



Audit Committee

Date: Monday, 5 November 2018
Time: 10.00 am
Venue: Council Chamber, Level 2, Town Hall Extension,
Manchester

Everyone is welcome to attend this committee meeting.

There will be a private meeting for Members only at 9.15am in Committee Room 6 (Room 2006), 2nd Floor of Town Hall Extension. A Town Hall pass is needed to reach this room.

Access to the Council Chamber

Public access to the Council Chamber 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. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **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

Councillors - Ahmed Ali (Chair), Connolly, Lanchbury, Russell, A Simcock and Watson

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

Agenda

- 1. Urgent Business**
To consider any items which the Chair has agreed to have submitted as urgent.
- 2. Appeals**
To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.
- 3. Interests**
To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. Members with a personal interest should declare that at the start of the item under consideration. If Members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item.
- 4. Minutes** 5 - 12
To approve as a correct record the minutes of the meeting held on 3 September 2018.
- 5. [10:00 – 10:20] Internal Audit Assurance Report** 13 - 30
The report of the City Treasurer and the Head of Internal Audit and Risk Management is enclosed.
- 6. [10:20 – 10:35] Outstanding Audit Recommendations** 31 - 64
The report of the City Treasurer and the Head of Audit and Risk Management is enclosed.
- 7. [10:35 – 10:55] 2018/19 Annual Governance Statement - Summary of Progress to Date** 65 - 92
The report of the Deputy Chief Executive is enclosed.
- 8. 10:55 – 11:15] Governance Improvement Progress for Partnerships with Medium or High Risk Assessment ratings** 93 - 152
The report of the Deputy Chief Executive and the City Treasurer is enclosed.
- 9. [11:15 – 11:25] Treasury Management (Interim) Report**
The report of the City Treasurer is to follow.
- 10. [11:25 – 11:35] External Audit Progress Report and Update** 153 - 166
The report of the Council's external auditor is enclosed.

11. **[11:35 – 12:00] Risk Review Item: Contract Management and Governance**
The report of the Head of Integrated Commissioning is to follow.
12. **[12:00 – 12:10] Annual Audit Letter for Year Ending 31 March 2018** 167 - 180
The annual audit letter is enclosed.
13. **Work Programme and Audit Committee Recommendations Monitor** 181 - 192
The Audit Committee work programme and recommendations monitor is enclosed.

Please note: the actual start time for each agenda item may differ from the time stated on the agenda.

Information about the Committee

The Committee is responsible for approving the Council's statement of accounts; considering the Audit Commission's Annual Audit and Inspection Letter and monitoring the Council's response to individual issues of concern identified in it. The Committee also considers the Council's annual review of the effectiveness of its systems of internal control and assurance over the Council's corporate governance and risk management arrangements, and engages with the external auditor and external inspection agencies to ensure that there are effective relationships between external and internal audit.

The Council is concerned to ensure that its meetings are as open as possible and confidential business is kept to the strict minimum. When confidential items are involved these are considered at the end of the meeting at which point members of the public are asked to leave.

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Agenda, reports and minutes of all Council Committees can be found on the Council's website www.manchester.gov.uk.

Smoking is not allowed in Council buildings.

Joanne Roney OBE
Chief Executive
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Further Information

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

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This agenda was issued on **Friday, 26 October 2018** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension, Manchester M60 2LA.

Audit Committee

Minutes of the meeting held on 3 September 2018

Present:

Councillor Ahmed Ali - In the Chair
Councillors Connolly, Russell, A. Simcock and Watson

Independent Co-opted member: Mr S Downs
Independent Co-opted member: Dr D Barker

Also Present:

Councillor Bridges Executive Member for Children's Services
Councillor Craig Executive Member for Adults Health and Wellbeing

Apologies: Councillor Lanchbury

AC/18/44 Minutes

The minutes of the Audit Committee held on 31 July 2018 were submitted for approval.

Decision

To approve the minutes of the meeting held on 31 July 2018 as a correct record.

AC/18/45 ICT Assurance Update: Disaster Recovery Planning and Public Service Network

The Committee considered the report of the Chief Information Officer which provided an update on the progress made to ensure that the Council has plans in place to achieve ICT Disaster Recovery (DR) capability and improve the resilience of the Council's ICT infrastructure. The report explained that the work is progressing to establish DR capability by September 2019 and provided details on the associated approach and timescales. The Committee also received a presentation on the arrangements for data storage centre.

The Chair invited questions from the Committee.

A member referred to the use of Crown Commercial Services Framework in the procurement of the necessary technical infrastructure and sought assurance that the framework procurement process would be governed by the same ethical procurement standards as those used by the Council.

The Committee was informed that the procurement framework used is the same as that used by the Council and worked to the same ethical standards.

A member referred to Public Service Network (PSN) certification and asked officers to explain the implications in not achieving PSN certification and when was the certification expected to be renewed by the Cabinet Office.

It was reported that there was no specific operational restrictions imposed or impact on users or partners as a result of non-certification. The Council had provided regular updates to the Cabinet Office on progress being made to decommission MS Servers and other obsolete platforms.

The Committee agreed that it was satisfied with the assurance provided by the review of effectiveness and management of improvement actions provided within the report it had considered.

Decision

To note the report submitted and the comments raised.

AC/18/46 Adults Assurance Update

The Committee considered the report of the Director of Adult Services which provided an update on the progress being made to meet the concerns raised regarding limited assurance opinions in respect of:

- Transition: Children to Adult;
- Disability supported accommodation services, Quality Assurance;
- Homecare Contracts; and
- Client Financial Services.

The Chair invited questions from the Committee.

A member referred to terminology used within the report to describe the users of a service and requested officers refers to users of a services as “residents” and not “customers”.

Members commented on the report with reference to transitions (children to adult) and expressed concern on the time taken for the development of a strategic vision. Officers were also requested to provide details on the number of transitions and cases that were complex or had entered into a crisis state. Officers were also asked to explain the outcome of the work stream development report (paragraph 2.2 of the report) and underlying work load.

It was reported that work was ongoing with partners and the outcome of user forums would be fed into the production of an Our Strategic Vision and this would include a half-day workshop in November 2018 to finalise the strategy with a launch event proposed in early 2019.

The Executive Member for Adults Health and Wellbeing reported that the figures for those young people involved in transitions were available and could be provided to members. The figures were not included in the report because the remit related to

the vision strategy, governance and key roles and responsibilities as requested in the Work Programme. With reference to paragraph 2.2, the Committee was informed that the work stream report had not sufficiently taken into account the pace and evolution of the service and the development of the Our Manchester vision. Work was ongoing to determine service capacity, demand, workload and waiting lists and the findings of a demand and gap analysis would be reported to the Executive Member for Adults Health and Wellbeing.

The Chair referred to provision for the mental health of young people as part of the support offered during transitions and asked for an update on developments for the service.

The Committee was informed that an internal audit of Greater Manchester Mental Health NHS Foundation Trust would take place on systems and processes and the quality of service experienced by users and their outcomes. Additional resources had been provided to support improvements in mental health support for young people in transition. Mental health professionals would also be taking part in the workshop in November to look at development pathways and processes for young people in transition. In addition, work had been commissioned to consider current service provision for young people aged 16 years to 21 years old in view of the current process of the transfer between providers when a young person reaches the age of 18. Other work was looking at a future young person mental health model which could be used as part of future commissioning arrangements.

A member referred to the new model of homecare (paragraph 4.3) and sought assurance on how the new model would address the concerns of the existing model (paragraph 4.1 of the report).

The Committee was informed that the new model of homecare is outcome based and will be located within twelve neighbourhoods in the city. The new model will provide flexibility for the user on the way a package of care is delivered. A neighbourhood manager and social work team will be directly involved to oversee the development of relationships with locally based lead providers to broker support packages. The support packages will be monitored and checked to ensure a standard of quality for the user.

A member referred to the writing of reports to the Committee and the need to provide a clear distinction in the information provided by an Executive Director and the opinion of the Head of Audit and Risk Management.

The City Treasurer reported that the Committee receives a quarterly assurance report from the Head of Audit and Risk Management which follows a formal process to provide independent opinion to the Committee on audits that had been completed. Including audit opinions within a report in advance of this may present those views as subjective and not independent.

The Committee agreed that it was satisfied with the assurance provided by the review of effectiveness and management of improvement actions provided within the report it had considered.

Decisions

1. To note the report submitted and the assurance provided.
2. To agree that future reports provide relevant statistical information relating to the area of service concerned in addition to any specific issues requested.
3. To agree that a report is submitted providing statistics relating to young people involved in transition (children services to adult services).

AC/18/47 Children's Services Audit Recommendations

The Committee considered the report of the Strategic Director of Children's Services which provided an update on outstanding recommendations from an audit of the Foster Carers Framework and Multi Agency Safeguarding Hub. The report also provided a management update to confirm the actions being taken to address risks identified from the audits.

In the absence of the Director of Children's Services, the Deputy Strategic Director Children's Services introduced the report and responded to questions from Committee Members.

A member referred to Paragraph 3.10 and the use of dip sampling on referrals that progress to a Strategy Discussion and questioned if the process was a sustainable in providing a level of assurance when personnel were not available.

It was reported that the circumstances relating to the dip sampling not taking place in July related to staff resources and had been resolved following the appointment to post of Head of Complex Safeguarding. The review of referral cases was undertaken one month after the referral takes place.

A member commented on the involvement of Internal Audit on the contents of the report and it was explained that Internal Audit would discuss the content prior to submission to the Committee for proof of evidence on actions. The quarterly assurance report to the meeting of the Committee in November would provide the independent opinion of Internal Audit with a further update in January 2019.

A member referred to the Foster Care Contract and a net overpayment of £186 and asked for confirmation on the level of over and under payment involving providers. Officers were also asked to explain the monitoring process involved in visits (announced and unannounced) to children's/ establishments homes for risk evaluations and provider monitoring, and to clarify the length on the timeliness of referrals to ensure children are kept safe.

It was reported that identifying the £186 overpayment was provided as an assurance on the success of the system of monitoring payments, however the detail of the investigation of the financial processes would need to be provided separately. Visits made to children's establishments is the responsibility of Ofsted as the regulator to provide that assurance. It was reported that the Council will have discussions with

contract providers to ensure the standards of provision specified are being provided for the children concerned. The report sets out a framework for the allocation of resources to carry out visits and checks and this will include unannounced visits to any establishment brought into question regarding expected standards. The issue of contacts and referrals was explained and Members were informed that once a contact is received a decision is made based on the evidence and circumstances provided on whether it is necessary to escalate to a referral. Once the referral is confirmed, action will be taken based on professional judgement of the information and intelligence available.

The Committee agreed that it was satisfied with the assurance provided by the review of effectiveness and management of improvement actions provided within the report it had considered.

Decision

To note the report submitted and the assurance provided.

AC/18/48 Disclosure and Barring Service (DBS) Checking Arrangements

The Committee considered the report of the City Treasurer and the Head of Audit and Risk Management which provided an overview of the Council's current arrangements for Disclosure Barring Service checking, previous and recent audit activity in this area and an update on recent progress to further improve the control framework.

The Committee had requested further information following consideration of a report received on DBS administration processes in June 2018, on the following:

- Explanation of the key elements of the DBS checking process;
- Roles and responsibilities of key officers;
- Internal scrutiny arrangements to provide assurance over consistency of decision making; and
- Potential for use of technology to deliver process efficiency.

The Chair invited questions from the Committee.

A member referred to paragraph 2.7 of the report and asked what process was used to communicate to those members of staff requiring DBS notification and making checks for members of staff where online access was not available.

Members were informed that the e-bulk was used for the uploading of documents and not individual checks. Support for staff would be provided by their manager regarding notification and check requirements through a renewal notification system.

With reference to paragraph 2.5, officers were asked what type accreditation or training process was involved for the Lead Counter signatory and delegated officers for the Council and was it possible to delegate the counter-signatory role in their absence. The Committee was advised that the Head of Human Resources and

Organisational Development is the Lead Counter signatory for the Council together with other senior officer delegated signatories. A DBS Group had been established to share information and provide support and training to help maintain consistency across the Council. It was confirmed that it was not possible to delegate the counter-signatory role down to another officer.

A member requested for the submission of information on the process of DBS monitoring for volunteers supporting Council activities.

The Committee agreed that it was satisfied with the assurance provided by the review of effectiveness and management of improvement actions provided within the report it had considered.

Decision

1. To note the report and comments received.
2. To request further information is submitted regarding the monitoring of DBS checks for people acting in a volunteer capacity when supporting Council related activities.

AC/18/49 Annual Complaints and Enquiries Report 2017/18

The Committee considered the report of the Deputy Chief Executive which presented the complaints and enquiries dashboard for the Council's annual performance for 2017/18 relating to corporate and social care complaints, Councillor and MP enquiries. The report also provided information of how the complaints and enquiries received has been used to influence service related improvements. The Head of Performance, Research and Intelligence introduced the report.

The Chair invited questions from the Committee.

A member asked how reports relating to complaints on councillors was listed.

It was noted that the Standards Committee considers an annual report on councillor complaints.

Decision

To note the report submitted.

AC/18/50 Work Programme and Audit Committee Recommendations Monitor

The report of the Governance and Scrutiny Support Unit which contained responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

Decision

To note that the Work Programme will be updated for the next meeting of the Audit Committee.

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**Manchester City Council
Report for Information**

Report to: Audit Committee - 5 November 2018

Subject: Internal Audit Assurance Report 2018/2019

Report of: City Treasurer / Head of Internal Audit and Risk Management

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 a summary of the audit work undertaken and opinions issued in the period April to September 2018.

Recommendations

Members are requested to consider and comment on the Internal Audit Assurance Progress Report to 30 September 2018.

Wards Affected: All

Contact Officers:

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Name: Tom Powell
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Background documents (available for public inspection):

Documents used in the development of the assurance report include:

- Internal Audit Plan 2018/19 (June 2018)
- Internal Audit Assurance Report (July 2018)
- Outstanding Audit Recommendations Report (July 2018)

Internal Audit Assurance Report April to September 2018

1 Introduction

- 1.1 This report provides a summary of the work of the Internal Audit Section from April to September 2018 including progress toward delivery of the annual audit plan, a summary of assurance opinions on completed audits and a summary position on the implementation of Internal Audit recommendations. The opinions and statistics are shared with Directorate senior managers for discussion; to agree actions and are used to inform an overall annual assurance opinion.

2. Audit Programme Delivery

- 2.1 The following table is a summary of the outturn against the audit plan to date.

Audit Status	2017/18 Brought Forward	2018/19 Audit Plan Outputs	Additional Items
Final Report	15	26	0
Draft Report	0	3	0
Fieldwork Completed	0	2	0
Fieldwork Started	0	9	0
Planning	0	10	2
Not started	0	48	0
Cancelled / Deferred	0	3	0
Totals	15	101	2

- 2.2 Outputs in the above table include audit reports, management letters and advice and guidance as well as support to management on service improvement. The number of total expected outputs has risen as the blocks of audit time assigned to areas of risk including the Our Town Hall Project and Contract Monitoring have been broken down to assignment level in line with plans.
- 2.3 The table does not include investigations or counter fraud casework activity; the key focus of which is summarised in section nine. The analysis also excludes most of the advice and guidance provided to the business through involvement in working groups and projects across the Council as these are not captured in formal reports.

- 2.4 It is proposed that the following audits are deferred from the audit plan following risk assessment. The first is a follow up audit on Software Licensing issued in July 2018. Moving this to quarter one of 2019/20 will enable a review to be taken after the deadline for the agreed mitigation actions. The second audit is the Public Contracts Regulations Compliance audit which is based on current resource availability for the work. In addition there is a proposal to replace the planned audit of Manchester Support for Independent Living (MSIL) with a new audit of Deprivation of Liberties Safeguarding (“DOLS”) as noted below. In addition a second audit of the Factory to support development has been agreed with the Senior Responsible Officer for the project and has been added to the plan as additional work.
- 2.5 The sections below describe the progress made against the agreed annual audit plan in this quarter. The status of the annual audit plan in terms of progress is shown at Appendix One for completeness.

3 Adult Services

- 3.1 In 2017/18 Internal Audit issued our audit reports for the audit of Transition to Adulthood, the Disability Supported Accommodation Services Quality Assurance Framework, Cash Handling by Appointee Support Officers and Homecare Services where we provided limited assurances for each audit. We have agreed to formally follow-up progress made with reducing risks in these areas and will continue to report on the implementation of agreed actions. A report was provided to the September Audit Committee by the Director of Adults Services which confirmed good progress had been made in addressing the issues raised in these reports. We plan to complete the agreed formal follow up work to validate progress made during quarter three.
- 3.2 Planning has been undertaken for a proposed audit of Mental Health casework compliance in respect of the Greater Manchester Mental Health Trust. This is intended to focus on assurances required by the Council in respect of delegated statutory social care functions. Liaison is currently taking place with the Trust and their internal auditors to confirm the practical details required to complete this work. This work also links to the ongoing development of arrangements to ensure appropriate audit coverage across Manchester Health and Care Commissioning and Manchester Local Care Organisation functions with the respective senior management and internal auditors from Manchester CCG and Manchester Foundation Trust which will be a key focus for Internal Audit in quarter three.
- 3.3 Management have carried out a risk assessment in Adult Services and requested that the proposed audit of MSIL is replaced with an audit of the Deprivation of Liberties Safeguarding. We have agreed that the risk assessment supports this proposal and will scope the new work accordingly. Consideration is to be given to when the delayed MSIL audit can be carried out based on resourcing and currently would be done in quarter one of 2019/20 audit programme.

4 Children's Services

- 4.1 The MASH follow up audit confirmed that three of the five higher risk recommendations have been implemented however, despite positive progress, work remains to be done in relation to consent and the overall timeliness of the process. For consent it is proposed that quality assurance audit tools will be updated by management to ensure that assurance work undertaken by managers supports a consistent approach and will allow challenge of non-compliance. This will be supported with descriptors and basic training for the staff involved in undertaking these checks. For timeliness there is a need for more assurance that high risk cases are completed in line with the 24 hours deadlines. Internal Audit agreed that interim measures would be used by management to carry out dip sampling and reporting outcomes via the performance dashboard as the current Micare system cannot provide for this specific assurance check. We support management in that a long term solution should be sought within the development of the new Liquidlogic social care system which is currently due for implementation in spring of 2019.
- 4.2 Internal Audit provided a limited assurance for Early Years 30 hours funding based on concerns around the accuracy and robustness of the payments process including overpayments; the administrative burden caused by the manual nature of processes across the system (which significantly increased the risk of errors); and the lack of training that had been provided to staff delivering the service. We are satisfied with the management response to this and agreed recommendations which should significantly strengthen control.
- 4.3 A follow up audit assessed progress in the implementation of recommendations made in the Troubled Families approach audit report issued in June 2018. One of the two of recommendations to establish a means of tracking performance and numbers of cases (Troubled Families Attachments) had been fully implemented. The other, in regards to management reporting on impact and achievement of successful outcomes, had been partially implemented, as there was still no mechanism to monitor the number of families successfully engaged (Attachments that progress to a planned closure) and further work is required.
- 4.4 The Deputy Director Children's Services attended Audit Committee in September to provide an update on progress toward implementation of a recommendation in the NW Foster Care Contract Monitoring system. The aim is to improve the risk evaluation process used to monitor service and costs of provision. A process including templates have now been developed to support this and internal audit will monitor for evidence of implementation to address the risk.

5 Education and Schools

- 5.1 The traded Data Protection Officer offer to schools was launched on 1 September as planned and this will be managed by the Internal Audit service as a specific service, in collaboration with Bolton Council. Around 100 schools already have committed to the service across Manchester and Bolton. This

has taken some time in quarter two in finalising contract arrangements; developing model documentation; progressing recruitment for three data assurance and senior data assurance officers; and in completing initial meetings with each school to launch the service. The team has dealt with a range of enquiries and issues being raised by schools and the finalisation of recruitment of new staff to deliver this work and commence a programme of assurance visits to schools is a key priority for quarter three.

- 5.2 The cash in schools audit continued with further unannounced visits which will be undertaken each term on a random sample basis. An interim opinion has been issued in a report summarising findings from these visits and an overall opinion will be given during quarter four. Learning will be shared with Children's Services Finance and with all schools as part of the final report. We included a number of schools in the testing who confirmed they operated cashless systems in order to validate those arrangements which are considered more secure. Nine cashless schools were tested and seven were provided with a full assurance opinion and two received a substantial opinion as there were only minor improvements to be made. We also visited two schools who processed cash and provided them both with substantial assurance opinions. Eight more schools will be visited during the autumn term (quarter three) and we will issue a further interim report in December summarising the outcome of these visits
- 5.3 We are in the process of evaluation of the key findings from our procurement in schools audit in 16 schools. Following a similar approach as the cash audit we have provided each school with an individual assurance opinion and recommendations and advice where appropriate. We provided a range of level of assurance opinion across the schools in our sample with a fairly equal split between substantial, moderate and limited assurance opinions and made local recommendations to support improvement during the work. We are now working on the overall summary report to enable learning to be shared amongst all schools, the Council, clerking providers and the Diocese of Salford and Shrewsbury.

6 Corporate Core

- 6.1 An audit of purchase cards was completed. Controls over the use of cards were examined and moderate assurance given in relation to the appropriateness of spend, pre-approval and post-spend reconciliation processes. Recommendations were made with the aim of improving guidance, both generally and specifically in relation to provision of hospitality from Council officers, and to improve compliance with existing controls over submission and review of reconciliations which support spend on purchase cards. Positive assurance was obtained as the audit did not identify any significant concerns with the overall validity or appropriateness of spend.
- 6.2 HROD carried out a review of compliance with the corporate Expenses Policy, following up on Internal Audit's work in this area in 2017/18. The results of this review broadly corroborated the previous findings in terms of levels of non-compliance and the reasons for these. The key issues noted from this were

about the use of expenses processes to reimburse staff for spend that strictly should have been made through purchase orders, payment cards, corporate travel arrangements or other existing processes. As with purchase cards this work did not identify particular concerns over the appropriateness of spend. This work will be used to support Internal Audit and the business in assessing the level of risk in this area and options for improved compliance.

- 6.3 The quarter one payroll review was reported and the fieldwork for quarter two was completed in September. We are awaiting feedback from individual managers in relation to specific anomalous claims identified where further explanations are required. The findings do not indicate any systemic weakness in the operation of controls within the process. Further work will be carried out as planned for quarter three and four.
- 6.4 The Service carried out a number grant certifications including Growth Deal; Carbon Reduction Commitment; URBACT Smart Cities; and the Factory. No major issues were found and each grant was certified. Further work on grant certifications will be carried out in quarter three and four based on set timescales.
- 6.5 Advice and guidance was provided to the project team in relation to our understanding of progress with the Liquidlogic implementation project. Internal Audit was able to endorse the Programme Manager's proposed approach for managing the outcomes of the second phase of data migration/user acceptance testing which is taking place now.
- 6.6 Internal Audit provided advice and support to the finance staff working on the design of systems to support the transfer of leaving care functions from Barnardo's to the Council on 1 October 2018. This involved an assessment of risk within the payment system for young people including security and safe cash handling. We will remain engaged with the team to assess and support how these controls are adopted in the short term and any opportunity for improvements. The Director of Children's Services has also requested some further Internal Audit assurance in this area which we will seek to accommodate as part of ongoing audit risk assessment and planning.
- 6.7 Software licensing was finalised in the quarter and provided limited assurance overall. We identified areas for improvement primarily in governance arrangements, but also in understanding the ICT application environment, and addressing identified areas of non-compliance. In particular the audit noted that current software licensing management capability and resource levels were insufficient, considering the amount of work required to achieve a baseline software licensing compliance position. The audit recommended development of a formal IT asset management policy, documentation of core software licensing processes and acquisition or development of a dedicated software asset management tool. Prior to agreeing management responses we had scheduled a follow up review for 2018/19, but based on the agreed timeline for actions we have decided to defer this work to early in the 2019/20 audit programme. This is an area that ICT leadership had acknowledged as

requiring improvement and is reflected in their own reporting of risks as reported to and overseen by the ICT Board.

- 6.8 Positive progress in the development of ICT disaster recovery / aversion arrangements has progressed, as has been reported to Audit Committee. A final business case for the development of network infrastructure is being finalised as the third key aspect of the improvement programme. Internal Audit attended a site visit to one of the new twin data centres and are engaged in the Programme Steering Group so will remain close to this work as it continues over the remainder of the year.
- 6.9 In conjunction with Finance and the Shared Service Centre, Internal Audit have commissioned an external partner to review records of standard supplier payments. This work has been procured as part of an AGMA contract and is designed primarily to identify any overpayments to suppliers or unclaimed credit notes. The firm will manage the associated recovery process using data analytics and return funds to the Council on a 'no find, no fee' basis. This work is expected to begin in October 2018.
- 6.10 We are working with the Council's new external auditor, Mazars to understand their expectations and requirements. This will include a review of our strategy and approach to Core Financial Systems auditing to ensure it remains appropriate. While we remain confident that our plans are risk based and resources focused accordingly, we have asked for confirmation that they can place any necessary reliance on our work based on the process in place. We are also working with Mazars' ICT team to coordinate our assurance work in this area and maximise the benefits of our respective work over core ICT and finance controls.

7 Growth and Neighbourhoods; and Strategic Development

- 7.1 A review was undertaken into concerns raised with Internal Audit over highways contracts and non-contract spend. This did confirm some areas that needed further focus and the Director is personally overseeing the response to recommendations made. Part of the response will come through a new Highways Improvement Board chaired by the Deputy Chief Executive that is overseeing a range of service development and improvement activities across the Service and will help focus corporate support functions to assist the Director and his team to accelerate actions required across a range of areas including ICT, processes, contracts, governance and finance.
- 7.2 We completed two grant certifications for the Disabled Facilities Core Grant and Top Up Grant totalling £7.1m. Both these reviews confirmed that all expenditure incurred under the grant was classified as eligible. In addition, we completed the grant certification of two grants received from the GM Combined Authority, which were the Highways Local Transport Capital Block (Pot Hole Action Fund) and the Cycle City Ambition Grant 2017/18. Both these reviews confirmed that all expenditure incurred under the grant was classified as eligible.

8 Procurement, Contracts and Commissioning

- 8.1 The audit of Insurance Arrangements in Contracts was a focused review to provide assurance over the controls in place across the Council's contract portfolio to ensure sufficient cover was being maintained by contractors throughout the life of contracts. Overall we were only able to provide a limited level of assurance over the arrangements in place as contract managers did not consistently check appropriate levels of insurance were in place across the life of the contract and some were not fully aware of the expected levels and types of insurance that should be in place. There was also an over reliance on Corporate Procurement to undertake checks when in fact responsibility for this once the contract was awarded transfers to the relevant contract manager. Implementation of a recommendation in relation to defining contract managers' responsibilities around insurance cover within contracts will be achieved through the revision of contract documents and guidance and through the provision of training organised by Integrated Commissioning. This topic was highlighted in the regular contracts and commissioning bulletin that has been developed by Strategic Commissioning and has been issued to contract managers and other relevant officers across the Council
- 8.2 We provided a limited level of assurance over the processes in place for ensuring the Council's contractual suppliers had whistleblowing arrangements in place. Although the overall impact to the Council is likely to be limited with the main risk being reputational damage (as opposed to financial or operational risks) we were unable to provide a higher level of assurance due to the lack of knowledge amongst contract managers and the absence of an assurance mechanism to confirm arrangements. Recommendations to ensure the inclusion of contract managers' whistleblowing responsibilities in forthcoming training to contract managers and the amendment of the Council's standard terms and conditions to include requirements over whistleblowing will strengthen control. This is an area we will consider further as part of the planned communication and training in respect of whistleblowing arrangements and support commissioned from Protect (formerly Public Concern at Work) being delivered in quarter three.
- 8.3 For the Factory Project we provided a moderate assurance following the strengthening of the governance framework since our initial review. Decision making within the governance structure had not been fully defined and given that the project involves staff from a number of organisations with varying and occasionally conflicting levels of interest, clarity over the decision making rights of each organisation was recommended. In light of the number of bodies represented on the Board we also recommended the review of quorum requirements to include the need for at least one of the key members of the project team to be present in order for the meeting to be quorate. Further work has been requested by the SRO to be completed in year and will include a review of financial reporting arrangements
- 8.4 Terms of Reference for an audit of Social Value: Management and Monitoring have been finalised and this work will start in quarter three. It is recognised by management across the Council that more work is required to ensure

consistency of approach and the aim of this audit is to identify not just areas for improvement but to promote the positive practice we are aware of in a number of services. For example we have been recently working with the Our Town Hall Team in reviewing the approach to develop an incentive payment mechanism for the project that places a clear emphasis on a range of social value benefits, as well as the delivery of the programme to cost, quality and time standards. This will be one area we will review further to obtain assurance over how the monitoring of this contract and the realisation of social value benefits will be achieved.

9 Counter-Fraud and Investigations

- 9.1 Counter fraud work continued through a programme of proactive and reactive activity. Fuller details are provided in the Annual Counter Fraud report but key activity in the quarter was as follows.

Proactive

- 9.2 Work continued to finalise arrangements for the introduction of an e-learning tool as part of a wider programme of counter fraud training to promote both staff and Member awareness of fraud risk. This is due to go live during quarter three and we have agreed an approach with the Communications Team to ensure that awareness of this training and of the latest counter fraud policies is promoted across the Council.
- 9.3 Council Counter Fraud Policies have been reviewed and refreshed to ensure that they remain relevant and up to date. These include a new Criminal Facilitation of Tax Evasion Policy that we have drafted and is being finalised with colleagues in Legal Services. This policy responds to requirements set out in the Criminal Finances Act 2017 to ensure that the Council has appropriate mechanisms in place to prevent and detect risks of tax evasion. These new and refreshed policies will be presented to Audit Committee for oversight and approval in December.
- 9.4 A training event provided by whistleblowing charity Protect (formally Public Concern at Work) was attended by officers from the Counter Fraud Team and Human Resources in August. A further event is being delivered to officers from Internal Audit, Human Resources and Legal Services, from Manchester as well as Bolton Council and the GMCA, during October. This will help consolidate knowledge, strengthen consistency of approach and enhance the understanding of officers who play a key role in identifying and dealing with whistleblowing concerns. Linked to this a new confidential advice line for whistleblowers has now been introduced. This service has been procured from Protect who provide independent legal advice for staff wishing to raise a concern. The Council-wide promotion of this service to all staff will form part of the communications planned for quarter three.

Reactive

- 9.5 Internal Audit continued to address reported allegations of fraud or

wrongdoing following risk assessment and consideration of appropriate action. Steps to investigate were taken by Internal Audit, service management or through the application of other policies, such as corporate complaints or dispute resolution, as appropriate. In all cases Internal Audit retained an overview of the approach and outcome of investigations. The two main areas of casework and key issues arising in the period are set out below.

Corporate Cases

- 9.6 Internal Audit received 18 referrals of potential corporate fraud, theft or other irregularity in the second quarter; seven of these were considered whistleblowing allegations made either anonymously or from a named source and were handled under the Council's Whistleblowing Policy and Procedure. These have been triaged, assigned and are being progressed.
- 9.7 Some of these have proven complex and have required a significant amount of audit time in the first half of the year. These include concerns raised in respect of staff compliance with organisational policies and procedures; issues raised in respect of schools; staff conduct and behaviours; contracts and contractors; and third party organisations. Progress updates and final reports are issued to the Chief Executive, City Solicitor, City Treasurer and Director of HROD and summary details will be provided to Audit Committee in 2019 as part of the Annual Counter Fraud Report.

Council Tax Reduction Scheme, Housing Tenancy and Right to Buy

- 9.8 A total of 32 new referrals of fraud and irregularity in relation to Council Tax Support, Housing Tenancy Fraud and Right to Buy application fraud were received during the period June to September 2018.
- 9.9 In terms of outcomes during the quarter, the key points include:
- The Council is able to recover £1,806 of Council Tax Reduction overpayments.
 - £7,218 of wider public sector benefits, including Council Tax Benefit, Single Adult Discount, Housing Benefit and Discretionary Housing Payments has been identified as recoverable.
 - Investigation work has prevented four fraudulent applications for Right-to-Buy discount with a total value of £42,110 from being awarded.
 - Keys have been returned in relation to three properties, where it was alleged tenants were illegally subletting property. Notional value of savings is £36,000.

10 Recommendation Implementation

- 10.1 Internal Audit monitored implementation of recommendations, engaging with managers to assess exposure to risk in areas where actions remained outstanding and to explore options for mitigation of risk. Overdue recommendations are reported in more detail to Strategic Directors and Executive Members for consideration at six and nine months overdue as

necessary. A separate report to Audit Committee provides details of the progress and actions to implement overdue high priority recommendations.

- 10.2 The number of critical, major or significant priority recommendations fully implemented was 54% with a further 20% partially implemented. This a slight reduction on 60% implemented and 18% partially implemented as reported to Audit Committee in July 2018.
- 10.3 The figures below show the total number of recommendations due for implementation and status of those recommendations at the end of September 2018 based on information and evidence at that time. There are a larger number of recommendations outstanding than in July but we can report that progress continues to be made and managers are generally engaged in the implementation process.

Critical, Major or Significant Priority Recommendations by Directorate

Directorate	Number	Implemented	Partially Implemented	Referred Back to the Business	Outstanding
Corporate Core	34	16	7	5	6
Children's Services	18	10	4	0	4
Adult Services	13	6	5	0	2
Growth/Neighbourhoods	22	16	1	0	5
Total	87	48	17	5	17
		54%	20%	6%	20%



11. Recommendation




- 11.1 Members are requested to consider and comment on the Internal Audit Assurance Progress Report to 30 September 2018.

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Appendix One: Audit Status, Opinions and Capacity to Improve (where assessed)






Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Childrens Services			
Troubled Families Validation of Performance Data 2017/18	Final	Moderate ●	Medium
Early Help 2017/18	Final	Moderate ●	Medium
Children Missing from Home or Care 2017/18	Final	Moderate ●	Medium
MASH follow up 2017/18	Final	Limited ●	Medium
Early Years 30 Hours Funding	Final	Limited ●	Not Set
Troubled Families Follow Up	Final	Not applicable	
Risk Management (Children's)	Planning	Set at draft	Set at final
Supervisions and Management			
Assessed and Supported Year in Employment (AYSE) compliance			
Planning for Permanence	Not started		
Protect / Complex Safeguarding			
Getting to Good Plan			
Education, Skills and Schools			
Penalty Notices for Unauthorised Absence (Schools)	Draft	Moderate ●	Set at final
Thematic School Audit: Procurement	Fieldwork Complete	Set at draft	
Thematic School Audit: Cash	Fieldwork In progress		
Special Educational Needs	Not Started		
Off Rolling of Pupils			

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve				
Annual Schools Financial Value Standard (SFVS) Return 2019							
Adults							
Manchester Health and Care Commissioning: Governance Arrangements 2017/18	Draft	Moderate 	Set at final				
Manchester Health and Care Commissioning: Operational Plan 2017/18	Final	Substantial 	Not set				
Support to MHCC and LCO Assurance Framework Development	Fieldwork: Ongoing Advice and Guidance						
Management Oversight and Supervision	Fieldwork Started	Set at Draft	Set at Final				
Mental Health Casework Compliance							
Mental Health Panels	Planning			Set at Draft	Set at Final		
Transitions: Follow Up							
Risk Management (Adults)							
Adult Social Care – Resource Allocation System and Panel Decision Making	Not Started					Set at Draft	Set at Final
Supported Accommodation Quality Assurance Framework: Follow Up							
Client Financial Services: Pre Paid Cards							
Quality Assurance Framework							
Homelessness Reduction Act compliance							
Manchester Service for Independent Living (MSIL)							
Local Care Organisation: Delivery Assurance							
Adults Social Care Panels (RAS)							
MHCC Financial Framework Compliance							
MHCC Financial Sustainability Plan Delivery							

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Core			
IR35 Compliance – Advice & Guidance 2017/18	Final	Not Set	
Disclosure & Barring Service 2017/18	Final	Moderate 	N/A
Grant Certifications - Greater Manchester Pension Fund	Final	Certified 	N/A
Payroll Continuous Auditing – Quarter One	Final	Not Set	
Core Systems - Payments (Purchase Cards)	Final	Moderate 	High
Grant Certifications – Arts Council Factory Project 2017/18	Final	Not Set	
Grant Certifications - Growth Deal	Final		
Grant Certifications - Carbon Reduction Commitment	Final		
Grant Certifications - URBACT III (Claim Q2)	Final		
Payroll Continuous Auditing - Q2	Draft	Set at draft Set at final	
Overtime: Compliance	Fieldwork Started		
Our Town Hall: Decant and Disposal (Portable Assets)	Fieldwork Started		
Housing Revenue Account - Financial Administration	Planning		
Core Finance Systems - Payments (SAP) BACS			
Risk Management (Core)			
Core Finance Systems - Revenue Budget Monitoring	Not Started		
Core Finance Systems - Benefits and Risk Based Verification			
Payroll Continuous Auditing - Q3			
Payroll Continuous Auditing - Q4			
Our Manchester Grants - Outcome Monitoring			

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Our Manchester - Performance Management Framework			
Annual Governance Statement			
Recruitment and Selection			
Capital Strategy			
Our Town Hall (Block)			
Grant Certifications - URBACT III (Claim Q4)			
Grant Certifications - Revolving Investments in Cities of Europe			
ICT and Information			
Liquidlogic – Data Migration & Testing (Phase 1) 2017/18	Final	Moderate ●	Not set
Application Audit – One System 2017/18	Final	Moderate ●	High
Application Audit – SAP 2017/18	Final	Moderate ●	Medium
Going Google 2017/18	Final	Position Statement	
PSN Code of Connection	Fieldwork started	Set at Draft	Set at Final
Liquidlogic and ContrOCC (Data Migration and User Acceptance Testing - system finalisation phase)	Planning		
Cyber Security			
Application Audit - GSuite			
GDPR - Post Implementation Compliance Review	Not Started		
Data Retention and Disposal			
Data Centre Replacement			
Mobile Connections: Follow Up			
Software Licensing: Follow Up	Deferred to 2019/20		
Growth and Neighbourhoods			

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Retail Market Income 2017/18	Final	Moderate 	High
Our Town Hall – Governance	Final	Position Statement	
Our Town Hall – Security	Final	Substantial 	Not Set
Risk Management (G&N)	Planning	Set at draft	Set at final
Leisure Contract Performance Management	Not Started		
Strategic Development			
Income and Debt Management: Investment Estate 2017/18	Final	Moderate 	High
Grant Certification – Disabled Facilities Grant	Final	Certified	Not Set
Risk Management (Strategic Dvt)	Planning	Set at draft	Set at final
Strategic Development Capital Project Health Checks and Payments	Not Started	Set at draft	Set at final
Northwards Programme and Project Health Check			
Highways			
Highways Pothole and Patching 2017/18	Final	Moderate 	Medium
Grants Certification - Cycle City	Certified	Not Set	
Grants Certification - Highways LTP Capital Maintenance			
Highways Capital - Project Health Checks and Payments	Not Started	Set at draft	Set at final
Highways Revenue Contracts - Award of Work/Monitoring Payments			
Grant Certification - Highways Maintenance Efficiency Grant			
Grants Certification - Highways Maintenance Grant (DFT)			
Grants Certification - Highways Local Pinch Point			
Procurement, Commissioning and Contracts			

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Contract Management – HROD	Final	Moderate 	High
Contract Management – Galleries	Final	Moderate 	High
Multi Links Commissioning – Advice and Guidance	Final	Not Set	
Contractor Insurance Arrangements	Final	Limited 	Medium
Contractor Whistleblowing Arrangements	Final	Limited 	Medium
Factory Project: Governance Arrangements	Fieldwork	Moderate 	High
Homecare Contract Follow Up	Fieldwork	Set at draft	Set at final
Corporate Contract Development Assurance and Advice	Fieldwork	Ongoing Advice and Guidance	
Assurance Mapping (Contracts)	Fieldwork	Set at draft	Set at final
Frameworks Contract Governance (including taxi framework)	Fieldwork		
Contract Management – Adults Services	Planning		
Social Value	Planning		
Procurement Fraud: Spend Review	Planning		
Contract Management – Children’s Services	Not Started		
Public Contracts Regulations Compliance	Q1 19/18	Proposed defer	

**Manchester City Council
Report for Information**

Report to: Audit Committee - 5 November 2018
Subject: Outstanding Audit Recommendations
Report of: City Treasurer / Head of Audit and Risk Management

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 current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

Recommendations

Audit Committee are asked to note the current process and position in respect of high priority Internal Audit recommendations.

Wards Affected: All

Contact Officers:

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Background documents (available for public inspection)

Documents used in the development of the assurance report include:

- Internal Audit Outturn Report 2017/18 (June 2018)
- Outstanding Audit Recommendations Reports to Audit Committee July 2018

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. Audit Committee have agreed to focus on agreed actions which had not been implemented within nine months of the due date. Where this is the case the relevant Strategic Director and Executive Member are to attend Audit Committee to explain the reasons for delay and to confirm proposed actions.
- 1.2 Details of progress on all individual outstanding recommendations are provided to Strategic Management, Executive Members and Audit Committee to enable oversight of progress to address exposure to risk. High priority represents those recommendations classified by Internal Audit as significant, major and critical and deadlines are those agreed with the business at the time of the audit. This report provides these details.
- 1.3 The report focuses solely on Internal Audit recommendations as there are currently no External Audit recommendations outstanding.

2 Process

- 2.1 Internal Audit follows up management actions agreed in response to high priority recommendations made in both internal audit and external audit reports. Management are asked to provide updates as actions are progressed and when completed and Internal Audit follows up formally at least quarterly to provide independent assurance that progress is being made. Management are required to provide evidence to support and confirm implementation to enable an assessment of sufficiency of actions taken. Internal Audit consider this evidence and may 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 Progress made in the implementation of agreed actions from audit reports is reported quarterly to Directorate Management Teams (DMTs), Senior Management Team (SMT) and Audit Committee. For any high priority recommendations over six months old Executive Members are notified for information. At nine months overdue, Strategic Directors are required to attend Audit Committee with the relevant Executive Member to explain the position and any actions being proposed to address or accept the reported risks.
- 2.3 If recommendations are not implemented within 12 months of their due date and subject to any additional requirements or actions agreed by Audit Committee, Internal Audit refer the risks back to Strategic Directors to consider as part of their own assurance risk assessment.
- 2.4 Strategic Director assurance over the implementation of recommendations is also obtained as part of annual governance statement questionnaires completed by all Heads of Service, the results of which are summarised in the Council's Annual Governance Statement.

3 Current Implementation Position

3.1 The position in terms of high priority internal audit recommendations is summarised below and provided in more detail in the appendices attached to this report.

Implemented Recommendations (Appendix 1)

3.2 Since the last update in July 2018 Internal Audit has confirmed that there have been eight high priority recommendations implemented in seven audits as follows:

- Income and Debt Management: Investment Estate (1)
- North West Foster Care Framework Contract Monitoring Review (1)
- Multi Agency Safeguarding Hub (2)
- Homecare Services Contract Management (1)
- Social Transport: Contract Management (1)
- Information Governance in Schools (1)
- Data Analysis: Mobile Devices Billing and Usage (1)

Outstanding Recommendations

3.3 In total 24 recommendations in 14 audit reports are currently overdue past the agreed implementation dates as follows:

- 5 recommendations have been outstanding over nine months
- 2 recommendation is six to nine months overdue
- 17 recommendations are between one and six months overdue

3.4 Internal Audit has provided updates on the status of all recommendations where appropriate in the latest DMT assurance reports or in correspondence and continue to liaise with management to establish progress and evidence of implementation.

Overdue More than Nine Months (Appendix 2)

3.5 There are three audits where five recommendations have reached nine months or more overdue.

3.6 On Events Management two actions have been partially implemented with revised timescales set for implementation by the end of November 2018. Management have advised this has been a consequence of pressing deadlines for the delivery of the events programme of the Summer of 2018. The Chief Operating Officer (Neighbourhoods) will attend the Committee to provide an update on actions being taken in response to these recommendations.

3.7 The Deputy Director of Children's Services provided an update to Audit Committee in July. For the North West Foster Care Framework Contract

Monitoring Review one recommendation remains partially implemented and for the Multi Agency Safeguarding Hub two are partially implemented. Further Internal Audit review is planned in November to confirm progress made in responding to risks in these reports. It is hoped that this will provide sufficient assurance for the agreed actions to be confirmed as complete. An updated position will be reported to Audit Committee in January 2019.

Overdue for 6 – 9 months (Appendix 3)

- 3.8 Two recommendations have been overdue for between six and nine months in two reports.
- Expenses: Compliance (1, partially implemented)
 - Data Analysis: Mobile Devices Billing and Usage (1 partially implemented)

Overdue less than 6 months (Appendix 4)

- 3.9 17 recommendations have been overdue for between one and six months in nine audit reports. Some of these reports also include additional recommendations which have not yet fallen due or include moderate risk recommendations and all have agreed action plans. These continue to be a focus of Internal Audit monitoring and some have only recently become overdue. The recommendations are all shown in appendix four and relate to the following reports:
- Retail Markets (1)
 - Art Gallery Contract Management (4)
 - Contract Creation and Formalisation (1 partially implemented)
 - Homecare Service Contract Management (1 partially implemented)
 - HROD Contract Management (2 partially implemented)
 - SAP Expenditure Approval (1, partially implemented)
 - IR35: Compliance Audit (2, both partially implemented)
 - ICT Software Licensing (1)
 - Liquidlogic: Data Migration and Testing, Phase 1 (4)

4 Recommendations

- 4.1 Audit Committee are asked 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
Income and Debt Management: Investment Estate 22 May 2018	30 June 2018	The Group Finance Lead should introduce a timetable for the review of aged debt and completion of associated write off activity as appropriate. In our view this should take place quarterly. All supporting documentation and reasons behind the write offs should be then stored securely in the shared drive for future reference purposes.	The Development Manager will request that Jacobs set out a programme for the reduction of aged debt. This will consider the write off of small long standing debts where the cost of recovery would be greater than the sums received or there is no chance of recovery. The response as to how the remaining debts should be dealt with will be considered by the Development Manager, in consultation with Jacobs and the Group Finance Lead on a case by case basis. The effectiveness of debt management will be discussed at the regular working groups held with Jacobs and with Finance at monthly finance meetings.	A joint approach between the Council and Jacobs has been adopted to reduce levels of aged debt. This is being tracked through a spreadsheet and shows significant reductions in the amount of aged debt and the proportion of total debt it represents. Internal Audit opinion: Implemented	No further action required.
North West Foster Care Framework – Contract Monitoring Review 25 January 2017	30 March 2017	Management must validate the accuracy of all existing placement charges to identify the extent of discrepancies and potential over/under charging. Identified overpayments should be taken up with the Provider to recover overpaid amounts and ensure the correct chargeable rate is applied.	Review has already commenced in the application of discounts and savings proposals. 700 lines of enquiry 500 already completed. To agree robust process with finance	Action to address the recommendation has progressed including the confirmation that all open placement fees are accurate. The review identified a small net overpayment of £186 out of a total weekly payment of over £300k. Investigation of these variances was ongoing with focus on the larger overpayments and ensuring correction of these. An improved system to monitor the accuracy of charges was being designed. While this was a highly manual process efforts were being made to automate as much of the process as possible. Data	No further action required.

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				<p>cleansing along with developments planned in the finance and care systems should help to flag variances and minimise the risks of errors.</p> <p>We consider that whilst this remains a highly resource intensive process and efforts will have to continue to be made to review payments, the actions taken have been sufficient to confirm this recommendation as having been implemented.</p> <p>Internal Audit opinion: Implemented</p>	
<p>Multi Agency Safeguarding Hub – Referrals and Enquiries: Compliance Audit</p> <p>19 September 2017</p>	<p>30 Sept 2017</p>	<p>The MASH Operations Manager should ensure that the guidance notes and flow-chart are updated and combined into a single MASH procedural document that clearly sets out service delivery objectives and procedures / a strategy for achieving these.</p> <p>This should include expected timescales for screening, and for MASH Enquiry and Single Agency Response decisions, and whether these vary by RAG rating. The procedure should be clear as to whether the timescales are inclusive of non-working hours, and how these related to the overall 'one working day' target.</p>	<p>Procedures updated. Development workshop with MASH partners 24th August to agree changes to MOU.</p>	<p>The Memorandum of Understanding (MOU) was revised and we confirmed that it broadly defines the structure, governance, desired outcomes, and core principles of the MASH. Following our second round of fieldwork, we recommended that this be further developed into more detailed procedures to aid consistency of approach and workflow across the MASH, and the MOU was updated again in July 2018. In this most recent version, we confirmed that some of the inconsistencies and out-of-date elements that we had identified have been corrected, and more detail on the mapping process for single agency responses has been included.</p> <p>The new MASH Operations Manager and the Social Work Consultant are</p>	<p>No further action required.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				<p>now working on a set of Practice Standards, to be in place by the end of September 2018, to guide operational expectations and to support consistency of practice.</p> <p>Internal Audit Opinion: Implemented</p>	
<p>Multi Agency Safeguarding Hub – Referrals and Enquiries: Compliance Audit</p> <p>19 September 2017</p>	<p>30 Sept 2017</p>	<p>The MASH Operations Manager should ensure that the Performance Dashboard is amended to show:</p> <ul style="list-style-type: none"> • overall end-to-end timeliness of cases (time elapsed in the Contact Centre plus time elapsed in the MASH); • the target (i.e. 24 consecutive hours, excluding weekends); • the percentage meeting / not meeting the target. 	<p>MASH dashboard amended and reports monthly to MASH Strategic Board and Children's Services Performance Clinic chaired by Deputy Director.</p>	<p>As of the time of our follow-up fieldwork, the Dashboard was still displaying timeliness within the MASH only, rather than overall end-to-end timeliness. After receiving our feedback, a new report showing end-to-end timeliness was added to the Dashboard.</p> <p>It now shows the number of referrals completed in 24 hours, 24-48 hours, 48-72 hours, 72-100 hours, 100-150 hours and over 150 hours. We have provided some further comments on this chart to make overall performance against the 24-hour target clearer to aid management in the review and monitoring of performance.</p> <p>We confirmed that the performance data is being calculated on the basis of 24 hours, excluding weekends and bank holidays. The end-point being used in the calculations for most referrals is the social worker's sign-off rather than the manager's approval date/time; this generally will not have a huge impact on results, but should</p>	<p>No further action required.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				<p>still be corrected to ensure consistency and accuracy.</p> <p>Subject to these minor changes being addressed, we consider the actions taken to be sufficient to confirm the original agreed actions.</p> <p>Internal Audit Opinion: Implemented</p>	
<p>Homecare Services – Contract Management</p> <p>7 March 2018</p>	<p>30 April 2018</p>	<p>The Commissioning Manager should ensure that clearly defined, risk-based monitoring is planned and undertaken for all service providers.</p> <p>The following could be considered as part of this:</p> <ul style="list-style-type: none"> • The incorporation of commissioned hours or approximate spend into the risk log to help inform and tailor monitoring. • Low level monitoring for providers with ISF agreements where the Council pays for the service to ensure that minimum standards are in place. For example annual confirmation of insurance and CQC registration details. • Monitoring of high risk suppliers through the introduction of more detailed assurance work which may involve: scheduled interviews with provider care staff; shadowing visits; contacting service users to gain their views of services; or reviewing care records from a sample of service users' files. 	<p>The ISF providers where MCC pays the providers will have a yearly system check to include registration, insurance etc.</p> <p>The Quality assurance of MCC providers is currently being established now the team works as part of MHCC, the intention is to pilot new ways of quality assurance with some providers from April 18.</p>	<p>New monitoring tools were being rolled out across the Homecare portfolio and it was expected that all providers will be completed under the new system by the end of quarter four. Copies of the new audit tool and the service action plan which is monitoring implementation of the new tools were provided and we considered that they better meet the needs of the service in line with the recommendation.</p> <p>Other developments include the design of a new self-assessment form for those suppliers with a CQC rating of good or above which demonstrates a more risk based approach to the monitoring of providers. The service has also undertaken work to map all CQC assessments and ratings for providers to help identify trends in assessment rating and to assist with forward planning of assessments to allow them to be undertaken ahead of CQC visits providing additional support to the provider and market as well as providing assurance over the service.</p>	<p>No further action required.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				Internal Audit Opinion: Implemented	
Social Transport – Contract Management 11 January 2018	31 March 2018	<p>The Business Service Manager – Travel Co-ordination Unit should implement a method for bringing together the records regarding suppliers performance, this may be through the integration of the current documents or the use of a summary document which pulls information from the other files.</p> <p>This summary information could then be used to determine which suppliers present the highest risks to the service so that those risks can be managed accordingly. This would also help to highlight areas where a lack of monitoring had taken place, e.g. a supplier for whom no spot checks had taken place over a six month period.</p> <p>Once the above has been implemented the Business Service Manager should be able to easily add further information to the report provided to senior management around supplier risks and performance management work undertaken in order to provide assurance that these risks are being managed.</p>	<p>Redesign of roles and wider review of Service to support capacity building and creation of additional role which would support effective operator monitoring across and decision making across the service.</p> <p>Review and redesign/assimilation of current doc's as identified to better inform of contract monitoring. Identifying issues and action plans for partnership working with operators to resolve identified issues/gaps enabling solutions to be identified and planned termly.</p>	<p>While the restructure is ongoing the team have addressed the recommendation requirements by reorganising their approach to filing and storing performance information. This should allow the business manager to pull the information together quickly and assess whether there are patterns of concern which need to be addressed with the individual operators.</p> <p>Internal Audit Opinion: Implemented</p>	No further action required.

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
<p>Information Governance in Schools – Thematic Audit</p> <p>13 April 2018</p>	<p>30 June 2018</p>	<p>We recommend that the Director of Education lead a workshop involving staff from Education, Information Governance, ICT, and Internal Audit, to determine and agree on actions to further support schools in their management of information. Drawing on the results from our audit work, the workshop should focus on some of the Red and Amber risks identified; in particular:</p> <ul style="list-style-type: none"> • advising schools on the Data Protection Policy, either by developing a model Policy or by recommending an external template Policy, to ensure comprehensive and accurate procedural guidance and coverage of all required areas, including new GDPR requirements; • options for providing or recommending Information Governance training to schools; • providing guidance on identifying, reporting and acting upon breaches, including clear direction on who within the Council should be notified following a breach; and, • additional advice and guidance that the Council could provide around GDPR-preparedness, such as regular sign-posting to ICO publications. 	<p>Initial meeting to be set up as recommended to agree approach.</p>	<p>A joint offer from Manchester and Bolton to provide a Data Protection Officer service to schools on a fee basis went live on 1 September. Currently 100 schools across the two councils have confirmed sign up to the service. Recruitment activity is underway for three additional staff.</p> <p>The Director of Education confirmed and we have seen evidence of working with teams across the Authority including Legal, Children's Services and other departments where necessary to support schools around information governance. This includes termly briefings and written information such as circular letters and governors newsletters. This has included signposting to published information from sources such as the ICO and DfE.</p> <p>Internal Audit Opinion: Implemented</p>	<p>No further action required.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
<p>Data Analysis: Mobile Devices Billing and Usage</p> <p>31 October 2017</p>	<p>31 March 2018</p>	<p>The joiner, mover and leaver (JML) processes need to be reviewed to ensure that they capture potential changes in mobile device ownership, and that the ICT Service Delivery Team is informed of these.</p> <p>The findings for this report required a coordinated approach from various elements of the Council to address them. Internal Audit facilitated a workshop for relevant officers (including those from ICT, HROD, and Finance) to produce and agree the management response to address the issue. As such this recommendation was accepted in principle with an agreed commitment to establish a workshop and agree a way forward by March 2018.</p>	<p>As the issues identified in this report are just one aspect of the JML process that needs amending it was agreed that HROD would lead a group developing an improved JML process in order to address these issues.</p> <p>As well as HROD this group needs to include representation from key stakeholders including City Solicitors, the Shared Service Centre, and Finance.</p>	<p>The project team has met to identify issues within existing processes and smaller work groups have been established to review various aspects of the JML process and agree actions to address them.</p> <p>Whilst the risks identified in the audit are in the process of being addressed, the agreed recommendations was completed.</p> <p>Internal Audit plan to carry out a follow up review in this area in 2018/19 and will assess the effectiveness of action taken at that time.</p> <p>Internal Audit Opinion: Implemented</p>	<p>Follow Up Audit 2018/19 Quarter Four</p>

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Appendix 2 – Recommendations Over 9 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
North West Foster Care Framework – Contract Monitoring Review 25 January 2017	30 June 2017	Management should review the current risk evaluation process which is used to drive provider monitoring visits. In reviewing the current approach this should seek to ensure the following is taken into account: <ul style="list-style-type: none"> • Number of placements and value of spend; • Criteria, including related assurance activity, including sources of intelligence and information received through care workers, other Contracted Local Authorities (CLA) or Placements North West; • ‘Joined up’ assurance - Clarifying the role of Placements North West / other CLAs to determine their approach to monitoring. • Management quality assurance reviews of ratings assigned to Providers to ensure consistency across the team; • Maintaining of evidence to support the basis for risk ratings; • Expectations over the type and frequency of contact with a Provider." 	To hold a risk workshop with support from Internal Risk. To develop assessment of risk based on agreed criteria taking into account audit recommendations. Agree standard expectations for provider visits. To ensure that the process is joined up with Looked After Children (LAC) reviews. To collaborate with other Local Authorities and Placements North West.	The Deputy Director updated Audit Committee in September 2018 that the current proposed approach focuses on combining key contract information available to the Council and supplier self-assessment. This information will be collated and risk rated to determine whether further officer visits are required to suppliers. The templates to support this have been created and will be employed. Provider visits had been taking place already based on previous risk ratings of suppliers. Internal Audit support this approach and once satisfied it is in use and sustained the recommendation will be considered implemented. We are due to meet with the service for an update in November 2018. Internal Audit Opinion: Partially implemented	Director: Paul Marshall, Director of Children’s Services Executive Member: Councillor G Bridges and Councillor C Ollerhead Status: Sixteen months overdue in part Action: Service to provide evidence to Internal Audit of provider visits and use of the portfolio management tool and templates in practice. Meeting agreed for November 2018 to confirm implementation.
Events	30 Sept	The Head of Events should liaise	The Head of Events has	The Event Strategy has been drafted	Director: Fiona Worrall,

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Management 10 February 2017	2017	<p>with relevant stakeholders to review and update the current Council strategy for events management. We consider the strategy should:</p> <ul style="list-style-type: none"> • Set out a Council vision for events and key strategic objectives; • Establish how event objectives will be met, including event funding, application, management and performance evaluation, in accordance with best practice; • Set key performance indicators and targets; and • Outline relevant monitoring arrangements. 	<p>already commissioned work to inform the development of the Events Strategy. The Head of Events will see this work through to completion and will liaise with relevant stakeholders to review and update the strategy for events management.</p>	<p>and is under review by management and consultation is taking place with members. The target is to have this completed by end of October 2018 to report to the Communities and Equalities Scrutiny Committee in November 2018.</p> <p>Internal Audit Opinion: Partially Implemented</p>	<p>Chief Operating Officer for Neighbourhoods</p> <p>Executive Member: Councillor Rahman</p> <p>Status: 13 Months Overdue</p> <p>Action: COO to attend Audit Committee to provide update on progress and reasons for slippage in agreed actions.</p>
Events Management 10 February 2017	30 Sept 2017	<p>The Head of Events, in conjunction with colleagues from Corporate Procurement should review the existing approach to procuring suppliers and services in relation to events. This should include;</p> <ul style="list-style-type: none"> • Consideration of the most appropriate procurement method to meet service objectives including bringing some areas of expenditure under contract or framework agreement; • Analysis of total value expenditure with existing providers to identify related spend; and <p>Reduced dependency on waiver exemptions (only to be used in exceptional circumstances).</p>	<p>The Head of Events, in conjunction with colleagues from Corporate Procurement will review the existing approach to procuring suppliers and services in relation to events.</p>	<p>We are aware that the Events Team delivered an intensive major events programme on behalf of the City that utilised surplus capacity from mid-April to the end of June. This delayed addressing this recommendation.</p> <p>The service has now completed the specification, which is in final consultation with Corporate Procurement before it is issued to the market. Tender responses are timetabled to enable evaluation of submissions in December 2018 (and subsequent award thereafter).</p> <p>Internal Audit Opinion: Partially Implemented. Implementing this recommendation will address two identified risks.</p>	<p>Director: Fiona Worrall, Chief Operating Officer for Neighbourhoods</p> <p>Executive Member: Councillor Rahman</p> <p>Status: 13 Months Overdue</p> <p>Action: COO to attend Audit Committee to provide update on progress and reasons for slippage in agreed actions.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
<p>Multi Agency Safeguarding Hub – Referrals and Enquiries: Compliance Audit</p> <p>19 September 2017</p>	<p>30 Sept 2017</p>	<p>The MASH Operations Manager should ensure that the consent fields in the MiCare Contact Centre Information episode and in the Screening Social Worker Decision page of the Contact Screening episode are mandatory. If the consent field is answered 'no', the free-text justification field should then be mandatory. The MASH Operations Manager should ensure that Screening Social Workers review the reasons for no consent before proceeding, to ensure that the justifications provided for over-riding consent are in line with the Consent Policy.</p>	<p>Consent Policy revised and shared with all MASH staff. Monthly audits by MASH team managers are evidencing improvements. Application of consent policy will be tracked via monthly partner audit activity.</p>	<p>The original recommendation to make the consent fields mandatory was not possible in MiCare, so we accepted management's proposed alternative to monitor compliance with the Consent Policy via monthly audits.</p> <p>However, we are not satisfied that either of the two audit tools in use are effectively monitoring application of the consent policy due to confusing wording and a lack of descriptors, and further testing did not confirm substantive improvement in consent.</p> <p>We have been told that the audit tools are being redesigned to aid reviewers in the assessment of compliance with the Consent Policy. This is planned for completion by the end of October 2018.</p> <p>Internal Audit Opinion : Partially Implemented</p>	<p>Director: Paul Marshall, Strategic Director of Children's Services</p> <p>Executive Member: Councillor Bridges</p> <p>Status: 13 months overdue</p> <p>Action: Management to confirm assurance to Internal Audit by end of October 2018</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
<p>Multi Agency Safeguarding Hub – Referrals and Enquiries: Compliance Audit</p> <p>19 September 2017</p>	<p>30 Sept 2017</p>	<p>The MASH Operations Manager should ensure that criteria are defined for the circumstances under which a longer assessment period may be appropriate, or (if such circumstances are too varied) that there is a request / management approval process. A mechanism should be introduced to identify / flag these referrals as such in order to monitor timeliness of these cases separately.</p> <p>Overall timeliness of the process should continue to be monitored by the MASH Board and MASH Managers, subject to the revisions recommended below in 4.1.</p>	<p>Procedures to be updated to reflect timescales for referrals requiring an immediate, 24-hour, or 72-hour response. Performance will be monitored via monthly Children’s performance clinics, the MASH Operational Group, and the MASH Strategic Partnership Board. Daily tracking is in place via team managers to monitor timeliness.</p>	<p>The original agreed action to formally define which types of referrals may exceed 24 hours was not agreed by Senior Management. The MOU therefore not updated and 24 hours remains the official target for all referrals. Performance data shows that only around 50 percent of referrals are completed within 24 hours (including time elapsed in the Contact Centre) each month.</p> <p>Management repeatedly expressed confidence that the triage process ensures that the highest urgency cases were prioritised and completed within the target time, but no stratified performance measures by risk level had been created to provide this demonstrable level of assurance.</p> <p>The MASH now manually record all referrals that progress to a Strategy Discussion and the MASH Operations Manager carries out dip-testing to assess timeliness reported in the Performance Dashboard. This was done for May and June 2018, but due to changes in staffing, was not completed in July.</p> <p>We accept this approach as offering some assurance over timeliness, but this needs to be further embedded. We have offered advice on changes to the way results of the dip-testing</p>	<p>Director: Paul Marshall, Strategic Director of Children’s Services</p> <p>Executive Member: Councillor Bridges</p> <p>Status: 13 months overdue</p> <p>Action: The MASH Operations Manager should continue to carry out manual dip-testing to confirm the timeliness of referrals that go to a Strategy Discussion, and report the results of this testing. Management to confirm assurance that this dip testing has been completed and reported to Internal Audit by end of October 2018.</p> <p>Management should ensure that the design and implementation of Liquid Logic includes population timeliness reporting.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				<p>are reported to more clearly show the depth of the testing.</p> <p>Internal Audit Opinion: Partially Implemented</p>	

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Appendix 3 – Recommendations 6-9 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
<p>Expenses: Compliance Audit</p> <p>22 August 2017</p>	<p>30 April 2018</p>	<p>The Head of Organisation Development should ensure that there are training opportunities in place to make managers aware of key aspects of expenses policy and procedure. This should consider any required amendments following the implementation of MiPeople, including claimant retention of supporting evidence. All employees and managers should be made aware of any changes to the arrangements for dealing with expenses, and updated policies and procedures should be documented.</p>	<p>Financial training for managers is currently being developed, which will include some content on the roles and responsibilities of managers around the approval of expenses. The Management Induction programme will also include this area. In addition, HR Business Partners will cascade this recommendation through Directorate Management Teams. This will be set in the context of broader corporate work to emphasise the roles and accountabilities of managers.</p>	<p>Draft training material has been developed and feedback from the Directorate Head of Finance has been incorporated into its content. However, production of the final training material has been delayed owing to a planned SAP upgrade.</p> <p>This is now anticipated to be completed in mid-November.</p> <p>Internal Audit Opinion: Partially implemented</p>	<p>Director: Lynne Ridsdale, Director of HROD</p> <p>Executive Member: Councillor Ollerhead</p> <p>Status: Six months overdue</p> <p>Action: Letter issued to Director and Executive Member to confirm requirement to attend Audit Committee if agreed actions are not completed at nine months.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
<p>Data Analysis: Mobile Devices Billing and Usage</p> <p>31 October 2017</p>	<p>31 March 2018</p>	<p>ICT should ensure that online billing management data accurately reflects the ownership of mobile device connections (as notified to them).</p> <p>ICT should agree a process to terminate unused connections.</p> <p>The findings for this report required a coordinated approach from various elements of the Council to address them. Internal Audit facilitated a workshop for relevant officers (including those from ICT, HROD, and Finance) to produce and agree the management response to address the issue. As such this recommendation was not explicitly stated but was discussed in the workshop where the response was agreed.</p>	<p>To obtain SMT support to undertake the necessary activity to address existing data issues. ICT plan to take a risk based approach, ensuring data is correctly recorded for new connections and that changes in ownership can be accurately captured. Focus will then be maintained on the connections using highest data, and those which appear unused. Following this, the impact of changes made will be assessed and further action proposed to ICT Board based on the level of improvement achieved.</p>	<p>A high number of unused connections have been switched off, and the associated cost savings are being delivered. However, Internal Audit has not seen sufficient evidence that there has been significant improvement in data quality for the remaining connections, or that processes have been adopted to reduce the risk of ongoing data quality degradation.</p> <p>Internal Audit has asked ICT to develop an action plan outlining the steps they are taking and the planned deliverables for the next three months.</p> <p>Internal Audit Opinion: Partially implemented.</p>	<p>Director: Bob Brown, Chief Information Officer</p> <p>Executive Member: Councillor Ollerhead</p> <p>Status: Seven months overdue</p> <p>Action: Letter issued to Director and Executive Member to confirm requirement to attend Audit Committee if agreed actions are not completed at nine months.</p>

Appendix 4 – Recommendations 1-6 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
SAP Expenditure Approval 27 February 2018	30 May 2018	We recommend that, once relevant training and guidance has been produced, the Organisational Development Manager should ensure that there is a programme for cost centre managers to undertake refresher training (we would suggest that initially this is offered to cost centre managers to allow those with a self-identified need to obtain the training first).	A range of development modules are to be introduced by 30 May 2018 to support managers and leaders in managing the finances of the Council. This will include the training for cost centre managers as recommended.	Draft training material has been developed and feedback from the Directorate Head of Finance has been incorporated into its content. However, production of the final training material has been delayed owing to a planned SAP upgrade. This is now anticipated to be completed in mid-November. Internal Audit Opinion: Partially implemented	Director: Lynne Ridsdale, Director of HROD Executive Member: Councillor Ollerhead Status: Five months overdue Action: Monitor
IR35 Compliance Review 26 June 2018	30 September 2018	Once a corporate process owner has been designated they should determine how and where evidence should be retained to document compliance with the legislation. They should also be clear over who has responsibility for ensuring that this evidence is obtained and stored in the appropriate location. Consideration will also need to be given to the types of evidence that are required and whether any central monitoring or access to the evidence will be required.	Available guidance will be reviewed and updated to include the retention of evidence to support the IR35 decisions.	The Director of HROD has supplied a copy of the draft updated guidance for IR35. This substantially addresses the recommendation we have made. However, this guidance has not yet been finalised or issued. Internal Audit Opinion: Partially implemented	Director: Lynne Ridsdale, Director of HROD Executive Member: Councillor Ollerhead Status: One month overdue Action: Monitor
IR35	30	Guidance on IR35 should be	Available guidance will be	The Director of HROD has supplied a	Director: Lynne

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Compliance Review 26 June 2018	September 2018	<p>expanded to ensure that all hiring managers are clear that they should retain evidence to support their decisions and how this should be stored to ensure that compliance can be confirmed should the decision be queried at any point in the future. Care should be taken to outline the types of evidence that should be retained (e.g. a copy of the contract terms or declaration from the umbrella company, or copies of the HMRC determinations) while making clear that each case must be treated on its own merits and as such evidence requirements may differ for different situations. Guidance should also reflect known common situations and how these should be treated, e.g. consultants hired through umbrella companies and the requisite confirmations required to show that our duties towards the consultant with regard to IR35 have been discharged. The guidance should also state that where there is a change to the terms of the agreement a new decision will be required. It is also recommended that the guidance when expanded is made available through the HR, Procurement and Shared Services intranet pages regardless of which department takes central responsibility for the process.</p>	<p>reviewed and updated to include the retention of evidence to support the IR35 decisions.</p>	<p>copy of the draft updated guidance for IR35. This substantially addresses the recommendation we have made. However, this guidance has not yet been finalised or issued.</p> <p>Internal Audit Opinion: Partially implemented</p>	<p>Ridsdale, Director of HROD</p> <p>Executive Member: Councillor Ollerhead</p> <p>Status: One month overdue</p> <p>Action: Monitor</p>
ICT Software	31 August	The Council should ensure that the	Issue to be raised at earliest	ICT have commissioned an external	<p>Director: Bob Brown,</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Licensing 24 July 2018	2018	agreed remediation actions to address the SAP licensing non-compliance are implemented as a matter of priority.	DLT opportunity to resolve any barriers to implementation and agree on timetable. This timetable to be communicated to IA.	partner to reassess the Council's exposure to risk with regard to SAP licensing. The outcome of this review will inform the actions to be taken.	Chief Information Officer Executive Member: Councillor Ollerhead Status: Two months overdue Action: Monitor
Liquidlogic Data Migration – Phase 1 10 May 2018	31 May 2018	The Programme Manager should secure agreement from the Project Steering Group on a single officer to act as the project SRO.	A meeting has been held with Head of ICT Delivery and ICT Chief Information Officer (CIO) to discuss. The CIO will write to Strategic Director of Children's Services and Director for Strategic Commissioning and Director of Adult Social Care to agree who should be the single SRO for this project. Steering Group to be re-convened and chaired by Tyrone Griffiths (ICT Head of Delivery).	We do not currently have evidence of full implementation of this recommendation. We plan to incorporate this assessment into our follow up work in this area. Internal Audit Opinion: Not Implemented	Director: Bob Brown, CIO Executive Member: Councillor Ollerhead Status: Five months overdue Action: Audit on future phase of data migration to include follow up of these recommendations – scheduled for October 2018.
Liquidlogic Data Migration – Phase 1 10 May 2018	31 May 2018	As a matter of priority the Programme Manager, in conjunction with the SRO, should ensure that the scope of the project in each of the four areas is agreed by the key stakeholders and formally signed off. In line with specified pre-conditions we would not expect the project to proceed to phase 3 of data migration without this sign off.	The ICT Programme Manager Children's and Families, to pursue sign off of the Adults and Children's scope. Data migration in relation to Early Help is currently out of scope. We hope to deliver a solution in this area - the scope	We do not currently have evidence of full implementation of this recommendation. We plan to incorporate this assessment into our follow up work in this area. Internal Audit Opinion: Not Implemented	Director: Bob Brown, CIO Executive Member: Councillor Ollerhead Status: Five months overdue Action: Audit on future

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
			<p>of any migration will be governed by what is feasible and will be communicated to the steering group for discussion and approval as required.</p> <p>The migration of finance data will include all Adults finance data and is included in the Adults scope. No Children's financial data is to be migrated and information for active cases will be re-keyed. This has been communicated to the Finance workstream lead who endorses the proposed approach.</p>		<p>phase of data migration to include follow up of these recommendations – scheduled for October 2018</p>
<p>Liquidlogic Data Migration – Phase 1</p> <p>10 May 2018</p>	<p>31 May 2018</p>	<p>The Programme Manager should ensure that where configuration workshops have not identified an appropriate business solution for system configuration they should be rearranged. To achieve this the Programme Manager should liaise with the Business Leads to ensure that there is a better articulation and collective understanding of the projects' needs and requirements to ensure that the project can secure the necessary commitment from the business.</p>	<p>Where there have been issues with engagement from the business these have been addressed and workshops to define these areas have been re-run. Problems with engagement in some business areas are being addressed, and meetings are being arranged.</p>	<p>Internal Audit await evidence of full implementation of this recommendation. We plan to incorporate this assessment into our follow up work in this area.</p> <p>Internal Audit Opinion: Not Implemented</p>	<p>Director: Bob Brown, CIO</p> <p>Executive Member: Councillor Ollerhead</p> <p>Status: Five months overdue</p> <p>Action: Audit on future phase of data migration to include follow up of these recommendations – scheduled for October 2018</p>
<p>Liquidlogic Data Migration</p>	<p>30 June 2018</p>	<p>The Programme Manager should ensure that full testing schedules</p>	<p>Meeting to be held with ICT Test team to ensure a smooth error</p>	<p>Internal Audit await evidence of full implementation of this</p>	<p>Director: Bob Brown, CIO</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
<p>– Phase 1</p> <p>10 May 2018</p>		<p>should be produced, agreed and signed off for each module before phase 3 of data migration and user acceptance testing.</p>	<p>recording process is in place. Test scenarios to be developed by the Project Business Leads and to be signed off by the Project Manager and the Programme Manager.</p>	<p>recommendation. We plan to incorporate this assessment into our follow up work in this area..</p> <p>Internal Audit Opinion: Not Implemented</p>	<p>Executive Member: Councillor Ollerhead</p> <p>Status: Four months overdue</p> <p>Action: Planned Audit on phase 3 of data migration to include follow up of these recommendations – scheduled for October 2018</p>
<p>Homecare Services – Contract Management</p> <p>7 March 2018</p>	<p>31 May 2018</p>	<p>The Strategic Commissioning Manager in liaison with the Head of Social Work and Head of Adults Finance should put in place a clear process for the reporting, investigation and follow up of variations in invoice value / care provision immediately.</p> <p>This should involve:</p> <ul style="list-style-type: none"> • A clear policy on the levels of upwards and downwards variation that should be reported / investigated. • Clear designation of responsibility for investigating variances and the action that to be taken on overpayments. • How variations are prioritised 	<p>Commissioning Manager will draft a pro forma for the finance and front line services to follow in the event of underpayments, this will need to be proportionate with the risk associated to it. The work will have an impact on capacity due to the size and number of services involved.</p> <p>Policy and process for over payment is already in place, Strategic Lead, Social Care will undertake checks that teams are following this.</p> <p>Head of Adults Finance will work with Head of Social Care and Commissioning Manager to</p>	<p>There were initial delays with progressing this recommendation within the service until a decision was made over the pricing framework to be used in the new tender. However, we have recently been informed that the next tender will continue to be priced on a time and task system so sufficient resource for the completion of this is required and will need to be maintained moving into the new tender to provide assurance over the amounts being charged by providers. We will continue to engage with officers to assess progress.</p> <p>Internal Audit Opinion: Partially Implemented</p>	<p>Director: Dr Carolyn Kus, Director of Adult Social Care Services</p> <p>Executive Member: Councillor B Craig</p> <p>Status: Five months overdue</p> <p>Action: Monitor</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>and a target timeline for investigation based on priority.</p> <ul style="list-style-type: none"> An evidence trail of actions taken confirming the approval of any payment for variation to planned care. Reporting so that management can be assured that investigations and recovery are taking place. 	<p>review the decision on suspensions. This will include an analysis of whether it is appropriate to re-introduce the earlier suspensions policy. In addition to this the Payments Team Leader will run a periodic report for the Commissioning Manager based on weekly delivery against planned for both under and over delivery.</p>		
<p>Contract Creation and Formalisation</p> <p>12 January 2018</p>	<p>1 June 2018</p>	<p>The Head of Legal Services and the Head of Corporate Procurement should put together an improvement action plan for approval by the City Solicitor and City Treasurer to address areas of non compliance in relation to the Council's financial regulations and procurement rules and associated risks. This should include consideration of the proposals set out below which were identified during the risk workshop as potential mitigating actions and changes to process and practice.</p> <p>Re-examine the Council's existing Contract Procurement Rules to ensure they remain appropriate and fit for purpose. In particular;</p> <ul style="list-style-type: none"> Any necessity to adjust financial limits at which contracts require written 'sign off' or sealing by Legal Services. Consider delegations for 	<p>A shared improvement action plan will be put in place to set out the required actions, key deliverables and associated business owners and timelines for implementation. This will include the key actions listed below;</p> <ul style="list-style-type: none"> Consideration will be given to assessing the current levels and criteria as set out in the Constitution, and whether any revisions or supplementary guidance will be necessary to assist with the process. Protocol to be agreed and developed between Legal and Procurement to set out expectations around timescales, documents required, completion arrangements and 	<p>Internal Audit has established that protocol documents and templates produced by Legal Services have now been shared with Corporate Procurement for comment and are intended to help document and smooth the process between the services. The introduction of a system for the allocation and tracking of work within Legal Services has also been put in place. A meeting with relevant officers will be held in October to determine the extent of progress since our last review.</p> <p>Internal Audit Opinion: Partially implemented</p>	<p>Director: Fiona Ledden, City Solicitor Carol Culley, City Treasurer</p> <p>Executive Member: Councillor C Ollerhead</p> <p>Status: Five months overdue</p> <p>Action: Monitor</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>Officers with authority to sign contracts on behalf of the Council.</p> <ul style="list-style-type: none"> • Decide whether a more risk based approach should be adopted. • Review the existing requirement that 'All contracts must be concluded formally in writing before the supply, service or construction work begins, except in exceptional circumstances and then only with the written consent of the City Solicitor' <p>A forward plan of procurement activity should be developed and shared to support Legal Services in the planning and resourcing of caseload. This could be linked to the current Key Decision and Forward Planning processes. This could be used to support</p> <ul style="list-style-type: none"> • Earlier engagement and involvement with Legal • Better timetabling and more effective work planning • Reduced timescales for producing formalised agreements • Risk profiling of upcoming contracting and procurement activity. <p>Consider whether the introduction of a standard form of contract for more straightforward low risk/value contracts would be beneficial to avoid 'overworking' of contracts and allow these to be completed without the</p>	<p>communication between legal services and the client.</p> <ul style="list-style-type: none"> • A request for Legal services to execute a contract requiring sealing can be made using a "standardised request form" which will be drafted and agreed between Legal and Procurement. This form should be forwarded to Legal prior to approval being given for the contract to be entered into, which will allow sufficient time for Legal to process the contract ready for issuing at the end of the call in period. Procurement should also advise Legal of the full details of the successful tenderer as soon as possible. • Integrated commissioning to include reference to the contract creation and formalisation process in the contract specification document and guidance. This should clearly set out the importance of early engagement and collaboration between legal, procurement and the contract owner. • Integrated Commissioning will include the requirement to 		

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>necessity for Legal involvement.</p> <p>The outcomes of the risk workshop cited several process, procedure and general administration issues which impacted on the time taken to complete the formalisation stage. We recommend that these areas are explored further to develop expectations during the process and implement revised ways of working.</p> <ul style="list-style-type: none"> • Improved communication between Legal, Corporate Procurement and client departments to ensure all parties are kept informed of progress and issues to be resolved. • Understanding reasons where significant delays exist. • Formal notification to the client department that the contract sign off stage has been completed. • Ensuring the latest version of the contract is shared with the client department to ensure they are monitoring against the correct terms and conditions. • Retaining an electronic copy of the signed contract to ensure that there is appropriate back up should the team be unable to access the hard copy documents for any reason. • Development of guidance to explain the contract formalisation stage and outline some of the common issues involved in the 	<p>seek approval for work to begin as a requirement in guidance to contract managers.</p> <ul style="list-style-type: none"> • Once the protocol and guidance are agreed and implemented officers must be aware of their requirements and expectations to reduce risk to MCC. • Consideration should be given to setting up and maintaining a corporate contracts register. Legal Services are looking to develop a system to run alongside that process for additional resilience. 		

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		process and how they could be avoided. • Legal administration of caseload including, caseload allocation, prioritisation, recording and progress monitoring.			
Retail Markets 21 May 2018	27 July 2018	Pricing strategies and methodologies should be reviewed and evidence retained as to why a method has been used and why any differences between stalls have been applied.	1. Charging Strategy document to be created for each business area and issued as part of the SOP manual. 2. Any historical agreements to be recorded on a site by site basis. 3. All historical agreements to be reviewed with Head of Service, and formal annual review.	The service has started a full review of rents and charges in October 2018 to inform a strategy for the control over consistent charging of market stall holders. Internal Audit Opinion: Not implemented	Director: Fiona Worrall, Chief Operating Officer for Neighbourhoods Executive Member: Councillor Rahman Status: Three months overdue Action: Monitor
Art Gallery Contract	28 September	The Deputy Director of Galleries should set up and agree with the	Service Level Agreement to be drafted between the	This recommendation has only recently fallen due, we have	Director: Sara Todd, Deputy Chief Executive

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Management 23 July 2018	2018	<p>Development Trust a formal agreement to detail the relationship between the Gallery and Development Company.</p> <p>The formal agreement should also include information on:</p> <ul style="list-style-type: none"> - Any payback mechanism for profits generated by the provision. - Performance measures that should be reported on (financial and non-financial), including the levels at which performance is deemed to be below standard. - Change management processes including a method for recording any formally agreed changes. - Any conditions or restrictions on venue hire conditions once approved. 	Development Company and the gallery	<p>requested an update from the service and are awaiting a response. We will continue to monitor progress.</p> <p>Internal Audit Opinion: Not implemented</p>	<p>Executive Member: Councillor Rahman</p> <p>Status: One month overdue</p> <p>Action: Monitor</p>
Art Gallery Contract Management 23 July 2018	28 September 2018	<p>The Deputy Director of Galleries should identify any potentially conflicting roles and introduce safeguards to ensure that officers are acting in a clear and transparent manner. This could be achieved through incorporating a non-conflicted MCC officer into the contract management process who is not involved in the day to day management of the service provision in order to improve segregation and allow officers to:</p> <ul style="list-style-type: none"> - Challenge management of the service to ensure value is being achieved. 	Service Level Agreement to include management structure and KPI monitoring tools	<p>This recommendation has only recently fallen due, we have requested an update from the service and are awaiting a response. We will continue to monitor progress.</p> <p>Internal Audit Opinion: Not implemented</p>	<p>Director: Sara Todd, Deputy Chief Executive</p> <p>Executive Member: Councillor Rahman</p> <p>Status: One month overdue</p> <p>Action: Monitor</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<ul style="list-style-type: none"> - Ensure that quality is being maintained and question any perceived drops. - Challenge costs being associated with the service and the calculation of any payment due to the Gallery. - Exit and termination issues, including any benchmarking or review and approval arrangements that may be required prior to any decision to extend the current arrangements. <p>Additional safeguards could be achieved through the clear documenting of the relationship between the Development Company and the Gallery and how any elements of potential conflict will be dealt with.</p>			
Art Gallery Contract Management 23 July 2018	28 September 2018	The Deputy Director of Galleries should ensure that formal approval is given for the transfer of the venue hire service and that the terms of the transfer are clear. It may be beneficial to consult with Corporate Procurement to ensure that all relevant procurement legislation is complied with on this matter.	Transfer of the venue hire service will be formally agreed alongside the Service Level Agreement. Service Level Agreement to include financial terms for payments to the gallery.	This recommendation has only recently fallen due, we have requested an update from the service and are awaiting a response. We will continue to monitor progress. Internal Audit Opinion: Outstanding	Director: Sara Todd, Deputy Chief Executive Executive Member: Councillor Rahman Status: One month overdue Action: Monitor
Art Gallery Contract Management	28 September 2018	The Deputy Director of Galleries should ensure that a clear methodology for calculating future	Service Level Agreement to include financial payment schedule and details of how	This recommendation has only recently fallen due, we have requested an update from the service	Director: Sara Todd, Deputy Chief Executive

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
23 July 2018		<p>payments is put in place. Ideally this should be incorporated as part of the formal agreement between the Gallery and Development Trust recommended above.</p> <p>Once agreed this methodology should be applied consistently, if it is not appropriate to follow the methodology at any point a clear record should be kept of the reasons why, the changes applied and whether these changes are temporary or permanent.</p>	payment is calculated.	<p>and are awaiting a response. We will continue to monitor progress.</p> <p>Internal Audit Opinion: Outstanding</p>	<p>Executive Member: Councillor Rahman</p> <p>Status: One month overdue</p> <p>Action: Monitor</p>
<p>HROD Contract Management</p> <p>23 July 2018</p>	1 September 2018.	<p>The Head of Organisational Development supported by the Contract Managers should determine the reason for the insufficient insurance cover of the Occupational Health Contract and gain immediate assurance that amendments are made to the cover to ensure this is compliant with the original contract terms.</p> <p>The Contract Managers should also put a process in place to ensure that going forward insurance limits are checked including at renewal times to prevent any reoccurrence of this and confirm that the correct levels are in place for all contracts. Prior to joining a non MCC framework checks should also be undertaken to ensure the limits are acceptable to the Council.</p>	<p>As provision moves to coordination under the GM DPS the MCC apprenticeship lead will work to ensure effective contract review arrangements are in place and has raised this already with the GM</p> <p>Following publication of the final report all contract managers will be contacted and reminded of the importance of assuring insurance coverage as part of contract letting and monitoring.</p> <p>Corporate Procurement will be asked for advice on the Council's position in relation to insurance levels within collaborative contracts where</p>	<p>The insurance for Occupational Health has now been increased to be in line with Council requirements. The Head of Corporate Procurement has confirmed that for GM contracts the insurance limits and other requirements of the procuring Council apply.</p> <p>The importance of checking insurance levels and certificates has been communicated to contract managers.</p> <p>All apprenticeship providers not covered by the insurance requirements of the GM DPS were contacted on 10 July to provide details of coverage as the service is still awaiting responses from these providers we are unable to class the</p>	<p>Director: Lynne Ridsdale, Director of HROD</p> <p>Executive Member: Councillor Ollerhead</p> <p>Status: Two months overdue</p> <p>Action: Monitor</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
			MCC is not the procuring authority	recommendation as fully implemented. Internal Audit Opinion: Partially Implemented	
HROD Contract Management 23 July 2018	1 September 2018.	<p>The Contract Manager should actively monitor the levy to ensure there are enough funds available to cover all the learners and that all the funds will be spent.</p> <p>The position in regards to potential clawback will need to be monitored by management on an ongoing basis to ensure that we are utilising the funds in the most effective manner.</p>	Monitoring of actual and projected Levy spend and clawback risk to be incorporated into the quarterly workforce assurance dashboard to ensure visibility by HROD DMT and SMT	<p>Management are awaiting tools from the Central Government which are not yet available to allow them to accurately monitor the levy. When this information is available it will be included it in the quarterly dashboard. In the interim HROD have designed their own tools to do this based on assumptions using average costs of apprenticeships which we are reporting to the Head of Workforce Strategy on a quarterly basis. However we have suggested some enhancements to this interim reporting.</p> <p>Internal Audit Opinion: Partially implemented</p>	<p>Director: Lynne Ridsdale, Director of HROD</p> <p>Executive Member: Councillor Ollerhead</p> <p>Status: Two months overdue</p> <p>Action: Monitor</p>

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**Manchester City Council
Report for Information**

Report to: Audit Committee – 5 November 2018

Subject: 2018/19 Annual Governance Statement (AGS) –
Summary of Progress to Date

Report of: Deputy Chief Executive

Summary

This report sets out a brief summary of the progress that has been made to date in implementing the governance recommendations from the 2017/18 Annual Governance Statement (AGS). It also outlines the next steps in the process of producing the Annual Governance Statement 2018/19.

Recommendations

Audit Committee is asked to note and comment on the progress made to date to implement the governance improvement recommendations from the 2017/18 Annual Governance Statement.

Wards Affected: All

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1. Introduction and Context

- 1.1 The Council has a statutory obligation under the Accounts and Audit (England) Regulations 2015 to produce an Annual Governance Statement (AGS), which explains how the Council has complied with its Code of Corporate Governance. The AGS sets out how the Council has met its responsibilities for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 1.2 The AGS also explains what governance challenges the Council is facing. Rather than simply updating the governance challenges on an annual basis the Council has established a process whereby progress updates against governance challenges are provided every six months and reported to Audit Committee. This ensures there is a continual focus on how the Council is addressing governance challenges and seeking improvement in how functions are exercised.
- 1.3 As previously requested by Standards Committee, a Strategic Management Team (SMT) Lead was identified for each of the 2018/19 Governance Challenges, which were set out in the Action Plan at the end of the AGS 2017/18. Lead officers have provided an update on progress, any barriers, and what further ongoing work will be required to implement the governance actions.

2. Summary of Progress against the 2018/19 Governance Actions, identified in the 2017/18 AGS Action Plan

Action 1: Ensuring the Our Manchester behaviours become embedded and reflected in all aspects of service delivery, ensuring that staff develop the skills and behaviours articulated in the 'Our People' Strategy, including effective implementation of workforce plans. Adopting a strengths based approach to engaging with residents, and ensuring the Our Manchester approach is used strongly and consistently across all aspects of the Council's communications.

- 2.1 An [update on progress](#) with delivery of the Our People Strategy was considered by the Resources and Governance Scrutiny Committee in July. The report set out a range of notable achievements over the first eighteen months of the Strategy and outlined a clear framework and set of priorities for the coming year.
- 2.2 Embedding the Our Manchester behaviours is at the heart of the Our People Strategy and the full content of the July Scrutiny report should be viewed as an indication of progress here. However, updates against a number of key areas are highlighted below:
- The Our Manchester Experience was launched in October 2017 as an immersive learning experience to provide all staff with an opportunity to explore what the Our Manchester behaviours mean to them in the context of their own roles. Over 1,800 staff have participated in the Experience to date with feedback scores consistently in excess of 90%. Work is

continuing to support all staff in accessing the experience within three years.

- Over 49% of leaders and managers have now participated in the Council's core leadership and management programmes, 'Raising the Bar' and the 'Our Manchester Leadership programme'. Embedding the behaviours is at the heart of these programmes and new modules are being added this year to strengthen management understanding of core governance matters around finance and procurement, and the broader context of public service management.
- The Council's third annual Leadership Summit took place in September with 340 managers attending. The theme of the day was 'walking the talk' with sessions focused on supporting leaders to lead by example, including by demonstrating the behaviours. This event built on a number of focused sessions with the Council's Senior Leaders Group (SLG).
- Over 220 staff have accessed the Council's employer supported volunteering policy, providing over 1,500 hours in volunteering to support the City's communities and demonstrate their commitment to putting the Our Manchester behaviours into action.
- The organisation saw a significant increase in staff engagement and a "Ones to Watch" Best Companies status in the 2017 BHeard survey, with a number of staff commenting positively on the work undertaken to embed the Our Manchester behaviours across the organisation.
- Strengthened routes for internal communication and engagement including the roll-out of ICT access to circa. 900 frontline staff and the continuation of the quarterly Listening in Action events.
- Work is underway to strengthen core people management policies and processes to reflect the Behaviours, reinforcing these through our practical framework of people management. To date work has been delivered to update the Council's Recruitment and Selection policy and make a number of practical improvements to *mi people* Self Service.

2.3 Earlier this year an Our Manchester Self-Assessment was conducted across service areas to identify progress with embedding the Our Manchester approach and behaviours. The Self-Assessment process was intended to be a 'deep-dive' into how services are adapting, adopting and embedding Our Manchester. Over 75% of services responded and focus is currently on developing activity to support services to progress. The themes that emerged from the feedback were;

1. The places that we can see and hear Our Manchester embedded the strongest are where the services have been reshaped, not just the people.
2. The support and development offer to help staff understand Our Manchester is good and provides opportunities to learn, embrace and embed the values of Our Manchester.
3. Systems and processes need to be reframed to create the right conditions for Our Manchester. Where systems and processes are not aligned to the way in which staff are expected to work this continues to be a barrier.
4. The role of managers in being a blocker or an enabler is crucial. There is a practical challenge about capacity given service demands and reduced

resources, acknowledging that people need time and space to understand and apply Our Manchester.

5. There is a level of inconsistency around how staff and services articulate Our Manchester.
- 2.4 The Our People priorities for the coming year have been developed cognisant of the Our Manchester self-assessment and feedback from staff and managers, including through Bheard. These priorities acknowledge the importance of ‘shoring up’ the work done to date and ensuring that that core components of our people management framework are present, effective and consistently utilised. In tandem with this, work will continue both corporately and within target Services to embed the behaviours through explicit actions. The key next steps for the coming month include:
- Launch of a co-designed toolkit to support individuals and teams to explore and adopt the Our Manchester behaviours in October 2018
 - The fourth Annual BHeard Survey in October 2018 with results expected in December.
 - A refresh of the Our Manchester Experience to reflect learning from its first year in operation and strengthen the way theory is applied practically in December 2018
 - The creation of a development programme to support the city-wide workforce to understand and adopt an asset based way of working in January 2019
 - Continued work to embed the Our Manchester behaviours at the core of integrated working across Health and Social Care, particularly within the new Neighbourhood Teams
 - A refresh of the Council’s leadership and management development offer to re-launch in April 2019.
 - Strengthened processes for workforce planning live from the next financial year and underpinned by an improved corporate learning offer and support structures, including coaching and mentoring.
- 2.5 The role, skill and capacity of line managers is absolutely central to delivering work to embed the Our Manchester behaviours across the organisation. This leads to perhaps the biggest risk to delivery. It will be crucial that focus is retained on this area and the behaviours remain central to the Council’s considerations over the coming months as the organisation addresses the current budget challenges it faces.
3. **Action 2: Supporting the integration of health and social care by ensuring effective governance of integrated teams, including operation of the MHCC commissioning function, and implementation of the Local Care Organisation (LCO).**
- 3.1 The Manchester Local Care Organisation (MLCO) will deliver all out of hospital, community based, health, primary and social care services on an integrated basis, the first phase of this came into effect on 1 April 2018, where the management of number of services including community health services and adult social care city wide services transferred to MLCO. This was

enacted through the signing of a Partnering Agreement by the partners of MLCO: Manchester Clinical Commissioning Group; Manchester City Council; Manchester Foundation Trust; and Manchester Primary Care Partnership.

- 3.2 Approximately 990 FTE Council employees from across Adult Social Care and Business Delivery transitioned to the MLCO in the early part of 2018/19 to deliver services that formed part of phase one of MLCO. An [October 2018 report](#) to health scrutiny committee details these services. These include Social Work, Primary Assessment and Re-ablement services, and they will form part of the first suite of services to come together with Health as part of twelve Integrated Neighbourhood Teams working across the City. A [February 2018 report](#) to Personnel Committee sets out in full the implications for workforce, engagement and organisational development.
- 3.3 More generally, the development of the MLCO is being governed by the MLCO Partnership Board, with internal management oversight being provided through robust governance arrangements. Work to define Phase two of MLCO is being led by Manchester Health and Care Commissioning (MHCC).
- 3.4 Further to the Annual Governance Statement update in March 2018, there is an ongoing procurement process, with the intention of awarding a contract for integrated health and social care, subject to the ability to overcome significant barriers, particularly additional irrecoverable VAT associated with contracting arrangements. MLCO is the single preferred bidder in the procurement process.
- 3.5 NHSE has launched a national consultation on the draft Integrated Care Partnership (ICP) contract that is intended to underpin local integration of services. The continued existence of barriers such as VAT, the legal challenge and the development and implementation of the national contract model are likely to have an impact on the procurement process and contract award. Meanwhile, MHCC and MLCO are working together to improve services on the ground, pending completion of the procurement process and resolution of national constraints, which are outside the control of the Council and its health partners in Manchester.
- 4. Action 3: Adults Services governance oversight: operational compliance, quality assurance and the transition from Children's to Adults Services provision.**
- 4.1 During 2017/18 the Council's Internal Audit Service issued reports in four areas relating to adult services with limited assurance opinions:
- Transition: Children to Adults
 - Disability supported accommodation services, Quality Assurance
 - Homecare Contracts
 - Client Financial Services
- 4.2 Regular detailed update reports have been taken to Audit Committee (22 March 2018, 3 September 2018) to provide assurance relating to actions

being taken to address concerns raised in the audit reports. A brief summary of the governance arrangements in place to provide oversight of this work, and the progress made to date is included in this report.

Governance oversight and assurance

- 4.3 The reporting of progress in implementation of audit recommendations is overseen by the Adults Quality Assurance and Performance Board, and this is then reported onwards to Adults Directorate Management Team (DMT) and Senior Management Team (SMT).
- 4.4 A Health and Social Care Commissioning Group also has oversight over performance and quality of commissioned activity as well as finance and service developments. This has a wide membership across Council relevant services and health partners and includes the Lead Member.
- 4.5 Whilst the audit reports have identified areas of concern, a number of immediate actions have been taken to reduce risks, and actions are planned where issues require greater investment of time and resources. Governance arrangements will continue to provide assurance over progress as deadlines for implementation fall due.

Transitions from Childrens to Adults Services

- 4.6 The recent audit report (February 2018) provided limited assurance that effective arrangements were in place to support young people transitioning from Children's to Adults' Services. The findings were:
- Action was needed to confirm the vision and strategy for delivery of transition responsibilities, and to develop and then to share a transition offer and plan for delivery.
 - Governance arrangements should be revised to support delivery of the vision and strategy, once agreed.
 - Action should be taken to confirm key roles and responsibilities, as well as establishing policy and procedure for the delivery of the transitions offer once it has been developed.
- 4.7 A number of actions have been taken, and are planned in response to the findings. These include;
- Engagement of colleagues across the health and care system, within the Council and across the City to inform future vision and strategy.
 - Transition Workshop held in February 2018. This looked at people's understanding of transition; who the cohort of young people were; and to get everyone in the same room to start the conversation.
 - Subsequently, Children and Adults Services agreed to look at co-funding a strategic post to oversee the pathway for those young people and their carers who were 'in transition'; and develop a draft proposal of what the system of transition could look like.

- Initial modelling of proposals has taken place and was presented to the Director of Adult Services and the Deputy Director for Children's Social Care in July 2018.
- Further discussions and presentations have taken place across the health and social care system focussing on services for people with learning disabilities and transition, both in the Quality and Safety Committee in the Manchester Local Care Organisation and Manchester Foundation Trust Quality and Safety Committee. An outcome of these is an agreement to hold a system-wide half-day workshop in November 2018 to agree the Our Strategic Vision and how we plan to take this forward. A launch event will be planned for early 2019 at which Transition will be a key priority.
- Consultation on transition was also a topic for the Manchester People First Board, in September 2018. Contact has been made with the parent carer forum in September; further contact and dates for consultation with the parent and carer group are to be made in October 2018.
- A system learning exercise is to take place in October, specifically focusing on the journey of three young people with mental health issues, meeting to include representatives from Child and Adolescent Mental Health Services (CAMHS), Adult Mental Health Services (AMHS), Children's and adults social care, and the children's health commissioner (CCG).

Quality Assurance - Disability Supported Accommodation Services

- 4.8 The audit gave limited assurance that the Quality Assurance Framework was operating effectively and in accordance with expectations, to support delivery in line with legislation. The findings were;
- The overall completion rate for the year was around 40% of audits issued to staff.
 - The audit tool coverage was too broad and did not provide management with the best available evidence to confirm compliance with the Care Act.
 - Follow up processes were insufficient to confirm improvement actions had been implemented or how they informed lessons learned.
 - The wider improvement arrangements described in the Framework were not in place, including moderation, which has impacted its effectiveness.
- 4.9 A number of actions have been taken, and are planned in response to the findings. These include;
- The ad-hoc approach to audit allocation has been removed and a more structured approach has been implemented whereby audits are assigned Network by Network. For example North Team undertakes all South audits, South Team undertakes all Central audits. This has led to a more cohesive and consistent approach.
 - Following a workshop in April 2018 with partners the Registered Managers have streamlined and restructured the Quality Assurance Documentation.
 - Key questions in relation to Safeguarding, Care Quality Commission (CQC), Duty of Candour and other questions more relevant to the service such as Mental Capacity Act and Deprivation of Liberty Safeguards have been incorporated into the revised documents. From this additional data it

is expected that the Service will be able to identify training requirements and have a better understanding of the quality of service delivery.

- Following the April workshop the new documentation was piloted by Registered Managers and Support Coordinators, to determine whether the purpose and goals of quality and assurance were being met, if further changes were required to improve, and to ensure that compliance with policy and procedures was being achieved.
- The next step was to review the final documentation to ensure that it is fit for purpose. This was finalised in a planning meeting on 10 September 2018.
- A tracker has been created and introduced to track individual casefiles identifying whether key documents such as Care Plans, Deprivation in Domestic Settings and risk safety plans are in place, who authored them, when they were produced, and the review date. This work will provide the information relating to gaps in key documents in case files, review dates, so that compliance can be monitored and any shortfalls or issues addressed.

Homecare Contracts

4.10 The limited assurance report on homecare contract governance was issued in March 2018. The findings were;

- Level of scrutiny and payment to providers on and off framework was not always equitable.
- Not all suppliers were being monitored as required and monitoring focuses on organisations' records and not quality of care.
- Volumes of payments going through the manual system mean that levels of validation checks are less than audit would expect.
- Full reporting of variances between commissioned and invoiced hours did not take place.

4.11 Planned actions to address these issues are;

- The new model of homecare will start to move the Council away from the 'time and task' model but, initially at least, hours of care will still be the unit of currency used to pay providers and they will continue to submit claims for payment on the basis of hours of care delivered. Providers will have more freedom to use the hours assigned to a person in a more responsive and flexible way which should reduce the variations and will also free up more social worker time.
- More capacity will be in place to manage the detail of contracts in future, with at least six link managers liaising with homecare providers, and a strengthened team of brokerage and placements officers able to take a much more hands-on approach to ensuring that payments and care are reconciled at an individual and contract level.
- The process to carry out the tendering of the new service took place in September, with contracts due to be awarded by January 2019, and the new service up and running in April 2019. Mobilisation work will commence

imminently and it is expected that new teams will be up and running well before the start of the new contract.

Client Financial Services (CFS) - Cash Handling

4.12 Limited assurance was provided in the December 2017 audit report over the effectiveness of system in place where Appointee Support Officers (ASO) are dealing with customers' cash and the Council act as an Appointee or Deputy. In particular:

- No job descriptions were in place for the ASO role increasing the risk of customers misunderstanding services and potentially overstepping role boundaries.
- Wider roles and responsibilities were not described, leaving gaps in the control framework and a lack of oversight of compliance.
- CFS had created a basic list of 'Do's and Don'ts' for the ASOs to follow in respect of the cash delivery responsibilities, rather than robust policy and procedures.
- Officer remit had evolved informally over time to include an element of a 'watching brief' over the welfare of customers and to raise any concerns with Social Workers if felt appropriate.
- No arrangements for CFS to seek assurance over compliance with the cash delivery. The safety of the ASO officers was not checked through the day, as required in the Council's Health and Safety policy.

4.13 Actions which have been taken to address the issues raised include;

- Two dedicated ASOs have been introduced who have taken over the duties of collecting and delivering cash to adult social care citizens. This replaces the previous system where two social workers were required to do this from each locality, across the City. By freeing up social work capacity, this has allowed more intensive and focused work to take place to develop this into a robust, safe and accountable service for citizens.
- The ASOs send their manager their scheduled itinerary each morning. They email their manager at midday to say they are safe and then they email again at the end of the day when visits have ended to say they are safe. This reporting mechanism was introduced following a risk assessment carried out by Health and Safety Officers. If these emails aren't received, the manager will attempt to contact the ASOs to confirm their safety. Should no contact be made an escalation process is in place to ensure the ASOs are safe. Personal Safety Training was delivered in October by Health and Safety Officers.
- A number of actions have been taken to address risks in relation to third party payments. There is currently a schedule of cash payments to individual citizens, and also a list of the nominated third party individual who is authorised to accept payments to pass onto individual citizens. Audit required this area to be strengthened. Accordingly, a new Cash Receipt form has been designed and is in place, which all cash 'receivers' sign and also includes a statement to ensure that the 'receiver'

understands they are keeping this money safe for the nominated citizen and therefore undertake to keep this money safe.

5. **Action 4: Improving the resilience and security of ICT systems, and the Council's arrangements for disaster recovery**

Disaster Recovery (DR)

- 5.1 The overall objective of the Data Centre (DC) Programme is to ensure high availability of critical business applications, services and ICT infrastructure, based on the operation of services from two active data centres rather than a 'traditional' model of a primary and backup data centre. This model means that each data centre will always be active and in the event of interruption or disaster at one, the other centre will act as an almost immediate failover solution.
- 5.2 The DC programme is now in the delivery phase and by September 2019 services are expected to be operating from two separate DR equipped data centres within Manchester that the Council will rent as a managed service facility. The Programme comprises the following three tranches:
- **Core Infrastructure Refresh (delivery phase)** - The Core Infrastructure Refresh Project is progressing well and the Council expects virtual servers to be running on new technology by October 2018 in the Sharp Data Centre, providing greater resilience prior to the move to the new data centres.
 - **Network Design and Implementation (procurement phase)** - ICT will be utilising the Crown Commercial Services Framework to procure the necessary technical infrastructure required for the new network, connectivity and professional services. Contracts are expected to be in place by the end of 2018.
 - **Data Centre Facilities and migration (build phase)** - This tranche is dependent on network connectivity being in place before the migration of IT services. The contract with the new data centre facility provider was signed on 2 July 2018 and Council ICT services are prepared to transition from the Sharp data centre.
- 5.3 Significant planning and discussions with business colleagues is already underway in order to help minimise operational impact. The programme team has established a Programme Steering Group, chaired by the Chief Information Officer (CIO) which will oversee all aspects of the programme. The Steering Group reports into the monthly ICT Board and on to Senior Management Team as appropriate.

Cyber Security

- 5.4 The Council acknowledges the ongoing and increasing risk that is manifested through Cyber Crime. The Council continues to invest in its people and technology whilst developing a rigorous approach to Cyber Security and to ensure the appropriate defences are deployed to protect the services it

provides. Defences are constantly being reviewed and strengthened through a proactive system that includes applying software security patching for identified system security vulnerabilities and through improved anti-virus and malware protection. Ongoing investment is in place to ensure our corporate estate remains as secure as possible.

- 5.5 ICT is strengthening the staffing around security and has received approval to recruit to a new Grade 12 position that will report to the CIO. The Security & Resilience Manager is responsible for establishing and maintaining the Council vision, strategy, and programme to ensure information assets and technologies are adequately protected. Reporting into this role is the ICT Compliance & Risk Manager and the Service Delivery Manager - Security and Environments. Other roles within this structure are the Senior Security Analyst with an additional development opportunity being made available to an existing team member to complete a two year Cyber Security Apprenticeship. These roles are further supported and enhanced by the recent Security Services contract award made in 2018. This specialist external partner provides subject matter expertise and business as usual support for the on-site security team.
- 5.6 One of the biggest recognised risks to any organisation including the Council remains with our end-users. It is essential that even a basic Cyber Security training programme is adopted to educate our users with the minimum required skills. Training modules will cover topics such as email security which will include the ability to identify, report and delete suspicious emails and attachments before opening them and additionally a password module that will highlight the requirement for individual complex passwords for each different online system. These best practice recommendations are not specific to Council systems, but should be used to protect all online user accounts regardless of the location both in the work environment and whilst using personal systems at home.
- 5.7 The training will be delivered through a new e-learning portal that will include a 12-module suite of online cyber security training videos, procured in collaboration with nine other local authorities. Additionally this platform will also deliver IT policy management acceptance and compliance, whilst also providing the ability to test our own users with sample 'phishing' emails. The training suite will be coupled with a management system which will allow tracking and reporting on levels of uptake and can force users to undertake training, policy reading and acceptance before being allowed to logon if required. This will be accessible to all Council ICT users across all platforms.
- 6. Action 5: Improving information management, and preparing for the introduction of the EU General Data Protection Regulation.**
- 6.1 As detailed in last year's AGS, all organisations which handle personal data have to comply with the EU General Data Protection Regulation (GDPR). The GDPR came into force on 25 May 2018, and is the biggest change to Data Protection law in over 20 years.

- 6.2 Whilst the fundamental principles of data protection remain largely unchanged, the GDPR introduces a more enhanced data protection regime. It brings a 21st century modernising approach to the processing of personal data in the digital age, imposing new obligations on data controllers, such as the Council (and for the first time) data processors (persons who handle information under outsourcing arrangements) as well as expanding the rights individuals have over the use of their personal information impacting people, processes and technology across all business functions.
- 6.3 A key change requires organisations to show compliance through existence of policies, procedures and staff training, and be able to demonstrate how in each case it has complied with GDPR requirements. It requires accountability at Board level evidencing a 'whole system' ethos in the way the organisation protects, governs and knows its data; adopting a 'privacy by design' and 'privacy by default' approach.
- 6.4 The GDPR has introduced a new duty on all organisations to record all data breaches and to report data breaches that are likely to result in a risk to individuals to the Information Commissioner's Office (ICO) within 72 hours of becoming aware of the breach. If there is a high risk to the individual there is also a requirement to notify the individual without undue delay.

Governance and compliance monitoring

- 6.5 To ensure that the Council is compliant with the GDPR, an intensive work programme led by an interdisciplinary team of officers has been carried out supported by a project manager. The project has been supported at a senior level across the Council with regular reporting to the City Solicitor who is the Council's Senior Information Risk Owner (SIRO), the Council's Corporate Information Assurance Risk Group (CIARG), Departmental SIROs (DSIROs) and the Council's Strategic Management Team (SMT).
- 6.6 The Council has built on existing practices and procedures to ensure staff are aware of the need to take care when handling personal data and what constitutes a data breach. The Council's data breach management procedures use a directorate based model. Awareness regarding GDPR requirements including data breaches has been raised by a variety of measures such as a 'Golden Rules' communications campaign. As at July 2018 92% of staff with ICT access had completed the Council's Information Governance e-learning module. Arrangements have been made for training staff who do not have ICT access. Deputy DSIROs have received face to face training on data breach handling.
- 6.7 As required by GDPR the Council has appointed a Data Protection Officer (DPO). One of the main tasks of this role is to monitor the organisation's compliance with the GDPR and the Council's data protection policies. The Council's DPO is consulted in relation to all data breaches and as part of his role makes recommendations to CIARG and DSIROs to ensure lessons are learnt across the Council.

Next steps

- 6.8 Whilst there are areas where more work is needed to fully embed the new requirements, the Council's rating using the ICO's data controller online GDPR self-assessment tool is 'overall green'. Work is being undertaken to draw up a plan in relation to Phase 2 of the GDPR project; to assist Directorate leads and Deputy DSIROs to ensure GDPR practices become embedded within the directorates. The Phase 2 Plan is being finalised and will be reported to CIARG shortly. It includes supporting Deputy DSIROs in their role, embedding Data Privacy Impact Assessments and ensuring appropriate processes are in place for data sharing and data processing.

Freedom of Information, and Data Protection Subject Access Requests

- 6.9 Work to improve speed of response to Freedom of Information (FOI) and Subject Access Requests (SARs) is as previously led by DSIROs and Heads of Service. Performance Reports continue to be considered at each CIARG meeting. The target for responding to requests within the statutory deadline (in line with Information Commissioner's Office (ICO) expectations) is 90%. In the year to date (April to August 2018) the Council received 1059 FOI requests. Of the requests responded to within this period, 84% were responded to on time. The Council received 355 SARs (the figures in respect of which have recently excluded disclosure requests). Of the requests responded to within this period 88% of requests were responded to on time.

7. Action 6: Changes to the local government finance system, and delivery of continued significant savings

Changes to Local Government Finance system

- 7.1 The wider changes affecting business rates and funding reform will come into effect from 2020. The impact of these is, as yet, unknown. Similarly, with BREXIT negotiations ongoing and the increasing potential for a 'no deal', there is further uncertainty on future funding and service demand.
- 7.2 2019/20 is the last year in the four-year settlement 2016/17 - 2019/20, however there are a number of unknowns which may impact including the roll out of welfare reforms, the outcome of BREXIT negotiations and the announcements arising from the Chancellor's Autumn Budget (29 October 2018).
- 7.3 From 2020/21, there will be significant changes to Local Government financing which includes:
- New Spending Review period starts 2020/21 – Reports Summer 2019.
 - Funding formula for allocating funding to local authorities is changing. Reports Summer 2019.
 - Changes to how business rates are managed – currently the City Council retains 100% of growth generated during the valuation period, although this is then lost at reset of base. Currently Government is generally seeking a move to 75% retention.

- Business rates income is very volatile and difficult to predict, particularly due to the number and scale of appeals and the lack of information following the move to the Check, Challenge and Appeal process
- Potential changes to funding for adult social care with the Green Paper expected in autumn 2018.

- 7.4 The Council is engaging with central government and other interested bodies through formal consultation responses and working groups to ensure the impact of the potential changes on local government, and particularly cities is recognised. This includes responding to the Local Government Association green paper for adult social care and wellbeing, technical provisional settlement consultation response and numerous Fair Funding and Business Rates redesign workshops and consultations as well as contributing to papers considered by the Fair Funding Technical working group.
- 7.5 In relation to Business Rates Reform Manchester has been involved in a number of schemes to maximise the resource available in the region including the creation of a Business Rates Pool across Greater Manchester (GM) and Cheshire, the Business Rates Growth Retention Scheme 2015 and a 100% retention pilot from April 2017. It has been confirmed the GM 100% pilot will continue for 2019/20.
- 7.6 The Fair Funding review will propose an updated formula for distributing funds across Local Authorities, this is welcome as the data in the current formula has not been updated since 2013/14. Government have published the first of several formal consultations on a review of relative needs and resources and aim to implement the findings of the review in 2020-21. The Council is working closely with the Ministry of Housing, Communities and Local Government (MHCLG), Local Government Association (LGA) and other Local Authorities (particularly Core Cities) to ensure the circumstances of metropolitan cities are represented in the review. Detailed responses will be submitted for all relevant consultations and representations made where possible. The Council have recently made a representation on the impact of density of spend, to the Fair Funding Technical working group which is chaired by MHCG and LGA.

Delivery of continued significant savings

- 7.7 SMT consider the progress against the 2018-20 savings at their monthly budget meeting and updates are provided monthly to Executive Members. Resources and Governance Scrutiny Committee and Executive meetings in October 2018 received a report on the detailed monitoring position, including the forecast achievement of savings.
- 7.8 The approved savings target is £25.482m for 2018/19 and £9.022m for 2019/20. Following a number of years of budget cuts, these represent challenging savings and their delivery is regularly monitored. A summary of the updated 2018/19 savings position is set out below.

Savings Target 2018/19						
	Green	Amber	Red	Total	Non recurrent / Investment	Net Total as per MTFP
	£000	£000	£000	£000	£000	£000
Children's Services	3,670	373	7,381	11,424	(741)	10,683
Adult Social Care	2,068	2,200	5,366	9,634	(1,115)	8,519
Corporate Core	1,537	720	688	2,945	0	2,945
Neighbourhoods	2,890	445	0	3,335	0	3,335
Strategic Development	0	0	0	0	0	0
Total Budget Savings	10,165	3,738	13,435	27,338	(1,856)	25,482

7.9 The key areas of concern are those savings targets that have been rated as high risk or 'red'; the reported position assumes these will not be achieved in 2018/19. The main reasons are:

Children's Services (£7.381m) made up as follows:

- External Residential target to reduce to 50 placements by March 2019 is not likely to be achieved as demand has increased since the budget was set, the current number is 89 - £2.797m.
- External Fostering target to reduce to 344 by March 2019. However, since the budget was set the residential numbers have increased to 478 placements and placement costs are 6.1% above budget which means that this target will not be achieved - £2.934m.
- Residential Preferred Supplier Agreement - Discussions are continuing to take place with providers regarding placement costs, prioritising the most expensive places however this is unlikely to deliver fully in 2018/19 - £1m.
- New Northwest framework - aiming to secure further discounts for long term placements and volume, unlikely to fully deliver in 2018/19 - £650k.

7.10 Adult Services have identified £5.366m of the target as unlikely to be achieved in this financial year. Considerable progress has been made in implementing the arrangements for integration but it is taking longer than originally planned to implement the new models of care.

- 7.11 The Corporate Core has £0.688m of savings considered undeliverable in 2018/19 which largely relates to a cross cutting commissioning target. This has been offset against underspends elsewhere within the Directorate.
- 7.12 In 2018/19 an overspend of c£6.1m is reported, which reflects pressures being experienced nationally, particularly in Children's Social Care. The overall position has improved from the previously reported overspend of £13.7m following the development of Budget Recovery Plans to address the position. All Directorates are continuing to work towards greater efficiencies and accelerating savings where possible in order to ensure the delivery of the Medium Term Financial Plan (MTFP) is not undermined.

8. Action 7: Ensure robust governance and delivery of the new five year Capital Programme Strategy, including major infrastructure projects across Highways, Strategic Development, and Capital Programmes

Capital Programmes

- 8.1 The Capital Strategy was revised as part of establishing the Capital Programme approved by Executive at its meeting on 7 February 2018. The Strategy is a long term rolling programme covering five years providing planned investment to define Manchester as an attractive place to live and further improve the quality of life for its residents; to increase their overall social and economic prospects and enable them to fully participate in the life of the City. Important to the delivery of these aspirations will be:
- to support, promote and drive the role and continuing growth of the city as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land;
 - to support investment in transport infrastructure the City Centre which will lay the foundations for continuing success by 'future proofing' the city's transport infrastructure including; the Second City Crossing, The Northern Hub, Cross City, Bus Corridor and the redevelopment of Victoria Station;
 - to drive forward the Council's Residential Growth Strategy and associated policy frameworks such as Housing Affordability and the Residential Quality Guidance, all of which seek to provide the city with an expanded, diverse, high quality housing offer that is attractive to and helps retain economically active residents in the city, ensuring that the growth is in sustainable locations supported by local services, good public transport infrastructure, and core lifestyle assets such as parks, other green and blue infrastructure, and leisure facilities. This will include maximising the opportunities through Manchester Place, Manchester Life and the Housing Investment Fund and to be able to react flexibly to deliver an attractive housing offer for the City;
 - to deliver a Schools Capital Programme that will support new and expanded high quality primary and secondary school facilities for a growing population;
 - to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer; and

- to continue to promote investment to secure an internationally competitive cultural and sporting offer and sustaining core lifestyle assets such as parks, leisure facilities and libraries within the City.

8.2 The governance structure is summarised in the following chart and detailed in the paragraphs which follow:



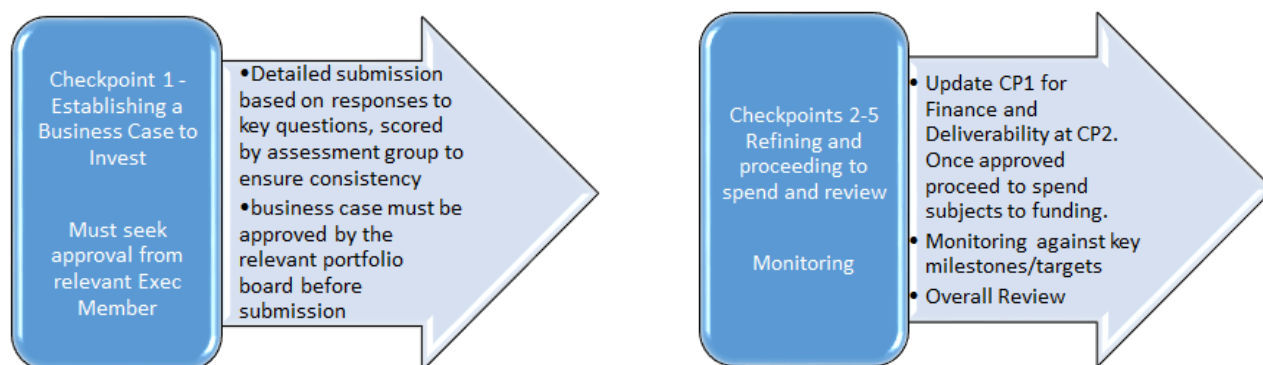
8.3 The Strategic Capital Board, chaired by the City Treasurer and with a membership consisting of the main portfolio leads (Directors) together with representatives from Capital Programmes, Finance and Legal Services has been established to ensure that all capital projects meet the strategic priorities of the Council, provide value for money, and have effective risk management in place regarding cost and delivery. The terms of reference for the Board include:

- To provide the strategic framework for the development and delivery of the Capital Strategy
- To be responsible for ensuring the effective implementation, operation and review of the Checkpoint process that oversees the investment lifecycle from project pipeline to post completion review, including approving schemes to progress at relevant Checkpoints subject to conditions being met.
- To review and consider the pipeline of projects prior to Checkpoint 1, as proposed by Portfolio Boards and confirm agreement to progress through approval process.
- To consider and agree fast tracking of approvals where conditions met.
- To receive and approve requests for feasibility funding subject to conditions being met.
- Ensure accountability for the delivery of the agreed capital programme to time, outcome, quality and cost; and ensure reviews against project plans at regular milestones.
- To review, as a minimum, the top ten risk concerns identified within the capital programme and ensure relevant actions in place to mitigate
- Continually review the longer term capital investment strategy with regard to allocation and reprioritisation of resources for recommendations to Executive.
- Support the delivery functions in Highways and Capital Programmes to achieve excellence and provide an effective delivery and management function.

8.4 Over the last 12 months the Board has reviewed all new capital projects and has provided support and challenge to these as required, and has

continuously reviewed the existing capital programme. The Board has completed a review of the new capital approval process, and is introducing measures to strengthen governance particularly regarding the role of Directorate Boards in capital decision making, and the use of the Register of Key Decisions.

- 8.5 The Board reviewed the information provided to committees regarding the progress of the capital programme and has made fundamental changes to the monitoring reports to widen their scope to provide information on key milestones, finance, project outcomes including social value and risk. It is recognised that this will continue to be developed alongside further system improvements as outlined in the paragraphs below.
- 8.6 The Strategic Capital Board is underpinned by a number of Portfolio Boards covering the main areas of the capital programme to ensure that there is detailed oversight of submissions and ongoing monitoring of spend and outcomes, with course correction as required.
- 8.7 The business cases for investment approval which are presented to the Strategic Capital Board are progressed through a checkpoint process before spend can commence with Senior Member oversight and sign off at Checkpoints 1 (initial business case), Checkpoint 2 (detailed business case) and, as appropriate, Checkpoint 4 (approval to spend). There are five Checkpoints and Checkpoint 3 confirms the funding approvals, whilst Checkpoint 5 is project review to confirm outcomes and lessons learnt including best practice.



- 8.8 Work is underway to create a technological solution to the management of capital projects, from project inception to completion. The aim of this is to streamline the approval process, to provide a clear governance process and documentation for project decision making, and to support project officers in their delivery of the works. This will also include the detailing of the financial position both in terms of budget, actual spend and any changes.
- 8.9 Future reviews of the capital approval process, to ensure it is robust and appropriate for all capital projects, will be undertaken as a matter of course.

Further work is required to strengthen the monitoring of benefits realisation for capital projects and ensure that good practice is embedded including learning from elsewhere within the capital programme.

- 8.10 Further work is also required to clearly set out the pipeline of projects, particularly in a time of constrained resources in order that investment decisions reflect any prioritisation requirements.
- 8.11 This strengthens the governance arrangements through ensuring transparency of the investment decision making process through a clear Governance structure of an overarching Strategic Capital Board which is underpinned by a number of portfolio boards. The business cases are in a standard format and are submitted to the Strategic Capital Board (and the portfolio boards beforehand) to provide a clear audit trail in support of investment decisions; and these can be called upon to support the Key Decision process. All business cases must have Executive Member support before progressing.

Highways

- 8.12 Since the last update was provided there have been further changes to the leadership of Highways in line with changes to SMT portfolio's and areas of responsibilities, this includes service leadership moving from the Chief Executive to the Deputy Chief Executive and the resignation of the Strategic Director, Highways, Transport & Engineering.
- 8.13 The Director of Operations (Highways) concluded a review of major projects in March 2018, the result of which identified the need for additional project resources to drive and deliver projects and set up project specific governance, for example a project board for each major project. As a result of the review resources are now in place and governance arrangements are either established or are in the process of being established. The Director also reviewed the risk profiles of major projects and introduced new delegation powers guidance for Project Managers.
- 8.14 The Director of Operations (Highways) carried out a governance review of the service that mapped out how assurance is delivered. Financial forecasting and monitoring has been improved through specific monthly review meetings chaired by the Director.
- 8.15 The review also identified that in the interim of progressing with and implementing a new structure and operating model that there is a critical need to establish a functioning Programme Management Office (PMO). Consequently an experienced resource has been appointed for a six month period to develop this function and collateral, and this work commenced in September 2018. Once the PMO is established and is functioning effectively it will provide portfolio, programme and project information, enabling the tracking and monitoring of outcomes, progress and budget etc.

- 8.16 The service have also established a fortnightly Highways Portfolio Board, reporting to the Capital Strategy Board. The Portfolio Board is responsible for considering and approving all Highway proposals for capital spend and projects, with final approval the responsibility of the Capital Strategy Board. Once projects are approved via the Checkpoint process and the Capital Strategy Board the Highways Portfolio Board is responsible for governance and monitoring capital spend and delivery. There is also a programme of future proposals in place to increase the certainty of delivery.
- 8.17 The design, delivery and governance of both major and sustainable projects are the responsibility of the Head of Design, Commissioning and PMO. Whilst this post was vacant for some time a permanent appointment was made earlier this year with the post holder commencing in July 2018. This appointment in itself has enabled the introduction of process and governance to coordinate, plan and monitor activity and progress.
- 8.18 In addition to the above a Highways Improvement Board has recently been established, the board is chaired by the Deputy Chief Executive and attended by SMT members and Senior Officers. Whilst the board is in its infancy, workstreams have been identified which include development of the Design, Commissioning & PMO function and internal governance. The Improvement Board will be a further mechanism to monitor and track progress.
- 8.19 A new five year programme is currently being developed that builds on projects already in progress that will inform how the service can make the appropriate contribution towards the delivery of the Council's Transport 2040 strategy.

Strategic Development

- 8.20 The Strategic Development function of the Council takes the lead in the development and implementation of proposals that will deliver major residential, commercial and cultural initiatives.
- 8.21 The Portfolio Boards which govern projects have been strengthened with a consistent approach mapped back into the Strategic Capital board. Comprehensive monthly reporting of actual performance and forecasting of expected spend, activity and outcomes including re-profiling where appropriate is undertaken. This identifies progress against key deliverables in line with the Checkpoint business cases. It includes an analysis of the variance from forecasted position and identifies the impact assessment against the outputs.
- 8.22 A programme level Risk Register and tracker is reported alongside the monthly reporting to identify any changes in the risk profile and flag early warnings which need to be resolved. These reports are overseen by the Senior Responsible Owner (SRO) for each capital project prior to submission.
- 8.23 There is a forecasting protocol to capture future Checkpoint and Business Case submissions against the Capital Programme Strategy. This is aligned

with the monthly returns for committed projects outlined above. The strategic fit of potential future projects is measured against the Council's priorities within the Directorate prior to being taken forward to Capital Strategy board.

- 8.24 To make the service more agile a streamlined approach to small increases to capital spend or minor projects would mitigate some risks associated with projects and holding assets. The team is working with Capital Projects to explore whether this can be achieved.
9. **Action 8: Develop, design and deliver the Our Town Hall (OTH) refurbishment project to time, cost and quality standards.**
- 9.1 Manchester Town Hall, which opened on 13 September 1877, is an internationally significant landmark and Manchester's greatest cultural and civic asset, which makes a significant contribution not only to the heritage but also to the identity of the City. The Town Hall, whilst structurally sound, is now seriously showing its age with many elements reaching the end of their natural lifespan. It has been agreed that significant refurbishment is required to rectify the identified defects and to protect the building for the benefit of future generations of Mancunians.
- 9.2 At its meeting in November 2016 Executive approved a report recommending the full refurbishment and upgrade to modern standards and partial restoration of the Town Hall. A further report considered by Executive on 8 March 2017 provided progress on the procurement of the design team and the assembling of the project team to maintain the momentum of the project to keep to the agreed work programme and timelines.
- 9.3 A report was delivered to full Council in July 2018 on the progress with RIBA Stage 2 (Concept Design), including proposals for the design of Albert Square, and the closure of three sides of the Square to traffic.

Governance and Risk Management

- 9.4 The project is overseen by a Strategic Board which is chaired by the Deputy Leader and which includes the Leader, Lead Member for Finance and Human Resources, Chief Executive, City Treasurer and City Solicitor.
- 9.5 A robust governance structure is in place for the OTH project, which was updated and signed off by the Strategic Board on 1 August 2018. The revised structure has added an additional level of governance (the SMT Sub-Panel) to sit between the Project Board and Strategic Board. A schedule of delegated authorities is agreed in accordance with the Council's constitution, and the project calendar has been updated to reflect a routine cycle of reporting that is based on a four weekly flow of information upwards from the project into the governance structure.
- 9.6 The governance plan will ensure that the project proceeds within the cost, time and quality parameters, which will be signed off at each stage end. This will

deliver progressive cost and outcome certainty as design solutions are developed.

- 9.7 Regular reports will be produced on performance, risk and finances. A Strategic Risk Register is monitored by the Strategic Board. The Risk Register identifies potential impact of, and mitigation strategies for, the identified risks.

Progress Reporting

- 9.8 Publicly available detailed progress reports are regularly provided to Resources and Governance Scrutiny Committee.
- 9.9 Previously, progress reports have been requested at alternate meetings and provide members with overall progress of the project as well as detailed information concerning the decant, communications activity, social value being achieved, design activity and the procurement of the management contractor.
- 9.10 A detailed report on the project budget position was submitted to Resource and Governance Scrutiny Committee in May 2018.
- 9.11 The Ethical Procurement Sub Group of the Resources and Governance Scrutiny Committee has identified the Our Town Hall Project as one of the projects it wishes to focus on in looking at maximising social value, and regular reports are submitted to this sub group. It is proposed that a report will be submitted to Executive at the conclusion of the management contractor procurement.

Procurement and Recruitment of the Project Team

- 9.12 The core consultant team was appointed in 2017, and has been expanded progressively as further additional specialist advice is required. The team currently comprises in addition to the core team, a buildability consultant, fire engineer, acoustician, security strategy consultant, planning consultant and creative producer. To date, 150 staff have been inducted into the project office (Council and consultant staff) working side by side in the Town Hall building.
- 9.13 The project is mid-way through RIBA Stage 3 (Developed Design), with a view towards completion of RIBA Stage 3 in March 2019.
- 9.14 The Competitive Dialogue process for procurement of the management contractor was concluded on 18/09/18, and final bids are expected from the short-listed bidders in October. It is anticipated that the management contractor will be appointed prior to end 2018.

Moving out of the Town Hall

- 9.15 The decant of the majority of staff has been completed, and other than the project team (which shall remain in the building at least until construction work commences), the Coroner's Service are the only occupants currently.

- 9.16 The removal of the first phase of the Portable Heritage Assets has now concluded (artworks and heritage furniture).

Communications and Engagement

- 9.17 An engagement strategy and plan, has been developed, which is intrinsically aligned to the communications strategy. It is recognised that engagement activities for the project will be varied and will need to develop over time, but immediate actions identified include:

- Acting as the “Front Door” to the Town Hall;
- Management of enquiries about the programme;
- Management of volunteer opportunities for the project;
- Engagement with neighbouring residents and businesses;
- Establishing links with the Education sector, to develop an historical, civic pride, and potential employment and apprenticeship opportunities; and
- To educate on the history of the building, the political importance, the artistry and the future legacy for Manchester’s young people.

10. Action 9: Strengthening the Council’s approach to commissioning, procurement and contract management.

- 10.1 In February 2018, the Council’s SMT endorsed the work plan and priorities for the commissioning and contract management improvement programme. The work plan builds on existing strengths as well as addressing weaknesses identified in previous reviews and audit reports (including the January 2018 report to Audit Committee). The key points were:

- Strategic governance and oversight of contracts was limited, hampered by inconsistent and, in places, incomplete reporting of contract data and performance;
- Contract management processes and systems were inconsistent and prone to failure;
- Basic standards for monitoring performance were not always being followed;
- Staff and managers wanted more opportunities to develop commercial and contract skills;
- The contract design stage needed a greater emphasis on how the contract will be managed, both in terms of establishing well-designed KPIs that align with the outcome goals of the contract, and practically in how the supplier relationship will be managed;
- Social value could be insufficient or lacking in specifications and in contract monitoring.

- 10.2 In summary, a great deal has been achieved, with notable progress on completion and analysis of contract registers, on the development of standard products and processes, and growing awareness and tools for monitoring social value in contract delivery. However, the scale and complexity of the challenge should not be underestimated, given the number, value and variety

of external contracts, the Council's ambition for delivering for Manchester residents, and the pressing need to maximise value for money.

Ensuring effective strategic oversight and governance

- 10.3 There are now contract registers in place across the directorates which provide the foundation for improved grip on contract performance and spend. All contracts are currently being assessed for criticality (Gold, Silver, Bronze) and current performance (RAG). Assurance reporting to Directorate Management Teams (DMTs), the Commercial Board and SMT has improved to support senior oversight. Building on the data in contract registers we now have draft dashboards, summarising key data such as number of contracts, contract spend, number of contracts procured under a waiver to tender, activity, performance and contract breaches. There are new accountability arrangements for approvals and to strengthen the pre-tender and tender stages. The team is working with Manchester Health and Care Commissioning and the Local Care Organisation on the future management of council-funded social care contracts.

Processes and systems

- 10.4 Following a series of workshops with practitioners, standard processes now exist for commissioning and contract management. Improved ICT systems and capability are required to support contract management, and is part of the ICT investment plan. Work started in April 2018 on requirements; design and procurement is due in quarter two 2019 (delayed from quarter one), and implementation is due in quarter four 2019.

Resourcing, skills and capability

- 10.5 Work is underway to raise the prominence of contract management as a career and improve staff skills and capability. From October, there will be a dedicated session on financial and contract management on the Our Manchester Leadership and Raising the Bar programmes. In addition, the Council is designing an e-learning course for contract management, to be ready this autumn.

Social Value

- 10.6 Commissioning for and monitoring delivery of Social Value has been included in all the new contract management standards and tools, and a Social Value Tool Kit for Commissioners was launched in March. To strengthen delivery of commitments in contracts, officer are focusing on ensuring that Social Value and its monitoring is explicitly covered early on, at the commissioning and pre-tender stages, and later, at the tender stage; and closely monitoring the delivery of social value once contracts are live.

Looking ahead

- 10.7 The priorities for the next six months remain the delivery of the improvement programme, with particular focus on (i) supporting directorate management teams and SMT in the forward pipeline of commissions and contracts; and (ii) to raise staff skills and capabilities, and facilitate cultural change. Work is underway on a communications programme to ensure all staff are aware of their contract and commissioning responsibilities. This is a long-term improvement programme, and there remains much to be done.
- 10.8 A detailed report is included under Agenda Item 11 of this Audit Committee.
11. **Action 10: Maintaining a strategic leadership role for the Council in the context of changing national policy in relation to schools, including changes to the school funding formula, and the reducing role of local authorities. Via partnership working, support schools to deliver a good or better level of education and learning, including improvement of secondary school exam results.**
- 11.1 The Council has undertaken a wide range of activities, and maintained and developed relationships in support of this action:
- Continued strategic engagement with the school system through the Strategic Education Partnership Board.
 - Continued partnership with Manchester Schools' Alliance (of which the Council is a member), with all major headteacher groups now incorporated into the Alliance. This Alliance reports to the Strategic Education Partnership Board on its programme to support developing practice across all types of school.
 - Continued representation from Director of Education at all termly strategic headteacher groups to provide information, discussion of priorities and collaborate on ways forward.
 - Continued coordination and facilitation of networks of key leaders from all schools to ensure flow of information and strategic intention from national government, local government, regional work and across the school system.
 - Continued engagement with the school system regarding allocation and management of Dedicated Schools Grant (DSG) through the Schools' Forum.
 - Annual meeting between Director of Education, senior Education officers and each Trust operating in the city to support strategic planning.
 - Embed and further develop the role of Manchester School Improvement Partnership to ensure that all teaching schools and National Leaders of Education based in the city are effectively deployed to support school improvement.
 - Work with school leaders to ensure that there is better coordination and understanding about the role of school representatives on different strategic boards and steering groups, and strengthening school representation on the Children's Board.
 - Implementation of school governor strategy including recruitment of LA governors and termly briefings for Chairs of Governing Boards.

- Sustained quality assurance relationship with the vast majority of schools in the city, including academies and free schools, to provide the Council with a knowledge of schools and to provide the basis of relationships through which the role of schools has continued to develop.
- Development and dissemination in September 2019 of a 'Welcome to Manchester' pack for all headteachers which provides information on the whole schools system and offer from the Council.
- Considerable direct activity with schools in support of meeting the need for additional places, including local schools and multi academy trusts agreeing to expand and develop free school proposals in response to Council requests.
- Work with the Department for Education's (DfE) Regional Schools Commissioner, other parts of the DfE and OFSTED to place the Council at the heart of discussions about performance, capacity and growth in academy and free schools in the city.

12. Action 11: Continued improvement of governance and communication of workforce policy and associated guidance, including embedding new ways of working. This includes ensuring strong messages around compliance and accountability, and a planned programme of work to identify and tackle areas of non-compliance.

- 12.1 The induction process content has been updated and is currently being progressed to be implemented in January 2019 for the inductions of both new staff and managers. The updated process will ensure that during induction officers are introduced to key policies and procedures including HR, Health, Safety and Welfare (HSW). The process will also outline the key priorities of the Council and the behaviours required of officers, related policy and how this supports the Our Manchester Strategy.
- 12.2 The Raising the Bar Programme continues to assist the development of managers up to Grade 9 ensuring that they have the knowledge, skills and behaviours to deliver Manchester's ambitious targets. 462 delegates have enrolled onto one or more modules of the course during 2018/19. Since implementation 654 delegates have booked onto the course with circa 500 delegates attended one or more modules by September 2018. For managers Grade 10 and above the Our Manchester Leadership Programme (OMLP) has supported 175 delegates who have completed or are booked onto the course during 2018/19. 271 delegates have booked onto the course since its launch with 229 having attended one or more modules to date.
- 12.3 Each of the programmes cover key issues which include people, policy, health, safety, welfare management and mental health awareness. A recent addition launched from October 2018 is a financial management and commissioning module available to delegates which meets the recommendations of an Audit report which identified a need to improve awareness and understanding of the topic for both managers and cost centre managers. These courses explore both the behaviours required of Manchester managers and how this links with successful delivery of the Our Manchester Strategy

- 12.4 An additional Public Service Management module will be added to the OMLP which will focus on the accountable leader in the modern public sector, exploring themes around the changing nature of leadership in public services and the expectations of citizens. Delegates will examine what it means to be innovative and entrepreneurial, with public service values at the heart. The module will cover the following key areas:
- Public service leadership for the 21st century
 - Principles of good governance
 - Personal leadership
 - Real life challenges and dilemmas
- 12.5 A new approach to communications is being trialled from October 2018 with the 'Autumn Update' broadcast which gathers all the key policies and campaigns that are being launched. The aim is to provide a quarterly roll out of the communications which are clearer and more structured, increasing awareness and impact across the organisation.
- 12.6 In relation to compliance a 'Management of Attendance taskforce' was introduced in March 2018 in response to increasing absence rates. The focus of the project is to improve absence data, provide targeted support to managers and identify where there is non-compliance with the Management of Attendance policy across the organisation to try to reverse the trend. The aim was to address issues with compliance as a first step, ensuring effective return to work conversations were held and employees were aware of the health and wellbeing support available. As of July 2018 compliance has increased to 60% (from 17% reported in March 2018), which whilst being positive indicates there is still work to be done. Work continues to make these improvements and HROD are recommending that a mandatory 'bite-size' training course is delivered to all managers where compliance remains an issue.
- 12.7 One of the outcomes of the above project was to introduce SAP prompts where emails are sent to managers when staff have hit triggers. This has also been rolled out to include holiday request notifications to improve the process for managers and employees.
- 12.8 Our Ways of Working has been communicated across the organisation and continues to focus on new ways of working, allowing services to tailor how they work to provide a professional and flexible offer which works for the services and individuals. Part of this was holding drop in sessions which were attended by circa 160 staff with over 70 emails responding to the broadcast to request views.
- 12.9 The Our Manchester experience has been running since October 2017 with circa 1,850 employees going through the experience to date and providing feedback scores consistently in excess of 90%. The aim is to allow employees to explore the key themes and link how they, and the work they do, are a key part Our Manchester strategy. Open to all employees this is a key way of

engaging with the entire organisation with the goal of everyone attending this by the end of 2020.

- 12.10 Launched in October 2018 as part of the autumn update is the new Recruitment and Selection policy and guidance which encourages managers to 'Hire with their Head', tailoring the recruitment process to their roles and services to get the best possible candidates in a way which is fair, inclusive and consistent across the organisation. Alongside the policy a new intranet site has been developed covering each area of the recruitment process and a mandatory e-learning course has been developed and launched to improve understanding of key areas such as equality considerations. The policy, guidance and e-learning provides consistent content which links recruitment to the Our Manchester Strategy and Our Manchester Behaviours when recruiting. A compliance review will be undertaken following launch to make sure that everyone involved in recruitment has, at the minimum, completed the course by December 2018.

13. Next steps in the production of the 2018/19 AGS

- 13.1 A further update on progress made addressing the governance challenges detailed in this report, up to the end of the financial year, will be given in the full Annual Governance Statement 2018/19 document.
- 13.2 The Council will also undertake forward planning to consider what challenges will need to be addressed in 2019/20. As part of this process, evidence from governance self-assessment information collated from services across the Council will be analysed to identify recurring governance challenges. An annual meeting of governance lead officers will also be arranged where this analysis will be considered, and a list of the most significant governance challenges which the Council will need to address in 2019/20 will be itemised in the Action Plan at the end of the AGS 2018/19.
- 13.3 A draft of the Annual Governance Statement for 2018/19 will be submitted to Audit Committee in April 2019, prior to its inclusion with the Council's Annual Accounts later in the year, in July.

**Manchester City Council
Report for Information**

Report to: Audit Committee – 5 November 2018

Subject: Governance Improvement Progress for Partnerships with Medium or High Risk Assessment ratings

Report of: Deputy Chief Executive / City Treasurer

Summary

The report provides an update on progress made to strengthen governance arrangements in the fourteen partnerships where a 'Medium' or 'High' Partnership Governance Risk Assessment was recorded in the 2017 Register of Significant Partnerships, as requested by the committee in January 2018.

Recommendations

Audit Committee is requested to comment on and note the progress made to improve governance arrangements in the partnerships detailed in the report.

Wards Affected: All

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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.

Report to Audit Committee - 25 January 2018 – Significant Partnerships Register

1. Introduction

- 1.1 In recognition of the need to ensure that all the Council's partnerships continue to perform well, delivering value for money and supporting the Council's strategic objectives, a Partnership Governance Framework is in place. This framework defines and standardises the Council's approach to managing its partnerships, in order to help strengthen accountability, manage risk and rationalise working arrangements.
- 1.2 In support of its application of this framework, the Council maintains a Register of Significant Partnerships, which has been in place since 2008. It lists all key partnership arrangements that are considered to be of the highest significance to the financial and reputational risk of the Council and to achieving the Council's objectives. These arrangements are not uniform, ranging from joint venture partnerships, statutory groups and PFIs. They reflect different governance structures depending on their legal status.
- 1.3 The Register is refreshed annually, and the latest version of the Register was taken to Audit Committee on 25 January 2018. In the updated version of the Register, thirteen partnerships had a Risk Assessment rating of 'Medium', indicating that while there is a generally sound system of governance in place in these partnerships, areas for improvement have been identified. One partnership had a rating of 'High', meaning that control arrangements in this partnership needed to be strengthened, and that the partnership's and Council's objectives were unlikely to be met.
- 1.4 To gain assurance that plans are in place to strengthen governance arrangements in these partnerships, Audit Committee requested that a report is produced which details progress made to strengthen governance arrangements in those partnerships with a 'Medium' or 'High' risk rating.

2. Progress made to strengthen partnership governance arrangements

Partnerships with a 'High' Partnership Governance Risk Assessment

Hulme High Street (entry 46)

- 2.1 Hulme High Street Ltd is a joint venture limited company incorporated in 1996 between Manchester City Council (as landlord) and Amec (as developer) formed to develop the Hulme High Street area brought about following the Hulme City Challenge regeneration project initiated in the early 1990s. The site comprised of the High Street area including the Asda retail park along with the surrounding high street, market and residential development sites. Amec's interest is now held by Muse Developments. Although there is a Council Officer listed as a director of the Company, it is more in a 'sleeping' capacity. The Council do not have involvement in the day to day running of the Company given the elapse of time since any real activity.
- 2.2 Following comments raised by Committee members at the January 2018 Audit Committee meeting, the significance rating was changed to 'Low' reflecting the

limited impact the quality of the partnership's governance arrangements has on the Council as a whole.

- 2.3 Muse Developments provide the Company Secretarial function for the Company. Risk factors relate to the knowledge base of the history and purpose of the Partnership dwindling over time, with most officers with understanding of the partnership no longer being current employees. The ongoing use of resource involved in bringing the partnership to a close and the lack of representation on the board over recent years whilst the partnership has been in a hiatus are the main factors that led to a 'High' risk assessment relating to the governance arrangements, although it is acknowledged that the impact of the current governance arrangements is limited.
- 2.4 While Hulme High Street Ltd's business dealings have little impact on residents on a day to day basis and pose no risk as regards their safety or well-being, the governance arrangements are considered to be weak. The partnership will remain 'High' risk until the legal process has been outsourced in order for it to be dissolved; this is still ongoing and being progressed by the Council's legal team.

Partnerships with a 'Medium' Partnership Governance Risk Assessment

Manchester Working Ltd (entry 15)

- 2.5 The joint venture company, Manchester Working Ltd, provides the maintenance service to the Council's Public Buildings, and this will continue until a new contract is put in place in early 2019.
- 2.6 In addition, Manchester Working Ltd provides a range of programme works to Northwards Housing and, although this framework contract ended on the 31 July 2018, a number of the programmes allocated will not be completed until late 2019.
- 2.7 The Deputy City Treasurer has established a task and finish group to oversee the arrangements to consider the future of the joint venture company at the appropriate time to minimise any risks to the Council. In the interim period, the risk rating will remain as 'Medium' in terms of governance arrangements.

NOMA (entry 15)

- 2.8 The partnership is in place to provide strategic oversight and to guide regeneration and development within the NOMA area between Victoria and Shudehill. The partner organisations are the Co-operative Group and Hermes Real Estate.
- 2.9 Following confirmation of the Co-operative Group-Hermes partnership, there was a change of personnel leading on the NOMA development, and at the Co-op itself. While relationships with the new team were developing steadily, it was agreed that NOMA be rated as 'Medium' risk, a change from its previous rating of 'Low'.

- 2.10 The Co-op have subsequently sold their interest in NOMA to Hermes, who are now the sole owner of the development. Hermes are taking forward the delivery of the masterplan, which is currently being reviewed in consultation with the City Council.
- 2.11 The Council have started to re-establish the strategic partnership with Hermes, following the withdrawal of the Co-op from the development. These arrangements are still in the early stages. However, we do not feel that there is a material risk in delivering the masterplan and the overall objectives of the scheme. A significant proportion of development has already been delivered, or is being delivered, including 1 Angel Square (the Co-op's Head Office), the ERDF funded public realm, refurbishment of buildings in the Listed Estate, the first residential development and the implementation of the Events Strategy.

Manchester Safeguarding Children's Board (entry 17)

- 2.12 In recognition of the progress made in the last 12 months to strengthen and improve the governance arrangements, the 2017 risk rating for the Manchester Safeguarding Children's Board (MSCB) was lowered to 'Medium', from 'High' in the previous year.
- 2.13 MSCB was rated as 'High' significance recognising the importance of the role of the Board in supporting the Council's objective to safeguard vulnerable children as well as the impact that safeguarding has on the reputation of a local authority. In 2017, the governance risk assessment was reduced from 'High' to 'Medium' in recognition of the significant progress made by the partnership in the delivery of its improvement plan. The improvements in the governance arrangements of the partnership would not affect the significance score, which will remain 'High', recognising the crucial role safeguarding plays in communities across Manchester.
- 2.14 Progress was further recognised at the Audit Committee meeting in March 2018 when the Deputy Chief Executive presented an update and progress report, which included a detailed report on the MSCB Improvement Plan showing all areas were completed.
- 2.15 Since then the MSCB, and the sub groups which support it, have been focusing on the four priority areas of Neglect, Complex Safeguarding, Engagement and Communication and Transitions. A new business plan has been developed and this is regularly reviewed by the leadership group which co-ordinates the work of the partnership. Partners have been asked for input into the annual report for 2017/18 and they are in the process of populating their section 11 self-assessments. This will be followed by a Peer Review session to review and discuss their responses and identify actions for future improvement.
- 2.16 The Board is supported by a strong Leadership Group made up of sub group chairs and key partners. This includes the Executive Director of Nursing & Safeguarding, Manchester Health and Care Commissioning, the Director of

Children's Services and the Detective Superintendent GMP City of Manchester Division. The Leadership Group are responsible for driving forward board business, having ownership of the business plan, risk register, budget and providing a forum for discussion around how sub groups can work effectively together. It is chaired by the Independent Chair and is a forum for challenge; red flags are raised at these meetings in relation to performance.

- 2.17 The budget is combined across both Manchester Safeguarding Boards: year end analysis showed a balanced budget with a carry forward of reserves from previous years of £65k. Some of this is being used to create additional capacity to support the implementation and training of staff with regard to the Neglect Strategy.
- 2.18 The board continue to meet bi-monthly and agendas are structured to provide assurance of the multi-agency response to safeguarding and make sure the statutory responsibilities of MSCB are discharged. In relation to conduct and liability, all agencies have their own policies and procedures in place to address matters of concern that the partnership itself does not have policies and procedures in place that are specific to conduct and liability.
- 2.19 The MSCB recently endorsed a Strategy with regard to Modern Slavery and Human Trafficking, which is an important element of Complex Safeguarding. The Board also had one of its regular updates as to the implementation of the Domestic Violence and Abuse Strategy. Whilst this strategy is overseen by the Community Safety Partnership, the MSCB needs to be assured that safeguarding is an integral part of the delivery.
- 2.20 Feeding into the Leadership Group are a number of sub groups serving cross cutting strategic areas such as Quality Assurance and Performance Improvement, Communication and Engagement, Learning and Development, Safeguarding Practice Development and Complex Safeguarding.
- 2.21 The Child Death Overview Panel reports to the Leadership Group and there is a sub group specifically having oversight of the serious case review programme, making sure that legal responsibilities are met and, most importantly, that multi-agency learning from serious incidents is captured quickly and appropriately so that it can be embedded across the partnership.
- 2.22 The Independent Chair has regular meetings with the Director, Lead Member and Chief Executive. There is also close working with other Board Chairs at a Greater Manchester level.
- 2.23 Following a national review of Safeguarding Children Boards, a new statutory framework has been introduced through a revised Working Together, which was published in early July 2018. This sets out requirements for the three statutory partners (Local Authority, Police and Clinical Commissioning Group) to establish new safeguarding arrangements by September 2019. Work has started to identify how the transition will take place during which time the current statutory obligations will remain.

Children's Board Strategic Partnership (entry 21)

- 2.24 The Children's Board Strategic Partnership remains as a 'Medium' risk, reflecting the requirement to embed the outcomes framework and to evidence the impact on the achievement of the Children and Young People's Plan priorities of safe, happy, healthy and successful.
- 2.25 In 2017/18 the partnership continued to mature and oversaw the production of an Annual Report detailing the activity and impact from the partnership. The Children's Board developed an integrated outcomes framework which will report on the outcomes and the strategic priorities.
- 2.26 The Board ensured a stronger contribution and involvement of children and young people, with young people leading the Board, reporting on their activity and holding a challenge session in relation to the refreshed Early Help Strategy 2018 - 2021.
- 2.27 The Early Help Strategy has been refreshed with updated priorities and the development of an impact map. The Early Help Assessment (EHA) will continue to be tracked and performance monitored by the Board but this will be only one measure of the impact of the strategy. Detailed evidence and impact from the Early Help Hubs was reported to Children and Young People's Scrutiny in September 2018. There is good evidence of the impact of the hubs at a family, community and locality partnership level, and in future analysis will be presented to the Board on a quarterly basis.
- 2.28 Headline results from the evaluation of the Troubled Families programme have recently been shared with the Executive Members Group, and this is demonstrating sustained impact on a number of key indicators 12 months post intervention. A detailed summary of impact will be available in due course.

Manchester's Service for Independent Living (MSIL) (entry 27)

- 2.29 A risk rating of 'Medium' was recorded in the 2017 Register which, was a change to the 'Low' rating given in 2016.
- 2.30 The current agreement between the Council and the three Clinical Commissioning Groups is for the provision of a Community Equipment Service to children, young people, adults and older people across Manchester. This includes stock and store management of equipment and provision of delivery, collection, recycling, decontamination and maintenance services.
- 2.31 Whilst progress has been made and governance arrangements remain robust, work continues in terms of the partnership arrangements. The new Service Level Agreement (SLA), which sets out the responsibilities and priorities of the Council and the CCG, still remains in draft form and is awaiting ratification by the CCGs before this can be signed off by the Director.
- 2.32 NHS colleagues recognise the importance of the services delivered to support residents in keeping them safe from harm, maintaining their independence and

enabling them to stay in their own homes and communities for as long as is possible.

Manchester International Festival (MIF) (entry 28)

- 2.33 MIF is a grant agreement to deliver the biennial festival; a memorandum of understanding is being developed to support its links with the development and operation of the city's new arts venue, Factory, due to open in 2020. In view of this significant change, for the 2017 Register MIF was re-rated as 'Medium' risk, from the 'Low' rating it had in previous years.
- 2.34 Preparing to take on the role of operator for Factory, MIF have started to undergo significant organisational change to grow and adapt as an organisation. This work is owned and driven by the MIF Board, Chief Executive Officer and the Executive Team to facilitate the necessary organisational re-design and transitional planning.
- 2.35 The renewal and expansion of the MIF Board was the first step in this process, with nine new trustees approved. The Board has now grown to 18 members, attended by the Executive Member for Schools, Culture and Leisure and the City Treasurer is an observer. An Executive Structure has been designed and a new Chief Operating Officer has been recruited as well as four new directors for digital, press, development and skills and training. A Business Plan has been approved by Arts Council England and the Department for Culture, Media and Sport. This plan is a live document and over the next 12 months the artistic programme will be developed.
- 2.36 The development of MIF as an organisation and the artistic planning is taking place alongside the construction of Factory, which is a major capital project, located within the St John's neighbourhood of the city centre and managed by the City Council. Governance arrangements are in place to manage the Factory project with the City Treasurer as the Senior Responsible Owner (SRO) and chair of the Project Board. As SRO for the Factory development, the City Treasurer also has oversight over the development of MIF as the operator for the venue, including approval of the emerging business plan. A detailed risk register is reviewed at the Project Board meetings covering both the capital and non-capital risks. A Strategy Board has been established which is chaired by the Leader of the Council and attended by the Deputy Leader, Executive Member for Finance and Human Resources, Executive Member for Schools, Culture and Leisure, Chief Executive, City Treasurer, MIF Chief Executive Officer and a representative of Arts Council England as an observer.

Greater Manchester Mental Health NHS Foundation Trust (GMMH) (entry 29)

- 2.37 As of 1 January 2017, GMMH (formerly Greater Manchester West) acquired Manchester Mental Health & Social Care Trust (MMHSCT), and responsibility for the delivery of all its Manchester based mental health services. This was part of a NHS Improvement led process supported by the Council and Clinical Commissioning Groups, signed off by the Secretary of State. In view of this

transitional period, the rating awarded to the partnership in 2016 was 'High' risk. However, now the acquisition is complete and GMMH is fully operational with no significant concerns, the partnership was re-rated as 'Medium' risk.

- 2.38 A single integrated NHS contract was signed with GMMH in 2017, covering all Health, Social Care and Public Health mental health and wellbeing services. This was a two year contract (with the option to extend for a further two years) with an annual value of c£95m. The Council's Social Care and Public Health element of this contract had a combined annual value of c£7.4m.
- 2.39 Manchester Health and Care Commissioning (MHCC) and GMMH have worked together during this two year contract to deliver the strategic aims of the acquisition via the delivery improvements to particular pathways of care: improving access to psychological therapies; acute care and rehabilitation pathway for people experiencing severe and enduring mental health problems. GMMH have delivered to plan and made significant headway in transforming pathways of care.
- 2.40 For 2019/20 onwards, whilst MHCC will review the annual planning guidance from NHS England and ensure the organisation applies it as required, the timetable for contract agreement will be brought forward to match the Council's budget setting timetable. Therefore, for the main contract with GMMH, agreement to the financial value of the contract is required by 21 December 2018. The CCG will prioritise the contracts but will, wherever possible, ensure that they all are agreed in line with national timetables. The CCG may look to draft a new contract with GMMH for 19/20 based on whether NHSE introduces significant change to the T&Cs and Contract Particulars. MHCC also reserves the right to use the national contract variation if this becomes a viable option for 2019/20.
- 2.41 The Director of Adult Services has recently initiated a collaborative review with GMMH and MHCC, which is being led by the Council's Audit team. A terms of reference has been developed which includes a review of the statutory Council functions delegated to GMMH via the Section 75 agreement. This is to establish an up to date position with regard to current performance and outputs and provides the opportunity to proactively address any issues that are identified as part of the assurance process.
- 2.42 New priorities for areas of care needing transformation and attention will be negotiated within the 2019/20 contract and will include the findings of the section 75 audit referenced above.
- 2.43 With regards partnership arrangements, the establishment of the MHCC has led to a new structure being implemented between the Council and the CCG, including the MHCC Board, Chief Operating Officer, Executive Team and associated staffing structures.

Avro Hollows Tenant Management Organisation (entry 40)

- 2.44 The Avro Hollows TMO was set up in 2008 to manage a relatively small area of housing stock (312 properties) in Newton Heath on behalf of the Council.
- 2.45 A risk rating of 'Medium' was recorded for 2017, which remained the same as the last two years. Following a request from Members at the January 2018 Audit Committee meeting, a further update was provided at the meeting held in March. This included more detailed assurances in relation to governance and risk management arrangements, and also addressed concerns in light of the Grenfell disaster.
- 2.46 The Avro Hollows board continues to deliver the best service possible to residents with assistance from the Council's Strategic Development section. Additionally, they are supported by a Housing Consultant who provides specific information and advice around changes to legislation, particularly in relation to GDPR. The Board are in the process of organising a business planning event in the autumn to enable them to make plans for the future. At this meeting there will be discussions and recommendations to adopt the National Housing Federation code of governance for TMOs.
- 2.47 Avro Hollows continue to arrange repairs through their dedicated repairs line which is free of charge to residents. During out of hours, calls are diverted through to their contractor. Housing management functions are delivered through the same systems as Northwards Housing.
- 2.48 One of the main issues the TMO is dealing with at the moment is around the Fire Risk Assessment work post Grenfell. This work is of the highest priority to the organisation. The team are engaging with partners and have requested attendance at project meetings with Northwards Housing to improve communication and achieve a better understanding of what work is actually being carried out.
- 2.49 Board meetings are continuing, and an influx of new committee members have been welcomed since the recent AGM. TMO liaison meetings continue to be held on a regular basis, and a fortnightly meeting with council officers will address key issues as they arise.

SHOUT Tenant Management Organisation (entry 43)

- 2.50 The SHOUT TMO ensures effective monitoring, governance and support in the provision of a voluntary service managing a relatively small area of housing stock (100 properties).
- 2.51 For the 2017 update of the Register, the partnership was given a risk rating of 'Medium'. This was as a consequence of changes in the housing management team and then allowing sufficient time to gain significant understanding of the systems and practices which are in operation. In addition, the chair of the board was unable to continue in the role due to being an owner occupier. A board Annual General Meeting brought in new residents to the board, while a

new chair was appointed who recently won the Council's Volunteer of the Year award.

- 2.52 SHOUT have now completed the recruitment of their housing management staff. Additionally, new financial procedures have been put in place and training and development sessions have been delivered, which is a key driver in improving governance arrangements. The board is now actively creating a budgetary and management framework to help make it more sustainable. This is designed to address the issues faced by the TMO and reduce the time taken to resolve them, such as deciding how services are resourced and managing completion of capital programme works.
- 2.53 The board is now working on a draft annual action plan with support from their consultants. There are also proposals to set up a management group and a personnel sub group. Officers are close to completing the budget proposal which will assist discussions in relation to board priorities and spend, and also allocation of allowances from the Council. The action plans cover all the main areas and will allow progress to be more effectively monitored by the Council. Improvements to communications is also underway, for example the SHOUT social media pages have now been updated to reflect board member changes.
- 2.54 Board meetings and attendance at TMO liaison meetings have continued, with council officers attending a weekly management meeting to address key issues, an example of which being a shared issues log.

One Education (entry 49)

- 2.55 One Education provides a range of Pupil and Business Support services to schools and academies, primarily in Manchester but also some other GM areas and West Yorkshire. It is commissioned by the Council to respond to the Education Act 2011 in a positive way, both in terms of the interface with schools and in providing challenge as champions of children in the City. It has its own Board of Directors which includes Council officers, and reports to the Council.
- 2.56 Given the commercial nature of the organisation and some uncertainty around future demand, in 2017 the partnership was re-rated as 'Medium' risk, from 'Low' risk in 2016.
- 2.57 The financial position of One Education improved significantly towards the end of the financial year and the outlook is more favourable. One Education has turned round a projected in-year budget deficit of -£27k into a £53k operating surplus. There was particularly strong performance from the business service units (HR, ICT and Finance) within the Company. The report is attached for information. It should be noted that the pension liability carried by One Education (staff are part of the GMPF on local authority terms) will need to be monitored and may impact on any future discussions regarding company structure.

- 2.58 The One Education Board has monitored the financial performance and associated activity very closely and there are regular performance meetings between the two Council Directors on the Board and the Executive team, outside of Board meetings. There has been a good start to the 2018/19 financial year with One Education retaining 90% of its contracts with schools and an increase in the City Council's contract with the company.
- 2.59 A more robust and consistent approach to sales and marketing has also been put in place. One Education has produced a sales plan for 2018/19 which defines the sales strategy with supporting information that sets out sales targets and potential opportunities for the business. It also provides reference for all One Education staff to understand the sales processes, targets and working practices. A copy of the booklet which has been produced to market the services is attached and provides an example of the positive and professional approach being taken. One Education are continuing to seek opportunities to expand the customer base. It is acknowledged that the capacity to do this can be affected by the ability to scale up the workforce but the company are looking at how this can be achieved at minimal risk within individual work packages. The company is also looking at longer term agreements with schools and other customers which will aid future business planning.

Brunswick PFI (entry 55)

- 2.60 This partnership is a contractual agreement between Manchester City Council and S4B, which is a consortium made up of four organisations: Equitix, Galliford Try, Mears and Onward Homes, which was recently established after Symphony Housing merged with another housing organisation.
- 2.61 Signed in 2013, the PFI contract involves the remodelling of the Brunswick neighbourhood. This will see over 650 homes refurbished; 296 properties demolished; 124 homes to have their orientation reversed to align with the new street layout; 302 new build homes for sale; 200 new build Housing Revenue Account homes (including a 60 place extra care unit) and the creation of new parks, a retail hub and neighbourhood office.
- 2.62 Whilst the majority of elements of the governance arrangements are robust, the partnership was rated as 'Medium' risk due to concerns around the contractor's capacity to ensure delivery timescales are met. S4B have since fallen further behind on their refurbishment, new build and infrastructure work programmes. The issues are being addressed at Board level with S4B and their funders. Most recently, the Council have considered it necessary to issue a number of warning notices to S4B to highlight specific contract concerns. Local Members have been briefed around the current issues.

Manchester Health and Care Commissioning (MHCC) (entry 58)

- 2.63 MHCC was established in 2017 to create a single health, adult social care and public health commissioning function for Manchester.

- 2.64 MHCC was originally set up to operate via delegation of function from the Council to the Manchester Clinical Commissioning Group (MCCG). As this has not happened due to VAT reasons, the two organisations have been working positively and collaboratively within shared governance arrangements but without a fully integrated budget. Decision making has been enabled through the Council's delegation to the Director of Adult Social Care and the Director of Public Health. Staff remain employed by the Council or MCCG and therefore are covered by their host organisations' policies and procedures.
- 2.65 A new partnership agreement has been agreed, which formalises the arrangement described in 2.64. MCC have audited MHCC's governance arrangements and are contributing to supporting delivery of the recommendations. Therefore, in the interim MHCC is rated as 'Medium' risk and the formalising of arrangements and due diligence continues.

Manchester Local Care Organisation (MLCO) (entry 59)

- 2.66 Manchester Local Care Organisation was formally launched on 1st April 2018. The original intention was for it to be established through the award of single ten year contract for the delivery of a range of adult social care, community health, primary care and community mental health services.
- 2.67 Although a single contract for the delivery of the MLCO services was not possible, partners including Manchester University NHS Foundation Trust (MFT) agreed to develop a legally binding ten-year Partnering Agreement, which commits all parties (MFT, MHCC, Manchester City Council, Manchester Primary Care Partnership and Greater Manchester Mental Health NHS Foundation Trust) to the delivery of the MLCO agenda and the transformation of out of hospital services. The Partnering Agreement was formally signed by all Partners in March 2018, coming into effect 1st April 2018 and in doing so establishing MLCO.
- 2.68 Whilst not a recognised statutory body or legal entity, MLCO is responsible for the delivery of a range of services including community health services, and adult social care. The organisation is planned to develop over an agreed 3 year phased approach, over time the range of services that will be delivered through MLCO will grow to include Mental Health and Primary Care.
- 2.69 Whilst the MLCO is responsible for delivering those services described, due to the limitations of the Partnering Agreement and absence of a single health and care contract, the accountabilities for provision remain unchanged. Adult Social Care, whilst delivered through the ambit of the MLCO, remain the statutory responsibility of Manchester City Council (MCC), and likewise community health provision including services previously delivered under contract in North Manchester through the Northern Care Alliance and Pennine Acute Hospitals NHS Trust specifically, remain the responsibility of MFT in contractual terms.
- 2.70 MLCO activity for 2018/19 is defined by its business plan – which was agreed by its Partnership Board (comprised of the core partners) and is built out of six

key priorities: Ensure a safe transition and a safe start; Improve lives through population health and primary care; redesign core services; ensure financial sustainability; create our organisational strategy; and prepare for 2019/20 and beyond.

- 2.71 With the launch of MLCO in April 2018, the organisation mobilised its internal governance arrangements. To meet the MLCO's ambitions for service delivery which include delivering safe and effective care, the internal governance for the organisation was built upon appropriate design principles. The governance created has been designed to ensure it is able to have effective oversight of in excess of £600 million worth of services per annum from 2019/20 onwards.
- 2.72 The governance that has been mobilised to support the delivery of the MLCO, will continue to iterate as the organisation develops particularly in regards to the governance that will be developed to support Integrated Neighbourhood Teams.

3 Next Steps

- 3.1 The next annual partnership self-assessment process will commence in early 2019, as part of the process of producing the 2018 Register of Significant Partnerships. Once completed, the new register will be submitted to Audit Committee in February 2019. This will provide an opportunity to review the new Risk Assessment ratings of the partnerships in this report to confirm whether governance arrangements have continued to improve where required.

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**Manchester City Council
Report for Information**

Report to: Audit Committee – 5 November 2018
Subject: Treasury Management Interim Report 2018-19
Report of: City Treasurer

Summary

To report the Treasury Management activities of the Council during the first six months of 2018-19.

Recommendations

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

Wards Affected: Not Applicable

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Background documents (available for public inspection):

Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy Report 2018-19

(Executive – 7 February 2018, Resource and Governance Scrutiny Committee – 19 February 2018, Council – 2 March 2018)

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 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 2009, and the revised Code recommended that local authorities include, as part of their Treasury Management Strategy Statement (TMSS), the requirement to report to members at least twice a year on the activities of the Treasury Management function. The recommendation was first included within the 2010-11 TMSS approved by the Executive on the 10th February 2010. The requirement has also been included and approved as part of each the annual TMSS since 2010-11. This report therefore ensures that the Council meets the requirements of the Strategy, and therefore the Code.
- 1.3 The Code was revised in November 2011, acknowledging the effect the Localism Bill could have on local authority treasury management, however there were no major changes to the Code. This report has been prepared in accordance with the revised November 2011 Code. There were further changes made to the Code in 2017 which are described in Section 9 below.

Section 1: Introduction and Background

Section 2: The Council's Portfolio Position as at 30th September 2018

Section 3: Review of Economic Conditions

Section 4: External borrowing in 2018-19 to date

Section 5: Compliance with Treasury Limits and Prudential Indicators

Section 6: Investment Strategy for 2018-19 to date

Section 7: Temporary Borrowing and Investment for 2018-19 to date

Section 8: Changes to the CIPFA Prudential and Treasury Management Codes

Section 9: Conclusion

Appendix 1: Public Works Loans Board (PWLB) Interest Rates

Appendix 2: Treasury Management Prudential Indicators

Appendix 3: Review of Economic Conditions, provided by advisors

Appendix 4: Glossary of Terms

Portfolio Position as at 30th September 2018

- 2.1 As outlined in the approved Treasury Management Strategy for 2018-19 it was anticipated that there would be a need to undertake some permanent borrowing in 2018-19 to fund the capital programme and to replace some of the internal funds. Cash balances during the year to date have been relatively high and no borrowing has been required during the first half of the year. However borrowing is likely to be required during the second half of the year.

- 2.2 The need for some external borrowing will be required to facilitate the transfer of balances to the Greater Manchester Combined Authority (GMCA) for initiatives the Council has been operating on GMCA's behalf. These matters are discussed in detail below.
- 2.3 The Council's debt position at the beginning of the financial year and at the end of September 2018 for comparison was as follows:

Loan Type	31-Mar-18		30-Sep-18	
	Principal	Average Rate	Principal	Average Rate
	£m	%	£m	%
PWLB	0.0	0.00	0	0.00
Temporary Borrowing	0.9	0.50	4.0	0.59
Market Loans	448.2	4.75	448.2	4.75
Stock	0.9	4.00	0.9	4.00
Government Funding	80.3	0.00	164.5	0.00
Gross Total	530.3	4.02	617.6	3.46
Temporary Deposits	-137.9	0.35	-121.0	0.49
Net Total	392.4		496.6	

- 2.4 The temporary borrowing and deposit figures fluctuate daily to meet the daily 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 Total debt increased by £87.3m during the period 31st March 2018 to 30th September 2018. The increase was mainly due to the receipt of £80.6m in further advances from the MHCLG for the Housing Investment Fund (HIF) and £3.6m in respect of the receipt of the second of three SALIX loans. For accounting purposes the HIF and SALIX advances are treated as central government borrowing. The final £3.6m element of the SALIX loan is expected on the 29th March 2019. The funds the Council holds for Manchester organisations that work closely with the Council are classed as temporary borrowing and increased by £3.1m during the period.
- 2.6 An assumed borrowing need of £360m was identified in the budget for 2018-19 and based on the current cashflow forecast the estimated borrowing requirement by 31 March 2019 is £280m. This includes an assumption that an estimated £68.7m for the HIF will transfer to GMCA before the next financial year end. The Council has operated the HIF on GMCA's behalf whilst the Combined Authority has awaited the statutory powers it requires to operate the Fund itself. GMCA have now been granted the necessary statutory powers and arrangements for the transfer are being confirmed.
- 2.7 It is anticipated, based on the forecast cash flow, that the level of temporary deposits will continue to fall and that therefore the Council will need to borrow further funding during 2018/19. As discussed below, the Council continues to

be in discussions with the European Investment Bank, and is evaluating other opportunities in the market. If any borrowing is taken during it will be reported at outturn.

3. Review of Economic Conditions: April to date 2018

- 3.1 In August the Bank of England raised the key lending rate by 0.25% to 0.75%. This was the first change in rate since it was increased to 0.50% in November 2017. The concerns expressed in our past reports about many banks being reluctant to lend, thereby limiting opportunities for the Council to borrow from the market, continue to exist.
- 3.2 Appendix 3 provides a more detailed review of the economic situation.

4. Treasury Borrowing in 2018-19 to date

- 4.1 PWLB interest rates during the first 6 months of the year are illustrated in the table below and the graph at Appendix 1.

PWLB Borrowing Rates 2018-19 to date for 1 to 50 years					
	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.48%	1.87%	2.29%	2.70%	2.45%
Date	01/06/2018	29/05/2018	20/07/2018	20/07/2018	29/05/2018
High	1.77%	2.19%	2.63%	3.03%	2.84%
Date	19/09/2018	25/09/2018	25/04/2018	25/09/2018	25/09/2018
Average	1.66%	2.04%	2.45%	2.84%	2.61%

- 4.2 Manchester is 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.
- 4.3 The Council has discussed a £100m facility with the European Investment Bank (EIB) which will form part of the Council's future overall borrowing strategy. The EIB's rates for sterling borrowing continue to be favourable compared to PWLB. Whilst the EIB appraises its funding plans against individual schemes, particularly around growth, employment and energy efficiency, any monies borrowed are part of the Council's overall pooled borrowing. There has not been any advice from the EIB that post Brexit these arrangements will change.
- 4.4 As part of the procedure to confirm the borrowing from the EIB the Council gained the bank's approval for six projects which meet the EIB lending criteria.

The initial forecast expenditure for these projects was sufficient to provide a basis for the EIB advance. The six projects are now much further developed and the budgets and phasing agreed. The latest estimates of expenditure are different to the initial outline figures and the basis these projects provide for the EIB borrowing requirement has been revised. It is expected these projects will now only provide a basis for £48.8m of EIB borrowing.

- 4.5 In view of this the Council has identified six additional projects which it believes meet the EIB criteria and these projects will provide a basis for a further £28.0m of borrowing. This together with the £48.8m in respect of the original projects will provide a basis for total EIB borrowing of £76.8m.
- 4.6 The EIB facility expired on the 8th September 2018 and the Council prior to this advised the EIB that the forecast spend for the six original projects approved as a base for the borrowing had reduced. At the same time the Council forwarded details of the additional projects. A decision from the EIB is currently awaited.

5 Compliance with Treasury Limits and Prudential Indicators

- 5.1 During the first half of the financial year, the Council operated within the Treasury Limits and the Prudential Indicators set out in the Treasury Management Strategy Statement. This is with the exception of three breaches of the daily current account limit which are described below. Performance against the Prudential Indicators is shown in Appendix 2.
- 5.2 During the period 1st April to 30th September 2018 there were three breaches of the daily £0-400k limit on the Barclays current account. One breach arose following the late receipt of £830k in respect of a legal completion which had not been advised to Treasury Management. The two other breaches were due to transfers to the Barclays Call Account being incorrectly actioned. Operating procedures have since been strengthened to avoid future repetition of this type of error.

6 Investment Strategy for 2018-19 to date

- 6.1 The Treasury Management Strategy Statement (TMSS) for 2018-19 was approved by Executive on 7th February 2018. 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 In light of credit rating changes the Council needed to spread its counterparty risk by identifying more counterparties that can be utilised for investments; therefore included in the 2018-19 Treasury Management Strategy are a number of measures to broaden the basis of lending:

- Utilise UK banks / building societies and local authorities.

- Utilise non-UK banks / building societies in countries with an AAA rating.
- Diversify the investment portfolio into more secure UK Government and Government-backed investment instruments such as Treasury Bills.
- Utilise Certificates of Deposit and Covered Bonds with high quality counterparties, i.e. those that are AAA rated.
- Utilise Money Market Funds which are Constant Net Asset Value (CNAV) or Low Volatility Net Asset Value (LVNAV) and are AAA rated.
- Although the current investment strategy allows investments for up to 364 days, restrict deposits to less than 3 months unless the case can be made for investing for longer (i.e. to match a future commitment) apart from deposits with other Local Authorities or the Debt Management Office (DMO).

6.3 These measures were approved as part of the 2018-19 Strategy. It was noted in the 2018-19 Treasury Management Strategy Statement (TMSS) that bail-in risk was an issue. The TMSS contained measures to support the Council limiting this risk. The Council has:

- Opened Account and custodian facilities for trading in Treasury Bills. The intention is to bid in the weekly HM Treasury auction at times when the Council has temporary surplus cash and when Treasury Bill returns have improved compared to their current rates.
- Money Market Funds avoid bail-in risk and the Council has opened accounts with four Funds; Aberdeen, Aviva, Blackrock and Federated. Each of these Funds meet the requirements noted above with regard to credit rating and liquidity requirements.

6.4 The current strategy means that a significant proportion of the Council's investments are with the Government (via the Debt Management Office, DMO) or with other Local Authorities. This highlights the relatively low rate of credit risk that the Council takes when investing.

6.5 It should be noted that, whilst seeking to broaden the investment base, officers will continue to seek high quality investments. to limit the level of risk taken by the Council. It is not expected that the measures considered above will have a significant impact on the rates of return the Council currently achieves.

6.6 During the financial year to date the Council's temporary cash balances were managed by the 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.

7 Temporary Borrowing and Investment 2018-19 to date

7.1 Investment rates available in the market continue to be at an historic low point. The average level of funds available for investment purposes in the first six months of 2018-19 was £160m. 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, and progress on the capital programme.

- 7.2 The temporary investment and borrowing undertaken by the Council is detailed below. As illustrated, the Council over performed the benchmark by 5 basis points on investments due to the inter local authority market being relatively buoyant.
- 7.3 The temporary borrowing consists of funds the Council holds for Manchester organisations that work closely with the Council. It was agreed the Council would pay interest on their funds in line with the base rate.

	Average temporary investment /borrowing	Net Return/Cost	Benchmark Return / Cost *
Temporary Investments	£159.8m	0.49%	0.44%
Temporary Borrowing	£3.3m	0.59%	0.56%

* Average 7-day LIBID/LIBOR rates

- 7.4 None of the institutions in which investments were made had any difficulty in repaying investments and interest in full during the period. The list of institutions in which the Council invests is kept under continuous review.

8 Changes to the CIPFA Prudential and Treasury Management Codes

- 8.1 The first version of the CIPFA Treasury Management Code in the Public Services was published in 2001 and provides a framework for effective treasury management in public sector organisations. The Code was last updated in 2011 and further revision was proposed in 2017 in response to a sustained period of reduced public spending and development of the localism agenda.
- 8.2 On 10 November 2017 DCLG (now MHCLG) published a consultation on changes to the guidance on local authority investments and Minimum Revenue Provision (MRP). The consultation closed on 22nd December. The prudential framework under the Local Government Act 2003 incorporates four statutory codes; the Prudential Code and the Treasury Management Code which are prepared by CIPFA, and were updated in December 2017. The government consultation also covered changes to the Statutory Guidance on Local Authority Investments and the Statutory Guidance on MRP.
- 8.3 MHCLG has now published a summary of the responses to the consultation together with a final version of the two statutory guidance documents. The changes include:

- i A new principle requiring local authorities to disclose the contribution that non-core investments make towards their service delivery objectives and/or placemaking role.
- ii A new requirement to include quantitative indicators that will allow assessment of risk exposure.
- iii Extension of the principles of prioritising security and liquidity over yield to cover non-financial assets, although local authorities are permitted to determine the relative importance of security, liquidity and yield for different types of investment and can assess liquidity of non-financial assets on a portfolio basis.
- iv A requirement for local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income.
- v A requirement for additional disclosure by local authorities who borrow solely to invest in revenue generating investments. The guidance makes clear that borrowing in advance of need solely to generate a profit is not prudential, and local authorities will need to explain why they have chosen to disregard the statutory guidance.
- vi Extension of the requirements regarding knowledge and expertise to cover other key individuals in the decision making process.
- vii A change to the definition of 'prudent provision' to one that requires local authorities to set MRP in a way that covers the gap between the capital financing requirement and the amount of that requirement that is funded by income, grants and receipts.
- viii Clarification that a charge to a revenue account for MRP should not be a negative charge (i.e. a credit).
- ix Clarification of the approach to be adopted when changing the methodologies used to calculate MRP, to make it clear that an overpayment cannot be calculated retrospectively.
- x Introduction of a maximum useful economic life of 50 years for calculating MRP, although local authorities can exceed this where there is related PFI debt with a longer term, or where the local authority has an opinion from a qualified person that the asset will deliver benefits for more than 50 years.

8.4 The revised Guidance on Local Government Investments applies from 1 April 2018. By the time of the confirmation of these changes many local authorities had already finalised their strategies and budgets and presented them to Council for approval. In view of this those Authorities that would face significant challenges in preparing the disclosures required by the guidance are allowed to defer inclusion of the revised disclosures to the first strategy

presented after 1 April 2018. Implementation of the revised Guidance on Minimum Revenue Provision is deferred to 2019-20, however MHCLG is encouraging early adoption.

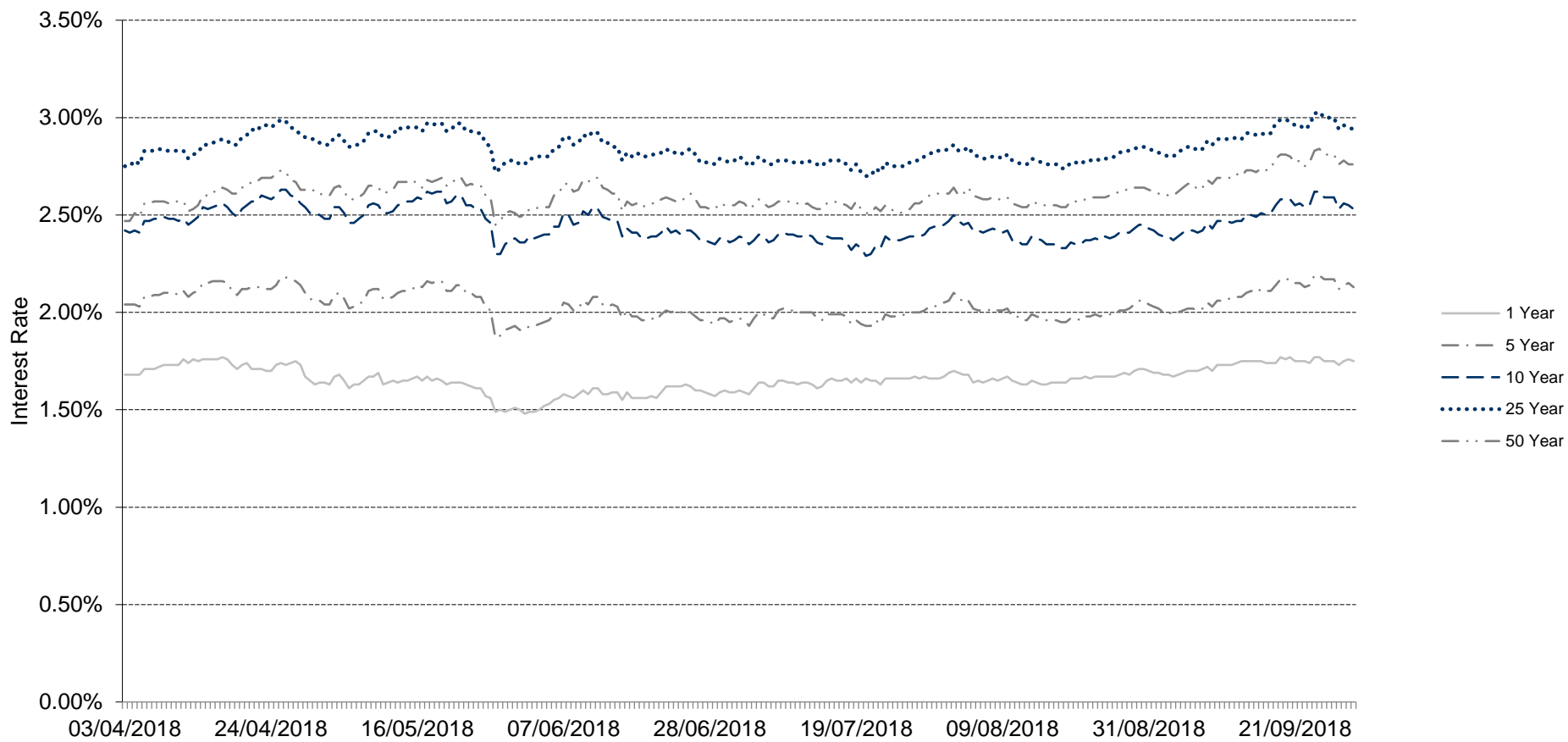
- 8.5 The City Treasurer in conjunction with the Treasury Management Team is actively reviewing the Council's Treasury Management and Capital strategies to determine how these may be improved to ensure they are fit for purpose and comply with the new arrangements. The Council's arrangements will be confirmed in the Treasury Management Strategy Statement for 2019-20.

9 Conclusion

- 9.1 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. Cash balances have been relatively high during the first half of the year however a borrowing requirement is expected during the second half of 2018-19.
- 9.2 Proactive treasury management during the year has enabled the Council to achieve an average net return on investments of 0.49%, in excess of the benchmark average 7-day LIBID rate of 0.44% and also higher than the rate offered by the DMO, which is the default option if there are no offers in the inter local authority market.
- 9.3 Officers will monitor the changes that may result from the downgrading in credit ratings, and take the necessary action to ensure the Council still adheres to its Treasury Management Strategy. This however, will limit the investment options available to the Council.

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PWLB RATES APRIL TO SEPTEMBER 2018



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Treasury Management Prudential Indicators: 2018-19 to date

	Original	Minimum In Year to 30 Sept 2018	Maximum In Year to 30 Sept 2018
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Operational Boundary for External Debt:			
Borrowing	1,146.7	530.3	642.4
Other Long Term Liabilities	216.0	161.4	161.4
Authorised Limit for External Debt:			
Borrowing	1,454.8	530.3	642.4
Other Long Term Liabilities	216.0	161.4	161.4
Actual as at 30 Sept 2018			
Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services	Yes		Yes
Upper Limits for Interest Rate Exposure:			
Net Borrowing at Fixed Rate as a percentage of Total Net Borrowing	100%		51%
Net Borrowing at Variable Rate as a percentage of Total Net Borrowing	85%		49%
Upper Limit for Principal Sums Invested for over 364 days	£0		£0

Maturity structure of Fixed Rate Borrowing	Lower Limit 2018-19 Original	Upper Limit 2018-19 Original	Actual as at 30 Sept 2018
under 12 months	0%	70%	0%
12 months and within 24 months	0%	100%	52%
24 months and within 5 years	0%	80%	21%
5 years and within 10 years	0%	70%	3%
10 years and above	20%	80%	24

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REVIEW OF ECONOMIC CONDITIONS FROM APRIL TO SEPTEMBER 2018 AND FUTURE OUTLOOK

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, and includes their forecast for future interest rates.

1 ECONOMIC PERFORMANCE TO DATE 2018/19

- 1.1 The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will record no more than 1.5% for 2018, the Bank of England's Quarterly Inflation Report, also released in August, suggests that growth will pick up to 1.8% in 2019, albeit there are several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.
- 1.2 In particular, some Monetary Policy Committee (MPC) members have expressed concerns about inflation threatening price stability (a similar theme to this time last year), particularly with the £ weak against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation is currently running at 2.5% but is expected to fall back towards the 2% inflation target over the next two years if minimal increases in Bank Rate materialise. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. The market is currently pricing in the next increase in Bank Rate for the second half of 2019.
- 1.3 With regard to unemployment, on the Independent Labour Organisation measure this is now at a 43 year low of 4%, but there is not much in the way of wage pressure at present. This is a global theme for the major economic power houses of the world. Indeed, with UK wages running in line with the CPI measure of inflation, real earnings are, in effect, neutral. Given the UK economy is very much services sector driven, any weakness in household spending power is likely to materialise in the form of tepid growth. This is another reason why the MPC must tread cautiously before increasing Bank Rate further. Additionally, business sentiment surveys, such as the Purchasing Managers Index collated by Markit, suggest the UK is set for growth of no more than 0.8% in the second half of 2018, whilst the housing market is going through a weak phase – with UK-wide house price growth in the region of 2% to 3%, but with areas of London and the south-east experiencing price falls.
- 1.4 From a political perspective, there is always the possibility of the Conservative minority government imploding over Brexit issues, but our central position is that Prime Minister May's government will muddle through despite various setbacks along the route to Brexit. If, however, we find ourselves facing a General Election in the next 12 months, there could be a potential loosening of monetary policy as a consequence, whilst medium to longer dated gilt yields could rise on the expectation of a weak £ and concerns of inflation picking up.

- 1.5 Looking at the US, President Trump's massive easing of fiscal policy has led to a (temporary) boost in consumption which has fuelled strong growth, upwards of 1% in Q2 2018, but also inflationary factors. With inflation moving towards 3%, the Fed has already tightened the Fed Funds interest rate to between 1.75% and 2%, and a further two increases to 2.25% - 2.5% is expected before the end of 2018 with the prospect of another increase or two next year. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US (China in particular) could see a switch to US production of some of those goods but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.
- 1.6 In respect of the Eurozone, growth has undershot early forecasts for a strong economic performance in 2018. In particular, data from Germany has been mixed – and they too could be negatively impacted by US tariffs on a significant part of their manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.
- 1.7 Interest Rate Summary
- In summary, our forecasts assume a modest and careful set of increases in Bank Rate over the next three years, with the next increase pencilled in for May 2019, but much of any monetary policy tightening will be dependent on an orderly Brexit. We forecast Bank Rate to be at 1.5% at March 2021. We also believe that where the Bank of England has stated that the neutral rate for Bank Rate will be in the range of 2% to 3% in the medium term, the fragility of consumer confidence and the current housing market, paired with little evidence of a substantive real wages increase occurring, suggests Bank Rate would settle at the lower end of this spectrum in the current economic cycle.
- 1.8 Our central view also assumes only a modest upward movement in gilt yields through to 2021 as the economy performs broadly in line with the levels forecast by the Bank of England. Our PWLB Certainty Rate forecasts are set out below.

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

1.9 Naturally, uncertainties abound and chief amongst those from an international perspective are the following:

- The degree to which the various on-going trade and geopolitical spats involving the US impact investor confidence on a global scale. In recent months, we have seen verbal confrontation, with economic policy implications, involving North Korea, the Eurozone, Canada, Russia and Turkey to name but a few.
- In addition, Italy has a populist government comprising the Northern Alliance and the Five Star Movement. There is the possibility that an anti-EU/austerity policy snowballs in the coming months with repercussions for the EZ bloc as a whole.
- Oil prices have risen substantially over the course of the last 12 months, any further protracted increases in oil or other core commodity prices could have a destabilising effect on global growth.

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Glossary of Terms

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

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

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

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

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

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

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

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

High/Low Coupon – High/Low interest rate

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

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

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

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

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

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

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

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

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

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

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

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

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our 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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Audit progress report

Manchester City Council

November 2018





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This document is to be regarded as confidential to Manchester City Council. It has been prepared for the sole use of the Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

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

Audit progress

2018/19 is the first year that Mazars is your external auditor following the award of the audit contract by Public Sector Audit Appointments Limited (PSAA). This is our first progress report in respect of the 2018/19 audit year. Our key audit stages are summarised in the diagram shown over the page.

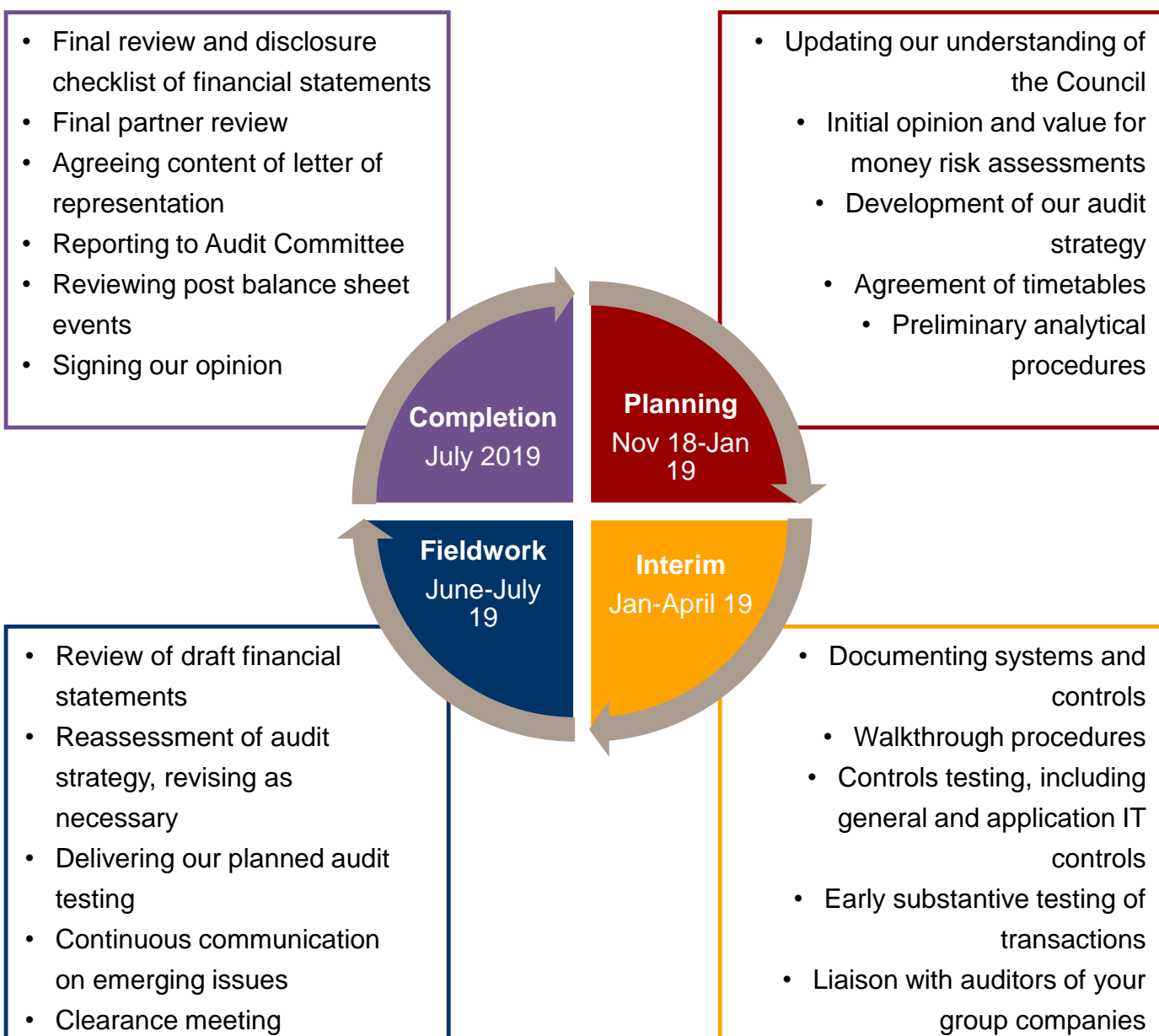
Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Audit Committee for discussion.

We have met with senior members of your finance team, including the City Treasurer and Head of Internal Audit, to discuss the audit process and to agree timescales for the completion of our audit work. Regular liaison meetings will continue throughout the year.

We have also helped host the Audit Committee's development session on 8 October 2018 and presented to Members on the Role of External Audit which generated much discussion.

We are working with Grant Thornton, as your predecessor auditor, as part of the handover process to ensure a smooth transition for your finance team.

1. AUDIT PROGRESS



2. NATIONAL PUBLICATIONS

	Publication/update	Key points
National Audit Office (NAO)		
1.	Transformation guidance for Audit Committees	Key questions for Committees to consider for transformation projects.
2.	Code of Audit Practice	Provides more background for new Committee Members, including the overarching Code which governs our work.
3.	Roles and responsibilities of the NAO and local auditors	Defines our responsibilities as your external auditor.
4.	Guidance and information for auditors	Includes guidance in respect of the VfM arrangements review which may be of interest to Committee Members.
Public Sector Audit Appointments Ltd (PSAA)		
5.	Mazars Annual Regulatory and Compliance Report 2017/18	Overall assessment of 'green'.
6.	Local Audit Quality Forum, PSAA	Inaugural meeting in April 2018; invite to all Audit Committee Chairs and Chief Finance Officers.
Local Government Association (LGA)		
7.	Speeding up delivery: learning from councils enabling timely build-out of high quality housing	Report highlights some distinctive projects and innovative practices.
8.	Sector-led improvement in 2017/18	Reflections by LGA which may be of interest to the Council.

2. NATIONAL PUBLICATIONS

1. Transformation guidance for Audit Committees, NAO, May 2018

Transformation is used to describe significant changes in service delivery or in day to day operations in an organisation.

The government continues to aim to make significant savings and transform services by introducing new organisational models and ways of working. However, transformation comes with risk and can be highly complicated. Evidence from the private sector suggests that 70% of transformations fail.

In many cases transformation programmes rely on new technologies and online services, and are highly ambitious and have a high risk of failure. The complexity of public service delivery and user needs can make the successful transformation of public services even more difficult. Oversight of these transformation programmes creates a major challenge for management and audit committees.

The NAO transformation guidance to Audit Committees sets out the questions to ask of management and the evidence and indicators to help audit committees to look out for at the three stages of any transformation project, as summarised below.

- At the set-up and initiation stage the key areas are: vision and strategy, and governance and architecture. The guidance addresses the evolving nature of transformation and what this implies for oversight.
- During the delivery and implementation stage the key areas are: change and implementation, and service and performance management. The guidance highlights the importance of tackling ambiguity and confusion in transformation objectives.
- Once live-running and benefits are being delivered the key areas are: people, process and technology. The guidance considers how audit committees can challenge the role of technology in supporting transformation.

<https://www.nao.org.uk/report/transformation-guidance-for-audit-committees/>

2. Code of Audit Practice, NAO

The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act.

The audit of a public sector organisation is wider in scope than that of a private sector body. Special accountabilities attach to the use of public money and the conduct of public business. It is not part of the auditor's responsibilities to question the merits of policy, but the auditor does have wider duties (depending upon the relevant legislation) to scrutinise and report not only upon the truth and fairness of the financial statements but on aspects of public stewardship and the use to which resources have been put. The auditor carries out this work on behalf of the public and in the public interest.

2. NATIONAL PUBLICATIONS

The auditor does not act as a substitute for the audited body's own responsibility for putting in place proper arrangements in support of the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code includes:

- general principles;
- audit of the financial statements;
- value for money arrangements;
- reporting the results of the auditor's work;
- auditor's additional powers and duties; and
- auditor's statutory responsibilities.

<https://www.nao.org.uk/code-audit-practice/>

3. Roles and responsibilities of the NAO and local auditors, NAO

Includes a useful summary of auditor's additional powers as well as setting out the responsibilities of auditors and local authorities.

Those responsible for the conduct of public business and for spending public money are required to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging these responsibilities, public bodies must put in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their annual published governance statement.

Responsibilities in relation to the financial statements

The audited body is responsible for preparing financial statements that meet relevant statutory, professional and any other applicable requirements.

Auditors provide an opinion on whether the audited body's financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Auditors plan and perform their audit in compliance with the requirements of the Code and with relevant professional and quality control standards. The auditor's work is risk-based and proportionate and is designed to meet the auditor's statutory responsibilities.

2. NATIONAL PUBLICATIONS

Responsibilities for local authorities and NHS bodies in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In carrying out this work, the auditor is not required to satisfy themselves as to whether or not the audited body has actually achieved value for money during the reporting period. In planning this work, auditors consider and assess the significant risks of giving a wrong conclusion on the audited body's arrangements for securing economy, efficiency and effectiveness.

<https://www.nao.org.uk/code-audit-practice/the-audit-framework-for-local-public-bodies/>

4. Guidance and information for auditors, NAO

Members may wish to note the guidance and information issued for auditors, covering sector-specific areas and providing a useful overview. This guidance is updated annually.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

5. Mazars Annual Regulatory and Compliance Report 2017/18, Public Sector Audit Appointments Ltd, July 2018

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The audit quality and regulatory compliance monitoring for 2017/18 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit internal quality monitoring;
- reviews (QMRs) of its financial statements, Value for Money (VFM) arrangements conclusion and housing benefit (HB COUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a commissioned rolling inspection programme of financial statements and VFM work;

2. NATIONAL PUBLICATIONS

- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2016/17 work.

The report sets out that:

- Mazars is meeting PSAA's standards for overall audit quality and regulatory compliance requirements;
- Mazars' combined audit quality and regulatory compliance rating was green for 2017/18;
- The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor; and
- Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2017/18 indicators scored as green and the overall weighted audit quality score of 2.55 having increased slightly from last year's 2.45.

From its assessment of all firms, the FRC has identified key issues which firms need to address in order to improve audit quality. These were the:

- challenge and scepticism of management in key areas involving judgment, such as impairment reviews, asset valuations and provisions;
- group audit team's oversight and challenge of component auditors;
- audit of company pension scheme assets and liabilities; and
- arrangements for ensuring compliance with the Ethical Standard and independence requirements.

Summary of PSAA annual assessments – overall combined

	BDO	EY	DT	PwC	GT	KPMG	Mazars
2018	Amber	Amber	n/a	n/a	Amber	Amber	Green
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green
2015	Amber	Green	Amber	Amber	Amber	Amber	Green

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

2. NATIONAL PUBLICATIONS

6. **Local Audit Quality Forum, Public Sector Audit Appointments Ltd, April 2018**

The LAQF is intended to be a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England.

Local bodies which have opted into PSAA's national scheme will be entitled to attend Local Audit Quality Forum events free of charge (up to two delegates per body). The forum was launched in April 2018 and invites were sent to all Audit Committee Chairs and Chief Finance Officers.

Presentations from the inaugural event are available. Future events are being planned based on delegates' feedback and will be added to the PSAA website in due course.

<https://www.psa.co.uk/local-audit-quality-forum/18-april-2018-inaugural-meeting/>

7. **Speeding up delivery: learning from councils enabling timely build-out of high quality housing, Local Government Association, August 2018**

Many local authorities across the country are working to speed up the delivery and buildout of housing. This report highlights both the potential and the limitations of the measures local authorities can take to enable timely buildout of high-quality development. There are principles that all local authorities can follow and there are actions which may work better in some areas than others, depending to some degree on market conditions and developer activity.

Key points highlighted in the report include:

- understanding the issues to delivery in the area;
- considering the use of planning conditions and their proper use;
- design codes which can be a useful tool;
- use existing powers such as s215 enforcement notices;
- use s106 legal agreements to help solve the delivery problem;
- culture change in the planning department is key; and
- partner with others to help unlock sites by offering the types of housing needed that the industry isn't able to.

<https://www.local.gov.uk/speeding-delivery-learning-councils-enabling-timely-build-out-high-quality-housing>

2. NATIONAL PUBLICATIONS

8. Sector-led improvement in 2017/18, Local Government Association July 2018

This report shows how the LGA has used DCLG grant for 2016/17 to help councils and to support improvement in the sector.

Sector-led improvement is the approach that councils and the LGA have put in place to support continuous improvement. Challenge and support from one's peers lies at the heart of sector-led improvement and underpins its success.

During the year the LGA worked with Public Sector Audit Appointments (PSAA) to develop LG Inform Value for Money (VfM) a replacement for PSAA's existing VfM Profiles. The new tool was successfully launched in November. The VfM profiles bring together data about the costs, performance and activity of local councils and fire and rescue authorities. They have been designed to help auditors, people who work for councils and fire and rescue authorities and the public understand the costs of delivering local services, and to get an overview of comparative spend and performance over time and relative to others.

9. Sector-led improvement in 2017/18, Local Government Association July 2018 - continued

Sector-led improvement: some reflections

- Councils continue to demonstrate exceptional leadership of place when called upon to do so (for example, Manchester and Salisbury). Emergency response demonstrates that partnerships are still strong despite the impact cuts to funding across the local public sector can have on on-going activity.
- Whilst recognising the opportunities, the uncertainty surrounding the potential practical implications of Brexit (funding, workforce, procurement, etc.) is becoming of increasing concern as March 2019 draws ever closer.
- Devolution and local government reorganisation continue to consume significant resources in some areas. This agenda can have a negative impact on relationships and present a distraction to on-going service delivery.
- Councils continue to grapple with the increasingly more challenging financial situation as evidenced by the recent National Audit Office report into local authorities' financial viability and now overlaid by the Fair Funding Review and business rates reset. This period of ongoing financial uncertainty is arguably as damaging to councils as the cuts themselves.
- We have seen an increasing request from councils, as leadership teams change or are renewed, for top team support to help them effectively lead their organisation through turbulent and challenging times.
- There continues to be a strong interest in exploring appropriate commercial opportunities and lots of interest in the commercial skills training that we have offered. But adverse publicity around borrowing to invest has meant that some councils appear less willing to share their knowledge and experience.

2. NATIONAL PUBLICATIONS

- Many councils that took out layers of strategic management, or whole functions such as policy development, are now struggling with capacity. A lack of corporate capacity in particular impacts councils' ability to horizon scan and think through how they need to change and adapt.
- Councils have devoted significant time and effort seeking to be equal partners in sustainability and transformation plans which haven't always led to outcomes, and there is frustration in the sector about this and a continuing concern at the delay in moving to new ways of working.
- Demand pressures particularly on children's and adult social care have become much more noticeable. An increasing number of councils are also reporting budget pressures on their temporary accommodation budgets.
- Homelessness has become a bigger issue for more councils this year and the number of homeless families and individuals placed in temporary accommodation has increased significantly.
- Housing growth is still a big issue. Councils are continuing to explore new vehicles to build homes.

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**Manchester City Council
Report for Information**

Report to: Audit Committee – 5 November 2018

Subject: Progress report on Manchester City Council’s Commissioning and Contract Management

Report of: City Treasurer

Summary

This paper summarises progress against the actions set out in the contract management improvement work plan approved by the council’s Senior Management Team on 27 February and the recommendations of the Audit Committee in January.

A great deal has been achieved in the last seven months, with notable progress on completion and analysis of contract registers, the development of standard products and processes, and growing awareness and tools for monitoring social value in contract delivery. However, the scale and complexity of the challenge should not be underestimated, given the number, value and variety of external contracts, the Council’s ambition for delivering for Manchester residents, and the pressing need to maximise value for money. This is a long-term improvement programme, and there remains much work to be done.

Recommendations

That the Committee notes the progress made to date but also the continued work that is needed. Section 3 of the paper sets out the key next steps in the work plan.

Wards Affected: All

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Background documents (available for public inspection):

Improving Contract Management and Governance, Audit Committee, January 2018

1. Background

1.1 The function of commissioning, procurement and contract management is essential for meeting the objectives of the City Council in the most cost effective and efficient manner. The Council currently commissions and procures over £0.5bn of services from third parties, the scale of which illustrates the importance of this function.

1.2 On 27 February 2018, the council's Senior Management Team (SMT) endorsed the work plan and priorities for the commissioning and contract management improvement programme. The work plan aims to build on existing strengths as well as address weaknesses as identified in previous reviews and audit reports. The areas for improvement are set out more fully in the January report to Audit Committee earlier this year; as a recap:

- Strategic governance and oversight of contracts was limited, hampered by inconsistent and, in places, incomplete reporting of contract data and performance;
- Contract management processes and systems were inconsistent and too easily prone to failure (e.g. limited controls and guidance increased the risk of human errors; knowledge of contracts too often lay with the individual commissioner / contract manager as opposed to being captured systematically);
- Basic standards for monitoring performance, such as monitoring meetings with providers, and the regular reviewing of performance information, were not always being followed;
- Staff and managers alike wanted more development opportunities to build commercial and contract management skills;
- The contract design stage needed a greater emphasis on how the contract will be managed, both in terms of establishing well-designed key performance indicators that closely align with the outcome goals of the contract, and practically in how the supplier relationship will be managed; and
- There could be insufficient consideration of social value opportunities built into specifications, and monitoring of social value delivery was lacking at times.

1.3 In addition to endorsing the proposed improvement programme overall, the January Audit Committee made a number of specific recommendations, as follows:

- The completion of a standard contract register;
- Use of contract performance dashboards for monitoring contracting effectiveness at a directorate level;
- More robust approach to contract management in new contracts;
- Strengthened governance in relation to contract management;
- Introduction of an improved ICT system for managing contracts.

- 1.4 This paper summarises the progress made both on these recommendations and for the overall improvement plan over the last six months as well as the priorities for the next six months.

2. Progress

Ensuring effective strategic oversight and governance

- 2.1 There are now contract registers in place across the directorates which provide the foundation for an improved grip on contract performance and spend. The registers are largely complete (a significant achievement), and present data in a consistent standard format, allowing comparison and analysis. There is still work to do to refine these - for example, they are necessarily still largely spreadsheet-based and the intention is to capture richer data. One exercise currently in train is the assessment of all the council's contracts for their criticality (Gold, Silver, Bronze - determined by value, dependence, impact, reputational risk and security/ safeguarding) and for their current performance (Red, Amber, Green - determined by service quality, consistency with Our Manchester behaviours, effectiveness in managing change, delivering on budget, and delivering social value), which in turn will help Directorate Management Teams take action on the key areas for attention.
- 2.2 Assurance reporting to Directorate Management Teams (DMTs), the Commercial Board and the Senior Management Team has improved to support senior oversight. Building on the data in contract registers we now have draft dashboards, summarising key data such as number of contracts, contract spend, number of contracts procured under a waiver to tender, activity, performance and contract breaches. These are new but they are starting to be reviewed by Directorates, as well as the Commercial Board - Neighbourhoods is one example which has set up dedicated meetings on contract management, where the contract register, dashboard and summary commentary all form key inputs into the meeting.
- 2.3 New accountability arrangements have been agreed by the Commercial Board relating to:
- (i) contract approvals governance - ensuring appropriate governance at each stage of the commissioning cycle; and
 - (ii) new procedures for strengthening contract management in pre-tender and tender stages. These are now with directorates for implementation. The Integrated Commissioning Team is developing a communications plan to spread and embed the message across the council. The team is also working with Manchester Health and Care Commissioning (MHCC) and the Manchester Local Care Organisation (LCO) on the future framework for governance of council-funded social care contracts.
- 2.4 Key forward priorities are:

- (i) to support Directorate management teams and SMT in confirming a forward pipeline of commissions and contracts, to shape these in line with strategic objectives, and oversee the performance of externally contracted services; and
- (ii) to facilitate cultural change, giving greater prominence and priority to effective contract management. In practice, this means:
 - completing Commissioning Pipelines (ie procurement plans) - which do not yet exist for all services;
 - ensuring those plans meet Manchester's strategic objectives - which is likely to mean integration across some contracts, redesigning some, and decommissioning some; and
 - raising performance in terms of robust and effective contract management.

Processes and systems

- 2.5 Following a series of workshops with practitioners across the Council, standard processes now exist for commissioning and contract management. Directorates are working to implement these; key actions for the Integrated Commissioning Team are communicating and embedding these. Some Directorates also now have identified roles with specific responsibility for improving contract management across the directorate, which is helping to embed better practice. As an example, Highways now have a dedicated Social Value and Ethical Procurement lead, supporting across the commissioning cycle from initial design, to monitoring delivery of social value commitments under the contract.
- 2.6 In addition, the Integrated Commissioning Team also put forward to the Commercial Board specific proposals to strengthen consideration of contract management within the contract design stage. As a practical example, when commissioning officers seek relevant authority, such as a Strategic Director, for proceeding with a new commission, they have to demonstrate how they propose to manage the contract. The next step is to ensure implementation in practice, including with Legal Services to ensure that this is captured in standard City Council terms and conditions for contracts.
- 2.7 As mentioned in the report to the January Audit Committee, improved ICT systems and capability are required to support contract management, to ensure an effective interface between operational workflow, outcomes, financial management, and payments systems. There are two principal requirements:
- (i) To record and track contract lifecycle processes, such as a contract register, recording the relevant parties to contracts, key dates for action and renewal; and
 - (ii) Capability to support the performance management and assurance of contracts, such as monitoring expenditure and performance against contracts.

This forms part of the ICT investment plan, and work started in April on defining requirements; design and procurement is due Q2 2019 (slipped from Q1), and implementation is due Q4 2019. In addition, work is at an early stage on a change to SAP to capture contract reference data, to enable the tracking of expenditure against contracts.

Resourcing, skills and capability

- 2.8 Work is underway to establish a learning and development programme for 2018/19 and 2019/20, the purpose of which is to raise the prominence of contract management as a career path, and improve staff skills and capability in this area (eg confidence in negotiation and understanding of business and commercial practices).
- 2.9 Since the beginning of October, Finance and Integrated Commissioning are co-delivering a dedicated session on financial and contract management on the Our Manchester Leadership and Raising the Bar programmes. These are large-scale development programmes and staff who have attended the course previously will be asked to attend this additional session. Furthermore, the Council is designing an e-learning course for contract management, which is expected to be ready during the autumn period. Further plans for a more in-depth commissioning and contract management course for dedicated commissioning and contract management roles are also being considered, subject to available funding. Meanwhile, staff from the corporate Integrated Commissioning team have supported Directorates with advice and expertise.

Supplier management and contract monitoring

- 2.10 Staff from the small corporate Integrated Commissioning Team have been deployed to priority contracts, including external residential and foster care for Children's Services; education contracts; procurement of social care contracts that must be in place by April 2019; parking; Highways; and monitoring the delivery of social value. Directorate contract staff and the Integrated Commissioning Team are working together to implement the new contract management standards; and to introduce a systematic approach to addressing risk - identifying, and planning the handling of, high risk contracts, opportunities for innovation and improvement, and savings. The next step will be to further develop Directorate contract management improvement plans to ensure consistent implementation, reflecting where the Directorate is on its improvement journey, and progress towards the Council's priorities.
- 2.11 At an operational level, the majority of contracts now have named officers (including Senior Responsible Officer and Contract Manager). There is still further work needed to clarify and embed the new responsibilities for governance of individual contracts, including ensuring contract management and monitoring meets new corporate standards - both in the Council and in MHCC, where joint work is underway.

Social Value

2.12 Social value is a key deliverable in the wider Council agenda to improve contract monitoring and management more generally. Commissioning for, and monitoring delivery of, Ethical Procurement has been included in all the new contract management standards and tools, with Social Value one of the cornerstones of an ethical procurement approach. A Social Value Toolkit for Commissioners and Stakeholders has been developed by a working group led by Corporate Procurement, and was launched at the Council's annual Ethical Procurement event in March. The Social Value Senior Leaders Group recently recommended focusing on effective delivery and monitoring of Social Value commitments in contracts, with an emphasis on practical actions to embed good practice and change culture, including:

- Ensuring that Social Value and the monitoring of Social Value is explicitly covered at the commissioning and pre-tender stages;
- Ensuring that Social Value and the monitoring of Social Value is explicitly covered at the tender stage;
- Benchmarking Social Value KPIs, starting with the “gold” contracts;
- Monitoring the delivery of social value once contracts are live;
- Building capability and winning hearts and minds among leaders and staff.

3. Next steps

3.1 The overall focus now is on embedding new standards and ways of working within directorates, and on focusing on the upcoming pipeline of commissioning and contracting activity over the next three years, specifically:

- Strategic oversight: new accountability arrangements; forward pipeline of commissions; performance of externally contracted services;
- Assurance reporting: to DMTs, Commercial Board and SMT;
- Forward planning: of commissioning and procurement;
- Standard processes: implementation;
- ICT: delivery of the contract management system;
- Learning and development: roll-out of new programmes;
- Resourcing operational governance: directorates to ensure contract management and monitoring meets new corporate standards;
- Supplier monitoring: continue to drive improvement;
- Delivery of Social Value in contracts.

3.2 The team is also working with Manchester Health and Care Commissioning (MHCC) and the Manchester Local Care Organisation (LCO) on the future framework for governance of council-funded social care contracts. Joint work is under way on aligning existing CCG and City Council contracts; and a new Director of Market Engagement has been appointed in MHCC, reporting to the Executive Director Strategic Commissioning and Director of Adult Social Services (DASS).

- 3.3 **Strategic oversight:** the new and clarified accountability arrangements are being set out in the Constitution, for ratification by full Council in late November. Commercial Board will support Directorate management teams and SMT in scrutiny of the forward pipeline of commissions and assurance of DMT oversight of the performance of externally contracted services. Ongoing.
- 3.4 **Assurance reporting:** DMTs to embed review of Directorate commissioning plans and contract performance into business as usual - on quarterly basis. Commercial Board to assure directorate commissioning pipelines and contract performance, and provide cross-cutting overview and connections. Ongoing.
- 3.5 **Forward planning:** Directorates will develop forward commissioning pipelines on the basis of risk and criticality, and reflect in service and budget plans - first drafts to be complete by December 2018, to be combined in City Council and MHCC forward planning. In 2019 we would expect to see the impact of better forward planning in: fewer waivers, fewer extensions, and increased negotiation on value in contract extensions.
- 3.6 **Implementation of new contract management standards:** these consist of standards (eg for contract registers), tools (eg assessing contract risk and criticality), and guidance (how to guides). They are now published on the intranet. DMTs will work with their contract management leads in directorates to ensure implementation. Integrated Commissioning are supporting with a communications drive (launch by end December 2018) and by embedding the new standards within training. Legal colleagues have revised standard City Council terms and conditions for contracts and are working on protocols and processes for the formalisation of contracts. Once these are finalised they will be embedded in guidance for MCC commissioning and contract staff.
- 3.7 **ICT systems:** key deliverables are the contract management system (target delivery end 2019); Liquid Logic and Controcc systems (May 2019); and SAP system change (currently at scoping definition stage).
- 3.8 **Learning and development:** the key deliverable is to establish and deliver a contract management learning and development programme for 2018/19 and 2019/20, including new training programmes for managers (Raising the Bar; Our Manchester Leadership), starting in October. An e-learning module on contract management is in development; another on delivering Social Value in contracts is planned. Both are targeted at all commissioners and contract managers. Additional specialist training for commissioners and managers of complex contracts and commercial projects is planned, subject to available funding. Commissioning staff are entitled to apply for places with the new Greater Manchester Commissioning Academy programme, starting in January 2019 that focuses on GM commissioning into the future. The key deliverables are for Directorates to incorporate commercial management (commissioning and contracts) training requirements into their 2019/20 Workforce Plans.
- 3.9 **Resourcing operational governance:** There is still further work needed in directorates to clarify and embed the new responsibilities for commissioning,

governance of individual contracts, including ensuring contract management and monitoring meets new corporate standards - by December 2018.

- 3.10 Supplier monitoring: Directorates to analyse the performance of their suppliers and contracts on a risk basis, and develop contract management improvement plans to resource to risk and criticality; follow through in 2019/20 service and budget plans. The City Council procurement process is being amended to ensure that as part of their tenders, bidders submit proposals for managing contract performance, and this is evaluated. The corporate Integrated Commissioning Team will remain focussed on priority areas. Commercial Board to review “gold” critical contracts.
- 3.11 **Social Value:** This has been and will continue to be a high priority area. Looking ahead, there will continuation of the drive to deliver social value through the commissioning and contract management programme, using the new commissioners’ toolkit. Key deliverables:
- Strategic Directors and delegated contract approvers to scrutinise proposals to ensure Social Value is included;
 - Directorate contract leads to benchmark Social Value KPIs; and
 - Contract managers to track the delivery of Social Value as part of routine management. Officers are driving Ethical Procurement in all its aspects through commissioning and contract management.

4. Conclusions

- 4.1 The Council’s commissioning and contract management has improved this year, and the foundations have been laid for the future - with contract registers in place across Directorates and improved governance and strengthened reporting at senior levels.
- 4.2 The priorities ahead are the continuing work with Directorates to implement the new standards and plan the forward pipeline of commissions and contracts. This better planning should deliver a significant reduction in the number of waivers to tender, eliminate spend off-contract, and help to identify opportunities for efficiencies - either through contract redesigns, or renegotiation with providers in relation to existing contracts. The Council recognises this is as much about a cultural change as much as process, which is why we are also taking steps to support different ways of working, including further training for staff.

5. Recommendations

- 5.1 The recommendations appear at the front of this report. Section 3 of this paper sets out the key next steps in the work plan.

Annual Audit Letter

Year ended 31 March 2018

Manchester City Council

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Your key Grant Thornton
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Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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Appendix

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Manchester City Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 31 July 2018.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £29,900,000 which is 1.75% of the Council's gross revenue expenditure. We determined materiality for the audit of the group's financial statements to be £34,800,000, which is 1.75% of the group's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council and group's financial statements on 31 July 2018.
Whole of Government Accounts (WGA)	We plan to complete our work on the Council's consolidation return in accordance with the guidance issued by the NAO before the statutory deadline of 31 August 2018.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit Committee in our Annual Certification Letter.
Certificate	We will certify that we have completed the audit of the accounts of the Council and group in accordance with the requirements of the Code of Audit Practice once we have concluded our Whole of Government Accounts assurance work.

Executive Summary

Working with the Council

Our year end audit work was undertaken during June and July 2018.

We have shared our audit findings with management. No recommendations for improvement were required.

We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report is consistent with our knowledge of your organisation and with the financial statements we have audited.

2017/18 is the final year of the Grant Thornton audit contract. We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff since the appointment commenced in 2008.

Grant Thornton UK LLP
August 2018

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Audit of the Accounts

Our audit approach

Materiality

In our audit of the Council and group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group accounts to be £34,800,000, which is 1.75% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's accounts to be £29,900,000, which is 1.75% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower level of materiality of £20,000 for both related parties and senior officer remuneration as we consider these items to be of enhanced public interest.

We set a lower threshold of £1,500,000 and £1,700,000 for the Council and group respectively, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the Narrative Report and Annual Governance Statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and group and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Manchester City Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Manchester City Council.</p>	<p>Improper revenue recognition was considered as a significant audit risk and subsequently the risk was rebutted.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtained a full listing of journal entries, and identified and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work has not identified any issues regarding the risk of management override of controls.</p>

Audit of the Accounts

Significant Audit Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment (land and buildings)</p> <p>The Council revalues its land and buildings on a quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>In addressing the valuation risk we have:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • considered the competence, expertise and objectivity of management experts used • reviewed the basis on which the valuation is carried out with the external valuers and challenged the key assumptions • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding • tested revaluations made during the year to ensure they are input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value • tested material additions and disposals and reviewed the depreciation calculation • reviewed the Council's consideration of asset impairment 	<p>We did not identify any material errors or misstatements relating to land and buildings valuation.</p>

Audit of the Accounts

Significant Audit Risks continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>We have:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated • evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out • undertook procedures to confirm the reasonableness of the actuarial assumptions made • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary 	<p>We did not identify any material errors or misstatements relating to the valuation of the pension fund net liability.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's and group's financial statements on 31 July 2018, meeting the statutory deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit Committee on 31 July 2018. Management prepared a good set of draft accounts which contained no material errors. Audit adjustments were confined to disclosure matters only within the notes to the accounts. The draft outturn and general fund balance remained unchanged.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We plan to carry out work on the Council's Data Collection Tool in line with instructions provided by the NAO. The deadline for submitting the audit assurance statement is 31 August 2018.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have had no cause to exercise these statutory powers at Manchester City Council and no objections from the public were received.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Manchester City Council in accordance with the requirements of the Code of Audit Practice. We will issue the certificate once we conclude our Whole of Government Accounts assurance work.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified related to the Council's joint working with partners to integrate health and social care across the city. The work we performed is set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018. An unqualified Value for Money conclusion was issued.

Value for Money conclusion

Key Value for Money Risk

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial sustainability</p> <p>The success of the integration of health and social care across Manchester would be compromised if the governance and decision making process isn't functioning.</p> <p>Page 161</p>	<ul style="list-style-type: none"> The Care Quality Commission (CQC) inspection of health and social care integration reported in December 2017 that 'governance arrangements were clearly articulated from the Greater Manchester Health & Social Care Partnership down to locality levels.' In describing governance arrangements in the city of Manchester itself, the CQC concluded that 'these arrangements would ensure that the individual partner organisations could meet their statutory responsibilities while working within an integrated commissioning structure.' The accountabilities between partners in Manchester were expected to be enshrined in a formal procurement contract by April 2018, but this is not yet in place due to unresolved issues such as VAT treatment and pensions costs associated with the transfer of staff to the Manchester Local Care Organisation (MLCO). The VAT issue in particular would carry a risk of c£3 million per annum to the total health and social care budget depending on the ultimate interpretation of HMRC rules and the partners are understandably unwilling to proceed with the procurement while that risk exists (the Council is working with NHSE and the Dept. of Health on a proposition to put to HMRC on this matter). Management and democratic accountability are achieved through the management teams and the boards for both Manchester Health and Care Commissioning (MHCC) and the MLCO which include NEDs and councillors from the partner organisations. The Resources & Governance Committee of the Council scrutinises progress. 	<ul style="list-style-type: none"> The governance and decision-making arrangements for 'A Healthier Manchester' were expected to be formalised in a 10 year procurement contract by April 2018, but this was not achieved because of unresolved national issues, most notably VAT treatment which carries a c£3m risk to the partnership. The accountabilities are formalised instead through a partnership agreement signed in April 2018, developed by a governance working group consisting of representatives of all partner organisations. This has enabled continued progress to be made on operational developments, most importantly the establishment of 12 neighbourhood teams under the MLCO. <p>We concluded that the Council, together with its partners has developed functioning governance arrangements and therefore an unqualified Value for Money conclusion has been issued to the Council.</p>

Appendix A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	March 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

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	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	207,167	211,167	207,167
Certification of Housing Subsidy Return	12,500	TBC	11,288
Total fees	219,667	TBC	218,455

The proposed audit fee for the year exceeds the scale fee set by Public Sector Audit Appointments Ltd (PSAA) by £4,000 due to the additional work involved in addressing the Public Interest Entity (PIE) requirements arising from the Council's listed debt.

In addition to the above fees charged for services to the Council, The Firm provides audit and non audit related services to subsidiaries of the Council.

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for non-audit services

Service	Fees £
Audit related services	
- Certification of Housing capital receipts return	2,750
- Certification of Teacher's pension return	4,600
Non-Audit related services	
- CFO Insights	12,500
- Online service allowing rapid analysis of key financial performance data	

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and Group. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council and Group's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council and Group's policy on the allotment of non-audit work to your auditor.



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Audit Committee: Work Programme 2018/19

Meeting Date – 10 December 2018, 10am (Report deadline 29 November 2018) 95 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
Grants Certification Report	Mark Heap	External Audit (Grant Thornton)	Report from the External Auditor in respect of the audit of grant returns 2017/18, any issues arising and associated fees. <i>To consider and comment</i>	4.7	10
External Audit Progress Report and Update	Karen Murray	External Audit (Mazars)	Update on the work of the External Auditor in respect of the 2018/19 external audit	2 4.7	10
Review of Code of Corporate Governance	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	To consider and comment on the updated Code of Corporate Governance <i>To consider and comment</i>	1 3 4.10 4.12	20
Risk and Resilience Strategy and Corporate Risk Register	Tom Powell John Gill	Head of Audit and Risk Risk and Resilience Manager	Corporate risk update and corporate risk profile as articulated in the latest refresh of the corporate risk register.	4.1	20
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

Meeting Date – 14 January 2019, 10am (Report deadline 6 January 2018)

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
No Business Planned					

Meeting Date – 11 February 2019, 10am (Report deadline 3 February 2019) 100 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
Internal Audit Assurance Report	Tom Powell Kathryn Fyfe	Head of Audit and Risk Audit Manager	Summary of internal audit activity and report opinions to the end of quarter three. <i>To consider and comment</i>	4.4	20
Outstanding Audit Recommendations	Tom Powell Kathryn Fyfe	Head of Audit and Risk Audit Manager	Update on the implementation of internal and external audit recommendations for each Directorate to the end of quarter three. <i>To consider and comment</i>	4.4	15
Register of Significant Partnerships	Courtney Brightwell	Performance Manager	Summary of the progress in implementing recommendations arising from the register of significant partnerships. <i>To consider and comment</i>	4.10 4.12	20
	Kate Waterhouse	Head of Performance, Research & Intelligence			
Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty	Carol Culley Janice Gotts Karen Gilfoy	City Treasurer Deputy City Treasurer Chief Accountant	To explain the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the accounts. <i>To consider and comment</i>	1 4.9	10
External Audit Progress Report and Update	Karen Murray	External Audit (Mazars)	Update on the work of the External Auditor	2 4.7	10
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no	4.1	20

Meeting Date – 11 February 2019, 10am (Report deadline 3 February 2019) 100 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
			assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>		
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

Meeting Date – 11 March 2019, 10am (Report deadline tbc)

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
No Business Planned					

TBC Meeting Date – 15 April 2019, 10am (Report deadline 4 April 2019) 130 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
Draft Annual Governance Statement (AGS)	Courtney Brightwell	Performance Manager	To advise the processes followed to produce the AGS and obtain Audit Committee input to the draft statement. <i>To consider and comment</i>	1	30
	Kate Waterhouse	Head of Performance, Research & Intelligence		3 4.10 4.12	
Review of Internal Audit and Quality Assurance Improvement Programme (QAIP)	Carol Culley	City Treasurer	To consider organisational arrangements for the delivery of internal audit in line with legislation and Public Sector Internal Audit Standards. To include review of Audit Committee Terms of Reference and Internal Audit Charter. <i>To consider and comment</i>	3	15

TBC Meeting Date – 15 April 2019, 10am (Report deadline 4 April 2019) 130 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
Head of Audit and Risk Management Annual Opinion	Tom Powell	Head of Audit and Risk	Head of Internal Audit and Risk Management Annual Opinion on the Council's systems of governance, risk management and internal control as well as a summary of audit work undertaken in the year. <i>To consider and comment</i>	4.6	30
Annual Internal Audit Plan	Tom Powell Kathryn Fyfe	Head of Audit and Risk Audit Manager	To provide the Internal Audit Strategy and annual internal audit work plan for Audit Committee consideration in line with Public Sector Internal Audit Standards. <i>To review and approve</i>	4.2 4.3	20
Audit Strategy Memorandum	External Audit	Karen Murray (Mazars)	To provide an overview of the planned scope and timing of the annual external audit for 2018/19. <i>To consider and comment</i>	2 4.7	10
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

TBC Meeting Date – June 2019, 10am (Report deadline tbc) 95 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
Internal Audit Annual Report	Tom Powell Kathryn Fyfe	Head of Audit and Risk Audit Manager	Report of internal audit activity for the year. <i>To consider and comment</i>	4.4	10
Draft Annual Statement of Accounts	Carol Culley Janice Gotts Karen Gilfoy	City Treasurer Deputy City Treasurer Chief Accountant	To report the Annual Accounts prepared for submission to the external auditor for review. <i>To consider and comment</i>	1	30
Revenue Budget Outturn Report	Carol Culley	City Treasurer	To report the revenue outturn for the year as reported to Executive. <i>To note</i>	1	5
Capital Budget Outturn Report	Carol Culley	City Treasurer	To report the capital outturn for the year as reported to Executive. <i>To note</i>	1	5
Response letters from City Treasurer and Audit Committee Chair to the External Auditor	Carol Culley	City Treasurer	Draft responses proposed to be issued to the External Auditor from the City Treasurer and the Audit Committee Chair for the audit of the accounts	1	5
Treasury Management (Outturn) Report	Carol Culley Janice Gotts Karen Gilfoy Tim Seagrave	City Treasurer Deputy City Treasurer Chief Accountant Finance Lead	To report the Treasury Management activities of the Council for the year. <i>To consider and comment</i>	4.11	10
External Audit Progress Report	Karen Murray	External Audit (Mazars)	Update from the External Auditor in the delivery of the external audit plan <i>To consider and comment</i>	4.7	5
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20

Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5
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Audit Committee Terms Of Reference: As Constitution May 2017

1. To consider and approve the authority's statement of accounts, including the Annual Governance Statement in accordance with the Accounts and Audit Regulations 2015.
2. To consider, as soon as reasonably practicable, the annual letter from the external auditor in accordance with the Accounts and Audit Regulations 2015 and to monitor the Council's response to individual issues of concern identified
3. To consider the findings of the Council's annual review of the effectiveness of its system of internal control under the Accounts and Audit Regulations 2015, including the effectiveness of its system of internal audit
4. In furtherance of the Council's duty to make arrangements for the proper administration of its financial affairs and the Committee's responsibilities under the Accounts and Audit Regulations 2015 set out above:
 - 4.1. To obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - 4.2. To review and approve (but not direct) the terms of reference for internal audit and an Internal Audit Strategy.
 - 4.3. To review and approve (but not direct) the internal annual audit programme considering the effectiveness of proposed and actual coverage in providing adequate assurance over the Council's arrangements for governance, risk management and system of internal control.
 - 4.4. To monitor the implementation and outcomes of the Council's internal audit programme and where required, to review summary and individual audit reports with significant implications for financial management and internal control.
 - 4.5. To seek assurance on the adequacy of management response to internal audit advice, findings and recommendations in the form of implementation of agreed action plans
 - 4.6. To receive the Annual Report of the Head of Internal Audit

- 4.7. To consider the external auditor's annual letter, relevant reports and the annual report to those charged with governance on issues arising from the audit of the Statement of Accounts.
- 4.8. To engage with the external auditor and external inspection agencies and other relevant bodies to ensure that there are effective relationships between external and internal audit.
- 4.9. To make recommendations to the Chief Finance Officer and Monitoring Officer in respect of Part 5 of the Council's Constitution (Financial Regulations).
- 4.10. To consider the Code of Corporate Governance.
- 4.11. To monitor the performance of the Treasury Management function including:
 - approval of / amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
 - budget consideration and approval
 - approval of the division of responsibilities
 - receiving and reviewing regular monitoring reports and acting on recommendations
 - approving the selection of external service providers and agreeing terms of appointment.
- 4.12. To consider and advise the Council on the Annual Governance Statement.

Date	Item	Recommendation	Response	Contact Officer
25 January 2018	AC/18/07 Monitoring Previous Recommendations	<p>2. To request that a progress report is submitted in six months on the development and introduction of a Contract Management Improvement Plan and that this is followed by regular reports to the Audit Committee.</p> <p>3. To request that a requirement is included within the terms of contract agreements with the Council for the contract service provider to produce and submit Key Performance Indicator data that can be recorded and used as part of the analysis of the contract.</p> <p>4. To request that an accessible dashboard is developed and introduced to enable elected members to monitor the Key Performance Indicator data on Council contracts.</p>	Contract Management and Governance included in the workplan for September 2018 meeting which will include updates on items 3 and 4	Carol Culley City Treasurer
22 March 2018	AC/18/15 Review of Effectiveness of Internal Audit	4. To request that the subsequent reports on the Review of Effectiveness of Internal Audit include recognition of the importance of the role of the independent members serving on the Audit Committee.	This will be reflected in the 2018/19 review to be presented to March or June 2019 Audit Committee.	Carol Culley City Treasurer
22 March 2018	AC/18/16 Head of Audit and Risk Management	3. To agree the inclusion of the following topics on the Committee Work Plan:	Governance arrangements for the Integration of Health and Social Care to be scheduled	Tom Powell Head of Audit and Risk

	Annual Opinion	- Governance arrangements for the Integration of Health and Social Care, including submission of end of year accounts in respect of the Local Care Organisation and Manchester Health and Social Care Commissioning. - Contract Management arrangements and system development.	Contract Management and Governance included in the workplan for September 2018 meeting	
22 March 2018	AC/18/18 Risk Review Item: Adults Assurance Update	2. To request that a further report is submitted to the meeting of the Audit Committee 3 September 2018 action plan in place to deal with the four limited assurance audit reports.	This is included in the workplan for September 2018 meeting	Tom Powell Head of Audit and Risk
11 June 2018	AC/18/29 Annual Statement of Accounts 2017/18	1. To agree to refer the issue of public health investment in addressing childhood obesity to the Children and Young People Scrutiny Committee for inclusion on the Annual Work Programme.	This has been added to the Children and Young People Scrutiny Committee Annual Work Programme.	
31 July 2018	AC/18/37 Annual Statement of Accounts 2017/18 and Letter of Representation	4. To request officers to refresh the description of the core functions of Council committees, as detailed in Appendix 2 of the report, and include this within the 2018/19 Statement of Accounts.		Carol Culley City Treasurer
31 July 2018	AC/18/39 Internal Audit Assurance Report	2. To request that a briefing note be provided for members of the committee to explain the functions, roles and responsibilities regarding Disclosure and Barring Service checks.		Tom Powell Head of Audit and Risk

	AC/18/40 Outstanding Audit Recommendations	<p>1. To request that a report is submitted to the September meeting of the Audit Committee to provide an update on ICT Disaster Recovery including the three recommendations not taken forward and to provide further information on the Public Services Network (PSN).</p> <p>2. To request that a Risk Item report be presented to a future meeting of the Audit Committee in response to concerns expressed relating to the North West Foster Care Framework and the Multi Agency Safeguarding Hub and to include details of any formal and informal work involved.</p>		Tom Powell Head of Audit and Risk
3 September 2018	AC/18/46 Adults Assurance Update	<p>2. To agree that future reports provide relevant statistical information relating to the area of service concerned in addition to any specific issues requested. (relate to all reports)</p> <p>3. To agree that a report is submitted providing statistics relating to young people involved in transition (children services to adult services).</p>		Tom Powell Head of Audit and Risk Children's Services and Adults Services
3 September 2018	AC/18/48 Disclosure and Barring Service (DBS) Checking Arrangements	AC/18/48 Disclosure and Barring Service (DBS) Checking Arrangements		Carol Culley City Treasurer Tom Powell Head of Audit and Risk

