having taken place. The full audit will begin in January with an anticipated completion of March 2024.

3.3. Alongside this work planning is well underway for the consolidation of the 2023/24 accounts. The statutory deadline for the publication of draft accounts

remains the 31 May which is incredibly challenging, especially in relation to the group accounts and obtaining information from external bodies. However, every effort will be made to achieve this deadline and present the draft accounts to this committee In June 2024.

- 3.4. In summary the planned timetable for future reports to this committee is as follows:

| <b>Audit Committee Meeting</b> | <b>Accounting Year</b> | <b>Report</b>  |
|--------------------------------|------------------------|--|
| February 2024                  | 2022/23                | Mazars report - Audit Strategy Memorandum 2022/23  |
| February 2024                  | 2023/24                | Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty 2023/24 |
| March 2024                     | 2022/23                | Annual Audit report and completion letter 2022/23  |
| June 2024                      | 2023/24                | Draft accounts 2023/24   |
| tbc                            | 2023/24                | Annual Audit report and completion letter 2023/24  |

#### **4. Conclusion**

- 4.1. The completion of the Audit is a statutory requirement and both the Council and our external auditors are working closely together to get back on track after a difficult few years. The completion of the 2021/22 accounts is an important step in the right direction and there is a clear plan in place to conclude the 2022/23 audit and consolidate the 2023/24 accounts in a timely manner.

## Appendix 1 – Financial Statements

### Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed and the real projected value of retirement benefits earned by employees in the year. A full explanation is provided as part of financial statements section of the narrative report.

| Restated<br>2020/21<br>Gross<br>Expenditure<br>£'000s | Restated<br>2020/21<br>Gross<br>Income<br>£'000's | Restated<br>2020/21 Net<br>Expenditure<br>£'000's |  | Notes | 2021/22<br>Gross<br>Expenditure<br>£'000's | 2021/22<br>Gross<br>Income<br>£'000's | 2021/22 Net<br>Expenditure<br>£'000's |
|---|---|---|--|-------|--|---------------------------------------|---------------------------------------|
| 284,455   | (81,530)  | 202,925   | <b>Continuing operations</b>                         |       |  |                                       |                                       |
| 48,438  | (31,574)  | 16,864  | Adults Social Care                                   |       | 300,869                                    | (74,350)                              | 226,519                               |
| 553,971   | (399,577)   | 154,394   | Homelessness   |       | 60,202                                     | (40,867)                              | 19,335                                |
| 367,616   | (246,089)   | 121,527   | Children's Services                                  |       | 596,956                                    | (407,674)                             | 189,282                               |
| 180,527   | (61,433)  | 119,094   | Corporate Core                                       |       | 361,054                                    | (231,733)                             | 129,321                               |
| 40,031  | (36,565)  | 3,467   | Neighbourhoods and Highways                          |       | 195,720                                    | (79,878)                              | 115,842                               |
|   |   |   | Growth and Development                               |       | 58,470                                     | (35,962)                              | 22,508                                |
| 7,001   | (10,629)  | (3,628)   | Corporate Items                                      |       | 7,354                                      | (10,333)                              | (2,979)                               |
| 4,775   | 0   | 4,775   | Council - Wide Costs                                 |       | 5,823                                      | 0                                     | 5,823                                 |
| 70,459  | (86,436)  | (15,977)  | Housing Revenue Account                              |       | 78,978                                     | (86,331)                              | (7,353)                               |
| <b>1,557,274</b>                                      | <b>(953,833)</b>                                  | <b>603,441</b>                                    | <b>Net cost of services</b>                          |       | <b>1,665,425</b>                           | <b>(967,128)</b>                      | <b>698,296</b>                        |
|   |   |   | <b>Other operating expenditure</b>                   |       |  |                                       |                                       |
| 0   | (10,483)  | (10,483)  | Gains / (Losses) on disposal of non-current assets   | 20    | 11,626                                     | (6,069)                               | 5,557                                 |
| 69,166  | 0   | 69,166  | Levies   |       | 67,210                                     | 0                                     | 67,210                                |
| 2,566   | 0   | 2,566   | Payments to government housing capital receipts pool | 9     | 2,554                                      | 0                                     | 2,554                                 |



| Restated<br>2020/21<br>Gross<br>Expenditure<br>£'000s | Restated<br>2020/21<br>Gross<br>Income<br>£'000's | Restated<br>2020/21 Net<br>Expenditure<br>£'000's |  | Notes | 2021/22<br>Gross<br>Expenditure<br>£'000's | 2021/22<br>Gross<br>Income<br>£'000's | 2021/22 Net<br>Expenditure<br>£'000's |
|---|---|---|--|-------|--|---------------------------------------|---------------------------------------|
| 71,732  | (10,483)  | 61,249  | Total other operating expenditure  |       | 81,390                                     | (6,069)                               | 75,321                                |
| 154,828   | (160,085)   | (5,257)   | Financing and investment income and expenditure  | 13    | 156,008                                    | (170,108)                             | (14,100)                              |
| 40,757  | (734,531)   | (693,774)   | Taxation and non-specific grant income and expenditure   | 14    | 38,734                                     | (765,418)                             | (726,684)                             |
| 1,824,591   | (1,858,932)                                       | (34,341)  | (Surplus) or Deficit on provision of services  |       | 1,941,556                                  | (1,908,723)                           | 32,833                                |
|   |   |   | Items that will not be subsequently classified in the (Surplus) / Deficit on Provision of Services                     |       |  |                                       |                                       |
|   | (151,827)   |   | (Surplus) / deficit on revaluation of property, plant and equipment assets   | 39a   |  |                                       | (274,388)                             |
|   | 7,996   |   | Impairment losses on non-current assets charged to the Revaluation Reserve   | 39a   |  |                                       | 11,826                                |
|   |   |   | Business Combination – transferred pension liabilities   | 41    |  |                                       | 37,967                                |
|   | 297,623   |   | Re-measurements of the net defined benefit liability   | 41    |  |                                       | (591,288)                             |
|   |   |   | Items that will be subsequently classified in (Surplus) / Deficit on Provision of Services                             |       |  |                                       |                                       |
|   | 2,734   |   | (Surplus) / deficit from investments in equity instruments designated at fair value through other comprehensive income | 39b   |  |                                       | (3,115)                               |

| Restated<br>2020/21<br>Gross<br>Expenditure<br>£'000s | Restated<br>2020/21<br>Gross<br>Income<br>£'000's | Restated<br>2020/21 Net<br>Expenditure<br>£'000's |   | Notes | 2021/22<br>Gross<br>Expenditure<br>£'000's | 2021/22<br>Gross<br>Income<br>£'000's | 2021/22 Net<br>Expenditure<br>£'000's |
|---|---|---|---|-------|--|---------------------------------------|---------------------------------------|
|   |   | 156,525   | Total other comprehensive income<br>and expenditure |       |  |                                       | (818,997)                             |
|   |   | 122,184   | Total comprehensive income and<br>expenditure       |       |  |                                       | (786,164)                             |

## **Balance Sheet**

The balance sheet shows the Council's balances on assets (non-current and current), liabilities (long and short-term) and net worth (usable and unusable reserves) at the end of the financial year.

| 31 March<br>2021 £000's |   | Note | 31 March<br>2022 £000's |
|-------------------------|---|------|-------------------------|
|                         | <b>Non-current assets</b>   |      |                         |
| 2,200,602               | Property, plant and equipment                                       | 19a  | 2,578,070               |
| 538,992                 | Infrastructure  | 19b  | 552,732                 |
| 635,802                 | Heritage assets   | 22   | 637,312                 |
| 476,130                 | Investment properties   | 28   | 493,722                 |
| 260                     | Intangible non-current assets                                       |      | 196                     |
|                         | Long-term investment in subsidiaries, associates and joint ventures | 31   | 141,512                 |
| 138,964                 |   | 31   | 13,269                  |
| 12,403                  | Other long-term investments   |      |                         |
| 446,633                 | Long-term debtors   | 32   | 486,233                 |
| <b>4,449,786</b>        | <b>Total non-current assets</b>                                     |      | <b>4,903,045</b>        |
|                         | <b>Current assets</b>   |      |                         |
| 541                     | Inventories and long-term contracts                                 |      | 604                     |
| 213,410                 | Short-term debtors  | 32   | 168,999                 |
| 49,265                  | Cash and cash equivalents   | 46   | 143,350                 |
| 6,339                   | Short-term assets held for sale                                     | 24   | 5,569                   |
| 269,555                 | <b>Total current assets</b>   |      | <b>318,522</b>          |
| <b>4,719,341</b>        | <b>Total assets</b>   |      | <b>5,221,567</b>        |
|                         | <b>Current liabilities</b>  |      |                         |
| (184,675)               | Short-term borrowing  | 37   | (20,610)                |
| (234,867)               | Short-term creditors  | 33   | (301,236)               |
| (19,992)                | Short-term provisions   | 36   | (23,250)                |
| (12,143)                | Short-term deferred liabilities                                     | 35   | (9,954)                 |

| 31 March<br>2021 £000's |                                       | Note | 31 March<br>2022 £000's |
|-------------------------|---------------------------------------|------|-------------------------|
| (451,677)               | Total current liabilities             |      | (355,050)               |
| 4,267,664               | Total assets less current liabilities |      | 4,866,517               |
|                         | Long-term liabilities                 |      |                         |
| (1,026)                 | Long-term creditors                   | 33   | (893)                   |
| (110,306)               | Long-term provisions                  | 36   | (99,939)                |
| (578,556)               | Long-term borrowing                   | 34   | (819,672)               |
| (144,269)               | Long-term deferred liabilities        | 35   | (135,115)               |
| (9,420)                 | Capital grants receipts in advance    |      | (9,505)                 |
| (949,456)               | Pensions liability                    | 41   | (540,599)               |
| (1,793,033)             | Total long-term liabilities           |      | (1,605,722)             |
| 2,474,631               | Net assets                            |      | 3,260,795               |
|                         | Financed by:                          |      |                         |
| (911,537)               | Usable reserves                       | 38   | (836,098)               |
| (1,563,094)             | Unusable reserves                     | 39   | (2,424,697)             |
| (2,474,631)             | Total reserves                        |      | (3,260,795)             |

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e., those that can be applied to fund expenditure) and unusable reserves. The surplus / deficit on the provision of services line includes accounting adjustments for such items as depreciation that would be a significant cost in a commercial organisation but which do not need to be funded by Council Tax. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

|  | General Fund Reserves<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserves<br>£000 | Capital Grants Unapplied<br>£000 | Major Repairs Reserve<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Council Reserves<br>£000 |
|--|-------------------------------|---------------------------------|-----------------------------------|----------------------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------------|
| Balance at 1 April 2020  | (386,076)                     | (109,445)                       | (96,849)                          | (104,055)                        | (2,427)                       | (698,852)                     | (1,897,963)                     | (2,596,815)                    |
| Movement in reserves during 2020/21                                      |                               |                                 |                                   |                                  |                               |                               |                                 |                                |
| Total comprehensive income and expenditure                               | (26,372)                      | (7,968)                         | 0                                 | 0                                | 0                             | (34,341)                      | 156,525                         | 122,184                        |
| Adjustments between accounting basis and funding basis under regulations | (193,893)                     | 6,247                           | 2,893                             | 10,050                           | (3,642)                       | (178,344)                     | 178,344                         | 0                              |
| (Increase) or decrease in year   | (220,265)                     | (1,721)                         | 2,893                             | 10,050                           | (3,642)                       | (212,685)                     | 334,869                         | 122,184                        |
| Balance at 31 March 2021   | (606,341)                     | (111,166)                       | (93,956)                          | (94,005)                         | (6,069)                       | (911,537)                     | (1,563,094)                     | (2,474,631)                    |
| Movement in reserves during 2021/22                                      |                               |                                 |                                   |                                  |                               |                               |                                 |                                |
| Total comprehensive income and expenditure                               | 37,227                        | (4,394)                         | 0                                 | 0                                | 0                             | 32,833                        | (818,997)                       | (786,164)                      |

|  | General Fund Reserves<br>£000 | Housing Revenue Account<br>£000 | Capital Receipts Reserves<br>£000 | Capital Grants Unapplied<br>£000 | Major Repairs Reserve<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Council Reserves<br>£000 |
|--|-------------------------------|---------------------------------|-----------------------------------|----------------------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------------|
| Adjustments between accounting basis and funding basis under regulations | 40,123                        | 9,472                           | (20,418)                          | 15,633                           | (2,205)                       | 42,606                        | (42,606)                        | 0                              |
| (Increase) or decrease in year   | 77,351                        | 5,077                           | (20,418)                          | 15,633                           | (2,205)                       | 75,439                        | (861,603)                       | (786,164)                      |
| Balance at 31 March 2022   | (528,990)                     | (106,089)                       | (114,374)                         | (78,371)                         | (8,274)                       | (836,098)                     | (2,424,697)                     | (3,260,795)                    |

## Cash Flow Statement

The Cash Flow Statement shows the reason for changes in the Council's cash balances (including investments for periods of less than three months) during the year. It shows whether that change is due to operating activities, investing or financing activities (such as repayment of borrowing or other long-term liabilities).

| 2020/21<br>£000s |  | Note | 2021/22<br>£000s |
|------------------|--|------|------------------|
| 34,341           | Net (deficit) / surplus on the provision of services   |      | (32,833)         |
| 61,016           | Adjustments to net (deficit) / surplus on the provision of services for non-cash movements   | 47   | 292,714          |
| (106,246)        | Adjustments for items included in the net (deficit) / surplus on the provision of services that are investing and financing activities | 48   | (108,796)        |
| (10,889)         | <b>Net cash flows from operating activities</b>  |      | 151,085          |
| (205,308)        | Investing activities   | 50   | (121,321)        |
| 131,478          | Financing Activities   | 51   | 64,321           |
| (84,719)         | <b>Net increase or (decrease) in cash and cash equivalents</b>   |      | 94,085           |
| 133,984          | Cash and cash equivalents at the beginning of the reporting period   |      | 49,265           |
| 49,265           | <b>Cash and cash equivalents at the end of the reporting period</b>  | 46   | 143,350          |

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**Manchester City Council  
Report for Information**

**Report to:** Audit Committee – 28 November 2023  
**Subject:** Treasury Management Interim Report 2023-24  
**Report of:** Deputy Chief Executive and City Treasurer

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**Summary**

To report the Treasury Management activities of the Council during the first six months of 2023-24.

**Recommendations**

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

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**Wards Affected:**

Not Applicable

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**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 2023-24, including Borrowing Limits and Annual Investment Strategy (Executive – 15<sup>th</sup> February 2023, Resource and Governance Scrutiny Committee – 27<sup>th</sup> February 2023, Council – 3<sup>rd</sup> March 2023)

## **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 10<sup>th</sup> 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 of 30<sup>th</sup> September 2023

Section 3: Review of Economic Conditions 2023-24 to date

Section 4: Treasury Borrowing in 2023-24 to date

Section 5: Compliance with Prudential Indicators and Treasury Limits

Section 6: Investment Strategy for 2023-24 to date

Section 7: Temporary Borrowing and Investment for 2023-24 to date

Section 8: OFLOG and DLUHC statistics

Section 9: Implications of Rising Interest Rates

Section 10: 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 30<sup>th</sup> September 2023**

- 2.1 The approved TMSS for 2023/24 anticipated that there would be a need to undertake some permanent borrowing in 2023/24 to fund the capital programme and to replace some of the internally borrowed funds. This need for replacement reflects the use of reserves within the revenue and capital budgets. As expected, the Council has needed to borrow in the six months to the end of September 2023.

- 2.2 The six months since the start of April have been characterised by a challenging financial market landscape, with growing and persistent inflation causing the Bank of England to increase bank rate significantly, 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 Throughout the period long term interest rate forecasts have suggested that rates will peak with inflation and then begin to fall back, and therefore long-term borrowing has not been attractive. When borrowing, the strategy has therefore been to borrow across a range of relatively short-term maturities, for example less than 5 years, so that the debt can be refinanced at a point in time where rates are expected to be significantly lower. Under this strategy maturities are spread given the timing of any fall in rates is unknown, so it mitigates the exposure to higher rates for a sustained period.
- 2.4 Further borrowing is expected to be required during the second half of the year. The Council's debt position at the end of the last 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 2023 |              |               |             | 30 Sept 2023  |              |               |             |
|----------------------------|---------------|--------------|---------------|-------------|---------------|--------------|---------------|-------------|
|                            |               |              | Principal     | Avg.        |               |              | Principal     | Avg.        |
|                            | GF            | HRA          |               | Rate        | GF            | HRA          |               | Rate        |
|                            | £m            | £m           | £m            | %           | £m            | £m           | £m            | %           |
| PWLB                       | 500.0         | 0.0          | 500.0         | 2.23        | 620.0         | 0.0          | 620.0         | 2.53        |
| Temporary Borrowing        | 130.2         | 0.0          | 130.2         | 2.64        | 137.6         | 0.0          | 137.6         | 4.93        |
| Market Loans               | 330.9         | 60.7         | 390.7         | 4.13        | 330.0         | 60.7         | 390.7         | 4.13        |
| Stock                      | 0.9           | 0.0          | 0.9           | 4.00        | 0.9           | 0.0          | 0.9           | 4.00        |
| Government Lending         | 15.3          | 0.0          | 15.3          | 0.00        | 13.2          | 0.0          | 13.2          | 0.00        |
| <b>Gross Total</b>         | <b>976.3</b>  | <b>60.7</b>  | <b>1037.0</b> | <b>2.96</b> | <b>1101.7</b> | <b>60.7</b>  | <b>1162.4</b> | <b>3.32</b> |
| Temporary Deposits         | (77.3)        | 0.0          | (77.3)        | 1.58        | (120.9)       | 0.0          | (120.9)       | 4.43        |
| Internal Balances (GF/HRA) | 63.2          | (63.2)       | 0.0           | 0.00        | 65.5          | (65.5)       | 0.0           | 0.00        |
| <b>Net Total</b>           | <b>962.2</b>  | <b>(2.5)</b> | <b>959.7</b>  | <b>-</b>    | <b>1046.3</b> | <b>(4.8)</b> | <b>1041.5</b> | <b>-</b>    |

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 The table above highlights that the Council has increased borrowing by c. £125.4m during the period. The debt has been split between £120.0m

medium term PWLB debt and £95.0m short term (364 day) borrowing from other local authorities, with £87.4m of temporary borrowing including local authority debt being repaid. During the first half of the year various shorter term temporary deals were agreed and repaid, and loans that matured were replaced in line with cash flow need.

- 2.6 Further, total Government Debt dropped from £6.8m to £4.7m due to a scheduled repayment of £2.0m of Salix loans.
- 2.7 The cash flow forecast suggests the level of deposits currently held will continue to fall resulting in further borrowing being required prior to year-end. Markets and independent forecasts are being monitored daily 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 2023-24 to date

- 3.1 The Bank of England base rate was 4.25% at the start of the financial year. There have been 3 subsequent rate changes with lending rates at 5.25% on 30 September. The Monetary Policy Committee (MPC) voted by a majority to maintain Bank Rate at 5.25% in September and November with the next review of Bank Rate on 14 December 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 2023-24 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.

| <b>PWLB Standard Borrowing Rates 2023-24 to date for 1 to 50 years</b> |               |               |                |                |                |
|--|---------------|---------------|----------------|----------------|----------------|
|  | <b>1 Year</b> | <b>5 Year</b> | <b>10 Year</b> | <b>25 Year</b> | <b>50 Year</b> |
| <b>Low</b>   | 4.85%         | 4.34%         | 4.40%          | 4.78%          | 4.47%          |
| <b>Date</b>  | 06/04/2023    | 06/04/2023    | 06/04/2023     | 06/04/2023     | 06/04/2023     |
| <b>High</b>  | 6.56%         | 6.13%         | 5.71%          | 5.93%          | 5.63%          |
| <b>Date</b>  | 06/07/2023    | 07/07/2023    | 22/08/2023     | 17/08/2023     | 22/08/2023     |
| <b>Average</b>   | 5.82%         | 5.36%         | 5.21%          | 5.48%          | 5.20%          |

- 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. 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 £120m from the PWLB during the first half of the year, as detailed in the table below, at an average rate of c 5.65%. This was based on cash flow need, and ultimately is to fund the Council's capital programme.

| Maturity Date | Value (£m) | Interest Rate (%) |
|---------------|------------|-------------------|
| 28/02/2026    | 40         | 5.75              |
| 30/01/2027    | 80         | 5.6               |
| Total         | 120        | 5.65              |

- 4.5 The short-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 As at 30<sup>th</sup> September the level of Temporary Borrowing taken in the year from other local authorities is £95m. This includes replacing some temporary borrowing that matured in the first half of the financial year (£80.0m). 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 by the middle of 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 1<sup>st</sup> April 2025.
- 4.8 In the first half of the year, the Council repaid £2.0m in line with the agreed repayment schedule, bringing the total value of Salix debt to £4.7m on 30<sup>th</sup> of September 2023.

## 5 Compliance with Prudential Indicators and Treasury Limits

- 5.1 The Council operated within the updated prudential indicators, and performance against these is shown in Appendix B.
- 5.2 The Council also 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 with the exception of the breaches described below.
- 5.3 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.
- 5.4 During the period 1<sup>st</sup> April to 30<sup>th</sup> September 2023 there were five breaches of the daily £0-400k limit on the Barclays current account. All breaches were above the £400k limit, and therefore meant a loss of potential income.
- 5.5 On these five occasions, the limit was breached due to various late afternoon receipts which the Treasury Management team had not been expecting on that day. Where possible, officers are asked to inform the team of any expected receipts or payments over £50k in order to efficiently manage cash however, due to the nature and unpredictability of some receipts this is not always possible. For example, where the receipt relates to a property transaction the timing of it is dependent on legal agreements being signed on both sides, and then the funds being released, and therefore officers cannot always be sure when that will take place.
- 5.6 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 2023-24 to date**

- 6.1 The Treasury Management Strategy Statement (TMSS) for 2023-24 was approved by Executive on 16<sup>th</sup> 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 2023-24 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 2023/24 was £105.0m. 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 £129.4m.
- 7.4 Detailed in the next table is the temporary investment and borrowing undertaken by the Council. The benchmark rate is the Sterling Overnight Index Average (SONIA), being the overnight rate of interest banks pay to borrow sterling overnight, unsecured, from other financial institutions.
- 7.5 The benchmark rate is based on observable data. The impact on SONIA of changes in the Bank of England bank rate is relatively 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 23/24 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 18 basis points on investments. This reflects the time lag noted above, as increases in rates take time to flow through to the instruments that the Council uses to invest. The treasury team will continue to search for inter-Local Authority market rates and Money Market Funds which could improve return without compromising security of the funds.
- 7.6 The temporary borrowing portfolio consisted of loans with various investment tenors ranging from notice terms to fixed two-year maturities. As noted in the table below, the average cost was lower by 96 basis points when compared to the 12 month benchmark.

|  | Average Temporary Investment /Borrowing | Net Return/Cost | Benchmark Return / Cost * |
|--|---|-----------------|---------------------------|
|  |   |                 |                           |



|                       |         |       |       |
|-----------------------|---------|-------|-------|
| Temporary Investments | £105.0m | 4.85% | 5.03% |
| Temporary Borrowing   | £129.4m | 4.07% | 5.03% |

*\* Average SONIA 1<sup>st</sup> April -30<sup>th</sup> September 23*

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 OFLOG and DLUHC statistics**

8.1 In July the Office for Local Government (OFLOG) launched the Local Authority Data Explorer. This is an online tool which brings together a selection of existing metrics, aimed at providing data and analysis of the performance of local government.

8.2 Within the metrics there are two that relate to the impact of capital expenditure, specifically debt servicing costs as a percentage of core spending power, and total debt as a percentage of core spending power. The intention of these metrics is to compare an authority's debt and debt financing costs to its ability to repay them.

8.3 In both cases, the published metrics show Manchester as being slightly higher than the median for similar authorities, which is expected given the size of the authority. It is important to note that the Council proactively manages the debt position and monitors prevailing market conditions to ensure that risks are mitigated as far as possible, for example through establishing the capital financing reserve to support the revenue budget if interest rates are higher than forecast.

8.4 Further, the Department of Levelling Up, Homes and Communities (DLUHC) have consulted on the statistics intended to be used for the four metrics included in the Levelling Up bill, which are aimed at identifying capital risk at an authority level DLUHC.

8.5 The outcome of the consultation, and the final statistics, will be reported to members once they are published.

8.6 The Council is also awaiting the outcomes of the recent DLUHC consultation on Minimum Revenue Provision (MRP). It is unlikely that changes will be required to the existing MRP policy, as the current policy aligns closely with the existing regulations.

## **9 Implications of Rising Interest Rates**

9.1 As noted above, the Bank of England base rate continued to rise in the early part of the 2023/24 financial year which, along with persistent inflation concerns, has seen interest rates continue to rise, with an expectation that they will reduce over the next 2 years. This means that

any debt taken by the Council will be at rates significantly higher than those for the debt taken in 2022/23, and there is a benefit in keeping maturities relatively short so that the Council can benefit as rates fall.

- 9.2 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.
- 9.3 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. Critically, the Council would have had certainty over the rate.
- 9.4 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.
- 9.5 There is also a continuing 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, there is a risk that should rates continue to rise, that lenders could seek to do so.
- 9.6 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.

## **10 Conclusion**

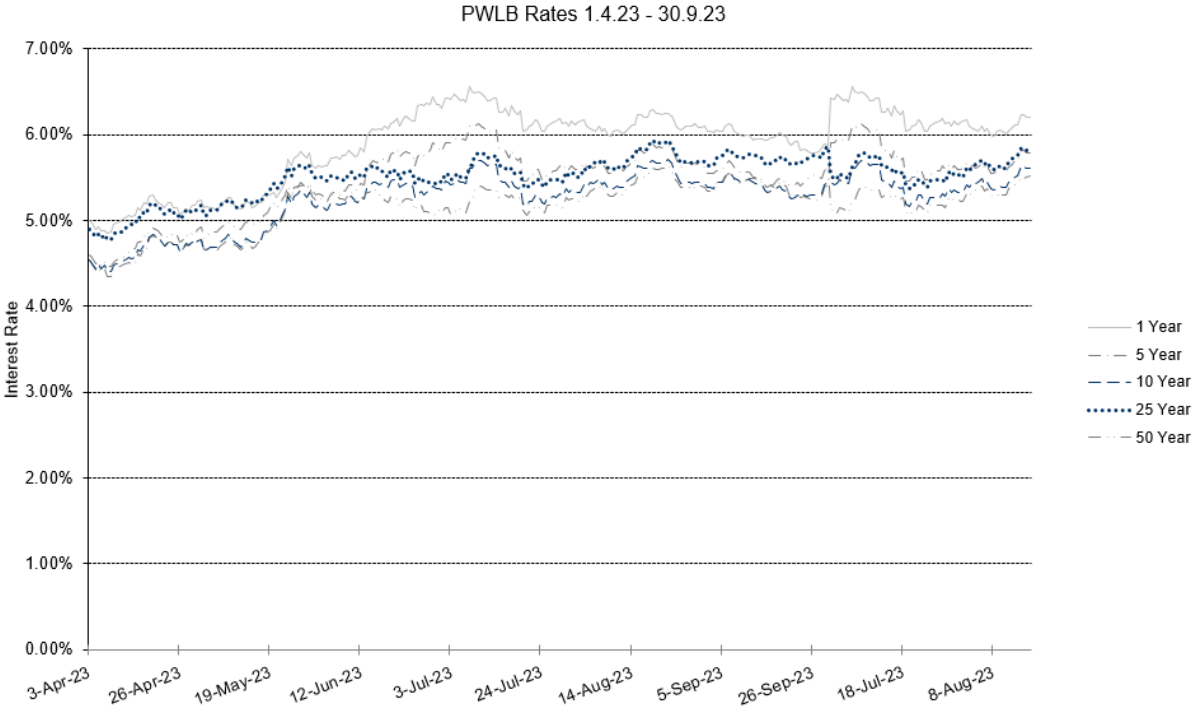
- 10.1 The first six months of year 2023/24 have seen a challenging financing market with increasing interest rates. The Council has taken additional debt in the period to fund the capital programme but has sought loans of short to medium term length to limit the long-term impact of higher interest rates, given market expectations that rates will fall back. There is an anticipated further borrowing requirement in the latter half of the year.
- 10.2 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.

- 10.3 It is important to note that this strong balance sheet position is not without risk, and with interest rates set to remain at current levels or increase in the future, the timing and structure of future debt financing will be important in sustaining this position. Higher rates will also act as a constraint on future borrowing, and therefore capital financing capacity, which will need to be considered as part of the Council's capital strategy.
- 10.4 Proactive treasury management during the year has sought to minimise borrowing costs for the Council and maximise returns on investment. Officers will continue to evaluate financial markets to look for opportunities and risks within the context of the agreed treasury management strategy.

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**APPENDIX A**  
**PWLB RATES APRIL TO SEPTEMBER 2023**



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## APPENDIX B

## Treasury Management Prudential Indicators: 2023-24 to date

|  | <b>Original</b> | <b>Minimum</b>                   | <b>Maximum</b>      |
|--|-----------------|----------------------------------|---------------------|
|  |                 | <b>In Year to</b>                | <b>In Year to</b>   |
|  | <b>£m</b>       | <b>30 Sept 2023</b>              | <b>30 Sept 2023</b> |
|  |                 | <b>£m</b>                        | <b>£m</b>           |
| <b>Operational Boundary for External Debt:</b>   |                 |                                  |                     |
| Borrowing  | 1,620.5         | 997.1                            | 1,208.4             |
| Other Long-Term Liabilities  | 190.0           | 126.7                            | 136.6               |
| <b>Authorised Limit for External Debt:</b>   |                 |                                  |                     |
| Borrowing  | 1,825.1         | 997.1                            | 1,208.4             |
| Other Long-Term Liabilities  | 190.0           | 126.7                            | 136.6               |
|  |                 | <b>Actual as at 30 Sept 2023</b> |                     |
| <b>Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services</b> | Yes             | Yes                              |                     |
| <b>Upper Limit for Principal Sums Invested for over 364 days</b>                                     | £0              | £0                               |                     |

|   | <b>Lower</b>    | <b>Upper</b>    |                     |
|---|-----------------|-----------------|---------------------|
|   | <b>Limit</b>    | <b>Limit</b>    |                     |
| <b>Maturity structure of Fixed Rate Borrowing</b> | <b>2023-24</b>  | <b>2023-24</b>  | <b>Actual as at</b> |
|   | <b>Original</b> | <b>Original</b> | <b>30 Sept 2023</b> |
| under 12 months                                   | 0%              | 70%             | 21.46%              |
| 12 months and within 24 months                    | 0%              | 60%             | 10.40%              |
| 24 months and within 5 years                      | 0%              | 40%             | 7.80%               |
| 5 years and within 10 years                       | 0%              | 50%             | 18.93%              |
| 10 years and above                                | 30%             | 80%             | 41.42%              |

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**APPENDIX C****REVIEW OF ECONOMIC CONDITIONS FOR FIRST SIX MONTHS OF 2023-24 AND FUTURE OUTLOOK**

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the 30<sup>th</sup> of September 2023 and includes their forecast for future interest rates after the PWLB policy change referenced in the report.

**1 ECONOMIC PERFORMANCE TO DATE 2023-24**

## 1.1 The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
- CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).

1.2 The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

1.3 The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.

1.4 The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

1.5 As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England

- to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- 1.6 The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
  - 1.7 But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
  - 1.8 CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
  - 1.9 In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
  - 1.10 Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The

Bank also retained the hawkish guidance that rates will stay “sufficiently restrictive for sufficiently long”.

- 1.11 This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.
- 1.12 The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).
- 1.13 The pound weakened from its cycle high of \$1.30 in the middle of July to \$1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- 1.14 The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

## **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 25th September sets out a view that short, medium 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 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 | 25.09.23 |        |        |        |        |        |        |        |        |        |        |        |        |
|-------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               | Dec-23   | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
| <b>BANK RATE</b>              | 5.25     | 5.25   | 5.25   | 5.00   | 4.50   | 4.00   | 3.50   | 3.00   | 2.75   | 2.75   | 2.75   | 2.75   | 2.75   |
| 3 month ave earnings          | 5.30     | 5.30   | 5.30   | 5.00   | 4.50   | 4.00   | 3.50   | 3.00   | 2.80   | 2.80   | 2.80   | 2.80   | 2.80   |
| 6 month ave earnings          | 5.60     | 5.50   | 5.40   | 5.10   | 4.60   | 4.10   | 3.60   | 3.10   | 2.90   | 2.90   | 2.90   | 2.90   | 2.90   |
| 12 month ave earnings         | 5.80     | 5.70   | 5.50   | 5.20   | 4.70   | 4.20   | 3.70   | 3.20   | 3.00   | 3.00   | 3.00   | 3.00   | 3.00   |
| 5 yr PWLB                     | 5.10     | 5.00   | 4.90   | 4.70   | 4.40   | 4.20   | 4.00   | 3.90   | 3.70   | 3.70   | 3.60   | 3.60   | 3.50   |
| 10 yr PWLB                    | 5.00     | 4.90   | 4.80   | 4.60   | 4.40   | 4.20   | 4.00   | 3.80   | 3.70   | 3.60   | 3.60   | 3.50   | 3.50   |
| 25 yr PWLB                    | 5.40     | 5.20   | 5.10   | 4.90   | 4.70   | 4.40   | 4.30   | 4.10   | 4.00   | 3.90   | 3.80   | 3.80   | 3.80   |
| 50 yr PWLB                    | 5.20     | 5.00   | 4.90   | 4.70   | 4.50   | 4.20   | 4.10   | 3.90   | 3.80   | 3.70   | 3.60   | 3.60   | 3.60   |

## 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.

**SONIA (Sterling Overnight Index Average)** - This is an average rate, calculated from the rates which banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is administered by the Bank of England and published daily.

**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.

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**Manchester City Council  
Report for Information**

**Report to:** Audit Committee – 28 November 2023

**Subject:** Internal Audit Assurance Update Quarter Two 2023/24

**Report of:** Head of Audit and Risk Management

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**Summary**

The Internal Audit section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. This work culminates in the Annual Head of Internal Audit Opinion and an Annual Assurance Report.

This report provides an update of progress on the agreed audit plan and details of assurances from the Internal Audit Service for quarter two 2023/24.

**Recommendations**

Audit Committee is requested to consider and comment on the Internal Audit Update report.

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**Wards Affected:** All

|   |
|---|
| <b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the City |
|---|

|      |
|------|
| None |
|------|

|   |
|---|
| <b>Equality, Diversity, and Inclusion</b> - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments |
|---|

|      |
|------|
| None |
|------|

| <b>Manchester Strategy outcomes</b>   | <b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>   |
|---|--|
| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities | An effective internal audit service is an integral part of the Council's governance arrangements. It helps to maintain and develop good governance and risk management and provides independent assurance over the effectiveness of the Council's systems of control. 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:**

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**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 four years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

1. Internal Audit Plan 2023/24 (Audit Committee June 2023)

## **1. Introduction**

- 1.1. The work of Internal Audit is a key part of the Council's overall assurance framework which is described in the Annual Governance Statement and in the Head of Audit and Risk Management's Annual Opinion.
- 1.2. Regular reporting to management and to the Audit Committee provides assurance over the Councils systems of governance, risk management and internal control arrangements. It contributes to officer and Member understanding of issues being raised by Internal Audit, provides assurance over actions taken to address risk and supports effective decision making. Regular reporting also helps the service and the Council to demonstrate compliance with Public Sector Internal Audit Standards and relevant legislation.
- 1.3. The tables in section 3 will be used to summarise the results of planned and reactive audit work delivered by the Service but also, for example, an assessment of assurances provided by officers to boards, of other audits and inspections and reports to scrutiny committees. Details of the findings and recommendations that arise from audit work continue to be included as appendices to the report.
- 1.4. This report provides details of the work of the Internal Audit Section for the second and third quarter of 2023/24 to the end of September 2023 and confirms;
  - progress in the delivery of the annual audit plan (section 2); and
  - key assurances, risks and issues arising from audit work, assessment of other sources of assurance and actions taken to address internal audit recommendations (section 3).
- 1.5. Appended to this report are:
  - Appendix 1: Summary of audit findings and other sources of assurance
  - Appendix 2: Executive summaries of final reports issued in the period.
  - Appendix 3: Delivery status of the annual audit plan 2023/24
  - Appendix 4: Key to the basis of audit assessments

## **2. Audit Plan Progress and Delivery**

- 2.1. We have completed 48% of the plan to draft or final report stage, with 23% of work in fieldwork or planning phases. One grant certification that was planned for completion has been cancelled as it is no longer required but two additional grants and a review of the Repairs and Maintenance Contract (Housing Services) Performance Management and Reporting arrangements have been added to the plan.
- 2.2. The number of outputs increase in the year as block allocations for schools, ICT and grant certifications are allocated to specific audits or reviews.

**Table 1: Status of Planned Audit Outputs 2023/24**

| <b>Status</b>        | <b>To September 2023</b> | <b>To July 2023</b> |
|----------------------|--------------------------|---------------------|
| Final                | 40                       | 13                  |
| Draft                | 3                        | 2                   |
| Fieldwork            | 11                       | 10                  |
| Planning             | 10                       | 10                  |
| Not Started          | 26                       | 34                  |
| <b>Total</b>         | <b>90</b>                | <b>69</b>           |
| Deferred / Cancelled | 1                        | 0                   |

- 2.3. The plan for the year was based on reasonable assumptions of available staffing resources at that time but securing capacity and capability for the audit team was acknowledged as a key priority. Since the last report two auditors have secured internal promotions within the Council and left the service. Another officer has suffered from a period of absence but has since returned to work. This impact has reduced the number of available audit days and is reflected in the number of audits not started and that are now scheduled for delivery in quarter four.
- 2.4. The reduction of resource has been partially offset by the addition of an experienced audit professional on a temporary basis to lead and deliver our work on schools. We are also evaluating two bids from external suppliers to provide between 30 and 50 additional school audits between now and the end of July 2024.
- 2.5. Given the reduction in resource pending recruitment to vacant roles, the plan is being reviewed with the team to assess deliverability to year end. It is likely that some audits will need to be reassessed or deferred for completion early in 2024/25. The outcome of this review and proposals will be presented to Audit Committee in the next update.
- 2.6. The recruitment process is underway for the current vacant posts of Deputy Head of Audit and Risk Management post, five vacant posts in Internal Audit and other posts across the Audit and Risk Management Service. All service vacancies have passed through the internal matching and assessment (MPeople) process and advertisements for remaining vacant posts, including the five audit posts go live on 24 November. The launch of these roles, recruitment open day, webpages and promotion will close in December with assessments and interviews scheduled for mid-January.
- 2.7. Issues in attracting and retaining professional services staff including auditors are not unique to Manchester City Council and are being felt nationally. It is intended that a proactive and visible approach to recruitment will assist in filling these roles. The approach is a four-week campaign with a specific webpage on GreaterJobs and adverts across a range of websites and social media outlets. This is designed to attract and encourage applications from as wide a range of sources as possible and hopefully appoint staff to posts in the New Year. An update on progress will be provided as part of the Review of the Effectiveness of Internal Audit to be presented to Audit Committee in February 2024.
- 2.8. Whilst work in relation to council tax and housing fraud referrals recommenced last year there is a backlog of referrals which is legacy of the redirection of

resources to deliver covid19 business grant assurance and investigation work. To assist with this, a 12-month development placement was created, and that officer continues to provide valuable support to the team in helping to progress these cases.

### **3. Audit Assurance, Risks and Issues**

- 3.1. The tables in appendix 1 summarise all the outcomes of audit work and other sources of assurance that Internal Audit have considered in the period. They are intended to provide a holistic and visual articulation of audit assurance. They describe assurances and risks / issues and Internal Audit's assessment of how it contributes to the overall assessment of the effectiveness of governance arrangements, management of corporate risks and systems of internal control.
- 3.2. Where audit work has been completed and an opinion issued this is included. Opinions continue to be Substantial, Reasonable, Limited or No depending on audit findings.
- 3.3. Every quarter we provide a summary of key assurances and issues that have been highlighted from audit work and other sources of assurance. These are then used together to inform the Head of Audit and Risk Management annual audit opinion. The following are the new issues arising in quarter two:

#### **Housing Services**

- 3.4. The Housing Services Improvement Board continues to meet monthly to oversee progress in response to concerns regarding statutory compliance across Council residential properties. This forum oversees progress on actions including those that have arisen from audit reports. It also has a particular focus on arrangements for responding to fire risk assessment actions in residential properties and reports of damp and mould as reported to Audit Committee in the last report. There is good governance and progress is being made to address areas of risk but there remains much still to do to strengthen statutory compliance, contractor performance management and to progress harmonisation and ICT integration work.
- 3.5. Follow up on audit actions agreed with management in respect of one of the Council's two Tenant Management Organisations (Avro Hollows) has continued to highlight that significant areas for improvement remain in their governance and financial management arrangements. These audit recommendations remain outstanding and engagement with the Board is ongoing with the aim to secure a clear plan of improvement and obtain assurance that this is being actioned. These audit observations are reflected in the latest refresh of the Council's Significant Partnership Register, and we continue to work with Strategic Housing to try and effect positive change in this area.

#### **Commercial and Contracts**

- 3.6. A reasonable assurance opinion was provided for the management of post procurement cost for the Our Town Hall Project. We are also positively assured that work also continues to progress with the implementation of a Council wide contracts database which will help in providing a holistic view of Council contracts. Further work is planned to test the system ahead of roll out

which will be supplemented by a training programme for relevant officers. The Major Contracts Board continues to meet and reviews key risks and issues related to the Council's gold contracts and the Integrated Procurement and Commissioning team have also been delivering directorate management briefings on spend analysis and procurement regulations.

#### **Safer Recruitment in Schools**

- 3.7. Our follow up audit of Safer Recruitment in Schools following the initial audit which provided a limited assurance opinion has confirmed a significant reduction in the exposure to risk. All recommendations made to Council officers had been fully implemented and significant progress had also been made in implementing recommendations made to individual schools with actions being fully implemented at four of the nine schools included in the audit. We were satisfied that in the remaining schools, good progress was being made in addressing remaining issues.

#### **4 Recommendation**

- 4.1 Audit Committee is requested to consider and comment on the Internal Audit Update report.

## Appendix 1: Summaries of Audit Work and Other Sources of Assurance

### A. Children and Education Services

| Source          | Assurance, Risk or Issue   | Assurance   |
|-----------------|--|-------------|
| Audit           | The Internal Audit update to Audit Committee in July referred to concerns raising from an audit of Foster Care Payments. This was subsequently finalised in a report which provided a limited assurance opinion. Overall we are concerned that this audit and a related investigation confirmed the ongoing risk of duplicate and overpayments. There are also limitations in system reporting and review which presents ongoing challenges to the timely identification and correction of errors. The Strategic Director for the Children and Education Directorate commissioned a working group to address the issues in the report and this will be an area for focused audit follow up in 2023/24. | Limited     |
|                 | There are no overdue audit recommendations from our Childrens Services audits with all that have passed their due date confirmed as being fully implemented or superseded.   | Substantial |
| Other Assurance | There was an <a href="#">annual report</a> from the complex safeguarding hub presented to the Children and Young Peoples Scrutiny Committee in July 2023. The report highlights that the Greater Manchester Complex Safeguarding Hub had been peer reviewed, and this review highlighted a continued strength in partnership working and practice. This report also highlights that quality of practice is assessed through the Quality Assurance framework and that of the eight audits conducted between March 2022 and March 2023, 1 was rated as outstanding, 3 were rated as good and 4 were rated as required improvement.   |             |

## B. Schools

| Source | Assurance, Risk or Issue   | Assurance             |
|--------|--|-----------------------|
| Audit  | <p>A draft report has been issued for our financial health check of Peel Hall Primary School with a limited assurance opinion due to the need to strengthen controls over expenditure, including the need to demonstrate value for money being obtained for higher value purchases.</p> <p>This report has yet to be finalised as we have yet to agree management responses given changes to management since the audit, with the Wise Owl Trust now providing interim senior leadership support. We plan to engage with management at the Wise Owl Trust to agree recommendations and management responses to help reduce the ongoing exposure to risk.</p>   | Limited               |
|        | <p>A draft report has been issued for our financial health check of St Francis Primary School with a limited assurance opinion due to the number of critical and significant risk recommendations in the report (3 critical, 7 significant). We were particularly concerned over issues in relation to the school debit card procedures; level of school meals debts and implementing policy and procedures for the collection of arrears; and ensuring that written agreements are held for any lettings of the school building/grounds to third parties.</p> <p>The School has experienced significant resourcing issues from a financial management perspective over the last 12 months which resulted in the Head Teacher asking to delay formal responses to the report until a permanent Business Manager has taken up post. We therefore plan to finalise this report in December 2023.</p> | Limited               |
|        | <p>We completed a follow up audit of our previously completed limited opinion Safer Recruitment in Schools report. Our follow up has concluded that recommendations to improve compliance with the Schools Safer Recruitment Policy have been partially implemented. All of the recommendations made for the Council to implement have been fully implemented. We have also seen significant progress made in the implementation of recommendations directed at the individual schools visited as part of the initial audit. Five out of nine school action plans have been fully implemented with the remaining four being partially implemented. For those with recommendations outstanding we were satisfied that they were in the process of addressing outstanding issues. We have issued individual follow up reports to each school as well as the overall summary report.</p>              | Partially Implemented |



| Source          | Assurance, Risk or Issue   | Assurance |
|-----------------|--|-----------|
| Other Assurance | A Local Authority Designated Officer (LADO) <a href="#">annual report</a> was presented to Children and Young Peoples Scrutiny Committee in November 2023 and references the introduction of an audit tool to quality assure management of the allegations process. It identified the results of the eight audits completed to date identifying 63% had been graded as good and 37% had been graded as requires improvement. This report identified areas for further development and key priorities for 2023-24. This provides positive assurance over the governance and management of systems and process in this area. |           |

### C. Adults and Public Health

| Source          | Assurance, Risk or Issue  | Assurance |
|-----------------|---|-----------|
| Audit           | <p>We issued a draft report for an audit of the financial arrangements for Direct Payments that provides limited assurance that arrangements were in place to complete financial reviews of direct payment expenditure. The main reason for this opinion is because managed accounts, where a third party, supports the administration of the direct payment (c2/3 of cases) are not reviewed by the Council's direct payment audit team. We are discussing the findings with management and exploring options to support improvement before finalising the report.</p>   | Limited   |
| Audit           | <p>Of six recommendations due for implementation from our audit of the Adaptations Delivery Model - four are partially implemented and two outstanding. Positive action has been taken to establish a working group including representatives from the Council and Housing Registered Providers to consider options to improve the timeliness and effectiveness of adaptations activity across the City. This working group should support further progress in implementing the remaining recommendations.</p> <p>There are also two recommendations relating to the Adult Social Care Contract Governance audit review which are outstanding. We have met with key officers to discuss progress and they have explained that action has been taken to reduce risks. We are awaiting documentation to confirm this position and will issue a conclusion on this in our follow up report in quarter three.</p> <p>We are in the process of completing a formal follow up of implementation of three significant recommendations made in our audit of Adults Care Package Payments. We have initially assessed these as partially implemented and will issue a follow up report when our work is completed.</p> |           |
| Other Assurance | <p>A report was provided to Health Scrutiny Committee in October 2023 updating on progress in delivering the Making Manchester Fairer: tackling health inequalities in Manchester 2022-27 action plan. It summarised that significant progress had been made between October 2022 and 2023. The Anti-Poverty Strategy had been adopted and incorporated within Making Manchester Fairer and the first Making Manchester Fairer Board had met in May 2023. Programme governance had been implemented and foundation workstreams and thematic work had made significant progress. This report and update to Members provided positive assurance over the governance arrangements in place for overseeing this critical programme across the City.</p>   |           |

## D. Core: Corporate Services and Chief Executive

| Source | Assurance, Risk or Issue  | Assurance   |
|--------|---|-------------|
| Audit  | Our Town Hall: Management of Post Procurement Cost and Reporting. Roles and responsibilities in terms of change requests and transfers between work packages were clear and being followed by organisations involved in the project. Regular cost reporting and divergence monitoring took place providing assurance over the current financial position of the project. Collaborative working between the various management and delivery partners was apparent to ensure the completeness and accuracy of cost reporting. No significant or critical recommendations were made. | Reasonable  |
|        | We finalised a report in respect of our audit of the Council's operation of imprest accounts. This confirmed the formal opinion of Limited assurance in this area with a number of critical and significant recommendations made. Officers have developed a positive action plan to deliver improvement in this area and we are engaged with some of the steps already being taken so are confident that issues are understood and improvement actions are being taken.   | Limited     |
|        | We carried out a follow up audit in respect of recommendations made on Vendor Creation and Amendment. We were pleased to note that four of the five recommendations had been fully implemented, with progress made towards implementing the fifth.  | Reasonable  |
|        | Two grant certifications were successfully completed this quarter. The first related to funding received as part of the Net Zero Pioneer programme overseen by Innovate UK. The Council's spend was £9k. A bid for further funding in this area has been submitted.<br><br>The second certification was in relation to spend from the Changing Places Fund. Spend was £7k in 2022/23, and the remaining grant allocation of £168k is expected to be spent in 2023/24, with <a href="#">six Changing Places toilet facilities being delivered</a> across the city.                 | Substantial |
|        | Audit recommendation implementation is 70% with two recommendations outstanding in part. One relates to a recommendation made in our review of Social Value Monitoring and the other regarding Contracts Risk Management.   | Substantial |
| Other  | Our contract with a firm that review potential duplicate payments, credits and VAT coding errors continues, at the end of October this had recovered £366k back to the Council. The exercise covers three   |             |

| Source    | Assurance, Risk or Issue   | Assurance |
|-----------|--|-----------|
| Assurance | financial years' worth of data in relation to payments made through the Council's standard payment process (excluding social care payments, payments made by purchase card etc). A formal evaluation report will be produced at the conclusion of this exercise, but at this stage we do not consider the findings to be indicative of any particular control weakness.  |           |
|           | <p>Two reports were presented to the Resources &amp; Governance Scrutiny Committee in July, providing updates on delivery of major capital programmes. Each report gave an update on progress, budget and spend, and the delivery of social value commitments.</p> <p>The <a href="#">Factory International Progress Update</a> also gave information on the wider area around the building, commercial and residential opportunities achieved. The <a href="#">Our Town Hall Project - Progress Update</a> outlined high risk works still to be completed, timescales for these, and consequent timescales for reforecasting completion date and financial resource required. Increase in budget of £29m at this point with further anticipated in 2024.</p> <p>These reports each provide positive assurance over the management of high profile capital programmes, and the scrutiny over programme delivery provided by members.</p> |           |
|           | <p>The Council continues to support delivery of the external audit on previous years' final accounts. In July the Audit Committee were presented with the opinion on the <a href="#">2020/21 accounts</a>, and in September the opinion on the <a href="#">2021/22 accounts</a>. Both of these were agreed with unqualified opinions, although some areas for improvement in internal control were noted. Issues surrounding the regularity of imprest account reconciliation were identified in both sets of accounts and as noted above we have undertaken a review in this area and confirm actions are underway to address risk.</p>   |           |
|           | <p>A report was presented to Resources &amp; Governance Scrutiny Committee in September outlining <a href="#">proposed changes to the Council Tax Support Scheme</a>. Alongside this a <a href="#">written representation from Debt Justice and Acorn Manchester</a> was presented. These organisations commended the Council Tax department's recent review of debt recovery processes as "willing[ness] to put the welfare of the city's residents at the core of policy making" and requested the Council to end the use of enforcement agents to recover unpaid debt.</p> <p>Following the meeting, with the agreement of the Executive Member, a feasibility study in this area has been commissioned.</p>  |           |

| Source | Assurance, Risk or Issue  | Assurance |
|--------|---|-----------|
|        | This provides assurance over the Council's ongoing response to vulnerable and low income residents, and the consideration of the potential consequent financial impact on available revenues.   |           |
|        | The Resources & Governance Scrutiny Committee considered two technology-related agenda items in September. A paper on <a href="#">Artificial Intelligence and Automation</a> was presented, which updated members on emerging control and governance arrangements – fast paced area and focus on decision making and active engagement with the potential uses and benefits in this area. The Committee also received a progress update in relation to the <a href="#">Resident and Business Digital Experience Programme</a> . This confirmed the appointment of key delivery partners and gave some detail on the timeline for the next steps, including the anticipated replacement of existing functionality in February 2024, to provide greater system resilience and security. Both reports provide assurance that there is senior officer and member oversight of risks and the delivery of projects. |           |
|        | A brief update on the <a href="#">budget setting process</a> for 2024/25 was presented to the Resources & Governance Scrutiny Committee in September. This included a draft timetable to support the formal agreement of the budget by Council in March 2024 which is an integral element of the Council's governance and financial management processes.   |           |
|        | In October the Resources & Governance Scrutiny Committee was presented with an update on <a href="#">delivery of the Council's Workforce Equality Strategy</a> . This reported that 38 of the agreed 47 actions had been fully delivered, with progress having been made in respect of a further 6. Overall there was improvement in the diversity of the workforce, with staff survey results also indicating that employees are seeing improvements across equality, diversity and inclusion. The Committee was also presented with an update on the plans to deliver the five priorities agreed as part of the wider <a href="#">Workforce Strategy</a> , and the intended improvements that will result from its delivery.  |           |
|        | The Resources & Governance Scrutiny Committee also received an update on the <a href="#">delivery of the Future Shape programme</a> , which is focused on evolving the Council's ways of working to better meet current challenges. This has been reshaped to better align to the Council's operating model.  |           |

## E. Growth and Development

| Source          | Assurance, Risk or Issue  | Assurance   |
|-----------------|---|-------------|
| Audit           | Audit work was undertaken to certify £8,482,757 of 2022/23 Disabled Facilities Grant expenditure. Based on our review we confirmed the Council was compliant with the grant conditions and provided our certification in advance of the 31 October 2023 deadline.   | Certified   |
|                 | We undertook a short piece of work to certify spend incurred in 2022/23 in respect of the Homes Upgrade Grant (HUG), providing improvement work to qualifying private sector properties with a low energy efficiency rating. While overall spend on the programme is expected to be £10.4m, spend in 2022/23 was ring-fenced to support mobilisation costs of £16k. No areas of concern were identified.  | Substantial |
|                 | There are three outstanding audit recommendations in relation to Avro Hollows Tenants Management Organisation audit work which are over 12 months overdue. The Head of Strategic Housing will provide an update to Audit Committee Members at this meeting on the current position.   |             |
| Other Assurance | An <a href="#">Economy Report</a> was presented to the Economic and Regeneration Scrutiny Committee September 2023. This provided an update on the development of a new Economic Strategy to ensure the City's economy is high performing and drives a reduction in inequalities.   |             |
|                 | The Communities and Equalities Scrutiny Committee September 2023 considered a <a href="#">Housing Retrofit</a> update report which provided committee members with proposals to decarbonise properties across the City and described key achievements and planned activity.   |             |
|                 | The <a href="#">Annual Report</a> on the Council's Section 106s was presented to Resources and Governance Scrutiny Committee October 2023 which provided assurance over the activity in this area and value of contributions received and spent in addition to highlighting key points from benchmarking activity with other Councils.  |             |
|                 | The <a href="#">Victoria North Strategic Business Plan</a> was recently refreshed and considered by the Economic and Regeneration Scrutiny Committee October 2023. This provides a high-level summary of progress made in delivering the 988 homes and provided a summary of the high level opportunities, challenges and risks associated with the overall programme. This provides assurance that there is oversight of the Council's major projects. |             |

|  |  |  |
|--|--|--|
|  | <p>Manchester Adult Education Service (MAES) were rated 'good' in their latest Ofsted inspection providing assurance over adult educational standards and reaffirms the Council's mission to connect Manchester's adults to their potential, their community, and their future."</p> |  |
|--|--|--|

## F. Neighbourhood Services

| Source          | Assurance, Risk or Issue  | Assurance                 |
|-----------------|---|---------------------------|
| Audit           | We attend the Housing Services Improvement Board and have met with the transformation team to discuss and provide support on the development of a Housing Services Assurance Framework. We will continue to engage with the service to progress this during quarters three and four.  | Ongoing input and support |
|                 | Grant certification work was completed in respect of Arts Council funding supporting the Suzanne Lacy: Uncertain Futures exhibition at Manchester Art Gallery. No issues of concern were identified.  | Substantial               |
|                 | An audit recommendation made in our review of Damp and Mould in the Private Rented Sector was changed to implemented in the quarter. There are currently two partially outstanding audit recommendations at this time from the Review of Fire Risk Assessment Processes audit. We will continue to work with the service to assess progress with these along with determining progress with other upcoming audit recommendations as they reach agreed target dates. |                           |
| Other Assurance | The Housing Improvement Board meets monthly to oversee improvement activity across housing services. There is dedicated support from the homelessness transformation team to improve overall governance and provide programme support. Internal Audit attend this meeting and provide an update of audit activity and key issues to note.   |                           |
|                 | The Communities and Equalities Scrutiny Committee October 2023 considered a report on the Homelessness Strategy and winter provision. This provided detail over the aims of the Homelessness and Rough Sleeping Strategy 2024-27 and the proposed model for winter 2023/24 <a href="#">Review of Homelessness Strategy</a> . This provides assurance there is an agreed plan to respond to homelessness and rough sleeping this winter.                             |                           |
|                 | A new 3 year Building Stronger Communities Together <a href="#">Strategy</a> was endorsed by the Communities and Equalities Scrutiny Committee in October 2023 in advance of approval by the Executive. This provided assurance over the strategic priorities to foster stronger relationships between different groups and communities in line with Our Manchester principles and objectives.  |                           |
|                 | The Crime and Anti-Social Behaviour Task and Finish Group met a number of times during the quarter where they received a <a href="#">Presentation</a> from the Manchester Community Safety Partnership and a report   |                           |



| Source | Assurance, Risk or Issue   | Assurance |
|--------|--|-----------|
|        | <p>providing an overview of the tools and powers used to address ASB: <a href="#">ASB Tools</a>. This provides assurance of the current focus being given to the management of anti social behaviour.</p>  |           |
|        | <p>The Environment, Climate Change and Neighbourhoods Scrutiny Committee received a number of updates in the quarter in relation to Waste, Recycling and Street Cleansing including an <a href="#">update</a> in September on street cleansing services and how this contributes to protecting the environment, climate change agenda and key priorities for future. The October meeting received a <a href="#">Waste and Recycling Update</a> providing an update on progress in delivering waste, recycling and fly tip removal. These provided assurance that there was oversight of this area.</p> |           |

## G. Counter Fraud and Irregularity

### Corporate Cases

Internal Audit received 16 referrals of potential fraud or irregularity during the period July to September 2023. A summary of the types of allegations, including the 16 cases brought forward from the previous quarter are provided in the table below. Of those listed below 9 were considered whistleblowing allegations and have been handled under the Council's Whistleblowing Policy and Procedures.

| No | Type   | Focus of Allegation(s)    | Status                | Conclusion        |
|----|--|---------------------------|-----------------------|-------------------|
| 1  | Corporate Employee – Conduct and Behaviour (b/f)                     | Data Breach               | Completed             | Unfounded         |
| 2  | Corporate Employee - Conduct and Behaviour (b/f)                     | Decision Making           | Completed             | Partially Founded |
| 3  | Corporate Employee – Abuse of Position (b/f)                         | Recruitment               | Completed             | Unfounded         |
| 4  | Schools – Abuse of Position (b/f)                                    | Decision Making           | Referred to Education | Unfounded         |
| 5  | Corporate Employee – Conduct and Behaviour (b/f)                     | Bullying                  | Referred to HR        | Unfounded         |
| 6  | Contracting and Procurement - Contractor Conduct and Behaviour (b/f) | Inflated Invoicing        | Ongoing               | TBC               |
| 7  | Contracting and Procurement - Contractor Conduct and Behaviour (b/f) | Health & Safety           | Completed             | Unfounded         |
| 8  | Corporate Claims – Application Fraud (b/f)                           | Failure to Disclose       | Completed             | Unfounded         |
| 9  | Corporate Employee – Conduct and Behaviour (b/f)                     | Bribery                   | Completed             | Unfounded         |
| 10 | Corporate Claims - Application Fraud (b/f)                           | False Details             | Ongoing               | TBC               |
| 11 | Corporate Claims – Application Fraud (b/f)                           | False details             | Completed             | Unfounded.        |
| 12 | Schools - Officer Conduct and Behaviour (b/f)                        | Bullying, Health & Safety | Referred to Education | TBC               |
| 13 | Schools – Payment Misdirection (b/f)                                 | Redirection of Funds      | Completed             | Prevented         |
| 14 | Schools – Payment Misdirection (b/f)                                 | Redirection of Funds      | Completed             | Prevented         |
| 15 | Corporate Claims – Application Fraud (b/f)                           | False Details             | Completed             | Unfounded         |

| No | Type   | Focus Allegation(s)       | Status                 | Conclusion |
|----|--|---------------------------|------------------------|------------|
| 16 | Corporate Claims – Payment Misdirection (b/f)                  | Redirection of Funds      | Completed              | Prevented  |
| 17 | Contracting and Procurement - Contractor Conduct and Behaviour | Health and Safety         | Ongoing                | TBC        |
| 18 | Contracting and Procurement – Contractor Conduct and Behaviour | Professional Conduct      | Referred to Contractor | Founded    |
| 19 | Corporate Employee – Conduct and Behaviour                     | Conflict of Interest      | Completed              | Founded    |
| 20 | Third Party Grants   | Misappropriation of Funds | Ongoing                | TBC        |
| 21 | Contracting and Procurement – Contractor Conduct and Behaviour | Inflated Invoicing        | Ongoing                | TBC        |
| 22 | Professional Conduct and Behaviour                             | Conflict of Interest      | Completed              | Founded    |
| 23 | Corporate Employee - Abuse of Position                         | Decision Making           | Referred to Education  | TBC        |
| 24 | Corporate Employee – Abuse of Position                         | Recruitment               | Referred to HROD&T     | TBC        |
| 25 | Professional Conduct and Behaviour                             | Social Media              | Referred to Legal      | Unfounded  |
| 26 | Contracting and Procurement – Contractor Conduct and Behaviour | Professional Conduct      | TBC                    | TBC        |
| 27 | Schools – Corporate Employee                                   | Misappropriation of Funds | Closed                 | Unfounded  |
| 28 | Corporate Employee - Conduct and Behaviour                     | Decision Making           | TBC                    | TBC        |
| 29 | School - Conduct and Behaviour                                 | Safeguarding              | Referred to Education  | TBC        |
| 30 | School - Cyber   | Suspicious Email          | Completed              | Founded    |
| 31 | School - Cyber   | Email Hack                | Completed              | Founded    |
| 32 | School - Corporate Employee                                    | Theft                     | TBC                    | TBC        |

**Other Cases Reactive**

| Type  | Cased B/F  | Q2 Received 2023/24 | Closed Q2 2023/24 | Total C/F  | Assurance Assessment   |
|---|------------|---------------------|-------------------|------------|--|
| Business Rates                                    | 4          | 0                   | 0                 | 4          | These relate to the concerns over eligibility to claim Small Business Rate Relief.   |
| Business Grants – Covid19 with MCC                | 43         | 6                   | 19                | 30         | Investigation work is ongoing in relation to these cases by the Counter Fraud Team   |
| Business Grants – Covid19 with GMP                | 8          | 0                   | 8                 | 0          |  |
| Business Grants – Covid19 with NATIS              | 12         | 3                   | 0                 | 15         | With NATIS as per Central Government guidance  |
| Business Grants – Covid 19 to be referred to BEIS | 0          | 8                   | 0                 | 8          | Investigation work completed. Cases to be written back to BEIS in line with Central Government guidelines  |
| Council Tax Reduction Scheme                      | 150        | 19                  | 10                | 159        | These relate to fraudulent declarations regarding household composition/financial circumstances or the failure to declare changes in circumstances affecting eligibility for relief. |
| Housing Tenancy Fraud                             | 80         | 14                  | 9                 | 84         | Allegations regarding illegal subletting of social housing.  |
| <b>Total</b>                                      | <b>297</b> | <b>50</b>           | <b>46</b>         | <b>301</b> |  |

## Appendix Two: Executive Summaries of Audit Reports

The following Executive Summaries have been issued for the audit opinion reviews finalised between July and September 2023 and as requested by Audit Committee are attached below for information.

| Ref | Audit Title   |
|-----|---|
| A   | Our Town Hall – Management of Post Procurement Cost and Reporting                     |
| B   | Foster Care Payments  |
| C   | Imprest Accounts  |
| D   | Vendor Creation and Amendment – Follow Up   |
| E   | Education- Safer Recruitment in Schools- Camberwell Park - Follow Up                  |
| F   | Education- Safer Recruitment in Schools- Collyhurst Nursery School - Follow Up        |
| G   | Education- Safer Recruitment in Schools- St Andrews C of E Primary School – Follow Up |
| H   | Education- Safer Recruitment in Schools- Loreto High School - Follow-Up               |
| I   | Education- Safer Recruitment in Schools- St Peters RC High School – Follow Up         |
| J   | Education- Safer Recruitment in Schools- St Philips C of E Primary School – Follow Up |
| K   | Education- Safer Recruitment in Schools- St Wilfrid's Primary School – Follow Up      |

Where grant certification work is undertaken and certification criteria are met, it is standard practice to issue a shorter report without an executive summary. This was the case for our certification activity in respect of:

- Net Zero Pioneer
- Changing Places Fund
- Disabled Facilities Grant
- Suzanne Lacy: Uncertain Futures
- Homes Upgrade Grant.

## Executive Summary A

**Internal Audit Report 2023/24**

**Corporate Core**

**Our Town Hall - Management of Post Procurement Cost and Reporting**

## Executive Summary

| Audit Objective  | Assurance Opinion | Business Impact |
|--|-------------------|-----------------|
| To provide assurance over arrangements in place to ensure the effective management of post procurement cost. | Reasonable        | High            |

| Sub objectives that contribute to overall opinion   | Assurance   |
|---|-------------|
| Roles, responsibilities and expectations are clearly defined and understood.  | Substantial |
| Systems and processes are in place for managing and approving the costs of change and budget transfer between packages. | Reasonable  |
| Robust financial reporting arrangements exist and provide complete, accurate and timely information.                    | Reasonable  |

| Key Actions (Appendix 1) | Risk | Priority | Planned Action Date |
|--------------------------|------|----------|---------------------|
| Not applicable           | -    | -        | -                   |

| Assurance Impact on Key Systems of Governance, Risk and Control |                       |                |
|---|-----------------------|----------------|
| Finance   | Strategy and Planning | Resources      |
| Information   | Performance           | Risk           |
| People  | Procurement           | Statutory Duty |

## **1. Audit Summary**

- 1.1 The Our Town Hall (OTH) project is a major project consisting of the restoration and update of the Manchester Town Hall to protect and improve it before reopening in 2024. The scheme aims to boost public access and ensure that the Town Hall building and Albert Square continue to play a role at the heart of City life. The construction element of the project has six work group clusters, comprising 149 work packages.
- 1.2 It is critical that work is completed on time, to budget and relevant standards to ensure that the overall programme of work is delivered in the planned timescale. We also note the increased risks around inflation and supply chain pressures likely to have an impact on the project. As such we have assessed this area as having a high business impact.
- 1.3 For this review we agreed with the Project Director to focus on the management of post procurement costs with a deep dive into two packages; Stonework and Non Structural Alterations, both of which have been subject to extensive post contract change as the scope of works has been validated on site.

## **2. Conclusion and Opinion**

- 2.1 Overall, we can provide a reasonable assurance opinion over the arrangements in place to ensure the effective management of post procurement cost. Roles and responsibilities in terms of change requests and transfers between work packages were clear and being followed by the multiple organisations involved in the project.
- 2.2 There was a good evidence trail to support change requests and scrutiny of proposed changes was clear ahead of being approved. With the exception of Senior Responsible Officer and Deputy Chief Executive & City Treasurer approval (if needed), the project system, Aconex provided a comprehensive trail of the change from Early Warning to Instruction.
- 2.3 Regular cost reporting and divergence monitoring took place providing assurance over the current financial position of the project. Collaborative working between the various management and delivery partners was apparent to ensure the completeness and accuracy of cost reporting.
- 2.4 We have made a number of moderate recommendation to further strengthen the controls over the project.

### 3. Summary of Findings

#### Key Areas of Strength and Positive Compliance

- 3.1 The respective roles and responsibilities of the various organisations (Mace, Lendlease, F&G, MCC) involved in post procurement change was evident. Sample audit testing of the Stonework and Non Structural Alterations work packages confirmed there was clarity over which organisation drives each particular stage within the change control process. This was supported by a documented procedure and flowchart which defined the responsibility of each organisation with set timescales to be followed. This ensured sufficient time was given for the review of the proposed change and impact on budget by the relevant organisations.
- 3.2 There were good controls in place to manage change and budget transfers between work packages with the main evidence of rationale, funding route, impact on contingency, approvals and other relevant supporting evidence retained on the Aconex system. All project organisations had access to this and testing confirmed the use of standard templates for each part of the process. Any resulting questions or clarifications in response to a request for change were done through Aconex which provided a complete evidence trail to support any change.
- 3.3 In our sample testing of 20 change requests and budget transfers we confirmed the existence of robust controls to verify the validity of the change being requested and to corroborate the accuracy of detail and costings related to the request. Scrutiny and challenge of change requests was clear and requests were rejected if the change was not supported by sufficient evidence or explanation. Reasons for rejections included; the correction of figures, requests for the attachment of revised drawings, explanation of funding route and questions over why the change requested was not included in the original scope. In all cases tested the change was subsequently approved following further detail being provided.
- 3.4 We did note in the event that Senior Responsible Officer (SRO) and Deputy Chief Executive & City Treasurer (DCE&CT) approval was necessary, this was done outside of the Aconex system. SRO approval was obtained prior to the change resulting in a formally issued instruction and was evidenced by email. In terms of DCE&CT approval we understand the agreed process consists of gaining retrospective approval following the quarter end. The request for approval is sent by email along with a spreadsheet providing details of all the changes requiring this level of approval. Approval again is evidenced by email. We did note that approval was not always requested on a timely basis following the end of the quarter.
- 3.5 Ahead of the finalisation of project cost reports a 'costs to complete' exercise is undertaken each month by the lead for the individual work package (Management Contractor). This is a comprehensive reconciliation exercise to confirm the alignment of the forecast final costs excluding Early Warning Notices to the Kahua (Management Contractor's financial system) forecast final



cost and involves a line by line review of the costs to complete. This seeks to identify any duplicate instructions or those not appearing on Kahua or the costs to complete spreadsheet to allow for further investigation if not due to timing issues. For the work packages tested we did note some divergence, further detail is provided below.

- 3.6 Following the completion of the monthly cost to complete work, the management contractor produces a suite of cost information to support the tracking of change across the project. This consists of multiple spreadsheets and includes a change tracker dashboard providing useful data on the value of items on change tracker, categories which the change falls into, number of open items per cluster and the length of time open, an extract from the Kahua system, a construction risk register and a tracker which monitors future provisions and provisional sums. This is reviewed by the Council's Finance Lead for the project to ensure the information being reported looks correct and as this is the basis of reporting to the Project Board any challenge or queries would be raised ahead of this. Other checks include reviews of early warning and change to ensure there are no duplicate items. Any questions or queries raised are either evidenced on Aconex or are supported by emails and the Finance Lead maintains a log of queries raised for each month's reports to help in tracking these.
- 3.7 We walked through June 2023 cost reporting to vouch the figures provided to the Council to confirm the data provided was complete, accurate and timely. We confirmed that there were well detailed supporting schedules to supplement the figures being reported which provided assurance over the completeness and accuracy of information reported by the Management Contractor and F&G to the Council's project team. The level of detail provided with the cost reporting also allowed for further investigation of costs report if required.
- 3.8 Following learning from previous audit work cost divergence and monitoring processes continued to ensure the consistency of the project cost position by Lendlease and F&G and we confirmed the latest reported divergence was below the agreed threshold of £75,000.
- 3.9 Other means of assurance which provided transparency over the ongoing delivery challenges associated with the project included reporting to Resources and Governance Scrutiny Committee, with the most recent update report provided in July 2023. This highlighted significant challenges and intense pressures on cost and programme including nesting falcons, Covid-19, unprecedented levels of inflation and pressure on the supply chain. The report reflected on ongoing project risk which could impact on design co-ordination as well as cost and programme. Assurance was provided that risks continue to be tracked and reported at monthly progress meetings.
- 3.10 The report also referred to a number of works packages, including the external stone repairs works package tested as part of this review. This described a key challenge given this particular work package is subject to post contract scope validation. As such, the final scope was dependent on access from the scaffold

and opening up by the works package contractor which has accounted for additional costs to the project.

### **Key Areas for Development**

- 3.11 As described above, some post procurement change required the approval of the SRO and DCE&CT. Evidence to support this approval sat outside the Aconex system. Consideration should be given to the inclusion of this evidence on Aconex to ensure a complete record is maintained of all correspondence and approval relating to post procurement change.
- 3.12 Our testing highlighted that whilst agreement was made for retrospective approval to be gained from the DCE&CT following the end of a quarter, this should be undertaken on a timely basis following the end of the quarter. We noted in our sample a change request approved by the SRO in January 2023 was not notified to the Deputy City Treasurer and approved until over six months following this date.
- 3.13 Improved detail could be included to explain reported divergence, for example we noted divergence for some of the work packages but there was insufficient or no detail to explain the difference. This was the case for External Stoneworks Albert Memorial, Chimneys 2a and Non Structural Alterations). In one case a comment referred to a conversation between LL and F&G but did not contain any further detail. When questioned on identified divergence, we were provided with appropriate explanation but for completeness we recommend additional detail is provided on the spreadsheets given these are viewed by multiple organisations, are a record of reasons for variation and to track resolution of any differences.
- 3.14 We undertook audit testing on a sample of 20 change requests and budget transfers for the NSA and Stonework work packages. We identified the following issues during our testing:
  - Response timescales set by the requestor for 8 of the sample tested were not in compliance with the agreed timescales and we saw examples of approval requested the same/next day. This does not allow sufficient time to review and challenge change requests.
  - Documents to support the change were not always dated (on quotes or spreadsheets) and version numbers were not always given to documents where multiple revisions of a document existed.
  - Details on the instruction had not been updated to reflect the costs which were revised during the request for agreement and approval stages of the change.
  - Change request documents suggested SRO approval was needed when this was not the case (2 instances).
  - One example of DCE&CT approval received six months after approval by SRO.

- The response to a question raised by the Project Director at approval stage was not detailed on Aconex by Mace. This was subsequently approved by the Project Director.
- Some considerable delays in the response to request for agreement were seen (7 and 5 weeks after request). In two cases the change appeared to have been due to scope gaps and questions were raised on whether these could have been avoided.

We therefore recommend some key messages are reinforced in terms of the adherence where possible of requested response times, expectations over the administration of key documents to be dated and version control used, the use of Aconex for all responses to questions raised.

- 3.15 In order to facilitate continuous improvement throughout the remaining months of the project we recommend the enhancement of reporting to highlight the main reasons requests for agreements and requests for approvals are rejected. This could then be shared with the relevant organisation involved in the project, key messages reinforced to promote lessons learnt and reduce the number of rejections that could have been avoided.

## Executive Summary B

### Internal Audit Report 2022/23

#### Childrens Services

#### Foster Care Payments

## Executive Summary

| Audit Objective   | Assurance Opinion | Business Impact |
|---|-------------------|-----------------|
| To provide assurance over arrangements in place to prevent foster care over-payments. | Limited           | Medium          |

| Key Actions (Appendix 1)   | Risk        | Priority | Planned Action Date |
|--|-------------|----------|---------------------|
| Develop reporting arrangements   | Significant | 6 months | 31 July 2024        |
| <p>Confirm whether the cost tab is needed or could be removed and the placement tab used for entering costs. If not then action should be taken to minimise the risk of duplication of payments by strengthening existing procedures.</p> <p>Procedures for starting and ending payments should be reviewed to ensure they are clear on the checks needed by social workers when ending placements and clearly articulate the maximum length of time for interim payments.</p> | Significant | 6 Months | 31 July 2024        |
| Work to develop process maps for the payments process from raising the payments on liquid logic through to making the payments and recovering overpayments/ duplicate payments through controc should be completed and shared with all staff involved in the payments process.   | Significant | 6 Months | 28 February 2024    |

| Key Actions (Appendix 1)  | Risk        | Priority | Planned Action Date |
|---|-------------|----------|---------------------|
| Ensure that arrangements are in place to clear all aged debts for foster carers, either through invoicing or by agreement to write off. Procedures should be in place and training completed to ensure invoices are raised on a timely basis for future balances owed by foster carers due to overpayments or duplicate payments. | Significant | 6 Months | 31 July 2024        |
| Assurances should be obtained for those instances where we identified errors that any monies owing have been recovered or there is a plan to recover.<br><br>For the 31 instances where we could not establish if an overpayment had been made, further work should be completed to confirm if these were errors.                 | Significant | 6 Months | 31 January 2024     |
| Confirm documentation standards for records supporting individual foster care payments and remind staff of these. Assurance arrangements should be developed to ensure these standards are being complied with on an ongoing basis.   | Significant | 6 Months | 31 December 2023    |

| Assurance Impact on Key Systems of Governance, Risk and Control |                       |                |
|---|-----------------------|----------------|
| Finance   | Strategy and Planning | Resources      |
| Information   | Performance           | Risk           |
| People  | Procurement           | Statutory Duty |

This report has been produced in conformance with Public Sector Internal Audit Standards

## 1. Audit Summary

- 1.1 The Fostered Care service provide a home for children and young people who are unable to live at home and require short to medium term care before they can secure more permanent arrangements.
- 1.2 Children and young people need different types of foster care depending on their circumstances. Care is provided by Manchester residents who must meet stringent criteria and are thoroughly vetted, or through specialist foster care companies.
- 1.3 Payments are made to foster carers based on their experience of providing foster care and the number of children fostered. Additional payments can be made for school uniforms, birthdays, Christmas or religious festivals, equipment and funding for special support the child needs.
- 1.4 Duplicate payments to foster careers have been identified by the Looked After Children and Finance teams and through the Internal Audit team. Investigations into foster care overpayments date back to 2019 and from four cases we are aware of the total value of known overpayments is £72,000.
- 1.5 This audit was undertaken to try and help confirm root causes as to why overpayments are occurring and identify if these are one-offs, a result of specific errors or a systemic weakness.

## 2. Conclusion and Opinion

- 2.1 We are only able to provide **limited** assurance over arrangements in place to prevent foster care overpayments.
- 2.2 Overall we remain concerned that this audit and a related investigation have confirmed ongoing risks of duplicate or overpayments and that *[details redacted as they provide information that if made public could increase a risk of attempted fraud against the Council]*.
- 2.3 From the original data extracted for the audit we identified 164 cases of potential duplicate or overpayments that warranted further analysis. From further analysis alongside the Specialist Business Support Officer we confirmed:
  - 69 did not have any errors and were payments that overlapped for legitimate reasons;
  - 31 were unclear and need further investigation by the service;
  - 25 had been an error but had already been corrected by the social worker; and
  - 39 were duplicates or overpayments either historical or ongoing.
- 2.4 For those corrected by social workers a charge would have been added to the individual carers account which would be recovered via their next payment.

- 2.5 For carers who no longer received payments from the Council, the overpayment will not have been recovered. In these instances a manual invoice would need to be created to recover monies. The Payments Team Leader confirmed that invoices for recovery of such monies were not currently being completed due to resource shortages in the team and at the time of our audit the un-invoiced debt for foster care errors stood at over £170,000.
- 2.6 *[details redacted as they provide information that if made public could increase a risk of attempted fraud against the Council].*
- 2.7 A separate investigation completed by our fraud and irregularity team into four overpayments of significant value also highlighted that records supporting these payments were limited. The absence of key documentation may increase the risk of overpayments occurring whether that be as a result of fraud or error. This also undermines the ability of the Council to recover overpaid funds. We have recommended this documentation should include:
- Foster care agreement - to be updated and signed following any changes in placements or approval status. If none of these are applicable, then records should be updated every year following reapproval.
  - Medical consent (for any child living with carers)
  - Delegated authority (for any child living with carers)
  - Child's care plan (for any child living with carers)
  - Placement undertaking (for any placement)
  - Placement Planning Meeting (for any child placed with carers)
  - Health and Safety (updated annually or after any change)
  - Foster Carer DBS (every 3 years)
  - Foster Carer Medical (every 3 years)
  - Foster Carer Annual Review (every year)
  - Foster Carer Supervisions (every 6 weeks)
  - Personal Development Plan (to be updated annually)

## Executive Summary C

### Internal Audit Report 2022/23

### Corporate Services, Financial Management

### Imprest Accounts

## Executive Summary

| Audit Objective   | Assurance Opinion | Business Impact |
|---|-------------------|-----------------|
| To provide assurance over the imprest accounts are operated in line with corporate policies and procedures, including Financial Regulations and Cash Handling Procedures. | Limited           | Medium          |

| Sub objectives that contribute to overall opinion   | Assurance   |
|---|-------------|
| Decisions to set up or close imprest accounts are supported by a clear rationale and approved through a standard process.                                   | Limited     |
| Funds are transported and stored securely at all times.   | Substantial |
| Clear and consistent evidence is securely retained in support of each financial transaction processed and is reviewed before additional funds are released. | Limited     |
| Roles and responsibilities are clearly defined and allow for appropriate segregation of duties throughout the process.                                      | No          |
| Anomalies regarding the use of imprest accounts are reported in a timely manner, through an established escalation process.                                 | No          |

| Key Actions (Appendix 1)  | Risk     | Priority | Planned Action Date |
|---|----------|----------|---------------------|
| A framework of roles and responsibilities in relation to imprest accounts should be agreed. | Critical | 3 months | 31 December 2023    |



| Key Actions (Appendix 1)  | Risk        | Priority | Planned Action Date |
|---|-------------|----------|---------------------|
| A clear procedure for the approval, set-up and regular review of the business need for all imprest accounts should be agreed.                                       | Significant | 6 months | 31 December 2023    |
| Once the procedure for assessing business need for imprest accounts has been established, all existing imprest accounts should be assessed using the new procedure. | Significant | 6 months | 31 March 2024       |
| Approval should be sought to provide a separate imprest account to each of the services currently sharing an account.   | Significant | 6 months | 31 March 2024       |
| Specific imbalances outlined in our audit fieldwork should be addressed.  | Critical    | 3 months | 31 December 2023    |
| Imprest accounts should not borrow money from other accounts and the guidance and documentation should be updated to reflect this.                                  | Significant | 6 months | 31 March 2024       |
| An agreed (minimum monthly) frequency of reconciliation should be confirmed with all account holders.   | Critical    | 3 months | 31 December 2023    |

| Assurance Impact on Key Systems of Governance, Risk and Control |                       |                |
|---|-----------------------|----------------|
| Finance   | Strategy and Planning | Resources      |
| Information   | Performance           | Risk           |
| People  | Procurement           | Statutory Duty |

## 1. Audit Summary

- 1.1 Imprest accounts are primarily used to provide emergency support, or to provide funds to individuals without bank accounts. They are administered locally through district offices. If the use of imprest accounts is not well controlled, the Council could be exposed to a number of potential risks, including reduced value for money in purchasing, an increase in administration time required, and the potential for loss or misappropriation of funds. The external auditor's review of the 2020/21 accounts (finalised in July 2023) also noted a high priority control weakness with regard to reimbursement and reconciliation of imprest accounts. Consequently, we

agreed with managers to review the design and implementation of the Council's arrangements for managing imprest accounts.

## 2. Conclusion and Opinion

- 2.1 Based on the work we have undertaken, we are only able to provide limited assurance that imprest accounts are operated in line with corporate policies and procedures, including Financial Regulations and Cash Handling Procedures.
- 2.2 Overall we were satisfied that procedures had been established to control the use of imprest accounts, and that cash handling arrangements were strong. Records were kept in relation to each request for cash from social workers and could be reconciled to levels of cash held on site.
- 2.3 However, we found significant issues with the wider operation of accounts. Roles and responsibilities throughout the Council were not formally defined and assigned, resulting in an inconsistent level of challenge and support for account holders. Several accounts had been displaying levels of imbalance which had not been rectified, and accounts were not being routinely reconciled and reimbursed for spend incurred. *[details redacted as they provide information that if made public could increase a risk of attempted fraud against the Council]*.
- 2.4 We also found that basic account administration duties, such as regular completion and return of the required reconciliation documents, were not always being routinely completed. Record keeping in relation to loans between accounts was limited and not supported by evidence of approval. Account details were out of date in some cases and statements were not being issued due to a lack of activity in respect of some accounts.
- 2.5 While not within the scope of our work, we noted that alternative systems were being trialled to facilitate electronic payments. These systems are designed to reduce the levels of risk and required administration associated with holding cash at district offices, including reduction of travel time for social workers, visits to bank branches, and cash counting. We support the review, evaluation and potential expansion of these schemes as a positive approach to improving control and visibility over the use of Council funds, and reducing the risks identified.

## 3. Summary of Findings

### Key Areas of Strength and Positive Compliance

- 3.1 We identified good practices in the following areas:
- A procedure manual had been developed which covered key areas of account operation.

- Strong cash handling controls had been put in place. Officers had a good understanding of the detail of the cash handling procedures and were following these in practice.
- At the sites we visited, there was supporting paperwork for each transaction processed, which gave some assurance over the validity of payments made.
- Transactions were recorded on an Electronic Cash Journal which provided for a reconciliation of the payments made to the cash withdrawals and the bank balance.

### **Key Areas for Development**

- 3.2 It was clear that responsibility for account management was assigned to the account holder. However, there was minimal evidence of governance or scrutiny over poor practice in administering accounts. When anomalies were identified there was no consistent expectation for handling these and little corporate scrutiny of reports and reconciliations produced. For example, one account was allowed to continue withdrawing funds despite not submitting complete reconciliation paperwork. This account had built up an overdrawn balance of over £50k without external challenge.
- 3.3 Lending between accounts was permitted, to allow for emergency situations where account holders were unable to withdraw funds directly from a bank. However this was poorly controlled and where it was most prevalent led to imbalances, due to an absence of supporting paperwork and inconsistencies in recording across the two sites. One site had a cash balance in the safe which was equivalent to over four years' worth of imprest transactions at that site. This had resulted from the repayment of a loan from another site where transaction volumes were larger. Retaining such a high cash balance on site increases the risk of loss of funds.
- 3.4 The overall administration of imprest accounts was not effectively controlled, with no documented business case being required to set up a new account and no review of its continuing suitability. Some of the accounts we reviewed were responsible for less than £100 a week in transactions. One account had been unused for over four years with a residual balance of under £1. In addition, the account names and statement addresses held centrally were not all current, meaning that some statements were not being issued to or received by those actually operating the accounts.
- 3.5 [details redacted as they provide information that if made public could increase a risk of attempted fraud against the Council].

## Executive Summary D

### Internal Audit Report 2023/24

#### Corporate Core, Finance (Exchequer Services)

#### Vendor Creation and Amendment Follow Up

| Audit Objective  | Overall Implementation Status |
|--|-------------------------------|
| To provide assurance over the implementation of audit recommendations agreed in response to the audit of Vendor Creation and Amendment, issued in July 2022. | Partially Implemented         |

## 1. Audit Summary

- 1.1 In July 2022 Internal Audit undertook an audit/assurance review of vendor creation and amendment to provide assurance over the design and operation of controls over the vendor master file.
- 1.2 Based on the work undertaken we provided a limited assurance opinion and made five recommendations for improvement with agreed target dates for implementation between January 2023 and April 2023.

| Priority    | Accepted | Rejected |
|-------------|----------|----------|
| Critical    | 1        | 0        |
| Significant | 2        | 0        |
| Moderate    | 2        | 0        |
| Minor       | 0        | 0        |

- 1.3 In order to provide assurance to the Accountable Officers, SMT and Audit Committee we undertook a follow up audit to confirm whether the exposure to risk had reduced. This was not a full re-review of the operation of the vendor creation and amendment processes, but rather an assessment of progress made with the implementation of the agreed audit recommendations.

## 2. Conclusion and Opinion

- 2.1 Our review of progress against these recommendations shows positive progress in implementation. Four of the five recommendations had been fully implemented, with significant progress being made towards implementation of the remaining one. As a result we therefore conclude there is a reduction in the overall exposure to risk in this area.

## Executive Summary E

### Internal Audit Report 2023/24

### Education- Safer Recruitment in Schools- Camberwell Park – Follow Up

| Audit Objective   | Overall Implementation Status |
|---|-------------------------------|
| To provide assurance over the implementation of recommendations agreed in response to the audit of Camberwell Park School issued 1 November 2022. | Implemented                   |

### Audit Summary

As part of a thematic audit of arrangements across a number of schools, Internal Audit reviewed the safer recruitment controls at Camberwell Park School in November 2022 and concluded a limited assurance opinion, making four significant recommendations to improve the control environment.

We recently completed a planned follow up visit to School to assess the progress made in addressing the recommendations made in the November 2022 report. We reviewed evidence and this report summarises the outcome of our assessment.

The summarised findings from each school will also be shared within an overall Safer Recruitment follow up report which we will issue to the Director of Education at Manchester City Council.

### Conclusion and Opinion

The overall exposure to risk has been significantly reduced, with the implementation of all seven recommendations made in the original report.

The School Business Manager and HR Administration Officer have taken prompt action following the audit, introducing additional controls that have strengthened the overall control environment, specifically;

- DfE checks for any prohibitions and sanctions against staff are repeated annually and recorded on the SCR.
- Section 128 checks are completed for all management roles and are recorded on the SCR.
- Appropriate references are requested for each recruitment exercise.
- Evidence of ID and RTW checks are retained on personnel files and are accurately reflected on the SCR.
- 
- Relevant QTS evidence is now retained on personnel files.

- The School Business Manager has implemented a safer recruitment monitoring sheet, it detailed the staff involved in shortlisting and staff on the interviewing panel including who was safer recruitment trained.
- The recruitment policy has been updated to include the process for recruitment of employees with a criminal conviction including the need to retain relevant documentation.

## Executive Summary F

### Internal Audit Report 2023/24

### Education- Safer Recruitment in Schools- Collyhurst Nursery School – Follow Up

| Audit Objective   | Overall Implementation Status |
|---|-------------------------------|
| To provide assurance over the implementation of recommendations agreed in response to the audit of Collyhurst Nursery School issued 24 October 2022 | Implemented                   |

### Audit Summary

As part of a thematic audit of arrangements across a number of schools, Internal Audit reviewed the safer recruitment controls at Collyhurst Nursery School in October 2022 and concluded a reasonable assurance opinion, making three significant recommendations to improve the control environment.

We recently completed a planned follow up visit to School to assess the progress made in addressing the recommendations made in the October 2022 report. We reviewed evidence and this report summarises the outcome of our assessment.

The summarised findings from each school will also be shared within an overall Safer Recruitment follow up report which we will issue to the Director of Education at Manchester City Council.

### Conclusion and Opinion

The overall exposure to risk has been significantly reduced, with the implementation of all four recommendations made in the original report.

The Office Manager has taken prompt action following the audit and has introduced additional controls that we consider have strengthened the overall control environment, specifically;

- Evidence of ID and RTW checks are retained on personnel files with the details matching those recorded on the SCR.
- Two references are now always requested from relevant employers.
- The Office Manager has implemented a safer recruitment monitoring sheet, it detailed the staff involved in shortlisting and staff on the interviewing panel including who was safer recruitment trained.
- Staff that are involved in recruitment have all attended safer recruitment training.

## Executive Summary G

### Internal Audit Report 2023/24

#### Education- Safer Recruitment in Schools- St Andrews C of E Primary School – Follow Up

| Audit Objective  | Overall Implementation Status |
|--|-------------------------------|
| To provide assurance over the implementation of recommendations agreed in response to the audit of St Andrew's C of E Primary School issued 17 October 2022. | Partially implemented         |

### Audit Summary

As part of a thematic audit of arrangements across a number of schools, Internal Audit reviewed the safer recruitment controls at St Andrew's C of E Primary School in October 2022 and concluded a limited assurance opinion, making one critical and five significant recommendations to improve the control environment.

We recently completed a planned follow up visit to School to assess progress in addressing the recommendations made in the October 2022 report. We reviewed evidence and this report summarises the outcome of our assessment.

The School have not employed any new staff since our initial audit, therefore our findings in this follow up are based on discussion with the Head Teacher over improvements, review of any new documentation introduced to address previous risks and review of cases audited in the initial review to confirm that previously raised issues had been addressed.

The summarised findings from each school will also be shared within an overall Safer Recruitment follow up report which we will issue to the Director of Education at Manchester City Council.

### Conclusion and Opinion

The overall exposure to risk has been reduced with progress being made in fully implementing three recommendations (one critical, one significant and one moderate risk) and partially implementing one significant risk recommendation made in the original report. Four recommendations (three significant and one moderate) have not been progressed so there remains considerable risk in these areas. The confirmed status of recommendations is detailed in Appendix 1.

The Head Teacher has updated procedures following our initial audit and implemented three of the recommendations, specifically;



- Evidence of DBS checks is retained on personnel files and renewed every three years.
- DfE checks for any prohibitions and sanctions against staff are repeated annually and recorded on the SCR.
- Staff have attended safer recruitment training.

The key actions that still need to be addressed are as follows;

- Relevant reference requests should be retained on personnel files.
- Ensure the SCR is updated with details of ID and RTW checks being completed to reflect the records on personnel files.
- Relevant QTS evidence should be retained on personnel files.
- Retain evidence of staff involved in shortlisting and interviews to demonstrate consistency between those involved in shortlisting and interviewing.

## Executive Summary H

### Internal Audit Report 2023/24

### Education- Safer Recruitment in Schools- Loreto High School – Follow Up

| Audit Objective   | Overall Implementation Status |
|---|-------------------------------|
| To provide assurance over the implementation of recommendations agreed in response to the audit of Loreto High School issued 19 October 2022. | Implemented                   |

### Audit Summary

As part of a thematic audit of arrangements across a number of schools, Internal Audit reviewed the safer recruitment controls at Loreto High School in October 2022 and concluded a reasonable assurance opinion, making two significant recommendations to improve the control environment.

We recently completed a planned follow up visit to School to assess the progress made in addressing the recommendations made in the October 2022 report. We reviewed evidence and this report summarises the outcome of our assessment.

The summarised findings from each school will also be shared within an overall Safer Recruitment follow up report which we will issue to the Director of Education at Manchester City Council.

### Conclusion and Opinion

The overall exposure to risk has been reduced and all control issues identified during the audit have been addressed with the implementation of the two recommendations made in the original report. The confirmed status of significant recommendations is detailed in Appendix 1.

The School have strengthened their personnel records to address concerns raised in our original audit. The Human Resources Manager updates the School's electronic personnel records on SIMs with details of staff involved in shortlisting and retain some of the interview notes to evidence the staff interviewing and to confirm staff are safer recruitment trained.

## Executive Summary I

### Internal Audit Report 2023/24

### Education- Safer Recruitment in Schools- St Peter RC High School – Follow Up

| Audit Objective  | Overall Implementation Status |
|--|-------------------------------|
| To provide assurance over the implementation of recommendations agreed in response to the audit of St Peter's High School issued 8 November 2022 | Partially Implemented         |

### Audit Summary

As part of a thematic audit of arrangements across a number of schools, Internal Audit reviewed the safer recruitment controls at St Peters High School in November 2022 and concluded a reasonable assurance opinion, making three significant recommendations to improve the control environment.

We recently completed a planned follow up visit to School to assess progress in addressing the recommendations made in the November 2022 report. We reviewed evidence and this report summarises the outcome of our assessment.

The summarised findings from each school will also be shared within an overall Safer Recruitment follow up report which we will issue to the Director of Education at Manchester City Council.

### Conclusion and Opinion

The overall exposure to risk has been reduced with progress being made in fully implementing three recommendations (one significant and two moderate recommendations) and partially implementing the remaining two significant risk recommendations made in the original report. The confirmed status of recommendations is detailed in Appendix 1. The Finance and Personnel Manager has taken action following our initial audit and implemented a number of recommendations, including;

- DfE checks for prohibitions and sanctions are now repeated annually and recorded on the SCR.
- Two references are requested from the most recent employers or where the employee has only had one employer the School have requested references from education providers.
  - Staff involved in safer recruitment have now been safer recruitment trained.

The key actions that still need to be addressed are as follows:

- Ensure evidence is retained of ID and RTW verification on personnel files.
- Ensure evidence of staff involved in shortlisting is retained

## Executive Summary J

### Internal Audit Report 2023/24

### Education- Safer Recruitment in Schools- St Philips C of E Primary School – Follow Up

| Audit Objective  | Overall Implementation Status |
|--|-------------------------------|
| To provide assurance over the implementation of recommendations agreed in response to the audit of St Philips Primary School issued 17 October 2022. | Implemented                   |

## Audit Summary

As part of a thematic audit of arrangements across a number of schools, Internal Audit reviewed the safer recruitment controls at St Philips CE Primary in October 2022 and concluded a limited assurance opinion, making two significant recommendations and one critical recommendation to improve the control environment.

We recently completed a planned follow up visit to School to assess progress in addressing the recommendations made in the October 2022 report. We reviewed evidence and this report summarises the outcome of our assessment.

The summarised findings from each school will also be shared within an overall Safer Recruitment follow up report which we will issue to the Director of Education at Manchester City Council.

## Conclusion and Opinion

The overall exposure to risk has been significantly reduced, with the implementation of all four recommendations made in the original report.

The School Business Manager has taken prompt action following the audit and has introduced additional controls that we consider have strengthened the overall control environment, specifically;

- Clear allocation of responsibilities in relation to the Single Central Record (SCR) including management oversight. The Administration Officer is responsible for completion and update of the record with periodic review and oversight demonstrated by the School Business Manager and Head Teacher.
- The Executive Head Teacher now completes termly spot checks of the SCR and personnel files for assurance over consistency and completeness.

- The School Business Manager has implemented a safer recruitment monitoring sheet in each personnel file which requires confirmation of completion of all key safer recruitment tasks.

## Executive Summary K

### Internal Audit Report 2023/24

### Education- Safer Recruitment in Schools- St Wilfrid's Primary School – Follow Up

| Audit Objective  | Overall Implementation Status |
|--|-------------------------------|
| To provide assurance over the implementation of recommendations agreed in response to the audit of St Wilfrid's RC Primary School issued 18 October 2022 | Implemented                   |

### Audit Summary

As part of a thematic audit of arrangements across a number of schools, Internal Audit reviewed the safer recruitment controls at St Wilfrid's RC Primary School in October 2022 and concluded a limited assurance opinion, making two critical recommendations and four significant recommendations to improve the control environment.

We recently completed a planned follow up visit to School to assess the progress made in addressing the recommendations made in the October 2022 report. We have reviewed evidence and this report summarises the outcome of our assessment.

The summarised findings from each school will also be shared within an overall Safer Recruitment follow up report which we will issue to the Director of Education at Manchester City Council.

### Conclusion and Opinion

The overall exposure to risk has been significantly reduced, with the implementation of all seven recommendations made in the original report.

The School Business Manager has introduced additional controls that we consider have strengthened the overall control environment, specifically;

- DBS and barred checks are now reflected in the SCR and document verification dates and type of documentation verified is included on the SCR.
- DfE checks for any prohibitions and sanctions against staff are repeated annually and recorded on the SCR.
- Two references are requested from employers and voluntary role references if individuals had only had one employer.
- The recruitment policy has been updated to include an overseas checklist.
- Evidence of ID and RTW checks are retained on personnel files and are accurately reflected in the SCR.

- The School Business Manager has implemented a safer recruitment checklist, detailing staff involved in shortlisting and staff on the interviewing panel including who was safer recruitment trained.
- The Head Teacher has completed safer recruitment training.



## Appendix Three: Audit Reports Issued 2023/24

| Audit Area  | Audit Status | Assurance Opinion       | Council Impact        |        |
|---|--------------|-------------------------|-----------------------|--------|
| <b>Children's and Education Services</b>  |              |                         |                       |        |
| Brought Forward (BFwd) Ofsted Governance  | Final        | Assurance Report        | High                  |        |
| BFwd Early Years Casework management  |              | Reasonable              | Medium                |        |
| BFwd Supporting Families Programme  |              | Reasonable              | Medium                |        |
| BFwd School of the Resurrection: Financial Health Check                               |              | Limited                 | Medium                |        |
| BFwd Foster Care Payments   |              | Limited                 | Medium                |        |
| Schools: Financial Value Standard   | Complete     | Completed Return to DfE | Medium                |        |
| Education- Safer Recruitment in Schools- Camberwell Park - Follow Up                  | Final        | Implemented             | Low                   |        |
| Education- Safer Recruitment in Schools- Collyhurst Nursery School – Follow Up        |              | Implemented             | Low                   |        |
| Education- Safer Recruitment in Schools- St Andrews C of E Primary School – Follow Up |              | Partially Implemented   | Low                   |        |
| Education- Safer Recruitment in Schools- Loreto High School – Follow Up               |              | Implemented             | Low                   |        |
| Education- Safer Recruitment in Schools- St Peters RC High School – Follow Up         |              | Partially Implemented   | Low                   |        |
| Education- Safer Recruitment in Schools- St Philips C of E Primary School – Follow Up |              | Implemented             | Low                   |        |
| Education- Safer Recruitment in Schools- St Wilfrid's Primary School - Follow Up      |              | Implemented             | Low                   |        |
| Schools: Safer Recruitment Follow Up – Overall Report                                 |              | Draft                   | Partially Implemented | High   |
| BFwd Oswald Road Primary School: Financial Health Check                               |              |                         | Limited               | Medium |
| BFwd Peel Hall Primary School: Financial Health Check                                 | Fieldwork    | Set at Draft Report     | Medium                |        |
| St Francis RC: Financial Health checks  |              |                         | Medium                |        |
| Schools: Business Management and Financial Controls Assessment                        |              |                         | Medium                |        |
| Schools: Cyber Security   |              |                         | High                  |        |
| Education, Health and Care Plans  | Planning     |                         | High                  |        |
| Early Years and Education System: Data Quality  |              |                         | High                  |        |

| <b>Audit Area</b>   | <b>Audit Status</b> | <b>Assurance Opinion</b> | <b>Council Impact</b> |
|---|---------------------|--------------------------|-----------------------|
| Schools: Financial Health checks  | Not Started         |                          | Medium                |
| Placement Finding Service   |                     |                          | Confirmed at Planning |
| Children's Disability Services  |                     |                          |                       |
| Elective Home Education / Alternative Provision                           |                     |                          |                       |
| Supporting Families   |                     |                          |                       |
| Schools: Assurance Mapping  |                     |                          |                       |
| <b>Health and Care (Adult Services)</b>                                   |                     |                          |                       |
| BFwd Adaptations  | Final               | Limited                  | Medium                |
| Adults Direct Payments Draft  | Draft               | Limited                  | High                  |
| Adults Quality Assurance  | Fieldwork           | Set at Draft Report      | High                  |
| Mental Health   | Planning            |                          | High                  |
| Adults Performance Reporting  | Not Started         |                          | Confirmed at Planning |
| Better Outcomes Better Lives  |                     |                          |                       |
| Integrated Health and Care  |                     |                          |                       |
| Public Health – integrated care system                                    |                     |                          |                       |
| <b>Corporate Core</b>   |                     |                          |                       |
| BFwd Contracts Risk Management  | Final               | Reasonable               | High                  |
| BFwd Factory Project: Work Packages                                       | Final               | Reasonable               | High                  |
| ICT Assurance: Public Service Network Code of Connection 2023             | Complete            | Assurance Report         | High                  |
| Contracts: Our Town Hall Work Management of Post Procurement Cost         | Final               | Reasonable               | High                  |
| Financial Systems: Vendor Creation and Amendment Follow Up                | Final               | Partially Implemented    | High                  |
| Financial Systems: Imprest Accounts                                       | Final               | Limited                  | Medium                |
| Grant Certification: Net Zero Pioneer                                     | Complete            | Certified                | Mandatory             |
| Grant Certification: Changing Places Fund                                 | Complete            | Certified                | Mandatory             |
| Contracts: Adults Contract Governance Follow Up                           | Fieldwork           | Set at Draft Report      | Medium                |
| Workforce: Officer Gifts and Hospitality                                  |                     |                          | Medium                |
| Counter Fraud: National Fraud Initiative                                  |                     |                          | High                  |
| Financial Systems – Adults Payments – Amended to Adults Budget Management | Planning            |                          | High                  |
| Core Financial Systems – Legal Services                                   |                     |                          | Medium                |
| ICT Assurance: Assurance Mapping  |                     |                          | High                  |
| Workforce: Joiners, Movers, Leavers                                       |                     | Medium                   |                       |
| Workforce: Recruitment  |                     | High                     |                       |
| Financial Systems: Assurance Mapping                                      |                     | Not Started              | Confirmed at Planning |
| Financial Systems: Treasury Management                                    |                     |                          |                       |
| Financial Systems: Spend Analysis   |                     |                          |                       |
| Financial Systems: Foster Carer Payments Follow Up                        |                     |                          |                       |

| <b>Audit Area</b>  | <b>Audit Status</b>              | <b>Assurance Opinion</b> | <b>Council Impact</b> |
|--|----------------------------------|--------------------------|-----------------------|
| Financial Systems: Parking   |                                  |                          |                       |
| Communications – Translations Service  |                                  |                          |                       |
| Information Governance: Data Management Policy   |                                  |                          |                       |
| Contracts: Factory Project Assurance   |                                  |                          |                       |
| Contracts: Zero Carbon   |                                  |                          |                       |
| Contracts: Security Contract Management  |                                  |                          |                       |
| Contracts: Adult Social Care Providers   |                                  |                          |                       |
| <b>Neighbourhoods</b>  |                                  |                          |                       |
| BFwd Homelessness Rents Team: Review of Core Processes                                       | Final                            | Reasonable               | Medium                |
| Housing Services: Fire Risk Assessment   | Final                            | Limited                  | High                  |
| NEW Grant Certification: Suzanne Lacy Uncertain Futures                                      | Complete                         | Certified                | Mandatory             |
| Waste Management Contract  | Draft                            | Reasonable               | High                  |
| Housing Services: Assurance Framework  | Fieldwork                        | N/A                      | High                  |
| NEW Repairs and Maintenance Contract (Housing Services) Performance Management and Reporting |                                  | Set at Draft Report      | High                  |
| Homelessness: Commissioning Team Review  | Planning                         |                          | Medium                |
| Housing Services: Complaints   | Not Started                      |                          | Confirmed at Planning |
| Highways: Parking  |                                  |                          |                       |
| Highways: Delivery Management  |                                  |                          |                       |
| Homelessness: A Place Called Home  |                                  |                          |                       |
| <b>Growth and Development</b>  |                                  |                          |                       |
| BFwd Unauthorised Building Work  | Final                            | Limited                  | Low                   |
| BFwd Biodiversity Net Gain Grant Certification   | Complete                         | Certified                | Mandatory             |
| Disabled Facilities Grant Certification  | Complete                         | Certified                | Mandatory             |
| Homes Upgrade Grant Certification  | Complete                         | Certified                | Mandatory             |
| Major Projects Assurance   | Fieldwork                        | Set at Draft Report      | High                  |
| Biodiversity Net Gain Grant  | Certification no longer required | Cancelled                | N/A                   |
| Building Control   | Not started                      | Set at Draft Report      | Confirmed at Planning |
| Unauthorised Building Work: Follow Up Review   |                                  |                          | Low                   |

#### Appendix 4: Basis of Audit Assessment

| Level of Assurance   | Description   |
|--|---|
| <i>The level of assurance is an auditor judgement applied using the following criteria</i> |   |
| Substantial  | Sound system of governance, risk management and control. Issues noted do not put the overall strategy / service / system / process objectives at risk. Recommendations will be moderate or minor.                                     |
| Reasonable   | Areas for improvement in the system of governance and control, which may put the strategy / service / system / process objectives at risk. Recommendations will be moderate or a small number of significant priority.                |
| Limited  | Significant areas for improvement in important aspects of the systems of governance and control, which put the strategy / service / system / process objectives at risk. Recommendations will be significant and relate to key risks. |
| No   | An absence of effective governance and control is leaving the strategy / service / system / process open to major risk, abuse or error. Critical priority or a number of significant priority actions required.                       |

| Priority  | Assessment Rationale |   |                       |
|---|----------------------|---|-----------------------|
| <i>The priority assigned to recommendations is an auditor judgment applied using an assessment of potential risk in terms of impact and likelihood.</i>   |                      |   |                       |
| <b>Critical</b>   | <b>Significant</b>   | <b>Moderate</b>   | <b>Minor</b>          |
| Actions < 3 months  | Actions < 6 months   | Actions < 12 months   | Management discretion |
| <ul style="list-style-type: none"> <li>• Impact on corporate governance</li> <li>• Life threatening / multiple serious injuries or prolonged work related stress</li> <li>• Severe impact on service delivery</li> <li>• National political or media scrutiny</li> <li>• Possible criminal or civil action</li> <li>• Failure of major projects</li> <li>• SMT required to intervene.</li> <li>• Statutory intervention triggered.</li> <li>• Large (25%) impact on costs/income</li> <li>• Impact on the whole Council.</li> </ul> |                      | <ul style="list-style-type: none"> <li>• Some impact on service governance</li> <li>• Some risk of minor injuries or workplace stress</li> <li>• Impact on service efficiency</li> <li>• Internal or localised external scrutiny</li> <li>• Procedural non-compliance</li> <li>• Impact on service projects</li> <li>• Handled within Service</li> <li>• No external regulator implications</li> <li>• Cost impact managed at Service level</li> <li>• Impact on Service or Team</li> </ul> |                       |

**Manchester City Council  
Report for Information**

**Report to:** Audit Committee – 28 November 2023

**Subject:** Outstanding Audit Recommendations

**Report of:** Head of Audit and Risk Management

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**Summary**

In accordance with Public Sector Internal Audit Standards, the Head of Audit and Risk Management must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”. For Manchester City Council this system includes reporting to directors and their management teams, Strategic Management Team, Executive Members and Audit Committee.

This report summarises the implementation position at the end of September 2023.

**Recommendations**

The Committee is recommended to consider the assurance provided from the follow-up of outstanding audit recommendations.

---

**Wards Affected: ALL**

|   |
|---|
| <b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city |
|---|

|      |
|------|
| None |
|------|

|   |
|---|
| <b>Equality, Diversity, and Inclusion</b> - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments |
|---|

|      |
|------|
| None |
|------|

| <b>Manchester Strategy outcomes</b>  | <b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>   |
|--|--|
| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities. | An effective internal audit service is an integral part of the Council's governance arrangements. It helps to maintain and develop good governance and risk management and provides independent assurance over the effectiveness of the Council's systems of control. 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**

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**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.

- Internal Audit progress reports to Audit Committee
- Outstanding Audit Recommendations Report to Audit Committee – July 2023

## **1 Introduction**

- 1.1. Audit Committee are provided with regular reports on actions taken to address outstanding high priority recommendations made by both Internal and External Audit.
- 1.2. There are four categories of recommendation priority: critical, significant, moderate, and minor. This report provides the details of progress to address outstanding recommendations in the high risk (critical and significant) categories and an update on proposed next steps. This report focuses solely on Internal Audit recommendations, as there are currently no External Audit recommendations being tracked.
- 1.3 This report also includes an update on progress made by school to address recommendations from school audit reports.

## **2 Background**

- 2.1 Internal Audit follows up management actions on high-risk recommendations at least quarterly to obtain assurance that progress is being made to address risk. Management is required to provide demonstrable evidence to show that agreed actions have been implemented. Internal Audit considers this evidence and may choose to re-test systems and controls on a risk basis to provide assurance that agreed improvement actions have been implemented and are operating effectively.
- 2.2 Where a limited or no assurance opinion is issued, a full follow up audit is undertaken after 6-12 months to test whether agreed areas for improvement have been addressed.
- 2.3 In addition to recommendations agreed as part of planned assurance reviews, we have now formalised our approach to capturing and tracking recommendations made through audit investigations. In specific circumstances where we find systemic control weaknesses or gaps, we will produce an action plan for management, identify action owners and agree implementation dates. Critical and significant recommendations will be monitored via the existing processes.
- 2.4 Where system related issues are found, we may include them in standard recommendation reporting to Committee but that may not be appropriate in all cases, for example, if the recommendation relates to actions needed to be taken to reduce the risks of fraud or theft where publishing to the public at large would present an increased likelihood of crime. For completeness we will continue to report progress on all counter-fraud related audit activity to the Committee through the Counter Fraud Annual report.
- 2.5 Progress made in the implementation of agreed actions is reported quarterly to Directorate Leadership Teams (DLTs), Strategic Management Team (SMT) and Audit Committee. Executive Members are notified of high priority recommendations reaching six months overdue. At nine months overdue,

Strategic Directors are required to attend Audit Committee with the relevant Executive Member to explain the position and progress to either address or accept the reported risks.

- 2.6 In accordance with Audit Committee expectations, the risk relating to recommendations that are not fully implemented will not be written back to Strategic Directors when they are over 18 months past the agreed implementation date. Directors will continue to attend this Committee to outline the reasons for delay and mitigating actions that they consider have reduced risk exposure to a tolerable level.

### **3 Current Implementation Position Update**

- 3.1 The position in terms of high priority internal audit recommendations is summarised below. Implemented recommendations are described in detail at Appendix 1. Overdue recommendations are detailed in Appendices 2,3 and 4.

- 3.2 This report relates to Council activities only.

#### **Outstanding Recommendations – over 12 months**

- 3.4 There are four recommendations that are over 12 months old.
- 3.5 Avro Hollows Tenants Management Organisation (TMO) – three recommendations that are 12 months overdue where updates were sought from the TMO as part of a wider meeting with the Chair and the TMO Board intended to improve the quality of information exchange and level of confidence in governance arrangements. At this stage management cannot provide assurance that the TMO have addressed recommended improvements from the audit and we continue to work with them to influence action in this as well as in a range of other governance and performance areas. The governance of the TMO remains a concern and is highlighted in the Register of Strategic Partnerships.
- 3.6 Privacy Notices – This relates to the work of the Data Protection Officer to assess current privacy notices and confirm whether they are tailored to individual user groups. One recommendation is overdue which is partially implemented. Actions have been taken to update privacy notices but there are four service areas across Children's and Adults Services where specific child-friendly and easy-to-read notices still need to be completed. The recommendations will not be signed off as complete until these are done. We are confident based on management updates that these will be completed before the next Committee update but if this is not the case then senior management will be required to attend the meeting to provide an update.



| Directorate          | Audit Title  | Due Date  | Months | Status                |
|----------------------|--|-----------|--------|-----------------------|
| Growth & Development | Avro Hollows Tenants Management Organisation (AHTMO) | June 2022 | 16     | Partially Implemented |
| Growth & Development | AHTMO  | Sept 2022 | 13     | Partially Implemented |
| Growth & Development | AHTMO  | Sept 2022 | 13     | Outstanding           |
| Core                 | Privacy Notices                                      | Oct 2022  | 12     | Partially Implemented |

### Overdue Recommendations – 6 to 12 months

- 3.6 There are two recommendations that have been overdue for between six and twelve months.
- Vendor Creation and Amendment (1) – a number of positive actions have been taken in response to this recommendation so it is classed as partially implemented. There are opportunities to include proactive vendor review mechanisms as part of the new ERP (finance and HR) system so this recommendation is remaining open to help ensure that that this remains a focus in the design and implementation of the new system.
  - Social Value Monitoring (1) – partially implemented as actions had been taken to ensure banked hours and social value commitments from contractors were utilised. As additional social value would accrue from ongoing delivery of contracts we have sought assurance how this will be managed and monitored before this recommendation is signed off as fully implemented.

### Overdue Recommendations – 1 to 6 months

- 3.7 We are tracking 14 recommendations that are now in this category
- Adaptations Review (6)
  - Adult Social Care: Contracts Governance (2)
  - Contracts Risk Management (1)
  - Review of Fire Risk Assessment Process (Residential Properties) (2)
  - Adults Care Package Payments (3)

## 4 Recommendation

- 4.1 Audit Committee is requested to note the current process and position in respect of high priority Internal Audit recommendations.

## Appendix 1 – Implemented Recommendations

| Audit Title  | Due Date          | Recommendation   | Management Response | Update/Opinion  | Ownership and Actions             |
|--|-------------------|--|---------------------|---|-----------------------------------|
| Avro Hollows Tenants Management Organisation (AHTMO) | 30 September 2022 | <p>The Head of Housing Services should ensure that the Modular Management Agreement is reviewed, to ensure it accurately reflects expectations following the closure of Northwards Housing, and that it provides sufficient clarity on key aspects of delivery including anti-social behaviour and scheduling of capital works.</p> <p>Following this, the document should be finalised and signed off.</p>  | Agreed              | We have confirmed that this document has been signed off by the Assistant Director (Legal Services) and by two of the AHTMO Board Directors.  | <b>No further action required</b> |
| Damp and Mould in the Private Rented Sector          | 31 August 2023    | <p>The Housing Compliance and Enforcement Team Manager should review the process (in particular triage and case closure) to ensure that it fully supports vulnerable residents and those who may struggle to comply with the usual procedures. This shall include: Triaging the complaints to encourage landlord informal action where tenants may be vulnerable but have not provided all the required information, Conducting licensing visits / referrals where intelligence suggests problems exist, but tenants are struggling to engage, or where tenants have moved out, but issues not resolved.</p> | Agreed              | We have confirmed that a review of the triage process has been undertaken and amendments have been made to the Flare system to ensure that vulnerable residents are better supported. There are also 3 new Community Engagement Officers in post in October 23 funded via GMCA pathfinder funding who will be able to assist in supporting vulnerable residents. Licensing referrals are now made when vulnerability concerns are identified. | <b>No further action required</b> |

| Audit Title          | Due Date     | Recommendation   | Management Response   | Update/Opinion   | Ownership and Actions              |
|----------------------|--------------|--|---|--|------------------------------------|
| ICT Asset Management | 31 July 2023 | Management should ensure that asset scans include all networked computing devices, including Apple products. These should be updated within ServiceNow accordingly.  | ICT have agreed to seek a third party to provide support for these products. As part of their contract we will include expectations on asset scanning, patching and updating, and relevant performance indicators will be agreed for reporting back to the Council.               | We can confirm that planned activity in this area has now been enacted, and we have reviewed evidence of the monitoring outputs. This recommendation has therefore been fully implemented. | <b>No further action required</b>  |
| Adaptations Review   | 30 June 2023 | <p>A working group should be developed including representatives from both the City Council and each of the RPs with a remit to consider options to improve the timeliness and effectiveness of the adaptations process across the City, this should include but not be limited to a focus on the issues identified in our audit as contributing to the delays our testing identified.</p> <p>Solutions may involve redistributing responsibility for problematic elements of the process, sharing more good practice and guidance around problem areas, considering if there are areas where framework contracts could be used to increase contractor capacity and ensure the necessary skills are available.</p> | This is already in place via the working group meetings that the Housing Programme Manager chairs. These do need to be scheduled in the calendar as reoccurring to ensure they occur on a regular basis and a revised Terms of Reference agreed & standard agenda items reviewed. | We can confirm that bi-monthly meetings are in the diary and taking place for the working group. Therefore this recommendation has been fully implemented.                                 | <b>No further action required.</b> |

| Audit Title                  | Due Date          | Recommendation   | Management Response   | Update/Opinion  | Ownership and Actions             |
|------------------------------|-------------------|--|---|---|-----------------------------------|
| Safer Recruitment in Schools | 20 September 2022 | The Senior Schools Quality Assurance Officer with responsibility for safer recruitment should ensure the Safer Recruitment Policy is updated and reviewed on an annual basis to ensure all key processes are documented in once place.   | Schools were notified of the two updates via schools broadcast, via the self-assessment section of the annual safeguarding audit and via the checklist within the annual model safeguarding policy. This was also included in the COVID-19 supplementary safeguarding policy which ALL Manchester schools adopted. The policy is updated regularly, but particularly where there are significant updates. The two updates were shared with all schools via multiple sources between 2020 and 2022. An updated policy for 2022 was shared in September 2022 so that these two amendments are noted in both the model safeguarding policy and the safer recruitment policy. | <p>We reviewed the Safer Recruitment Policy and were able to confirm it had been updated with Keeping Children Safe In Education (KCSiE) 2022. The policy was distributed to schools via a circular broadcast in September 2022.</p> <p>In addition to the regular updates that schools receive they have had two significant updates between 2020 and 2022, these two amendments were noted in the model safeguarding policy and the safer recruitment policy.</p> | <b>No further action required</b> |
| Safer Recruitment in Schools | 31 May 2023       | The Senior Schools Quality Assurance Officer with responsibility for leading on safer recruitment should develop a mechanism to seek assurance over safer recruitment. This could be achieved by: -<br>Continue the Local Authority training offer to schools, updated annually with changes to KCSiE by the Safer Recruitment Consortium (training providers) | We accept these recommendations. Having brought the Safer Recruitment training in house we have already delivered training to 40 school staff since April 2022. The recommendation reflects our updated approach of sharing regular training and briefing events. We have already launched the September 2022 Safer Recruitment policy. We will   | The SSQA has implemented processes to seek assurance over safer recruitment overall in a number of different ways, specifically;<br>The Local Authority training has been delivered to 47 individuals within 29 schools in 2021-2022 and 41 individuals from 24 schools in 2022-2023. The launch of the updated Safer Recruitment Policy in September 2022.   | <b>No further action required</b> |

| Audit Title                  | Due Date          | Recommendation  | Management Response   | Update/Opinion   | Ownership and Actions             |
|------------------------------|-------------------|---|---|--|-----------------------------------|
|                              |                   | <p>Continue to share best practice with schools, via events or seminars attended by Governors, Business Managers or Head Teachers.</p> <p>Share a circular to schools to highlight common themes identified in the report with suggestions of how to improve practice in each area.</p> <p>Relaunch the Council's updated Safer Recruitment in Schools policy to all schools.</p> | <p>be sharing a circular to schools in January 2023 to highlight common themes identified in the report with suggestions of how to improve practice in each area.</p>   | <p>A broadcast was shared in January 2023 to highlight common themes identified in the report with guidance of how to improve and strengthen practice in each area of safer recruitment.</p>   |                                   |
| Safer recruitment in Schools | 30 September 2022 | <p>The SSQA for each school where a limited opinion has been identified should discuss progress with management during their routine visits.</p>  | <p>Agree</p> <p>We identified some schools that we had concerns about HR practice or additional support needed or where there were new colleagues in post for the audit. The findings would confirm the need for further support to these schools and this was addressed at the start of the new school term in September 2022.</p> | <p>The SSQA's with responsibility for individual schools have been liaising with the schools with regards to their recommendations and have been monitoring implementation. Liaison and engagement from the SSQA's with individual schools has been evident due to progress being made in the implementation of recommendations.</p> | <b>No further action required</b> |

## Appendix 2 – Recommendations Over 12 Months Overdue

| Audit Title  | Due Date     | Recommendation   | Management Response  | Update/Opinion  | Ownership and Actions   |
|--|--------------|--|--|---|---|
| Avro Hollows Tenants Management Organisation (AHTMO) | 30 June 2022 | We found that the formal recording of repair requests was managed through a spreadsheet. However, requests were only added to the spreadsheet at the point that they were approved for referral to the external repairs' contractor. The AHTMO Manager informed us that there was no structured record of repair requests that were refused, and that minor repairs passed to the handyman were only recorded in carbonated job request books. Jobs referred to Housing Operations (previously Northwards) were also not recorded. | Agreed - The Head of Housing Services should seek assurance from the AHTMO Manager over the recording and management of requests for repair at the point of receipt. | <p>AHTMO staff have documented their process for recording of repair requests. This shows that repairs referred to Housing Operations are also expected to be recorded.</p> <p>We were also informed that the handyman does not undertake repairs.</p> <p>From the evidence supplied, we were unable to determine whether refused requests were routinely recorded.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p>           | <p><b>Director:</b> Becca Heron, Strategic Director of Development</p> <p><b>Lead Officer:</b> Martin Oldfield, Head of Housing Services</p> <p><b>Executive Member:</b><br/>Councillor White</p> <p><b>Status:</b> Sixteen months overdue</p> <p><b>Action:</b> This is an area of active follow up by the Head of Audit and Risk Management and the Head of Housing Services.</p> |
| Avro Hollows Tenants Management Organisation (AHTMO) | 30 Sept 2022 | The Head of Housing Services should seek assurance from the AHTMO Manager over the completeness of the local policy for assessing repair quality and resident satisfaction, and the extent of compliance with the expectations outlined in the Modular Management Agreement.   | Agreed   | <p>We were able to confirm from the quarterly surveyor's report that resident satisfaction was assessed in relation to completed repairs. However, the report did not include detail of the other methods used to assess repair quality, including the outcomes of surveyor inspections, and did not directly reference the expectations of the Modular Management Agreement.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p> | <p><b>Director:</b> Becca Heron, Strategic Director of Development</p> <p><b>Lead Officer:</b> Martin Oldfield, Head of Housing Services</p> <p><b>Executive Member:</b><br/>Councillor White</p> <p><b>Status:</b> Thirteen months overdue</p>   |

| Audit Title  | Due Date     | Recommendation  | Management Response | Update/Opinion   | Ownership and Actions  |
|--|--------------|---|---------------------|--|--|
|  |              |   |                     |  | <p><b>Action:</b> This is an area of active follow up by the Head of Audit and Risk Management and the Head of Housing Services.</p>   |
| Avro Hollows Tenants Management Organisation (AHTMO) | 30 Sept 2022 | The Head of Housing Services should seek assurance from the AHTMO Manager over the completeness and accuracy of performance monitoring, including the frequency of resident satisfaction surveys.   | Agreed              | <p>The AHTMO Board report contains aspects of performance management information that is required under the terms of the Modular Management Agreement and that is required to assure performance, however there are significant areas for improvement in the completeness of information including satisfaction surveys and mechanisms to assess and act on resident satisfaction or concerns.</p> <p><b>Internal Audit opinion:</b><br/>Not implemented</p>                             | <p><b>Director:</b> Becca Heron, Strategic Director of Development</p> <p><b>Lead Officer:</b> Martin Oldfield, Head of Housing Services</p> <p><b>Executive Member:</b><br/>Councillor White</p> <p><b>Status:</b> Thirteen months overdue</p> <p><b>Action:</b> This is an area of active follow up by the Head of Audit and Risk Management and the Head of Housing Services.</p> |
| Privacy Notices                                      | 31 Oct 2022  | The Data Protection Officer (DPO) should co-ordinate an exercise to assess current privacy notices and confirm whether they are tailored to individual user groups identified as unlikely to understand the standard information given. Where required amendments are identified, the Data Protection Officer should agree target timescales for delivery of these amendments with relevant officers. | Agreed              | <p>The assessment identified four service areas where a tailored privacy notice would be beneficial. These all fell within the remit of the Directorate Senior Information Risk Owner (DSIRO) for Children's, Education and Adults.</p> <p>In addition, the DPO will provide more hands-on support to the DSIRO.</p> <p>The next periodic review of all privacy notices will include and record consideration of the intended audience and whether tailored information is required.</p> | <p><b>Director:</b> Fiona Ledden, City Solicitor and Senior Information Risk Owner</p> <p><b>Executive Member:</b><br/>Councillor Craig at time of report issue – now Councillor Akbar</p> <p><b>Status:</b> Twelve months overdue</p> <p><b>Action:</b><br/>To continue to request updates from the service to evaluate progress.</p>   |

| Audit Title | Due Date | Recommendation   | Management Response | Update/Opinion  | Ownership and Actions |
|-------------|----------|--|---------------------|---|-----------------------|
|             |          | Formal consideration of the intended audience could be added to the scope of periodic reviews to ensure full coverage and evidence decision making as to whether tailored information is required in specific circumstances. |                     | <b>Internal Audit opinion:</b><br>Partially implemented |                       |



**Appendix 3 – Recommendations between 6 and 12 Months Overdue**

| Audit Title                   | Due Date      | Recommendation   | Management Response  | Update/Opinion  | Ownership and Actions  |
|-------------------------------|---------------|--|--|---|--|
| Vendor Creation and Amendment | 30 April 2023 | <p>The Exchequer Services Lead should define and establish arrangements for the regular review of the vendor master file in its entirety, to identify duplicate or unused vendors and ensure that these are blocked from future use.</p> <p>We anticipate that support will be required from ICT in providing relevant data to enable this review to take place.</p> | <p>Agree to recommendation. Exchequer Services takes part in the NFI (National Fraud Initiative) every 2 years which identifies duplicate accounts on our vendor records. This is currently taking place (late 2022). In addition to this an annual check of the VMF (vendor master file) will be added to the year end / new year schedule. There will also be a joint exercise as part of the ERP work to rationalise vendors.</p> | <p>The review of unused vendors was carried out by the Finance Systems Change Team, who blocked several thousand vendors that had not been used in the preceding two years. This was completed over two stages, completed in February and May 2023.</p> <p>The Exchequer Services Team has previously used reports produced by the National Fraud Initiative (NFI) to identify and block duplicate vendor records. However, the approach, resourcing and risk assessment for handling these reports in future is to be reviewed to confirm that it remains fit for purpose.</p> <p>The Systems Change Team will be exploring options for the enhancement of validation functionality as part of the new corporate finance system project, which is in the early stages of procurement.</p> <p><b>Internal Audit opinion:</b> Whilst positive action has been taken this will remain as partially implemented to ensure it remains an area of focus in the implementation of the new ERP system.</p> | <p><b>Director:</b> Carol Culley, Deputy Chief Executive and City Treasurer</p> <p><b>Executive Member:</b> Councillor Akbar</p> <p><b>Status:</b> Six months overdue</p> <p><b>Action:</b> To continue to request updates from the service and evaluate progress as part of the ERP solution.</p> |

| Audit Title             | Due Date      | Recommendation   | Management Response   | Update/Opinion  | Ownership and Actions   |
|-------------------------|---------------|--|---|---|---|
| Social Value Monitoring | 31 March 2023 | <p>Prompt action should be taken to ensure there are appropriate processes in place to ensure the timely use of banked hours received from the small works framework contractors before its expiry.</p> <p>This should also consider reminders to relevant officers of the need for hours to be redeemed along with appropriate timescales. This may also be used to generate ideas/proposals for use of banked hours should this be required.</p> <p>Decision making and the recording of approval to use banked hours should be determined to ensure consistency, fairness, and transparency. Mechanisms for reporting the outcome of used hours should also be developed.</p> | <p>Agreed. The Social Value Governance Board will discuss options for use of the banked hours at its next meeting in October.</p> <p>Work is also being undertaken with Corporate Estates to discuss options for use of social value contributions for ongoing maintenance work in community asset transfer properties and how this could work in future iterations of NWCH frameworks.</p> | <p>The small works framework has now expired (end of September 2023). However, proposals for use of the remaining hours were approved by the Head of Integrated Commissioning and Procurement and were shared with the Social Value Board earlier in the year.</p> <p>We were informed that some social value will continue to be delivered after the framework's expiry as the hours owed take effect from when the client is in contract with the contractor so we will still be realising social value on those specific jobs.</p> <p>We have requested further detail from the service on the extent of banked hours remaining and proposals for their use. As such we consider this to be partially implemented.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p> | <p><b>Director:</b> Carol Culley, Deputy Chief Executive and City Treasurer</p> <p><b>Executive Member:</b><br/>Councillor Akbar</p> <p><b>Status:</b> Seven months overdue</p> <p><b>Action:</b> To continue to request updates.</p> |

## Appendix 4 – Recommendations between 1 and 6 Months Overdue

| Audit Title        | Due Date       | Recommendation  | Management Response   | Update/Opinion   | Ownership and Actions   |
|--------------------|----------------|---|---|--|---|
| Adaptations Review | 31 May 2023    | As part of the wider review of adaptations delivery consideration should be given to bringing the delivery and oversight of Manchester Housing Operations adaptations back under the MEAP team.   | Agree with this recommendation. The current resources from Northwards/Manchester Housing Services would need to move over to support this including the manager, 3 technical officers and business support.                               | Partially implemented - Initial conversations have taken place with a view to responsibility for the completion of Manchester Housing Operations adaptations moving back under MEAP. However agreement has not been reached yet and more work is needed to move work back into MEAP.<br><br><b>Internal Audit opinion:</b><br>Partially implemented  | <b>Director:</b> Bernadette Enright<br>Executive Director, Adults Social Services<br><br><b>Executive Member:</b><br>Councillor Robinson<br><br><b>Status:</b> Five months overdue<br><br><b>Action:</b> To continue to request updates from the service and evaluate progress. |
| Adaptations Review | 30 June 2023   | A centralised workflow with supporting procedures should be produced to map the end to end process for delivery, including defined timescales for each process stage; from initial request, through assessment, to decision and completion of adaptation and sign off the work. This should clearly identify the point at which adaptations pass between the various partners involved in the process and the documentation that should be completed. | This already exists and is in the appendices of the SLA but will be reviewed and updated to match the revised DFG guidance and then annually.   | The most recent update we received from management confirmed that this has been completed as part of the design of the new case management system for the process that is completed by MEAP. Discussions are required for what takes place with the Lead Registered providers. This may be affected by the ongoing Delivery Model Assessment.<br><br><b>Internal Audit Opinion:</b><br>Partially Implemented | <b>Director:</b> Bernadette Enright<br>Executive Director, Adults Social Services<br><br><b>Executive Member:</b><br>Councillor Robinson<br><br><b>Status:</b> Four months overdue<br><br><b>Action:</b> To continue to request updates from the service and evaluate progress. |
| Adaptations Review | 31 August 2023 | The Adaptations SLA should be reviewed, updated, and formally agreed as a priority, and reviewed / revised annually thereafter. Consideration should be given to including representatives from the RPs in the initial review to ensure the future SLA is balanced and  | Agreed. The RPs and Northwards were involved in setting up the original SLA. Meetings will be set up with Lead RPs and Housing Services to take this forward. However, refer to actions below for recommendation 3 which may affect this. | The most recent update we received from management confirmed that action to implement this recommendation was ongoing. The ongoing Delivery Model Assessment may impact on this.<br><br><b>Internal Audit Opinion:</b><br>Partially implemented  | <b>Director:</b> Bernadette Enright<br>Executive Director, Adults Social Services<br><br><b>Executive Member:</b><br>Councillor Robinson<br><br><b>Status:</b> Two months overdue   |

| Audit Title        | Due Date     | Recommendation   | Management Response   | Update/Opinion   | Ownership and Actions  |
|--------------------|--------------|--|---|--|--|
|                    |              | <p>includes the requirements of both the City Council and the RPs.</p> <p>Once the SLA between the City Council and the three main RPs is in place, SLAs should also be developed with the smaller RPs for adaptations work completed for them. These SLAs should be consistent with the requirements of the main SLA.</p> <p>As part of the refresh of the SLA the performance reporting requirements and current performance indicators should be reviewed and revised. This should include performance reporting from the RPs on their activity and should include consideration of what performance information it may be useful to report to the RPs from MEAP.</p> <p>The Adaptations Policy should also be reviewed annually.</p> | <p>The ongoing discussion and a decision in relation to bringing the smaller RPs back in house will resolve many of the issues identified as one framework would be utilised.</p> <p>Agree, PI's need to be simple, informative and what is required. We will use the new DFG guidance as a format.</p> <p>We do always update the Adaptations Policy when there is any change to policy or legislation/legal rulings etc. And will arrange an annual review.</p> |  | <p><b>Action:</b> To continue to request updates from the service and evaluate progress.</p>   |
| Adaptations Review | 30 June 2023 | <p>Responsibility for completion of the smaller RPs adaptations should be reallocated away from the three large RPs to allow them to focus their resources on their own adaptations. Options include allocating smaller RPs work back into the City Councils MEAP team or alternatively, asking the small RPs to complete their own adaptations.</p> <p>The procedures and workflows developed as recommended at recommendation two should be</p>  | <p>There is a proposal to bring the smaller RPs back in house which is to be discussed for approval at SMT. However, there may still be issues particularly around resources which may still lead to an inconsistent offer for residents with no consistency around waiting times, quality/cost and hand-offs. We could also explore options around the delivery model for the Lead RPs and establish their appetite to continue to deliver</p>                   | <p>The latest update we received from the business confirmed that they considered this implementation to be complete. They confirmed that MEAP have taken responsibility for the smaller RPs from 1 April 2023 and discussions are underway regarding the remainder of the work coming back to MEAP from 1 April 2024. We are awaiting confirmation that the procedures and workflows have been shared with landlords and RPs as per our recommendation as well as</p> | <p><b>Director:</b> Bernadette Enright<br/>Executive Director, Adults Social Services</p> <p><b>Executive Member:</b><br/>Councillor Robinson</p> <p><b>Status:</b> Four months overdue</p> <p><b>Action:</b> To continue to request evidence from management of communication of revised arrangements to the small RPs.</p> |

| Audit Title        | Due Date     | Recommendation   | Management Response  | Update/Opinion  | Ownership and Actions   |
|--------------------|--------------|--|--|---|---|
|                    |              | shared with all landlords and smaller RPs to ensure they are clear on their own role in the completion of adaptations.   | their tenants' major adaptations and consider whether that responsibility should be transferred back to MEAP. Additional resources would be required to transfer back to MEAP but this would be funded by the additional fee income generated.   | evidence of the communication of this decision to the smaller RPs before confirming full implementation of this recommendation.<br><br><b>Internal Audit opinion:</b><br>Partially implemented. |   |
| Adaptations Review | 30 June 2023 | Options for achieving a more consistent and streamlined approach for recording and tracking adaptation requests must be considered. There are several different options that could be considered to achieve this; specifically:<br><ul style="list-style-type: none"> <li>• Develop a centralised database on which all adaptations work is documented from the completion of initial assessment through to completion and sign off the work, which can be accessed by MEAP and all RPs.</li> <li>• Develop a standard approach to recording adaptations activity across all adaptations with a single spreadsheet between MEAP and each of the RPs for their work.</li> <li>• Develop a set of minimum standards for documenting adaptations activity. Each RP and MEAP will therefore be required to meet these minimum standards for their</li> </ul> | MEAP are in the process of implementing Case Manager from Foundations (a cloud-based database that will address this recommendation and has the capability to cover all tenures/landlords). It will provide a comprehensive recording and tracking system with excellent performance management capability built in. (Subject to confirmation there will be no GDPR issues regarding sharing information/system can adequately limit access to information by user etc). MEAP have requested a Liquid Logic change to be able to report on the RP waiting lists and will be able to provide this as soon as the change/report has been actioned. | We have not yet received an update from the Business on progress made towards implementing this recommendation.<br><br><b>Internal Audit Opinion:</b><br>Not implemented                        | <b>Director:</b> Bernadette Enright<br>Executive Director, Adults Social Services<br><br><b>Executive Member:</b><br>Councillor Robinson<br><br><b>Status:</b> Four months overdue<br><br><b>Action:</b> To continue to request updates from the service and evaluate progress. |

| Audit Title                           | Due Date       | Recommendation  | Management Response   | Update/Opinion   | Ownership and Actions   |
|---------------------------------------|----------------|---|---|--|---|
|                                       |                | <p>records but will still maintain ownership of their monitoring records and there will be no shared access.</p> <p>If the option chosen does not involve shared records between MEAP and the RPs, then MEAPs waiting lists should be regularly shared with each RP so that they have clarity on the numbers on the MEAP waiting lists that may come through for adaptations in their area.</p> |   |  |   |
| Adaptations review                    | 31 August 2023 | <p>In the review and revision of the SLA recommended at recommendation 1 above; the requirements around quality checks should be clearly articulated and consideration should be given to developing a standard document to be completed demonstrating quality checks have been completed prior to handover.</p>  | <p>Agree with the need to include within the SLA and creation of standard document. If the three Lead RPs continue to deliver their own major adaptations, there is an option for MEAP Technical Officers to sign off all completed works across all tenures, but additional resources will be needed to do this. It is important that there is independent sign off that the works delivered are appropriate and meet Assessment of Need and this will provide robust quality assurance.</p> | <p>We have not yet received an update from the Business on progress made towards implementing this recommendation.</p> <p><b>Internal Audit Opinion:</b><br/>Not implemented</p> | <p><b>Director:</b> Bernadette Enright<br/>Executive Director, Adults Social Services</p> <p><b>Executive Member:</b><br/>Councillor Robinson</p> <p><b>Status:</b> Two months overdue</p> <p><b>Action:</b> To continue to request updates from the service and evaluate progress.</p> |
| Adult Social Care Contract Governance | 30 June 2023   | <p>Management should explore options for addressing the capacity issues currently faced by the Contracts Team which is limiting the progression of planned</p>  | <p>1) The 4th Contract Officer appointed is currently going through post interview process. Once in post, the Adults directorate will have a</p>  | <p>We have commenced our follow up review to determine progress with the implementation of audit recommendations. The service is currently collating relevant</p>                | <p><b>Director:</b> Bernadette Enright<br/>Executive Director, Adults Social Services</p>   |

| Audit Title                           | Due Date          | Recommendation   | Management Response  | Update/Opinion   | Ownership and Actions  |
|---------------------------------------|-------------------|--|--|--|--|
|                                       |                   | <p>development work to strengthen the impact of the team.</p> <p>All proposed improvement actions should be consolidated into a single action plan with target timescales for completion. Appropriate monitoring mechanisms to track progress with the action plan should be established.</p>  | <p>Contracts Officer covering each of the 4 large service areas (LD, MH, Homecare and Older People bedded care).</p> <p>2) The Contracts Team is further expanding to include 2x Grade 5 Contract Support Officers to support with the wider growth and service delivery of the function</p> <p>3) The Head of Contracts has ambitions to grow the team further to expand its operational oversight of service delivery. This area of growth will be assessed through Q4 of 22/23 and into Q1 of 23/24</p> <p>4) The Controcc programme of work is gathering pace and the creation of a 'hub' which will form outside of the contracts team remit will increase Contract Officer capacity to undertake Contract Management activities. The Controcc programme activities will commence over Q3/Q4.</p> | <p>documentation which we will review and assess once received.</p> <p>As such we still consider this recommendation to be outstanding.</p> <p><b>Internal Audit opinion:</b><br/>Not implemented</p>  | <p><b>Executive Member:</b><br/>Councillor Robinson</p> <p><b>Status:</b> Four months overdue</p> <p><b>Action:</b> To review relevant documentation once received from the service and evaluate progress.</p>   |
| Adult Social Care Contract Governance | 30 September 2023 | <p>Active contract management/monitoring of providers for those areas of a contract not covered as part of the PQI team monitoring should begin. These should aim to seek assurance on an ongoing basis over areas including:</p> <ul style="list-style-type: none"> <li>-Social value</li> <li>-Carbon reduction</li> <li>-Provider payments</li> </ul> | <p>It is noted that a focus on assurance on the areas listed require a collaborative approach across a number of functions, supported by commissioners and Finance.</p> <p>1) The developments covered under action 1 responses will create capacity in the contracts team to</p>  | <p>We have commenced our follow up review to determine progress with the implementation of audit recommendations. The service is currently collating relevant documentation which we will review and assess once received.</p> <p>As such we still consider this recommendation to be outstanding.</p> | <p><b>Director:</b> Bernadette Enright<br/>Executive Director, Adults Social Services</p> <p><b>Executive Member:</b><br/>Councillor Robinson</p> <p><b>Status:</b> One month overdue</p> <p><b>Action:</b> To review relevant documentation once received</p> |

| Audit Title               | Due Date       | Recommendation   | Management Response  | Update/Opinion  | Ownership and Actions   |
|---------------------------|----------------|--|--|---|---|
|                           |                | <p>-Ongoing financial resilience of providers.</p> <p>-Capacity.</p> <p>-Other KPIs not covered by PQI team.</p>   | <p>undertake Contract Management activities.</p> <p>2) The team are currently being set objectives and drafting workplans for each portfolio area. This will be concluded by the end of November.</p> <p>3) For LD and MH services – We are now establishing quarterly SCRUM meetings with 3 critical suppliers in each service area to commence from January 2023. We will be rolling this out to homecare and bed based care provision during Q4.</p> <p>4) Complete the Contracts Team SOP by April 2023</p> <p>5) Work with Commissioners to implement non-Quality based KPIs for new Contracts (April to September 2023).</p> | <p><b>Internal Audit opinion:</b><br/>Not implemented</p>   | <p>from the service and evaluate progress.</p>  |
| Contracts Risk Management | 31 August 2023 | <p>Means of gaining assurance over gold contracts and the timeliness of this should be assessed to provide a greater understanding of the scrutiny, assurance, and operational monitoring of the Council's most critical contracts.</p> <p>This should be viewed against the current requirements of the Due Diligence Framework to optimise the intelligence and assurance we have over gold contract suppliers. We would expect this information to then be used to provide an</p> | <p>The recommended action above picks up on two related but distinct elements: due diligence (particularly in relation to the economic and financial standing of suppliers) and performance management. On the first of these, ICP will explore with contract managers how we can refine the Due Diligence framework recording accordingly, although some of the above issues relate more to the second element, performance management. ICP</p>   | <p>Integrated Commissioning and Procurement (ICP) produce a high level summary of key risks and issues for gold contracts to the Major Contracts Board, including an overall RAG rating, and summary position from the relevant contract manager regarding whether performance is meeting expectations, whether social value is being delivered to expectations, risk of financial pressures on the contract (a key risk currently given the high inflation rates this year) plus any</p> | <p><b>Director:</b> Carol Culley, Deputy Chief Executive and City Treasurer</p> <p><b>Executive Member:</b> Councillor Akbar</p> <p><b>Status:</b> Two months overdue</p> <p><b>Action:</b> To assess supporting documentation once received.</p> |



| Audit Title | Due Date | Recommendation  | Management Response  | Update/Opinion  | Ownership and Actions |
|-------------|----------|---|--|---|-----------------------|
|             |          | <p>assessment of the risk exposure level relating to each gold contract and allows for preventative/reactive measures to be taken in response to risks identified.</p> <p>We have provided a list below of potential details to be captured on the monitoring sheet although recognise this is not exhaustive:</p> <ul style="list-style-type: none"> <li>• Company key details, company number, parent company details, sub-contractor details,</li> <li>• Supplier financial data, claims, early payments, external funding, financial resilience</li> <li>• H Score – Company watch</li> <li>• Overall risk rating – operational risk</li> <li>• Contract management data – risks/issues, Contract management plan</li> <li>• Contract/spend data – original contract price, actual contract price, variance, payments history (disputes, aged POs, credits)</li> <li>• Continuity data – BCP, test of BCP</li> <li>• Re-procurement details/</li> <li>• Operational performance data – KPIs, project schedule data, H&amp;S, contract compliance, relationship management status.</li> <li>• Risk/issues – ones to watch</li> </ul> | <p>will work with Major Contracts Leads to develop a more consistent summary reporting pro forma which could be reviewed by the Major Contracts Board and Directorate Management Teams. It will be important in this to make the reporting as streamlined as possible.</p> | <p>issues for the Board to be aware of.</p> <p>ICP have commenced, from September and October 2023, new quarterly meetings with directorate management teams to run through their contractual positions (all contracts not just gold), spend with suppliers and the recommissioning plans. A standard information pack has been developed for each DMT, including H-scores on suppliers, which will be refined further following completion of the initial round of meetings.</p> <p>The due diligence framework is sent to managers of gold and silver contracts. ICP are currently working with the contract management system supplier to add the relevant fields into the system, which will be used going forward instead of capturing information on word documents and emails.</p> <p>We are awaiting documentation to support the progress described which we will then assess ahead of closing the recommendation.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p> |                       |

| Audit Title   | Due Date          | Recommendation  | Management Response   | Update/Opinion   | Ownership and Actions   |
|---|-------------------|---|---|--|---|
| Review of Fire Risk Assessment Processes (Residential Properties) | 30 September 2023 | <p>A coordinated approach is needed to ensure the Council is appropriately addressing all fire safety related recommendations related to its residential buildings. This includes actions made as part of fire risk assessments, those made in EWS1/PAS9980s and any other relevant recommendations.</p> <p>This should incorporate an assessment of ongoing budget provision, procurement options for the commissioning and delivery of required works and the prioritisation of works to ensure work is planned efficiently and in alignment with other priorities.</p> <p>Parameters and expectations for jobs to be undertaken by the various teams (repairs and maintenance/minor works) should be defined and communicated to provide clarity and ensure consistency.</p> | <p>A Fire Safety Strategy will be developed with Strategic Housing for the overarching management and delivery of Fire Safety Actions and other building safety remedials as a result of EWS1/PAS9980 assessments for all residential buildings.</p> <p>Specific attention will be in respect of roles and responsibility and accountability across the Council at Senior Management level.</p> | <p>A working group was established earlier in the year who were tasked with the development of a corporate fire strategy. This included the production of a number of draft documents including a fire safety policy, fire safety management procedure and supporting appendices to clarify roles and responsibilities. Draft documents have been shared with key stakeholders for consultation ahead of finalisation and approval.</p> <p>Other developments have included increased resources to oversee and manage the delivery of FRA actions including an Interim Fire Safety Manager and Interim Building Safety Manager. Steps have also been taken to improve the supply chain available to complete required works including the commissioning of an external organisation to assist with the surveying and scoping of works, and the provision of a quality assurance and project management function.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p> | <p><b>Director:</b> Neil Fairlamb, Strategic Director: Neighbourhoods</p> <p><b>Executive Member:</b><br/>Councillor White</p> <p><b>Status:</b> One month overdue</p> <p><b>Action:</b> To continue to request updates from the service and evaluate progress.</p> |
| Review of Fire Risk Assessment Processes (Residential Properties) | 30 September 2023 | A robust corporate access strategy should be developed to define the processes to be followed in the event a resident will not allow access to complete required works.   | Strategic Housing and Housing Services reviewing the Refusals and Access Policy to ensure a consistent approach across all Council social housing.  | Work has begun to develop a Refusals and Access Policy, driven by Strategic Housing. However, we have reviewed the draft policy and further refinement of the current content is required along with ensuring appropriate input is received from other   | <p><b>Director:</b> Neil Fairlamb, Strategic Director: Neighbourhoods</p> <p><b>Executive Member:</b><br/>Councillor White</p> <p><b>Status:</b> One month overdue</p>  |

| Audit Title                  | Due Date     | Recommendation   | Management Response  | Update/Opinion   | Ownership and Actions  |
|------------------------------|--------------|--|--|--|--|
|                              |              | <p>This should be developed in conjunction with advice from legal services and include escalation routes should access not be granted.</p> <p>Once finalised officers should be briefed on the policy and the requirements of the policy and implemented as soon as possible.</p> <p>Works and attempts to gain access should then be prioritised according to risk.</p> |  | <p>relevant teams. We have shared our comments on the policy with relevant officers.</p> <p>To ensure momentum is not lost we highlight the need for the continuation and prioritisation of this work, endorsed by senior officers to finalise and enable the subsequent roll out of this policy and supporting framework. As such we consider this to be partially implemented.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p>   | <p><b>Action:</b> To continue to request updates from the service and evaluate progress.</p>   |
| Adults Care Package Payments | 30 June 2023 | The Deputy Director (Adult Social Care), supported by the LAS and ContrOCC Steering Board, should identify, and agree (with respective management) service standards for each activity from creation of CPLI's to Invoice reconciliation and dispute resolution.   | <p>This is a key part of the project work which is in progress. Whilst this is priority, the expansion of the Brokerage Team (planning for go live April 2023) and the creation of a ContrOCC 'system hub' team will necessitate changes in process which need to be designed and implemented alongside the agreement of service standards (including for other services involved in the overall process)</p> <p>The planned completion date reflects critical dependency with these other priorities.</p> | <p>Following the Adults Care Package Payments report being issued Adult Services set up a project in BOBL for setting up care packages in LAS (and Controcc), this project included the recommendations from this report but included a wider redesign of the process. Given the limited assurance opinion previously provided, we are currently undertaking a follow-up audit in this area. It is already clear that there has been significant work undertaken, however until we have completed our testing we are not in a position to confirm if the actions taken have addressed the issues previously identified. We are currently working with the ContrOCC Board to review the changes that have been made and</p> | <p><b>Director:</b> Bernadette Enright<br/>Executive Director, Adults Social Services</p> <p><b>Executive Member:</b> Councillor Robinson</p> <p><b>Status:</b> One month overdue</p> <p><b>Action:</b> To review relevant documentation once received from the service and evaluate progress.</p> |

| Audit Title                  | Due Date     | Recommendation   | Management Response   | Update/Opinion   | Ownership and Actions  |
|------------------------------|--------------|--|---|--|--|
|                              |              |  |   | <p>will issue a follow-up report when our work is completed.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p>   |  |
| Adults Care Package Payments | 30 June 2023 | <p>The Deputy Director (Adult Social Care) should lead in the production of integrated guidance for the CPLI to payment processes. This guidance needs to include:</p> <ul style="list-style-type: none"> <li>• The standards in Recommendation 1.</li> <li>• Team specific operational responsibilities.</li> <li>• What each Team can expect from others.</li> <li>• Processes for dispute resolution (when CPLI and Invoices don't reconcile), and how responsibility for this is appropriately allocated to the correct team.</li> <li>• Expectations of management review of activity.</li> </ul> | <p>As above, this work is a key part of the project work in progress. Again, as the way in which the teams who interact with the process will be changing in two key ways (expansion of the brokerage team, and creation of a system hub team) – it will be necessary to sequence this work to facilitate those functions becoming operational.</p> | <p>Following the Adults Care Package Payments report being issued Adult Services set up a project in BOBL for setting up care packages in LAS (and Controcc), this project included the recommendations from this report but included a wider redesign of the process. Given the limited assurance opinion previously provided, we are currently undertaking a follow-up audit in this area. It is already clear that there has been significant work undertaken, however until we have completed our testing we are not in a position to confirm if the actions taken have addressed the issues previously identified. We are currently working with the ContrOCC Board to review the changes that have been made and will issue a follow-up report when our work is completed.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p> | <p><b>Director:</b> Bernadette Enright Executive Director, Adults Social Services</p> <p><b>Executive Member:</b> Councillor Robinson</p> <p><b>Status:</b> One month overdue</p> <p><b>Action:</b> To review relevant documentation once received from the service and evaluate progress.</p> |
| Adults Care Package Payments | 30 June 2023 | The Deputy Director (Adult Social Care), supported by the LAS and ContrOCC Steering Board and by PRI, should identify what management information could be   | A data quality scorecard is now in place which has identified an initial collection of metrics including for example 'number of authorised CPLIs not  | Following the Adults Care Package Payments report being issued Adult Services set up a project in BOBL for setting up care packages in LAS (and Controcc),   | <b>Director:</b> Bernadette Enright Executive Director, Adults Social Services   |

| Audit Title | Due Date | Recommendation  | Management Response  | Update/Opinion  | Ownership and Actions  |
|-------------|----------|---|--|---|--|
|             |          | <p>produced (and how often) to support the monitoring of these processes. Reports linked to service standards (from recommendation 1) detailing how long various aspects of this process take could be key to driving improvements.</p> <p>Examples of this could include reports covering how long it takes:</p> <ul style="list-style-type: none"> <li>• The charging team to complete a financial assessment</li> <li>• The brokerage team to identify providers</li> <li>• The brokerage team (or Social worker) to set up a CPLI</li> <li>• Team managers to approve CPLI</li> <li>• Payments team to respond to failures to reconcile.</li> </ul> <p>Team management should use this information, for example during supervisions or one to ones, to support service improvement.</p> | <p>activities'. This will develop in parallel with the work described above and our wider work to improve data quality over the coming months.</p> | <p>this project included the recommendations from this report but included a wider redesign of the process. Given the limited assurance opinion previously provided, we are currently undertaking a follow-up audit in this area. It is already clear that there has been significant work undertaken, however until we have completed our testing we are not in a position to confirm if the actions taken have addressed the issues previously identified. We are currently working with the ContrOCC Board to review the changes that have been made and will issue a follow-up report when our work is completed.</p> <p><b>Internal Audit opinion:</b><br/>Partially implemented</p> | <p><b>Executive Member:</b> Councillor Robinson</p> <p><b>Status:</b> One month overdue</p> <p><b>Action:</b> To review relevant documentation once received from the service and evaluate progress.</p> |

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**Manchester City Council  
Report for Information**

**Report to:** Audit Committee – 28 November 2023

**Subject:** Register of Significant Partnerships 2022: Partnerships with Reasonable or Limited Assurance Ratings

**Report of:** Deputy Chief Executive and City Treasurer

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**Summary**

The report provides an update on the partnerships where a 'Reasonable' or 'Limited' rating was recorded, following the 2022 annual assessment, and presented to the Audit Committee in June 2023.

**Recommendations**

Audit Committee is requested to note and comment on position statements on the partnerships detailed within the report.

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**Wards Affected:** All

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|---|
| <b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city |
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|--|
| This report is for information in relation to the assurance ratings of significant partnerships and does not directly propose decisions affecting the achievement of the zero-carbon target. |
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| <b>Equality, Diversity and Inclusion</b> - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments |
|--|

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|---|
| Consideration of equality, diversity and inclusion issues for Manchester residents and businesses have been taken into account in the development and delivery of the significant partnerships covered in the report. |
|---|

| <b>Manchester Strategy outcomes</b>   | <b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>  |
|---|---|
| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities | Through some of the significant partnerships jobs have been created and will continue to create employment opportunities across a wide range of sectors   |
| A highly skilled city: world class and home-grown talent sustaining the city's economic success                   | A number of the partnerships act as a catalyst for investment through supporting infrastructure, innovation and people, providing a significant boost to the future economic growth for the local area. |
| A progressive and equitable city: making a positive contribution by unlocking the potential of our communities    | The partnerships which the Council is a party to, primarily through Joint Venture arrangements, act as a regeneration catalyst delivering positive socio-economic changes for communities.              |
| A liveable and low carbon city: a destination of choice to live, visit, work                                      | A number of the partnerships act as a catalyst for regeneration.  |
| A connected city: world class infrastructure and connectivity to drive growth                                     | Infrastructure improvements are an integral part of significant partnerships of the Council and ensure that opportunities are accessible to all.  |

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

### **Financial Consequences – Revenue**

There are no direct capital consequences arising specifically from this report.

### **Financial Consequences – Capital**

There are no direct capital consequences arising specifically from this report.

#### **Contact Officers:**

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#### **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:

- Audit Committee 13<sup>th</sup> June 2023 - Register of Significant Partnerships 2022

## 1 Introduction

- 1.1 In June each year, the Audit Committee is presented with the outcome of the annual assurance process called the Register of Significant Partnerships (RSP). The RSP is a compilation of a range of entities / partnerships that are considered to be of high significance to the financial position or reputation of the Council, as well as having a responsibility to deliver key corporate objectives, statutory obligations and Our Manchester priorities.
- 1.2 To be included on the Council's Register of Significant Partnerships, the partnership should meet one or more of the following criteria:
- I. Of strategic importance to the Council: critical to the delivery of the Council's key objectives or statutory obligations, and / or to the delivery of the Our Manchester Strategy;
  - II. Critical to the reputation of the Council: failure of the partnership to deliver could damage the reputation of the Council;
  - III. Responsible for spending significant public monies, delivering investment activities or whereby the Council has significant exposure.
- 1.3 Given that partnership working is a significantly important way for the Council to meet its strategic objectives, the principles of ensuring the lawful conduct of business, that public money is safeguarded, accounted for and spent efficiently and effectively, apply equally to both the Council and its partners. Therefore, it is vital that the Council has assurance that these partnership arrangements are clearly defined with effective governance arrangements in place for all such arrangements.
- 1.4 The purpose of the RSP is to assess whether or not the partnership arrangements that the Council is a party to are fit for purpose, performing well, delivering value for money and realising the benefits and outcomes that they were established to achieve. The RSP process standardises the Council's approach to the overview of its partnerships, helping strengthen accountability and assurance, manage risk and ensure consistent working arrangements.
- 1.5 During the annual review of the RSP all partnerships are rated with an overall level of assurance. There are four levels of assurance. These are as follows:
- **Substantial:** Demonstrating consistent application of good governance practices, providing a high level of assurance and delivering both the partnership and Council objectives, with any matters noted not putting the overall delivery objectives at risk.
  - **Reasonable:** An overall sound system of governance has been established but there are some areas for improvement to ensure the delivery of both the objectives of the Council and the partnership. Recommendations will be moderate or a small number of key priorities.
  - **Limited:** A governance system has been established but there are several significant areas highlighted for improvement, which, if not implemented, could result in the non-delivery of partnership and Council objectives. Recommendations will be significant and relate to key risks.

- **Weak:** Controls are generally weak leaving the partnership's system open to potential of significant error, resulting in a high probability that partnership and Council objectives will not be met unless action is taken. Critical priority or several significant priority actions required.

- 1.6 As part of the annual RSP process and subsequent ongoing monitoring of the partnership arrangements, any partnership which does not receive a substantial rating is required to provide a six-month update to Audit Committee to outline progress to further strengthen the level of assurance.
- 1.7 Following the completion of the 2022 review process, reported to Audit Committee in June 2023, of the 47 partnerships on the Register, 41 (87.2%) were rated as having a 'Substantial' assurance rating, 1 (2.1%) rated as 'Reasonable', 3 (6.4%) rated as 'Limited', zero rated as 'Weak' and 2 entries (4.3%) were agreed to be removed from the register.

## **2 Update on partnership governance arrangements for those with a Reasonable or Limited Governance Strength Rating**

- 2.1 Following the last assessment process and the annual update on the Register of Significant Partnerships that was presented to Audit Committee in June 2023, the section below provides an update on the entities that were rated either as Reasonable or Limited.

### **Reasonable Rating**

#### **2.2 Manchester Safeguarding Partnership (entry 16)**

- 2.2.1 The Manchester Safeguarding Partnership (MSP) replaced the Manchester Safeguarding Children Board and Manchester Safeguarding Adults Board. The MSP was established in response to legislative guidance (Working Together 2018). The legislation and guidance abolished the need for local areas to establish Local Children's Safeguarding Boards (LSCB) where Local Authorities had lead responsibility for partnership arrangements undertaken by three strategic partners, who all now have equal responsibility for safeguarding arrangements in their local area. The three strategic partners are the Chief Officers of the Local Authority, the GM Integrated Care (GMIC) and Greater Manchester Police.
- 2.2.2 Manchester responded to the requirement to change the partnership approach to safeguarding children as an opportunity to align partnership arrangements for safeguarding children and adults. The published arrangements are therefore also in line with the Care Act 2014 requirements for Safeguarding Adults Board (SAB). In the new MSP arrangements, the Adult Safeguarding Executive Group fulfils the function of Safeguarding Adult Board detailed in the Care Act 2014.
- 2.2.3 In 2021, MSP commissioned an independent effectiveness review of the partnership. A report on the findings and recommendations were presented to Accountability and Leadership in January 2022. All the recommendations from

the review were accepted in full and a development plan was created. The Development Plan is near completion and changes made include the appointment of a new MSP manager, the establishment of a business unit to implement the work of the MSP, appointment of a new scrutineer, and creation of a new strategic plan.

- 2.2.4 The new Strategic Plan was developed and launched in April 2023 it is monitored at the Executive Meetings and work is being undertaken by the subgroups in line with the plan to meet its objectives.
- 2.2.5 A Steering Group made up of representatives from the statutory partners supports the MSP and ensures that it is working effectively by monitoring the budget and overseeing the work plan and risk register. The group can raise agenda items for the Executive and the Leadership and Accountability meetings to ensure that the aims and objectives of the MSP are being met.
- 2.2.6 The Risk Register for the partnership is owned by the Executive and any partner agency or subgroup can raise concerns that they feel are a safeguarding issue that would affect the citizens of Manchester. Action is then taken by partner agencies to either unblock, support and/or address the issue raised. The register is reviewed on a quarterly basis by the Steering Group and on a quarterly basis at the Executive Group.

### **Limited Rating**

## **2.3 GM Mental Health NHS Foundation Trust (GMMH) (entry 16)**

- 2.3.1 The partnership is based on a legal contract with GMMH for the delivery of the Council's statutory duties which are articulated under a Section 75 partnership agreement. The purpose is to deliver Social Worker Assessment and care management, approved mental health provision, community inclusion services and resettlement functions within an integrated health and social care organisation. The Section 75 Agreement forms part of a wider single integrated health and social care (NHS standard) contract held by GMMH and GM Integrated Care System.
- 2.3.2 Regulatory improvement action has been taken by the Care Quality Commission (CQC) against GMMH as a result of a whistle blowing event within a medium secure in-patient facility. A Care Quality Commission Section 29a Improvement Notice was issued to GMMH in April 2022 with reference to citizen risk because of unallocated mental health referrals and compromised case load capacity within Community Mental Health Teams which deliver amongst other duties the Councils delegated Care Act functions.
- 2.3.3 The Joint Assurance Partnership meeting chaired by MCC Executive DASS provides oversight to the delegated Care Act functions and duties contained within the Section 75 Partnership Agreement between MCC and GMMH. The contractual governance for these services is contained within the NHS contract, alongside health provision and is held by GM ICB which follows a monthly contract performance schedule.

- 2.3.4 GMMH, as a Trust, falls under the Care Quality Commission regulatory framework and continues to receive recovery support from NHS England set out within the NHS Oversight Framework - Segment 4 Mandated Intensive Support. CQC via their inspection regime and NHS England determine progress improvement and the subsequent stepping down through the segments of oversight framework. MCC Health Scrutiny Committee also continues to receive presentations from GMMH regarding progress around their Recovery plan.
- 2.3.5 At the same time, Adult Social Care and GMMH have agreed to implement several social care improvement workstreams via the Section 75 covering: Workforce, Safeguarding, Performance Reporting, Interoperability, Market Development and system flow. These multiyear workstreams are in various stages of scoping and mobilisation. While they will take some time to embed initial improvement work is focused on:
- I. Workforce and providing additional resources around statutory review duties
  - II. Strategic review of safeguarding workflow
  - III. Streamlining referrals processes between our organisations
  - IV. Review and legal execution of the S75 Agreement between both parties.
- 2.3.6 While agreement has been reached around the future focus of improvement workstreams, Adult Social Care continues to report limited assurance at this time and in conjunction with the overarching position of the NHS Oversight framework.

## **2.4 AVRO Hollows Tenant Management Organisation (TMO) (entry 32)**

- 2.4.1 The AVRO Hollows Tenant Management Organisation (TMO) was set up in 2008 and manage 312 properties in Newton Heath under the right to manage regulations. This includes four tower blocks and 28 low-rise flats. AVRO Hollows manage allocations and lettings along with incidents of lower-level antisocial behaviour. They also procure their own repairs and maintenance contractor to manage repairs and relets work.
- 2.4.2 A management agreement is in place, which sets out the standard terms and conditions and defines the relationship between the TMO and the Council. The TMO is monitored on a regular basis by Strategic Housing.
- 2.4.3 Staffing and staff turnover within Avro Hollows remains an issue and the inability of the TMO to establish and sustain arrangements in this respect is a major barrier to improvement.
- 2.4.4 Despite two formal meetings being held between the Head of Strategic Housing, the Head of Internal Audit and Risk Management and the AHTMO Board on 24th August and 24th October to address serious concerns, there has been little improvement in governance arrangements. A further meeting has been scheduled to take place on 5th December.

- 2.4.5 Despite Audit recommendations which included the requirement of the TMO to produce regular performance information including levels of tenant satisfaction this is still not happening. However, as a result of numerous requests around specific areas including void management and disrepair cases, we have now been given some limited information which demonstrates poor performance. Clear advice has been given on the steps the Board need to take to address this. In addition to this they have been given clear guidance on how they are required to operate as a board.
- 2.4.6 The Board have been asked to make the necessary arrangement to hold their AGM which is now overdue.
- 2.4.7 A significant number of Council officers continue to work with both the staff and the Board on a broad range of issues from forthcoming capital works, actions resulting from fire risk assessments and day-to-day housing management issues, including the management of anti-social behaviour issues.
- 2.4.9 As a consequence of the lack of progress in governance and performance arrangements, consideration is being given to the serving of a Supervision Notice which will allow the Council to carry out a Special Review. Provisions are made for this under the Modular Management Agreement. This would need to be carried out by an Independent Person whose role would be to provide external scrutiny and to work with the Council to provide additional support to Avro Hollows to improve their arrangements. This will be a slow and time consuming process but is a required next step in the process.

## **2.5 SHOUT Tenant Management Organisation (TMO) (entry 33)**

- 2.5.1 Shout TMO manage 101 low-rise properties in Harpurhey on behalf of the City Council via the Right to Manage Regulations. Shout employs two part-time members of staff, a Housing Manager and an Admin Assistant. The officers manage allocations and lettings along with lower-level antisocial behaviour. The Council's Housing Services review all serious antisocial behaviour cases and consider whether any further action, including legal action, is required and procure this on behalf of the TMO. Housing Services also manage the repairs and maintenance service, re-let works, rent collection, and arrears recovery, all "major" works including servicing.
- 2.5.2 The previous Housing Manager left Shout TMO at the end of August 2023, and a new manager has been appointed, they commenced in the role in late September and are currently going through training. Shout have increased their office opening hours to 9am till 4pm on Monday, Wednesday, Thursday, and Friday.
- 2.5.3 Although there appears to be regular Board meetings, Board Member attendance remains poor meaning the Board has been unable to make any decisions as meetings are not quorate.

- 2.5.4 The Secretary of the TMO left their role in June 2023 and a new secretary was co-opted at the June board meeting, however they have not been present for the last two meetings and it was agreed that the Board will look to appoint a new Secretary.
- 2.5.5 Shout have been offered training for new board members and specific requirements are awaited. Representatives from Strategic Housing will continue to attend Board meetings and provide support and guidance as required.
- 2.5.6 As per the management contract a ballot needs to take place every five years with tenants and leaseholders on whether the TMO should continue to manage the properties. Shout TMO have completed a recent ballot and the results were counted and verified by the 'Harpurhey Neighbourhood Project'. The results confirmed the tenants and leaseholders wish the TMO to continue to manage the properties.
- 2.5.7 The costs of repairs have increased significantly, and the current management allowance fee has been reviewed in light of the increased costs with the repairs contract with an offer to be submitted to Shout Board for their consideration. An offer has also been made to remove the repairs element from Shout's management agreement with the City Council taking over the responsibility. The offer needs to be formalised so it can be considered by the Board.
- 2.4.8 To continue to address further improvements that are required, the TMO has been provided with a copy of the guidance on the code of governance for TMO's. As part of the assurance and compliance with the Modular Management Agreement, Strategic Housing has arranged quarterly meetings to discuss quarterly performance information and will request additional information required in line with the management agreement. The next meeting has been scheduled for 19 December 2023.

### **3 Next Steps**

- 3.1 As part of the annual assessment process a lessons learnt exercise is carried out to ensure continual improvement is made to enhance the process to ensure that it's working to its optimum. Following the last review it was identified that there needed to be some minor changes made to the on-line self-assessment form to ensure that it captures all relevant information and that a review of the Working Officers group take place to ensure the appropriate officers are involved and that their assessments of the partnerships are conducted in the most effective way possible.
- 3.2 Work has been carried out to verify whether the current partnerships on the RSP are still relevant and whether any further partnerships need to be added. At this time, there are no new additions highlighted but this will be continued to be monitored.

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