



Audit Committee

Date: Thursday, 26 November 2020

Time: 11.00 am

Venue: Virtual meeting - <https://youtu.be/YDf4BnZaUx4>

The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Under the provisions of these regulations the location where a meeting is held can include reference to more than one place including electronic, digital or virtual locations such as Internet locations, web addresses or conference call telephone numbers.

To attend this meeting it can be watched live as a webcast. The recording of the webcast will also be available for viewing after the meeting has ended.

Membership of the Audit Committee

Councillors - Ahmed Ali (Chair), Clay, Lanchbury, Russell, Stanton and Watson

Independent Co-opted Members – Dr 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 - 8
To approve as a correct record the minutes of the meeting held on 13 October 2020.
- 5. Final Statement of Accounts 2019/20 - to follow**
- 6. External Auditor Report on the Accounts 2091/20 - to follow**
- 7. Risk Review Item: Adults Audit and Assurance Report - to follow**
- 8. Interim Treasury Management Report** 9 - 28
The report of the Deputy Chief Executive and City Treasurer is enclosed.
- 9. 2020/21 Annual Governance Statement (AGS) – Summary of Progress to Date** 29 - 50
- 10. Register of Significant Partnerships: Governance Improvement Progress for Partnerships with Low or Medium Strength ratings** 51 - 64

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.

Members of the public do not have a right to speak at meetings but may do so if invited by the Chair. If you have a special interest in an item on the agenda and want to speak, tell the Committee Officer, who will pass on your request to the Chair. Members of the public are requested to bear in mind the current guidance regarding Coronavirus (COVID-19) and to consider submitting comments via email to the Committee Officer rather than attending the meeting in person. The contact details of the Committee Officer for this meeting are listed below.

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

Joanne Roney OBE
Chief Executive,
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Manchester, M60 2LA

Further Information

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

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This agenda was issued on **Wednesday, 18 November 2020** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA.

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Audit Committee

Minutes of the meeting held on 13 October 2020

This Audit Committee meeting was conducted via Zoom, in accordance with the provisions of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Present:

Councillor Ahmed Ali - In the Chair
Councillors Clay, Lanchbury, Russell, Stanton and Watson
Independent Co-opted member: Dr S Downs

Also Present:

Karen Murray, Mazars (External Auditor)

AC/20/26 Minutes

Decision

To approve the minutes of the meeting held on 15 September 2020 as a correct record.

AC/20/27 Risk Management Strategy and Corporate Risk Register: Audit and Risk

The Committee considered the report of the Deputy Chief Executive and City Treasurer / Head of Internal Audit and Risk Management. As part of its role, the Audit Committee is tasked “to obtain assurance over the Council’s corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements”. In supporting this responsibility the Committee receives an annual progress report in relation to delivery of Risk and Resilience strategic priorities. The report provided the Committee with:

- an update on progress in delivery of corporate risk management objectives and the proposed Risk Management Strategy 2020-22; and
- a copy of the latest refresh of the Corporate Risk Register.

The Chair invited questions from the Committee.

A member referred to the Corporate Risk Register (Strategic Risks) and asked officers why the risk relating to targets for affordable housing did not include a risk owner, deadline or key actions. Officers were also asked how they would align with the GMCA affordable housing strategy.

It was reported that affordable housing had been recently added to the register and had been included in view of the importance and scale of affordable housing in

Manchester. The risk will include the delivery, monitoring and the Northern Gateway with deadlines and actions the responsibility of the Strategic Director (Growth and Development) and it will be overseen by an officer Housing Board. The GMCA requirements would be met through the framework which Manchester is working within.

A member referred to homelessness and the scale of economic downturn the city is experiencing and concerns that resources are not available to meet large scale challenge. Reference was also made to disruption to education, nursery provision resulting from the impact of Covid19 and the pressure on working families this could potentially have.

The Committee was informed that this would be taken back and considered against ongoing risk issues. The risk register is concerned with capacity and the ability to cope in the event short term school closures.

A member referred to the wellbeing of staff detailed in the risk register. In acknowledging the good work done to support Council the point was made that seasonal flu vaccination of staff was important to ensure good levels of staff health is maintained.

The City Treasurer reported that the risk relates to a workforce having to deal with service provision and it is important to ensure that staff are supported and working in a safe environment. It was reported that social care staff receive free flu vaccination and there is a co-ordinated approach through care homes.

A member referred to the Corporate Plan and if it would be changed as a result of the Our Manchester reset.

The Committee was informed that the Corporate Plan would be updated in line with the Our Manchester reset in February 2021, in view of the challenges the Council is currently under.

Officers were asked for an assurance that EU exit planning is still taking place to ensure there is no impact on the supply of goods and services. It was reported that work was restarting the work and the formal group had been restarted with regular updates to the Senior Management Team.

A member referred a potential threat to data governance through homeworking and asked officers if work had been done to assess this. It was reported that work had been done to assess work at home and the transfer to new systems. Corporate Assurance Information Risk Group is looking in this area and will refresh guidance for staff working from home.

Decision

The Committee noted the report and comments made.

AC/20/28 External Auditor - Update report

The Committee considered the report of the of the Council's external auditor (Mazar's) updating the Committee on audit work ongoing. The Committee was advised that there were no issues of concern to report at this time. Reference was also made to the National Publications and the information provided for the Committee.

The Committee was invited to comment on the report.

A member referred to the language used in the report and requested that word 'citizens' and not 'customers' be used within future reports to describe residents of Manchester.

Reference was made to the Redmond Review and the Deputy Chief Executive and City Treasurer advised the Committee that a briefing paper would be circulated to members of the Committee on the findings and the responses to it. In addition members of the Committee would receive updates and explanation on the Redmond report as part of the training session taking place in December.

Decision

The Committee noted the report

AC/20/29 Exclusion of Public

Decision

To exclude the public during consideration of the following item which involved consideration of exempt information relating to the financial or business affairs of particular persons, and public interest in maintaining the exemption outweighed the public interest in disclosing the information.

AC/20/30 Audit Quality Review - Inspection Report

The Committee received a report from the Council's external auditors.

Decision

To note the report.

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**Manchester City Council
Report for Information**

Report to: Audit Committee – 26 November 2020
Subject: Treasury Management Interim Report 2020-21
Report of: Deputy Chief Executive and City Treasurer

Summary

To report the Treasury Management activities of the Council during the first six months of 2020/21.

Recommendation

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

Wards Affected: Not Applicable

Contact Officers:

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Background documents (available for public inspection):

Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy Report 2020-21 (Executive – 12th February 2020, Resource

and Governance Scrutiny Committee – 24th February 2020, Council – 6th March 2020)

1 Introduction and Background

- 1.1 Treasury Management in Local Government is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (the Code). The City Council has adopted the Code and complies with its requirements. A primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement which sets out Council, Committee and Chief Financial Officer Responsibilities, and delegation and reporting arrangements.
- 1.2 CIPFA amended the CIPFA Treasury Management in the Public Services Code of Practice in late 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 2017 and this report has been prepared in accordance with the revised Code. The sections of this report are shown below:
 - Section 1: Introduction and Background
 - Section 2: Portfolio Position as at 30th September 2020
 - Section 3: Review of Economic Conditions 2020-21 to date
 - Section 4: Public Works Loans Board (PWLB) Consultation
 - Section 5: Treasury Borrowing in 2020-21 to date
 - Section 6: Compliance with Prudential Indicators and Treasury Limits
 - Section 7: Investment Strategy for 2020-21 to date
 - Section 8: Temporary Borrowing and Investment for 2020-21 to date
 - Section 9: Negative Rates and Transition Period Ending
 - Section 10: Conclusion
 - Appendix A: Public Works Loans Board (PWLB) Interest Rates
 - Appendix B: Treasury Management Prudential Indicators
 - Appendix C: Review of Economic Conditions, provided by advisors
 - Appendix D: Glossary of Terms

2 Portfolio Position as at 30th September 2020

- 2.1 As outlined in the approved TMSS for 2020/21 it is anticipated that there will be a need to undertake some permanent borrowing in 2020/21 to fund the capital programme and to replace some of the internally borrowed funds.
- 2.2 The Council has faced some unparalleled circumstances during the COVID-19 pandemic creating a challenging market environment in which the Council must conduct its treasury management activities. The last six months have put a significant strain on the availability of cash due to reduced income from business rates, council tax, and other forms of income. In such a turbulent market environment, liquidity is extremely important and ensuring cash is

available to support both COVID-19 related activity and the underlying budgeted activity is paramount.

- 2.3 Temporary borrowing has been required during the first half of the year, with further borrowing likely to be required during the second half of the year. The Council's debt position at the beginning of the financial year and at the end of September is compared in the table below:

Loan Type	31 March 2020				30 September 2020			
			Principal	Avg.			Principal	Avg.
	GF	HRA		Rate	GF	HRA		Rate
	£m	£m	£m	%	£m	£m	£m	%
PWLB	150.0	0.0	150.0	2.45	150.0	0.0	150.0	2.45
Temporary Borrowing	30.8	0.0	30.8	0.98	209.9	0.0	209.9	0.98
Market Loans	336.8	61.9	398.7	4.48	336.8	61.9	398.7	4.48
Stock	0.9	0.0	0.9	4.00	0.9	0.0	0.9	4.00
Government Lending	26.8	0.0	26.8	0.00	25.5	0.0	25.5	0.00
Gross Total	545.3	61.9	607.2	3.60	723.1	61.9	785.0	3.01
Temporary Deposits	(128.4)	0.0	(128.4)	0.33	(66.6)	0.0	(66.6)	0.21
Internal Balances (GF/HRA)	42.3	(42.3)	0.00	0.00	50.3	(50.3)	0.0	0.00
Net Total	459.2	19.6	478.8	-	706.8	11.6	718.4	-

- 2.4 The temporary borrowing and deposit figures fluctuate daily to meet the ongoing cash flow requirements of the Council. The figures for these categories in the table above are therefore only a snapshot at a particular point in time.
- 2.5 In line with the requirements noted in the TMSS, and to provide cash flow stability, short term borrowing of £179.1m was taken by the end of September 2020. The borrowing consisted of cash on notice to allow for the repayment of borrowing if the cash flow position was to improve throughout the year, as well as 364 day fixed maturities, and 2 year fixed maturities. The loans were mainly sourced from other local authorities, and the rates reflected the low rate environment.
- 2.6 Total Government Debt dropped from £26.8m to £25.5m due to the repayment of £1.3m SALIX loans.
- 2.7 Total debt has therefore increased by £177.8m during the first six months of 2020/21.
- 2.8 The cash flow forecast suggests the level of deposits will continue to fall resulting in further temporary borrowing being required prior to year-end. Ongoing research is taking place to find suitable short term and long term

borrowing. Any such activity will be reported in the outturn report.

3 Review of Economic Conditions 2020-21 to date

- 3.1 The Bank of England maintained the lending rate at 0.10% in the first half of the financial year. In March 2020 the Bank of England dropped the key lending rate initially from 0.75% to 0.25% followed by a further reduction to 0.10% on the 19th of March 2020 in efforts to stimulate the economy during COVID-19.
- 3.2 Appendix C provides a more detailed review of the economic situation.

4 Public Works Loans Board (PWLB) Consultation

- 4.1 The Council has access to the Public Works Loan Board (PWLB) for debt, which is an executive agency of HM Treasury. Acting as a lender to the local authority sector, it provides debt at interest costs closely linked to the equivalent debt costs of Government, known as Gilts.
- 4.2 As noted in the previous outturn report for 2019/20, the PWLB changed its policy to increase the margin from Gilts plus 100 basis points to Gilts plus 200 basis points, and therefore the margin on the Certainty Rate, which local authorities can apply for, to Gilts plus 180 basis points. This means that forecast interest costs on future debt increased substantially, though remained below the level budgeted for. Interest rates on PWLB debt the Council already hold have not changed.
- 4.3 The government launched a consultation to work with local authorities to develop a targeted intervention to stop 'debt-for-yield' activity while protecting the crucial work the local authorities perform on service delivery, housing, and regeneration. When announcing the consultation government suggested that the intention is that if PWLB borrowing for 'debt-for-yield' activity can be curtailed they would look to reduce the margin on PWLB interest rates above Gilts, which currently stands at 2.00%. The consultation was intended to finish in early June, but due to COVID-19 it was extended until the end of July.
- 4.4 The decision to increase the rate by 100bps has made new PWLB borrowing significantly more expensive. The market has shown some debt offers cheaper than PWLB, but still more expensive compared to pre-rise PWLB levels. The outcome of the consultation is awaited as it will determine the scale of the future debt costs the Council may face, and the timing of when the Council may seek to take longer term debt. Officers continue to assess the market to determine the optimum approach.

5 Treasury Borrowing in 2020-21 to date

PWLB

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

PWLB Standard Borrowing Rates 2020-21 to date for 1 to 50 years					
	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.90%	1.87%	2.11%	2.60%	2.33%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	2.14%	2.19%	2.39%	3.00%	2.85%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	2.00%	2.00%	2.24%	2.74%	2.53%

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

Temporary Borrowing

- 5.3 As noted in the previous section, following conclusion of the consultation and subject to market conditions, PWLB may look to reduce the margin on the interest rates they offer. Therefore, Treasury Management have focused on temporary borrowing as described in paragraph 2.5.
- 5.4 Work will continue to identify debt opportunities, in the context of the PWLB consultation, and to continue to have in place a debt strategy which balances the risks to the Council if, for example, PWLB rates do not fall.

Salix Borrowing

- 5.5 Salix Finance Ltd provides interest-free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The supported scheme in relation to LED lighting Council projects will be repaid by 1st April 2023.
- 5.6 In the first half of the year, the Council repaid £1.3m, bring the total value of Salix debt to £17.1m on 30th of September 2020.

6 Compliance with Prudential Indicators and Treasury Limits

- 6.1 As outlined in Section 21 of the Capital Budget Monitoring Report at the end of June 2020, the prudential indicators had to be revised to reflect the additional capital expenditure, financial support to Manchester Airport Group, which was not part of the budget in February 2020 on which the prudential indicators were based. The Council operated within the updated prudential indicators, and

performance against these is shown in Appendix B.

- 6.2 Further to this, the Council sets an operational limit on the cleared balance that is left within the Council's current accounts. The limit is aimed at minimising the cash held in these accounts which attracts no interest and thereby maximises the investment return for the authority. The limit is set at £400k and this was met during the first half of the financial year with the exception of the breaches described below.
- 6.3 Where the limit is breached it means that the Council either incurred interest costs due to being in an overdraft position or lost potential investment income due to excess cash not being invested. It is important to note that any such breach will be rectified the following working day, and therefore the financial impact is minimised.
- 6.4 During the period 1st April to 30th September 2020 there were twenty-one breaches of the daily £0-400k limit on the Barclays current account.
 - i. On twenty occasions, Treasury Management purposely kept the current account in surplus to enable the Shared Service Centre to process COVID-19 Business Support Grants throughout the evening and following early morning. This arrangement ensured the payments were processed in time mitigating the risk of payments not being made due to the lack of funds.
 - ii. On the final occasion, the limit was breached due to various late afternoon receipts which the Treasury Management team had not been made aware of. Where possible, officers are asked to inform the team of any expected receipts or payments over £50k in order to efficiently manage cash.
- 6.5 Each breach was notified to the Deputy Chief Executive and City Treasurer and action taken on the following working day to bring balances back within approved limits. No additional costs arose as a result, other than the opportunity cost incurred of not investing the surplus cash, which in the current interest market is minimal.

7 Investment Strategy for 2020/21 to date

- 7.1 The Treasury Management Strategy Statement (TMSS) for 2020-21 was approved by Executive on 12th February 2020. 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.
- 7.2 The TMSS for 2020/21 contained a number of measures to broaden the Council's treasury management investment base, including the use of five Money Market Funds (MMFs).
- 7.3 The current strategy means that a significant proportion of the Council's investments are with the chosen MMFs and other local authorities. This highlights the relatively low rate of credit risk that the Council takes when

investing.

- 7.4 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.
- 7.5 During the financial year the Council's temporary cash balances have been managed by the Deputy Chief Executive and City Treasurer in-house and invested with those institutions listed in the Council's Approved Lending List. Officers can confirm these institutions meet the security criteria set out in the Annual Investment Strategy agreed at Executive in February and Council in March.

8 Temporary Borrowing and Investment for 2020/21 to date

- 8.1 The first six months of the financial year have, as noted above, been unparalleled. Cash flows have been less than predictable, with some payments or income being made or received at short notice. This has required a strong focus on liquidity to ensure that cash is available when required.
- 8.2 To ensure that liquidity is managed, and in recognition of the unpredictability of the cash flow, temporary borrowing was sought early in the period. This supported the fact that the timing of some significant payments was uncertain, but has meant that the average level of investments is relatively high across the period, albeit this masks a consistently falling balance, as can be seen in the table at paragraph 2.3.
- 8.3 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 2020/21 was £143.0m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, the receipt of grants, payments of COVID-19 related grants, progress on the capital programme, and working capital.
- 8.4 Short term temporary borrowing was taken in the first half of the year to support the cash flow, as anticipated in the TMSS for 2020/21, and to manage the cash flow impact of COVID-19. The average level of temporary borrowing in this period was £179.4m.
- 8.5 Detailed on the next table is the temporary investment and borrowing undertaken by the Council. As illustrated, the Council over performed the benchmark by 33 basis points on investments due to the effective search for better inter Local Authority market rates and the use of Money Market Funds which on average had a higher return.
- 8.6 The temporary borrowing portfolio consisted of loans with various investment tenors ranging from 14 day notice terms to fixed two-year maturities. The average cost was therefore higher by 31 basis points when compared to the 12

month benchmark rate demonstrating value for money as the rate curve extends.

8.7

	Average temporary investment /borrowing	Net Return/Cost	Benchmark Return / Cost *
Temporary Investments	£143.0m	0.27%	-0.06%
Temporary Borrowing	£179.4m	0.76%	0.45%

** Average 7-day LIBID/12-month LIBOR rate*

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

9 Negative Rates and Transition Period Ending

9.1 The possibility of future negative interest rates in the UK is unprecedented, but still remains a viable tool for the Bank of England. Officers are assessing the impact negative rates could have on the Council's debt and investment strategies.

9.2 The Debt Management Office (DMO) began offering investments at a negative interest rate on the 25th of September 2020. This means if the Council were to place cash with the DMO, there would be a cost for making that investment. In the current environment, officers view this as an option of last resort if a positive interest rate is achievable elsewhere.

9.3 There is a risk the market will enter an environment where the conditions do not allow for a positive return in the short term. If this were to happen, the investment strategy would shift focus onto minimising costs while ensuring security of cash and reasonable liquidity.

9.4 There are also risks associated with the end of the UK's transition period after Brexit on the 31st of December 2020. Officers will continue to monitor the financial markets and look to pursue an investment and debt strategy which minimises the risk to the authority.

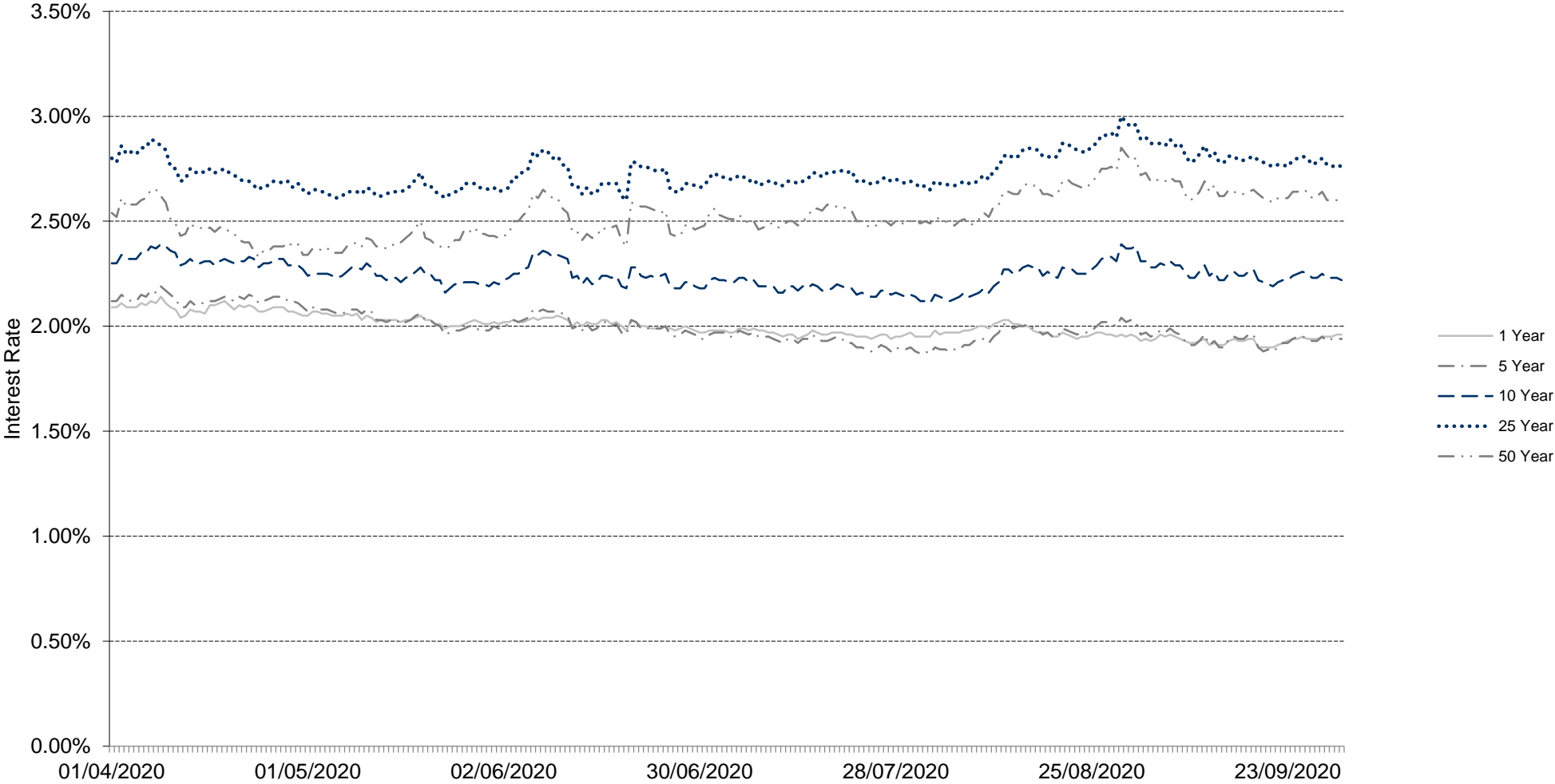
10 Conclusion

10.1 The first six months of year 2020/21 have so far demonstrated extraordinary market conditions putting enormous pressure on the Council's cash liquidity. The next six months are likely to further put more pressure on the Council's income and therefore cash flow. Cash balances have been low during the first half of the year and based on current forecasts an additional borrowing

requirement is expected during the second half of 2020/21.

- 10.2 The current borrowing position reflects the strong balance sheet of the Council. It enables net interest costs to be minimised and reduces credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows, etc). The Council's policy remains to keep cash as low as possible and not to borrow in advance of need for capital purposes.
- 10.3 Proactive treasury management during the year has enabled the Council to achieve an average net return on investments of 0.27%, in excess of the benchmark average 7-day LIBID rate of -0.06% and also higher than the rate offered by the DMO, which is the default option if there are no other investment opportunities based on the credit criteria set.
- 10.4 The change in policy for the PWLB has challenged the local authority debt environment, and it is anticipated that it will take some time before PWLB formally replies to the consultation that finished at the end of July 2020. Officers will continue monitoring the market, and engage with market participants including banks, investment firms, brokers and advisors to review the debt opportunities available to the Council particularly in light of the potential changes in the interest rate and the EU transition.

PWLB RATES APRIL TO SEPTEMBER 2020



APPENDIX B

Treasury Management Prudential Indicators: 2020-21 to date

	Original	Minimum In Year to 30 Sept 2020	Maximum In Year to 30 Sept 2020
	£m	£m	£m
Operational Boundary for External Debt:			
Borrowing	1,006.2	680.8	785.1
Other Long Term Liabilities	216.0	157.6	161.5
Authorised Limit for External Debt:			
Borrowing	1,384.5	680.8	785.1
Other Long Term Liabilities	216.0	157.6	161.5
	Actual as at 30 Sept 2020		
Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services	Yes	Yes	
Upper Limit for Principal Sums Invested for over 364 days	£0	£0	

Maturity structure of Fixed Rate Borrowing	Lower Limit 2020-21 Original	Upper Limit 2020-21 Original	Actual as at 30 Sept 2020
under 12 months	0%	80%	44%
12 months and within 24 months	0%	70%	17%
24 months and within 5 years	0%	60%	9%
5 years and within 10 years	0%	50%	1%
10 years and above	20%	80%	29%

APPENDIX C**REVIEW OF ECONOMIC CONDITIONS FOR FIRST SIX MONTHS OF 2020-21 AND FUTURE OUTLOOK**

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the 30th of September 2020 and includes their forecast for future interest rates after the PWLB policy change referenced in the report.

1 ECONOMIC PERFORMANCE TO DATE 2020-21

- 1.1 The Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:
 - The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
 - The peak in the unemployment rate was revised down from 9% in Q2 to 7½% by Q4 2020.
 - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.
- 1.2 It also squashed any idea of using negative interest rates, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including quantitative easing (QE) and the use of forward guidance.
- 1.3 The MPC expected the £300bn of QE purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- 1.4 In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining

an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.

- 1.5 Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.
- 1.6 There will be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.
- 1.7 One key addition to the Bank's forward guidance was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.
- 1.8 The Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.
- 1.9 **US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to

more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- 1.10 **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.
- 1.11 **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.
- 1.12 **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.
- 1.13 **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

2 INTEREST RATE FORECAST

The Council's treasury advisor, Link Group, provided the following forecasts on 11th August 2020 (PWLb rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

2.1 Additional notes by Link on this forecast table: -

- Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6 months are currently running below 0.1%, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve, means that the rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 0.05% is achievable for 3 months, 0.1% for 6 months and 0.15% for 12 months.
- During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.
- If clients require forecasts for 3 months to 12 months beyond the end of 2021, a temporary fix would be to assume no change in our current forecasts.

2.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

3 GILT YIELD / PWLB RATES

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate

earnings and so selling out of equities.

- 3.1 Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.
- 3.2 From the local authority borrowing perspective, HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).
- 3.3 Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -
 - PWLB Standard Rate is gilt plus 200 basis points (G+200bps)
 - PWLB Certainty Rate is gilt plus 180 basis points (G+180bps)
 - PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
 - PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
 - Local Infrastructure Rate is gilt plus 60bps (G+60bps)
- 3.4 It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.
- 3.5 As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

4 THE BALANCE OF RISKS TO THE UK

- 4.1 The overall balance of risks to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the virus.

4.2 There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

4.3 **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**

- UK - second nationwide wave of virus infections requiring a national lockdown
- UK / EU trade negotiations – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- UK - Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some European banks, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- German minority government & general election in 2021. In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- Other minority EU governments. Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- Austria, the Czech Republic, Poland and Hungary now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- Geopolitical risks, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- US – the Presidential election in 2020: this could have repercussions for the US economy and SINO-US trade relations.

4.4 **Upside risks to current forecasts for UK gilt yields and PWLB rates:**

- UK - stronger than currently expected recovery in UK economy.

- Post-Brexit – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

APPENDIX D

Glossary of Terms

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

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

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

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

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

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

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

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

High/Low Coupon – High/Low interest rate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Manchester City Council Report for Information

Report to: Audit Committee – 26 November 2020

Report of: Deputy Chief Executive and City Treasurer

Subject: 2020/21 Annual Governance Statement (AGS) –
Summary of Progress to Date

Summary

This report sets out a brief summary of the progress that has been made to date in implementing the governance recommendations from the 2019/20 Annual Governance Statement (AGS). It also outlines the next steps in the process of producing the Annual Governance Statement 2020/21.

Recommendations

Audit Committee is asked to note and comment on the progress made to date to implement the governance improvement recommendations from the 2019/20 Annual Governance Statement.

Wards Affected: Not Applicable

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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 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 made revised provisions, such as for the deadline for the publication of local authority audited accounts to move from July 2020 to November 2020. 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 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 An Action Plan of these governance challenges to be addressed in 2020/21 was put together as part of the process of compiling the AGS 2019/20, this was done at the end of last financial year, in March 2020. To identify the proposed list of emerging governance challenges for 2020/21, several evidence sources were considered, including:
 - Analysis of responses from Heads of Services to the online annual governance questionnaires which provide a self-assessment of their Service's compliance with the Code of Corporate Governance.
 - Governance challenges for 2019/20 - as reported in the AGS 2019/20 - where there was more work to do to address a particular challenge, and it was therefore appropriate to carry the action forward into 2020/21.
 - Significant risks as identified in the latest Corporate Risk Register
 - Any significant corporate risks as identified by the Council's Register of Significant Partnerships assessment process.
 - Key governance challenges identified by the Head of Audit and Risk Management Annual Assurance Opinion and Report.
 - 1.4 As previously requested by Standards Committee, a Strategic Management Team (SMT) Lead was identified for each of the 2020/21 Governance Challenges, as set out in the Action Plan at the end of the AGS 2019/20. 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 2020/21 governance actions, identified in the 2020/21 AGS Action Plan

Action 1: "Effective response to COVID-19 through Council leadership, support to our workforce and organising an effective incident response and

recovery. It is recognised that this will impact on the capacity and ability of the Council to respond fully to all of the other identified challenges and risks. The governance around the response will need to ensure effective decision making is maintained, and that critical parts of the organisation's business as usual continue to be delivered"

Governance of the initial response to the pandemic

- 2.1 The national and international public health emergency caused by the COVID-19 pandemic led Manchester and Greater Manchester (GM) to declare a major incident on 20 March 2020. There have been substantial impacts for the Council, which include implications for provision of services, our workforce and our financial position. As a statutory Category One Responder under the Civil Contingencies Act 2004, the Council has worked with multi agency partners through the Greater Manchester Resilience Forum (GMRF), and it has been represented at the Strategic Coordinating Group (SCG) and Emergency Committee.
- 2.2 The [COVID-19 Update on Response Phase](#) report to the Executive set out in detail the governance and activities involved in the Council's initial response.

Planning for recovery

- 2.3 To oversee the coordination of the different recovery phases and the activities required, a COVID-19 Recovery Coordination Group was established, which is chaired by the Deputy Chief Executive and City Treasurer. More information about this initial recovery planning work was provided in the [COVID-19 Forward Recovery Planning](#) report to the Executive. Monthly reports were prepared for the Council's Executive that provided an update on the recovery and response to COVID-19.
- 2.4 Plans for recovery are focused on four areas:
 - **The Economy** – This work aims to ensure we have a recovery plan which is dynamic, with local interventions which support the recovery and rebuilding of the economy. Areas of focus will include Transport and Infrastructure, Affordable Housing and Skills, Labour Market and Business Support.
 - **Residents and Communities** - We are considering how best to support our residents including those at greater risk and further disadvantaged by COVID-19 through the recovery period. Our work will include a focus on equality, diversity and inclusion, hardship funds and other discretionary spend, youth services and support for children and young people, domestic violence and abuse, homelessness, digital exclusion, and the Voluntary Community and Social Enterprise (VCSE) and Faith sector.
 - **Health and Social Care** - Health and Social Care leaders are developing a refreshed Locality Plan for the city building on the unique experiences of the pandemic and seizing the opportunities of changes being made in the response phase.

- **Future Council / Impact on the Council** - This work focuses on how the Council will need to change in terms of workforce, transformation and finance. Our response to COVID-19 has been a catalyst for change in terms of our workforce and has allowed us to reimagine what it will look like in the coming months and beyond. This will be a workforce that is supported to excel and be well, work in a transformed way and deliver improved services.

The Economic Recovery Plan

- 2.5 In partnership with the private sector, the Council has produced Manchester's Economic Recovery Plan, which complements the Greater Manchester Combined Authority and Greater Manchester Local Enterprise Partnership city region proposals. It sets out what Manchester is doing to respond to the COVID-19 pandemic and reinvigorate its economy, with plans to protect and create jobs and support new business opportunities in the city economy.
- 2.6 The plan focuses on the three strategic aims identified in the Our Manchester Strategy and Our Manchester Industrial Strategy:
- **People** – young people & better prospects for Manchester communities.
 - **Place** – the city centre; thriving centres & neighbourhoods; urban fabric; and zero carbon.
 - **Prosperity** – science, technology, health & innovation; culture, creative, digital & media; Manchester Airport; business & new business ecosystem.
- 2.7 More detail about work to develop this plan can be found in the [Manchester's Economic Recovery Plan & Update](#) report to September 2020 Economy Scrutiny Committee. A summary version of the plan has been provided to Government with the Comprehensive Spending Review (CSR) submission. The final version of the plan will be professionally designed to allow use locally and nationally to build business and investor confidence and for lobbying.

Manchester's COVID-19 10 Point Action Plan

- 2.8 Manchester initiated a 10 Point Action Plan as follows:
1. Ensure that strategic and operational decisions in respect of COVID-19 are informed consistently by high quality data and intelligence
 2. Increase access to and uptake of testing
 3. Increase local contact tracing and environmental health capacity to respond to local outbreaks
 4. Develop and implement community engagement plans for targeted work in specific areas and with specific groups
 5. Further amplify key communication messages in relation to the new restrictions
 6. Inform the hospitality sector on the new guidance and regulations when they are agreed
 7. Continue to support residents and patients who are clinically vulnerable and respond to the evolving guidance on shielding

8. Provide advice to organisers of events that were planned for August
 9. Plan now for the return of students and pupils to universities and schools in September
 10. Consider the suite of contain measures currently being developed for Greater Manchester and apply them as necessary to the local situation in Manchester, ensuring collaboration with adjacent authorities
- 2.9 More detail information on activities which have been delivered to support these priorities are set out in [Manchester's 10 Point COVID-19 Action Plan](#), which was taken to August 2020 Health and Wellbeing Board.

Updates on COVID-19 Activity

- 2.10 Regular 'Update on COVID-19 Activity' reports will continue to be reported to [Economy Scrutiny Committee](#).
- 3** **Action 2:** "Continuing to embed the Our Manchester behaviours necessary to support the delivery of Our Corporate Plan, across both the Council's leadership and the wider workforce. This includes delivery of the updated Our People Strategy"
- 3.1 The Our Manchester (OM) approach is now fully integrated into the Organisation Development Team, within HROD, ensuring that Our Manchester is embedded throughout the Council, and behaviours are featured in all opportunities for the workforce.
- 3.2 The response to COVID-19 has provided a catalyst for change for our residents and our workforce. It has been a time where the OM behaviours have been demonstrated through challenging times, and this has given an opportunity to review and evaluate the programme.
- 3.3 The Our People Strategy continues to provide a vision for a future workforce where our systems, processes and cultures are fully aligned with Our Manchester behaviours. A revised Corporate Plan will be launched later in 2020/21, along with the Our Manchester Strategy Reset in March 2021.
- 3.4 An update on the continued activity to progress initiatives in support of the Our People Strategy, further embedding the Our Manchester approach includes:
- Our Manchester Self-Assessment work has been aligned to workforce development, and will be taken forward as part of Our Ways of Working.
 - The OM behaviours are now aligned into more policies and strategies, including the refreshed Code of Conduct which is now ready for approval.
 - A revised Leadership and Management offer is under review, and has been delayed due to COVID-19 disruption. The new approach recognises the challenges across the organisation and takes steps to make improvements, alongside developing managers so that they are equipped for our future ways of working.

- The Leadership Summit 2020 will be virtual, and will take place in November. The theme this year is 'Agile and Equal'.
- An internal staff survey took place in June 2020, which was focused around understanding staff sentiment in the context of the current crisis. This has led to rethinking the approach to staff survey, from an annual survey to a series of smaller surveys that built workforce insight and monitors against equality characteristics.
- Our Manchester Experience paused in March 2020, and has since been adapted and trialled to be launched virtually in November 2020. The target remains to reach 7,000 employees by September 2021 (the current number at time of writing is 4,200), with a revised target plan to deliver a hybrid approach of virtual and in person sessions from Spring 2021.

Update on Equality

- 3.5 The Council has identified equality and inclusion as cutting across all of its COVID-19 recovery work. Analysis is ongoing to assess the nature and extent to which the pandemic affects different communities of identity differently. This has focused on the virus' health impacts (disproportionally affecting older residents, Black, Asian and Minority Ethnic residents and those who meet the criteria of Clinically Extremely Vulnerable). Also, importantly, the broader societal impact, for example socioeconomic impacts linked to deprivation and poverty which disproportionately affect some identity groups, access to information and services for key cohorts such as deaf people and people without English as a first language, isolation and digital exclusion. Equality Impact Assessments will underpin the Council's recovery and budget planning work in the coming months
- 3.6 In addition to maintaining momentum on the Council's focus on workforce race equality, which commenced prior to the pandemic, the Council has also responded supportively to the Black Lives Matter movement. A strong demonstration of allyship has been made through Council communications and actions, both internally and publicly. The ongoing workforce race work is leading into a broader workforce equality strategy, to be agreed and implemented later this financial year.
- 3.7 The reset of the Our Manchester Strategy has involved direct engagement with 3,700 people, whose views have been captured. Equality and inclusion come through the engagement very strongly as key themes that residents feel are important, and this will be reflected in the refreshed strategy. The engagement process targeted a range of equality groups and forums, to ensure that the voices informing the strategy refresh are representative of the city's diverse communities.

Action 3: "Our Transformation - ensuring effective governance of all the programmes involved in strengthening and transforming how we work."

4 Governance

- 4.1 The overall vision for the Our Transformation programmes of work is to deliver our Corporate Plan priority to be ‘a well-managed Council’, through strengthening and transforming how we work. A set of linked programmes bring together work focused on the impact of COVID-19 on the Council, and plans to recover. A decision-making Future Council Core Group of senior officers, chaired by the Deputy Chief Executive and City Treasurer, oversees interdependencies between the Council’s Budget planning and the Our Transformation portfolios of work.
- 4.2 Each programme of work has a Senior Responsible Owner (SRO), and a Programme Manager who oversees the work of each Programme Team. The portfolios of work which comprise Our Transformation are briefly described below:
- **Our Ways of Working:** Aims to create the best modern workplace in local government, where all of our staff have everything they need to get on and achieve great things for Manchester.
 - **Strengthening Accountability and Our Processes:** Changing how we make decisions through making changes to the constitution, rules and processes and supporting, trusting and empowering managers to make decisions.
 - **Resident and Business Digital Experience:** Aims to make the Council a leading digital public services organisation that provides our residents, businesses, members and partners an easy to use, fully integrated set of digital public services which reduce our internal demand costs and increase satisfaction for anyone accessing Council services. The approach will include resident and business engagement via neighbourhood teams, and feedback from local businesses.

Reporting

- 4.3 The Our Transformation programme and project groups receive progress updates via highlight reports. The Future Council Core Group receives situation reports (‘Sitreps’) which provide summaries of key messages from the highlight reports. Regular Sitrep summary reports are also provided to the Council’s [Scrutiny Committees](#).

Action 4: - “Carbon reduction - ensuring that we have robust and effective governance of strategies, which will enable delivery of the 2038 zero carbon targets.”

5 Governance

- 5.1 In July 2019, the Council declared a climate emergency. This declaration recognised the need for the Council, and the city as a whole to do more to reduce its carbon emissions, and to mitigate the negative impacts of climate change.
- 5.2 As a result, the Zero Carbon Coordination Group (‘the Group’) was established in September 2019, to drive forward the integrated activity

required to ensure that the Council plays its full part in ensuring the city reaches its ambitious climate change commitments. These are:

- To be zero carbon by 2038 at the latest;
- Stay within a carbon budget of 15million tonnes of carbon for the period 2018-2100. (Noting that emissions are currently emitted at a rate of 2m per year); and
- Deliver a 13% year on year reduction on citywide emissions from 2018 to achieve the above budget.

- 5.3 The Group is chaired by the Deputy Chief Executive and City Treasurer, as the Senior Responsible Officer for this programme. This strategic group oversees the development and delivery of the Manchester Climate Change Action Plan 2020-25, which was approved by the Executive in March 2020. The priorities of the group are to ensure that zero carbon is fully embedded across the Council's day-to-day operations and decision making, and that there is sufficient leadership, resource and budget for this agenda across directorates and services.
- 5.4 Workstreams have formed to deliver the actions outlined under the five priority areas within the Council's Climate Change Action Plan. Each workstream consists of the operational officers and a senior manager, as workstream lead for each priority:
- Workstream 1 - Buildings and Energy
 - Workstream 2 - Transport and Travel
 - Workstream 3 - Reducing consumption-based emissions and influencing suppliers
 - Workstream 4 - Climate adaptation, carbon storage and carbon sequestration
 - Workstream 5 - Influencing behaviour and being a catalyst for change
- 5.5 Each workstream lead attends the Zero Carbon Coordination Group along with the Executive Member for Environment, Planning & Transport.

Reporting

- 5.6 A formal schedule of reporting to SMT, Neighbourhoods and Environment Scrutiny Committee and the Climate Change Sub-Group, which sits under the Scrutiny Committee is still to be agreed. However, the Group has provided ad hoc updates as requested. In July 2020, Scrutiny Committee was presented with an Annual Direct Emissions Data Report for 2019/20 and the first quarterly progress report on the Climate Change Action Plan 2020-25. The Council has also made a commitment to publish quarterly quantitative and qualitative progress reports on the climate change pages of the Council's website. The [Quarterly carbon emissions report \(Q1 2020/21\)](#) focuses on the quantitative analysis, whereas the qualitative report is being adapted to be more accessible and will follow shortly.

Embedding into Council Strategies & Governance

- 5.7 As the zero carbon 2038 target has been set as a priority for the Council, it will feature as part of Council strategies and decision making processes, such as within the Our Manchester Strategy reset which will be approved in March 2021, and in the Corporate Plan for 2020/21 onwards which now includes zero carbon as a priority. The transition towards zero carbon is a key theme throughout Manchester's Economic Growth Plan for the recovery from COVID-19. Council decision making also takes into account environmental considerations, which now feature in capital and revenue gateway processes and commissioning, with an additional 10% social value weighting for the environment being piloted. This is to ensure that the Council's decisions make a positive contribution to the reduction in carbon emissions.

Challenges

- 5.8 The challenges now faced are to deliver the ambitious strategic vision for zero carbon, and prioritise the detailed work required through the Group workstreams. This is in the context of the very significant impacts that the COVID-19 pandemic has had across the city, residents, businesses and partner organisations as well as on the financial position of the Council.
- 5.9 Government lockdown restrictions have necessitated the transfer of the governance of this programme to virtual meetings and communications including meetings of the workstreams, the Group and of reporting to Scrutiny Committee. The governance system set out above has adapted well to these changes, and is functioning as intended despite the restrictions.

Action 5: "Support the integration of health and social care by ensuring effective governance of integrated teams and activity, including the operation of the partnership arrangements with the MHCC commissioning function, and the Local Care Organisation (LCO). Ensuring there is progress made with developments that will deliver positive outcomes within the system resource envelope."

6 *Our Healthier Manchester Locality Plan*

- 6.1 Manchester's plans for integrating health and social care in the city are set out in the Our Healthier Manchester locality plan. The aims are to improve health and well-being outcomes and reduce health inequalities for residents within a financially sustainable system.
- 6.2 A refreshed Locality Plan is under development that will set out the impacts of COVID-19 on health and the social determinants of health, acknowledging that COVID-19 has impacted more severely on those residents who were already experiencing the poorest outcomes. The refresh will build from the existing ambitions and set out how partners will work together on an effective recovery from COVID-19, learning from what has been done differently during this period.

- 6.3 The Transformation Accountability Board provides the city-wide governance for the refreshed Locality Plan, reporting to the Health and Well-Being Board. Connections with other aspects of the recovery work will be managed within the Council through the Recovery Coordination Group, chaired by the Deputy Chief Executive and City Treasurer.
- 6.4 The Transformation Accountability Board is undertaking a review of how to accelerate integration arrangements including the further development of Manchester Local Care Organisation in order to further improve health outcomes in the city.

MHCC and MLCO

- 6.5 Manchester Health and Care Commissioning (MHCC) was established in April 2017, as a partnership of the Council and the NHS Manchester Clinical Commissioning Group (CCG). MHCC is governed by a Board, which includes the Council Chief Executive, the Executive Director of Commissioning and Director of Adult Social Services (DASS), the Executive Member for Adult Services, and the Executive Member for Children and Schools. The Council and NHS Manchester CCG MHCC have agreed a pooled single commissioning budget for health, adult social care and public health, with a Section 75 Partnership Agreement and Financial Framework.
- 6.6 Manchester Local Care Organisation (MLCO) was established in April 2018, to deliver integrated out of hospital health and care, including Community Health, Primary Care, Mental Health and Social Care. MLCO is leading the delivery of Integrated Neighbourhood Teams (INTs) that bring together the workforce in the above services to deliver integrated care around residents' needs, taking Our Manchester approaches.
- 6.7 The integrated governance structure for MLCO is a Partnership Board and Partnering Agreement, signed by all key partners including the Council. The Council representatives on the Partnership Board are the Deputy Chief Executive and City Treasurer, and the Director of Policy, Performance and Reform.
- 6.8 The MLCO Executive includes the Executive Director of Adult Social Services, and other senior adult social care staff (including three Assistant Directors) are represented on the internal MLCO governance groups that sits beneath the MLCO Executive. These connections have been further strengthened through the Gold, Silver, Bronze command arrangements within MLCO for the COVID-19 response. Other governance groups are in place across the city to deliver the work required on the overall Locality Plan, and the enablers of integration such as health and social care workforce, finance, performance and ICT.
- 6.9 Wider work has been paused during the COVID-19 period such as the procurement process between MHCC and MLCO to agree a contract for the commissioning and provision of health services. Work has commenced to recommend ways to improve outcomes for children and young people in

Manchester through more effective joint working between Children's Services and the MLCO.

Adult Social Care improvement and MLCO transformation

- 6.10 A work programme has been established with seven workstreams to take forward the adult social care improvement programme aligned to the MLCO transformation programme.
 - 6.11 A review is under way to identify ways to reduce avoidable demand through more effective process and practice within adult social care, and with health partners. This review will look at how to improve health and well-being outcomes and inform the development of budget options for the City Council for the financial years 2020/21 and beyond.
 - 6.12 The ASC improvement programme has already achieved significant recruitment of additional social workers, introduction of a new strengths-based assessment process, improvements to technology enabled care, and a focus on reducing waiting lists for assessments and reassessments.
- 7** **Action 6:** "Delivery of the Adults Improvement Plan and integration of Health and Social Care, through the governance arrangements of MLCO and MHCC, whilst ensuring that the Chief Executive can be fully assured on statutory responsibilities, particularly around safeguarding. Ensuring effective integrated neighbourhood team arrangements, triage at the front door, and the assessment and review of citizens' needs in a timely, proportionate and consistent manner. This includes Adults Services governance oversight: operational compliance, quality assurance and the transition from Children's to Adults Services provision."
- 7.1 The Adult Social Care Improvement Programme was established to focus on ensuring the basics are in place for adult social care, to deliver high quality services for our residents, and to successfully deliver health and social care reform and integration.
 - 7.2 The programme plan for this work was developed in late 2018, based on the outcomes of diagnostic work and the internal audits completed. As part of additional overall investment of £11.4m to meet increased need for adult social care, it was agreed by Executive in February 2019 that additional resources of £4.225m in 2019/20 rising to £4.8m for 2020/21 and 2021/22 be invested into the service to support the delivery of the improvement programme through increased capacity in front-line roles. This included areas of the service where capacity has been met by temporary posts and short-term contracts, as recurrent funding has not been in place.
 - 7.3 A number of key priorities have progressed successfully and were reported in the last update to the Annual Governance Statement for 2019/20, including significant reductions in waiting lists and c.90 permanent FTE social workers recruited.

- 7.4 During the early months of the COVID-19 response, the focused work to deliver the Improvement Programme was broadly paused, albeit targeted work on managing and reducing waiting lists and further work to embed the strengths-based approach continued, alongside managing business as usual work in the context of the pandemic.
- 7.5 In September 2020 a review of the outstanding actions to be taken in the Improvement Programme was undertaken, and it was agreed by the Adults Management Team and MLCO Executive that these actions would continue to be managed as either:
- Business as usual activity through ordinary management arrangements and lines of accountability.
 - Part of the transformation programme which going forward has a focus on managing demand differently, underpinned by ensuring the basics are in place across the service.
- 7.6 The MLCO is working with colleagues in the Council to develop this agreed programme that will aim to contribute to the financial and budget strategy for the Council, as well as further integrate community health and adult social care through the LCO as the key vehicle for integration. Alongside the improvement programme actions as described, the programme will also include the agreed workplan as a result of work undertaken by IMPOWER. This is focused on avoidable demand, and any other transformation work already underway including work on technology enabled care, work to transform learning disability services and work to strengthen our approach to commissioning and contracting.

Action 7: “Improving the resilience of ICT systems; including continuing to strengthen cyber security to ensure an effective response to the evolving external environment, and the Council’s arrangements for disaster recovery via delivery of the data centre.”

8 Cyber Security

- 8.1 Cyber Security remains an evolving and growing threat that unfortunately seems to target and impact situations and times when people and organisations may be most vulnerable. Most recently, the rapid shift to enable remote working at scale has been identified nationally as a substantial and potential threat vector that will undoubtedly increase the risk profile of any cyber incident, especially with the sudden increase of personal devices accessing corporate systems and data. Now more than ever, security procedures, policies and good practice must remain paramount as we protect our information and maintain service availability.
- 8.2 Since the start of the COVID-19 pandemic there has been a reported 400% rise in cyber-attacks and cyber related crime. This rise has been largely attributed to both Ransomware and Phishing attacks. The Cyber Security team have received and reacted to multiple early warning notifications, through established and trusted support groups. These early indicators help us to prepare and protect our systems, as opposed to reacting to the

consequences of an attack.

- 8.3 It remains imperative that staff always remain vigilant, but they also need to feel supported and informed. The Cyber Security team in conjunction with Internal Communications continue to provide relevant alerts and updates to all staff through scheduled and emergency broadcasts. These provide key reminders and general updates about remaining safe online, and also warning of possible and pending threats, emphasising the core themes and messages that form the basis of the essential Cyber training for all staff and Councillors.
- 8.4 Ongoing security improvements continue to be researched, investigated and implemented. The Cyber team is currently involved in several projects such as Microsoft Office 365, LAN and WAN, and the Data Centre, along with also deploying a new Security Endpoint Protection suite. This new technology will help further protect our end user devices from a range of cyber and anti-malware activity by leveraging the capability of Machine Learning (ML) and Artificial Intelligence (AI) to help detect and prevent a potential cyber-attack. The Security team is also in the final stages of testing a new tool which will help improve the complexity of our main user account passwords. This new approach will provide a greater level of control for our Primary Active Directory (AD) user accounts, and it will prevent the use of weak and insecure passwords. This will be supported by a globally populated and externally managed blacklist of known weak, insecure and hacked passwords. This new approach will help to facilitate a cultural shift, that will result in our main user accounts not requiring a regular and scheduled password change (if the appropriate complexity requirements are matched). This approach has been endorsed and recommended by the National Cyber Security Centre and has been proven to increase password security and compliance.

Action 8: “Governance of delivery of proposed ICT infrastructure and systems essential to business operations and legal compliance, including the new social care system. Mitigation of delivery timescale risks, and effective prioritisation where there is an interdependence between business-critical programmes (e.g. telephony).”

- 8.5 Change is effectively managed within the Council by having oversight and governance provided by the following forums: the IT Board, Design Authority Group, and the Change Assurance Board. A number of standard frameworks are used to initiate and deliver programmes and projects:
- ‘The Open Group Architecture Framework’ (TOGAF), this is an enterprise architecture framework that helps define business goals and align them with architecture objectives around enterprise software development.
 - Once an initiative is considered a project, ‘PRINCE2’, a project management methodology is employed to provide governance of project delivery.
 - For live ‘Business as Usual’ (BAU) services such as Liquid Logic and SAP, the ICT Service Operations adheres to IT Infrastructure Library (ITIL). The IT Infrastructure Library (ITIL) is a framework of best practices for delivering IT services.

- In order to ensure effective Portfolio, Programme and Project governance, ICT utilises P3O. P3O stands for 'Portfolio, Programme and/or Project Offices' and is a framework of principles, processes, and techniques to facilitate effective Portfolio, Programme and Projects management through its enablement, challenge and support structures.

9 *Telephony and Contact Centre Project*

- 9.1 The statement of works was agreed with the new telephony provider in April 2020, and since then excellent progress has been made with the Telephony and Contact Centre Project. In response to COVID-19 a rapid deployment focus meant that by May 2020, contact centre services had been built and migrated to the new cloud-based solution for the Covid Hub, Social Care and the ICT Service Desk queues. This provided the immediate capability for contact centre staff to be able to work from any location, including from home if required. Revenue and Benefits, Environmental Services and the Switchboard queue subsequently went live in July 2020, completing the migration of all remaining contact centre services.
- 9.2 The project is now in the discovery phase, undertaking analysis and design work to inform the full deployment plan of the new telephony solution to the rest of the organisation. With most of the Council's workforce still working from home, the focus will be on the provision of 'soft-phone' technology to staff working from home with IT equipment, and the replacement of handsets in office locations for staff who do not have access to IT equipment at home or cannot work from home. In parallel, business optimisation work will take place with the contact centre environments to further improve our offering to residents. Targeted business enablement work will identify those business areas which cannot currently interact with service users, and are currently disadvantaged by not being able to access on premise telephony. This work is expected to be complete by November 2020.
- 9.3 The project is on track to have rolled out the telephony solution before the existing support arrangements for the legacy platform ends in late March 2021, and there is budget provision to support the project until May 2021. The project has a dependency on the End User Device Project rolling out new laptops to those users whose current device will not support the new telephony software. However, the telephony project is looking to mitigate this dependency by carrying out further device testing, and identification of business areas to prioritise where device constraints do not pose an issue, or require the first delivery of the new devices.
- 9.4 The project is ceasing existing service provision where possible, when this is being replaced by the new solutions, enabling the business case benefits to be realised in a timely manner.

Microsoft Office 365 Programme

9.5 This programme is to adopt Microsoft technology for productivity, collaboration and communications and the associated business and culture changes. This includes the following:

- Cease operating with multiple email and collaboration tool providers, and rationalise to a single provider, Microsoft.
- Adopt Microsoft productivity, collaboration and communications platforms as the strategic best fit for the future of the Council.
- Have a single consistent license suite, to ensure maximum flexibility to our work force and the Council as a whole.
- Decommission Google, Lotus Notes and Domino applications.
- Champion the strategic agenda to ensure that this is a business and culture change agenda, therefore future proofing the Council.

9.6 Migrations from Google to Microsoft are currently ongoing, with users migrating, along with Shared Drives and Google Shared Mailboxes. The Microsoft Office 365 application suite has a number of inbuilt governance functionalities including retention policies, deletion policies and data sharing policies.

‘Liquidlogic’ Programme

9.7 The ‘Liquidlogic’ social care suite of systems have been operational since July 2019. A project has recently commenced which will see the implementation of new Liquidlogic capabilities, including portals which will be used to support the discharge of patients from hospital into Adult Social Care, streamlining this process, which has been complicated following COVID-19. The next stage of the Liquidlogic programme is the integration of a new Early Years and Education system (EYEs). This will be an integrated social care and education system, with a single record of a child, providing practitioners with the information they require. This is a challenge at present, due to the number of different systems. EYEs is forecast to go live in April 2021.

Network Refresh Programme (LAN / WiFi)

9.8 The Network Refresh Programme work will be carried out throughout 2020/21 and is critical for the ongoing performance and resilience of the networks operating within the Council’s entire operational estate. The programme is currently at procurement phase for both of its two component projects:

- Wide Area Network (WAN) Refresh - this provides the connectivity between Council buildings:
 - The tender was open for submissions until 12 October 2020.
 - It is forecast that the contract will be ready to award to the successful supplier by December 2020.
- Local Area Network (LAN) and Wi-Fi Development Project:
 - LAN provides connectivity to Council systems within Council buildings.

- Wi-Fi provides wireless connectivity within Council buildings, comprising; New Public Wi-Fi where required; 'GovRoam' (a network providing staff with roaming internet access across multiple public sector locations. GovRoam phase one connectivity for the Town Hall Extension and Bridgewater House has been delivered); Corporate and Guest Wi-Fi.
- Tender evaluation of received submissions is underway.
- It is forecast that the contract will be ready to award to the successful supplier by February 2021.

Prioritisation

- 9.9 In the last Committee update it was noted that the ICT prioritisation process had taken into consideration not just the COVID-19 pandemic, but that immediately following the end of lockdown and the ensuing months. The priority list of ICT initiatives has been refreshed again, and this list has been shared with the Council's SMT in the report 'ICT Support to Future Working'. This includes the recommendation to bring some initiatives planned for 2022 forward to 2021, which will support the new ways of working. Therefore, ICT's current priority projects and initiatives are (not in rank order);

- Microsoft Office 365 Programme
- Data Centre Facilities and Delivery
- Network Provision to the new Data Centres
- Early Years & Education system (EYES) Implementation
- End User Device Refresh
- Network Refresh Programme
- Income Management (PARIS replacement with CIVICA Pay)
- Telephony & Contact Centre
- PSN 2020
- Intranet

- 9.10 These priority projects have been agreed with SMT, and communicated to key stakeholders across the Council. ICT Departmental Management Team will continue to update the priority list of initiatives on an ongoing basis as projects are delivered and to ensure continued alignment with the Our Manchester Strategy, Our Transformation Programme and other Council priorities.

10 **Action 9: "Planning and implementation of changes required to mitigate potential negative impact of EU Exit on budget and other assumptions for the Council, partners and residents of the City."**

- 10.1 Under the terms of the Withdrawal Agreement Bill, the UK left the European Union on 31 January 2020. Since then the Government has continued negotiations with the EU to try to secure a comprehensive partnership and trade deal, before the transition period ends on 31 December 2020. We will need to track progress of these negotiations, and the way in which the pandemic may impact on them, as this could lead to new arrangements for trade, travel and business. We will also need to be aware of the risks of disruption if these negotiations are not successfully concluded. A no deal exit,

with the risks and potential disruption this could bring, is a possibility unless an agreement can be reached.

Governance

- 10.2 The Council's response to the risks and uncertainties associated with EU Exit Transition has been coordinated by the Brexit (now EU Exit) Preparedness Group which is chaired by the Strategic Director - Neighbourhoods. A Greater Manchester Preparedness Group is chaired by the Chief Executive of the GMCA, to focus on issues and civil contingencies at a city region level. The Council EU Exit Preparedness Group ('MCC Group') stood down meetings, following national stand down in October 2019. However, the MCC Group and the GM Brexit Readiness Group are now meeting again.

Risk and Resilience

- 10.3 In line with Government guidance the MCC Group oversaw the development and update of a Corporate Impact Assessment with all Directorates covering fuel supplies, civil unrest, loss of EU national staff, equipment & materials, medical supplies, food supplies, finance, events, payment of benefits and poverty, partnerships and suppliers, and statutory and regulatory.

The approach relating to Council employees

- 10.4 The Council's strategy in relation to the workforce has, to date, focused in three areas:
- **Informing** all employees of the potential implications for EU nationals in the workforce and signposting to relevant information and guidance.
 - **Supporting** any individuals or managers who have identified specific concerns, signposting them to relevant support and providing guidance where appropriate.
 - **Monitoring** any emerging risks or issues in either the employed workforce or agency provision.

Wider Communication

- 10.5 The Council Communications Team has developed an overall strategy for informing residents and businesses about the implications of EU Exit. Residents have been signposted to www.gov.uk website for information, and there has been a particular focus on communicating information, support services and Government advice on applying for EU Settled Status.
- 10.6 For businesses, messaging has signposted people to [The Business Growth Hub](#) and [Greater Manchester Chamber of Commerce](#). These local hubs have simplified the information available from Government, and provided useful overviews and summaries for technical guidance notes so that businesses can see at a glance if they are relevant and what action they need to take.

Financial implications

10.7 Potential financial implications across a range of areas are being considered. These include:

- Impact of COVID-19 recovery
- Increases in the cost of goods and services e.g. care services, buildings and construction, food and fuel.
- Business rates reductions as a result of higher costs to businesses, or issues caused by import and export tariffs.
- National changes such as changes to interest rates, state aid and OJEU tendering.
- Impact on the Airport Dividend.
- EU Grant funding including risk to existing projects and lack of clarity on UK replacement funds.

Impact Monitoring and Mitigation

10.8 The MCC Group has developed a series of key indicators on a cross departmental basis that will enable any emerging impacts to be identified, monitored and any appropriate mitigating actions taken. A detailed report - [The Impact of Brexit on the Manchester Economy](#) - was taken to Economy Scrutiny Committee on 5 September 2019.

11 **Action 10: “Strengthening the consistency of and accountability involved in the Council’s approach to commissioning, procurement and contract management. This includes; improving supply chain resilience, building in carbon reduction requirements and reducing reliance on waivers.”**

11.1 Supply chain resilience continues to be an important area of focus because of COVID-19, and its impact on the economy. The steps taken by the Council to monitor and manage supplier risk were summarised in the [Supplier Assurance](#) report to October 2020 Resources and Governance Scrutiny Committee. This includes the use of two risk rating tools (Company Watch and FAME) to help identify potential risks earlier on.

11.2 There have been some important developments in relation to social value:

- Governance has been refined and there are now two officer groups - one strategic (the Social Value Governance Board), chaired by the Deputy Chief Executive and City Treasurer, and one operational, bringing together commissioning, contracts and social value leads in directorates.
- Officers are currently looking at options for strengthening opportunities for social value in light of COVID-19, in particular the role the Council, partners and suppliers can take to support the economic and social aspects of the recovery. Advice on this will be provided to senior management and Members later in October or November 2020.
- The Council has signed up to the Care Leavers Covenant, and we now have a dedicated working group established to help create opportunities for Manchester Care Leavers, working with suppliers and partners in the city.

- Greater Manchester has developed a new social value policy and framework for the region, which is higher level, but is consistent with the approach that Manchester is taking.
 - Finally, a working group has been set up to develop practical proposals for how dedicated scoring in relation to zero carbon can be incorporated into the evaluation of tenders. The Council has applied (and continues to apply) a 10% weighting to zero carbon on a select number of tenders, in addition to the 20% social value weighting. Learning is captured from this, and the working group is looking at how such an approach could be applied to a wider set of tenders.
- 11.3 On waivers, the Integrated Commissioning and Procurement Team provided the August 2020 Commercial Board with an update on waivers across the Council's contract portfolio (excluding Capital Programmes), identifying progress and areas for further development. Internal Audit is also shortly due to release its findings from a review of waivers, and recommendations arising from this work will be implemented.
- 11.4 Skills development continues to be prioritised in relation to commissioning and contract management. As well as in-house training delivered by the Integrated Commissioning and Procurement Team, the CIPFA Contract Management diploma, which was delayed because of COVID-19, started virtually in September 2020. Eighteen members of staff are enrolled on the programme, and feedback from the first session with CIPFA is being reviewed. The government has also extended the window for staff to access the Government Commercial Function's Contract Management e-learning Foundation programme. To date, 39 staff have been put forward for this, and completion rates are being tracked.
- 12** **Action 11: "Continued development and coordination across Services of the governance, communication, implementation and monitoring of workforce policy and associated guidance. This includes ensuring strong messages around compliance and accountability, and a planned programme of work to identify and tackle areas of non-compliance. Focus is needed on; the Accountability Framework - to support understanding of decision making, and the operation and efficacy of the Member / Officer Relations Protocol, and the Member Code of Conduct."**
- 12.1 Work is being progressed through the Our Transformation programme to strengthen the Accountability Framework, to improve levels of understanding and compliance with decision making requirements. There are a number of inter-connected parts to the programme:
- Review of the Council's Constitution, to identify opportunities to improve clarity about what decisions are taken by who, delegate more decisions where appropriate, and to streamline it by removing areas of duplication and previous requirements which no longer align with ways of working.
 - The development of a set of management expectations to provide clarity for managers, and to enable accountability to be strengthened.

A package of management support, guidance and development will be made available aligned to the introduction of the standards.

- Work to review, clarify and simplify Human Resources, Finance and Procurement processes and ways of working. This is a rolling programme of change starting with a focus on the areas that managers find most challenging to navigate. The recruitment process is being simplified, aligned with changes aimed at making the recruitment system easier to use. In addition, the end to end process for purchasing goods and services is being reviewed to simplify, join up and address pinch points and areas of potential duplication. Alongside this, work is being progressed to better understand drivers for current patterns of behaviour relating to small value purchases, with a view to improving efficiency and oversight.
- Aligned with the introduction of the new intranet, information and guidance to support managers to understand and work within legal and organisational requirements is being reviewed, simplified and integrated to improve accessibility from an end user perspective.

12.2 A Key Decisions flow chart has been circulated to the Senior Leader's Group of officers, as a companion piece to 'A Very Short Guide to our Constitution' to strengthen understanding of the process for dealing with and recording decisions.

12.3 The Council's Member/Officer Protocol was reviewed in June 2019. Whilst this review did not identify significant areas requiring revision, the opportunity was taken to make minor changes, which were approved by the Standards Committee and reported to Council. These were primarily to strengthen the need for Members to respect that Officers must remain impartial at all times, and to add a paragraph that the Monitoring Officer meets regularly with political group leaders or group whips to discuss standards which reflect current good practice. A copy of the revised Protocol was circulated to all members of the Council.

12.4 The Committee on Standards in Public Life has proposed a number of changes to the Code of Conduct for Members (some of which require changes to legislation) and has recommended that the Local Government Association (LGA) draw up an updated model Code. The LGA has gone out to consultation on a model Code, and their final draft is awaited. As agreed by the Council's Standards Committee, any changes to our Member Code of Conduct will await and be informed by the outcome of this review.

13 Improving the efficiency and effectiveness of the Council's AGS process

13.1 It is prudent for local authorities to periodically review the overall approach to their Annual Governance Statement process, to ensure optimum efficiency and effectiveness continues to be achieved. Therefore, a review will be carried out to recommend and implement improvements for the 2020/21 process and document.

13.2 Statutory requirements must continue to be met. A focus will also remain on retaining key strengths of the current approach, and aspects which are essential to, and are of most value to stakeholders. These include:

- Continuing to adhere to the latest CIPFA framework guidance
- Retaining a central focus on the accessibility of the public document, for example by continuing to ensure plain language and clear communication.
- Continuing to provide a robust level of assurance to Members, and other key stakeholders such as Internal and External Audit.
- Continuing to ensure transparency by shining a light on the Council's governance challenges.

13.3 There are aspects of both the current process and the AGS document structure where there is potential scope for improvement, so the review will focus particularly on these areas. These include:

- The AGS document needs to be more concise, focusing on brief, high level information only - in line with CIPFA best practice.
- The overall AGS process is currently resource intensive. This includes, but is not limited to, the production of this interim 'Summary of Progress to Date' report, which is not part of the statutory requirements. In the context of reducing resources, it is prudent to re-evaluate how effective the focus is on aspects which are either essential or deliver most value to stakeholders in relation to the amount of resource expended.

13.4 In arriving at recommendations for process improvements the review will include consideration of the following aspects:

- A desktop review of the current approach taken by other local authorities to produce their AGS, comparing this to Manchester. This will include the Core Cities, and other authorities which may be highlighted as showing good practice.
- Advice and recommendations from relevant fora such as CIPFA's 'Better Governance Forum'.
- Engagement with key stakeholders such as Internal Audit.

14 Next steps in the production of the 2020/21 AGS

14.1 As well as the process review, the Council will also undertake forward planning to consider what governance challenges will need to be addressed in 2021/22. As part of this process, evidence from several sources is considered, as explained earlier in this report (paragraph 1.3). An annual meeting of governance lead officers will be arranged where this evidence will be considered, and a list of the most significant governance challenges which the Council will need to address in 2021/22 will be itemised in the Action Plan at the end of the AGS 2020/21.

14.2 A draft of the Annual Governance Statement for 2020/21 will be submitted to Audit Committee in April 2021, prior to its inclusion with the Council's Annual Accounts later in the year.

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Manchester City Council Report for Information

Report to: Audit Committee – 26 November 2020

Subject: Register of Significant Partnerships: Governance Improvement Progress for Partnerships with Low or Medium Strength ratings

Report of: Deputy Chief Executive and City Treasurer

Summary

The report provides an update on progress made to strengthen governance arrangements in the twelve partnerships where a **'Medium'** Partnership Governance Strength Rating was recorded in the 2019 Register of Significant Partnerships, as requested by the committee in March 2020.

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 30 March 2020 – Register of Significant Partnerships 2019.

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 support the delivery of the Council's strategic objectives, a Partnership Governance Framework (2013) is in place. This framework defines and standardises the Council's approach to managing its partnerships, in order to help strengthen accountability and manage risk and rationalise working arrangements.
- 1.2 In support of the application of this framework, the Council maintains a Register of Significant Partnerships, which was established in 2008. It lists a number of key partnership arrangements that are considered to be of high 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 2019 version of the Register was taken to Audit Committee on 30 March 2020. Of the 49 partnerships on the Register, 37 (76%) were rated as having '**High**' governance strength, 12 (24%) rated as '**Medium**' and none rated as '**Low**'.
- 1.4 A Governance Strength Rating of '**Medium**', indicates that while there is a generally sound system of governance in place in these partnerships but areas for improvement have been identified. To gain assurance that plans are in place to strengthen governance arrangements for these '**Medium**' Governance Strength partnerships, Audit Committee requested that a report is produced on a six monthly basis which details progress made.

2. Progress made to strengthen partnership governance arrangements in partnerships with a "Medium" Governance Strength Rating.

Manchester Working Ltd (entry 4)

- 2.1 Manchester Working Ltd (MWL) was established as a joint venture company in 2006 for the provision of building maintenance services for the Council and Northwards Housing.
- 2.2 The contract between the Council, Northwards Housing and MWL has expired. A re-procurement tender exercise was undertaken in accordance with the EU public procurement rules and a new contract for Repairs and Maintenance Services to Northwards Housing Managed Stock and new adaptations across all Manchester City Council housing was subsequently awarded to Mears Limited. This contract is not connected to the joint venture company.
- 2.3 The contract for building maintenance services for the Council expired in May 2020, the new contract was awarded to Engie Ltd and staff transferred to Engie as part of the TUPE arrangements.

- 2.4 MWL currently has a small number of capital projects undertaking property renewals within the Northwards area. These contracts were initially expected to be completed in June 2020, but due to a combination of COVID-19 and accessibility issues the contracts are now expected to be completed in 2021.
- 2.5 There are two Council representatives on the MWL Board. Given that MWL are no longer bidding for new contracts, discussions have commenced around the future of the Company and the potential winding up of the Company.

Manchester Safeguarding Partnership (entry 16)

- 2.6 The Manchester Safeguarding Partnership (MSP) replaced the Manchester Safeguarding Children Board and Manchester Safeguarding Adults Board. The MSP was established in response to legislative guidance (Working Together 2018) which required all local areas to publish their new multi-agency safeguarding arrangements for children by 29 June 2019. The legislation and guidance abolished the need for local areas to establish Local Children's Safeguarding Boards (LSCB) where local authorities had lead responsibility to having partnership arrangements led by three strategic partners, who all have equal responsibility for safeguarding arrangements in their local area. The three strategic partners are the Chief Officers of the Local Authority, the Clinical Commissioning Group (CCG) and Greater Manchester Police.
- 2.7 Manchester responded to the requirement to change our partnership approach to safeguarding children as an opportunity to align our partnership arrangements for safeguarding children and adults. The published arrangements are therefore also in line with the Care Act 2014 requirements for Safeguarding Adults Board (SAB). In the new MSP arrangements, the Adult Safeguarding Executive Group fulfils the function of Safeguarding Adult Board detailed in the Care Act 2014.
- 2.8 Manchester's Multi-Agency Safeguarding arrangements document was published in June 2019. A Project Implementation Group was established, consisting of senior officers from the key partner agencies to progress the arrangements and implementation. This included an amended governance structure to support the safeguarding partnership arrangements in Manchester.
- 2.9 The Manchester Safeguarding Partnership arrangements remain largely unchanged. However, the Independent Chair and partners have been working on a number of areas since April 2020, as set out below.
- 2.10 A COVID-19 specific risk register is supported by weekly assurance meetings, chaired by an Independent Chair.. These were stepped down to fortnightly in July 2020. The risk register has provided a useful vehicle to keep track of trends and issues that may presents risks to MSP, it has also offered assurance that services are responding appropriately to Safeguarding concerns.

- 2.11 COVID-19 has delayed the reporting of key assurance documents such as the S11 Children's Assurance report (Section 11 of the Children Act 2004 places a statutory duty on key organisations to make arrangements to ensure that in discharging their functions they have regard to the need to safeguard and promote the welfare of children, the audit is an opportunity for each agency to demonstrate compliance with this statutory guidance). Also effected is the Adult Assurance document (The Care Act 2014 requires partners to assure that care providers have effective systems and processes to help keep children and adults safe from abuse and neglect), however preliminary findings were shared with the Leadership and Accountability Board meeting in quarter one, and the reports will be finalised in quarter three. The outturn on both is positive, with areas for improvement identified in the action plans developed in response to the audit findings of each partner agency.
- 2.12 The Independent Chair prepares an assurance statement for the Leadership and Accountability (L&A) group each quarter. This scrutiny provides the group with clear sight on key issues where improvement is required, and the opportunity to offer solutions and resources to mitigate associated risks.
- 2.13 The Annual report is in draft form, and will be presented to the Leadership and Accountability Board for approval in quarter three.
- 2.14 The MSP Strategic Business plan was approved by the Leadership and Accountability Group in quarter two. This included the MSP budget for 2020/21.
- 2.15 A MSP Strategic Risk Register was developed in quarter one, accompanied by a MSP risk framework guidance document and was approved in quarter two by the L&A group. Reflecting on the format and content, the group concluded that they would like the content to be revised as there is too much detail, and it would be beneficial if there was more focus on strategic risks.
- 2.16 In quarter two work began on the three-year Strategic Plan, with a development session with key partners in September 2020. The intention is that this preparation work will be concluded by December 2020, with agreement for the strategic priorities going forward and a review of the governance arrangements, particularly in relation to decision making and financial contribution.
- 2.17 Quarter two also saw the preparation and first draft of the MSP Quality Assurance framework, and this will be completed by December 2020.
- 2.18 The MSP Children Review Panel and Children Executive concluded all legacy Serious Case Reviews in line with government guidance by 29 September 2020.

Manchester's Service for Independent Living (MSIL) (entry 24)

- 2.19 The current agreement 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.

- 2.20 The Service Level Agreement (SLA), which sets out the responsibilities and priorities of the Council and the CCG, was signed by all relevant senior managers on 6 February 2019. The SLA is working well and no issues have been reported by any of the parties, with good governance arrangements in place through both Manchester Local Care Organisation (MLCO) and MHCC where necessary. The SLA is an agenda item at the quarterly Health Operational Group.
- 2.21 Further discussions are ongoing with regard to the purchasing of Continuing Healthcare (CHC) equipment with senior managers in the CCG and MLCO, with the possibility of a further separate SLA being developed to cover this element of equipment provision which is not currently covered by the existing SLA. Further meetings took place with Health Partners in September 2020, and agreement was reached that there are two strands to this work: 1) Assessment & Review for CHC equipment and 2) Ordering, Delivery, Servicing & Maintenance plus Recycling of CHC equipment. Assessment and review processes will be reviewed by Health partners, whilst the second strand - Ordering, Delivery etc - will be a joint piece of work. Two workshops have been set up in October 2020 to discuss the process and costs associated with ordering, delivering, CHC equipment, and the outcome of this will form the basis of a separate SLA.

Manchester International Festival (MIF) (entry 25)

- 2.22 The past year has seen an intensification of preparation by MIF for the operation of The Factory. A full transformation project is underway within the organisation, with detailed plans now developed around Facilities Management, Operations, The Launch Programme, HR, Food and Beverage, Finance Systems, and IT. Staff are being brought on board as needed to manage these new work streams. The organisation's recruitment processes have been comprehensively re-imagined, resulting in a far more diverse workforce.
- 2.23 The 2019 Festival was the most successful to date, with over 300,000 people attending events, wide-reaching press coverage and over £50million in economic impact. Since the festival, there has been an emphasis on maintaining contact with new audiences and participants and involving Manchester's communities in decisions around the artistic programme. The, two forums of community members – The People's Forum and The Young People's Forum now have representatives on MIF's board.
- 2.24 The company's response to COVID-19 was comprehensive both internally and in terms of a public facing programme. External focus has been on support for Manchester's creative community, and provision of a unique range of online events. These ranged from Together in One Voice – a Manchester Doorstep Singalong produced in collaboration with the Council, GMCA, and the Co-Op to The Virtual Factory – the first major project by a cultural

organisation in Fortnite – the world’s most popular online gaming platform. This initiative reached over 1.5million visitors in its first month, with 52% of these under the age of 34. Other artists featured in the online offer included Riz Ahmed, New Order and FKA Twigs.

- 2.25 MIF’s Community Engagement programmes continue to grow throughout the city with 2,500 people reached since October 2019. Pre-COVID-19 events included initiatives with communities in Wythenshawe, Levenshulme and Harpurhey. Since lockdown, MIF has particularly focussed on support for the most vulnerable communities it works with, including the Manchester Street Poem project with people who have experienced homelessness. A range of programmes have brought both financial and mentoring support to Manchester artists, with a particular focus on artists who are from diverse backgrounds, or who have few economic resources.
- 2.26 The MIF Board continues to develop and add new skills, with recent appointees including the Chief Executive of Co-op Food. A newly-formed Commercial Committee is helping guide the company towards new opportunities and operating models. The appointment of MIF’s new Executive Director has also increased the company’s skills-base in terms of commercial operations.
- 2.27 A new iteration of The Factory Business Plan is being developed for December 2020.
- 2.28 MIF has led on the development of the Greater Manchester Cultural Skills and Training Consortium and has supported the appointment of a cohort of apprentices in technical theatre across GM organisations. MIF has ensured the continuation of these apprenticeships through lockdown. An ambitious new programme has now been launched under the title of Factory Futures, which will see 10,000 young people reached over the next five years with support in accessing careers in the creative industries. Opportunities will range from open days to full apprenticeships.
- 2.29 Despite COVID-19, an ambitious creative programme is being developed for MIF 2021 which is scheduled to take place from 1st to the 18th July 2021. While multiple scenarios are being planned for, the festival will have a key role to play in city-centre recovery, in the well-being of Manchester’s residents, and in economic support for freelancers in the creative industries. An exciting programme is already in place for the opening season of The Factory, with some of the world’s most significant artists due to create new work for the venue, while Manchester’s communities will also be deeply involved in both planning and participation. MIF’s international presence also continues to grow. Despite COVID-19, over the past year there have been 12 different MIF-led projects happening internationally, with 219 days of performances in 11 countries to an estimated audience of 157,750.
- 2.30 While the fundraising environment is challenging during COVID-19, MIF continues to have real success, with almost 1 million raised from Trusts and Foundations in the past year to support the company’s work with

communities, and a comprehensive strategy is in place to bring on board new sponsorship post-COVID-19. MIF's relationship with Arts Council England, which provides revenue support both to the festival and for The Factory remains strong. MIF also continues to support the Council in capital fundraising for The Factory.

Greater Manchester Mental Health Trust (GMMH) (entry 26)

- 2.31 The partnership is based on a legal contract with GMMH for the delivery of the Council's statutory duties under a Section 75 (Mental Health Act) Agreement. This works to deliver Care Coordination and Assessment and Approved Mental Health Professional (AMHP) functions within an integrated health and social care organisation. The section 75 also includes specifications for support and inclusion services. The Section 75 Agreement forms part of a wider single integrated health and social care (NHS standard) contract held by GMMH and commissioned by the Council and CCG.
- 2.32 The Deputy Director of Adults Services has responsibility for supporting the future commissioning arrangements and the review of the Section 75 agreement. Statutory compliance and operational practice is supported by the Quality and Performance Manager, who sits in Adult Social Care (ASC) but provides regular support to GMMH with regard to its delegated statutory responsibilities and assurance back to the Director of Adult Social Services through the line Management of the Assistant Director (Complex Needs). These arrangements are supported by monthly partnership meetings between ASC and GMMH.
- 2.33 The Mental Health Casework Compliance audit was finalised in April 2019, and reported limited assurance over the Greater Manchester Mental Health Foundation Trust's delivery of delegated statutory social care functions, specifically safeguarding and annual reviews, in line with relevant policies and procedures. There were nine recommendations, three have been totally implemented, two partially implemented and four not implemented. The Council is undertaking a review with GMMH of the outstanding audit recommendations in November and December 2020 following focused work to address the issues identified.
- 2.34 This work has included:
 - Identifying lead social care posts in the Community Mental Health Teams (CMHTs) to provide strengthened social leadership, with these roles linking to key areas such as transition, social work students and legal literacy and leadership
 - Strengthened leadership in the Approved Mental Health Professional (AMHP) hub
 - Strengthened AMHP process following review
- 2.35 From a wider perspective there is also a monthly Service Development Meeting (SDG) meeting chaired by MHCC. This meeting monitors the overall contract with GMMH and is attended by senior managers across MHCC, the

Council, and GMMH. A monthly performance report is prepared for this meeting by the Adult Social care lead who sits within GMMH.

- 2.36 The above governance processes are being reviewed in 2020 to ensure that there are maximum benefits from the overall GMMH footprint working alongside other local authorities, albeit this has been delayed due to the COVID-19 response. Adult Social Care performance and finance will be involved in this review, to assure information flows appropriately and in a timely manner.

Northwards Housing (entry 28)

- 2.37 Northwards Housing is an Arms-Length Management Organisation (ALMO) which manages and maintains c13,500 Council properties across estates in North Manchester.
- 2.38 The '[Housing Revenue Account Delivery Model - Northwards ALMO Review](#)' report was taken to Executive committee in September 2020 to inform them of the outcome of the recent "due diligence" review of Northwards Housing, undertaken by Campbell Tickell. The report provided a summary of the findings. It proposed developing a service offer to tenants in light of the findings in order to move to a full consultation and "test of opinion" of tenants and leaseholders to the service being brought in-house.
- 2.39 The review concluded:
- Doing nothing is not an option;
 - That there is an opportunity to achieve savings of at least £77m over the 30-year business plan by ending the current arrangements under which the Council's housing stock is managed by Northwards Housing Limited (NHL). Savings can be achieved by the removal of duplicated costs and service improvements. Savings would support the viability of the HRA and allow continued investment in the housing stock, work to include achieving a zero carbon City and new build projects.
- 2.40 Executive were asked to confirm that insourcing the service remains the preferred option and the intention to take over direct management of the Housing Service into the Council from 5 July 2021 subject to a "test of opinion" involving all tenants and leaseholders.
- 2.41 Executive were asked to note the proposals contained within the report about how the new Council controlled service offer will be developed and how, in future, tenants will be involved and empowered in the decision making about services to homes and communities.
- 2.42 Further work is being undertaken looking at the viability of bringing the service back to the Council. A report on this is due to go to Executive in November with the findings.

AVRO Hollows (entry 34)

- 2.43 The Avro Hollows Tenant Management Organisation (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.
- 2.44 The capital works program commenced during early 2020. The program includes the installation of sprinklers to individual properties, fire stopping works, and new front doors where needed. Unfortunately, this work had to cease during lockdown, but has over the last six weeks contractors have returned to site and are working hard to catch up for the time lost. Caretakers continue to carry out daily risk assessments within each of the four blocks. Any repairs that are identified through those risk assessments are allocated to our handyman to ensure that the work is carried out quickly.
- 2.45 The AGM for 2020 was held on 30 September. Reports were delivered from the accountant and chair. The accounts had been approved by the external Auditor.
- 2.46 The procurement of Avro's own repairs and maintenance contractor has meant that tenants receive a more cost effective and efficient service. Tenant satisfaction of the repairs service is gathered at the completion of every repair and remains high.
- 2.47 The robust risk management process is still in place. Tenants, residents and visitors can report any identified risks on the estate to any worker which are then assessed and responded to. The risk log is a continually evolving document, which is a standard agenda item at Board Meetings, where strategic and high level risks are assessed and responded to. Mid-level and operational risks are referred to the relevant subcommittee group for a response. The whole risk register is reviewed at Board Meetings.
- 2.48 The Council's professional relationship with Avro Hollows is constant due to the joint working with partners to resolve several issues. This includes the continuing Capital Programme and response to the pandemic. Formal face to face meetings have been suspended due to COVID-19 measures, however communication is open via electronic means. Since lockdown in March, the AVRO office has remained open with one member of staff present at any one time. Caretakers have continued to work following Government guidance throughout and have been provided with training and PPE due to the COVID-19 pandemic. A business continuity plan has been developed, to ensure that any breakdown in service can be quickly dealt with and any necessary actions put in place.
- 2.49 The working relationship with AVRO continues to develop. Closer engagement and communications with all stakeholders has occurred through the Capital Works Programme, and the TMO's response to the COVID-19 measures. Should the decision be taken to bring the ALMO back in house, we will need to review the current tri partite agreement involving Northwards. There is still an opportunity to have a dedicated resource available to liaise with all the main partners which would encourage a strengthened, more focussed relationship between the Council, the ALMO and AVRO Hollows.

SHOUT (entry 35)

- 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 (102 properties).
- 2.51 The Housing management staff have now been in place for three years and continue to gain more situational experience building relationships with tenants, residents and other stakeholders such as the local school and business owners.
- 2.52 The TMO relationship with the Council and Northwards Housing remains strong, and communication lines are open through digital channels. The TMO office has been closed due to the COVID-19 lockdown, but residents and partners are still able to contact and communicate with the TMO Management and Board Members via the website, phone number and Facebook page. Repairs and other issues are being addressed and completed. The specialist Board subcommittees have been temporarily suspended and will resume post lockdown.
- 2.53 A training needs analysis has been undertaken for the incumbent Board members, with another exercise planned for the new Board members recruited in February 2020. Several learning interventions have been identified and will be commissioned once availability and resources have been identified.
- 2.54 Face to face meetings with the repairs contractor have been temporarily suspended, with all communications and issues being dealt with electronically. In addition, SHOUT TMO are looking at alternative repair service providers, because of the costs associated using the current provider.
- 2.55 SHOUT continually monitor expenditure on services and have recently moved to a fully electronic invoicing and accounting system, where invoices are loaded onto the system by the Management team. These are then approved by the treasurer and paid. The new system enables the TMO to receive live reports and can monitor expenditure in real time. The link to Northwards Housing Management system is live and working well. Staff are still able to retrieve live information and update files accordingly.
- 2.56 The AGM was held in February 2020 and was quorate. Two board members stepped down, and four new members were recruited. Full induction of new Board members will resume once COVID-19 restrictions allow.
- 2.57 Early indications on SHOUT's financial position show operation within budget. This is as a result of the TMO staff gaining more experience in managing the contractor and having tighter controls on financial reconciliation of invoices from the contractor despite rising costs. A decision is with the SHOUT TMO board as to whether to change repairs and maintenance contractors due to performance issues and costs.

- 2.58 The Consultant end of project report recommendations are being worked through where possible. Due to COVID-19 restrictions the timeframe for completion has been extended to end of year 2021. Overall the relationships between the TMO and the Council are good, and continuing to improve through more communication and partnership working. Should the decision be taken to bring the ALMO back in house, the Council will need to review the current tri partite agreement involving Northwards, and assess the opportunity to have a dedicated resource available to liaise with all the main partners. This would encourage a strengthened, more focussed relationship between the Council, the ALMO and SHOUT TMO.
- 2.59 In terms of governance, the TMO has good requisition, financial and decision making governance arrangements in place. Board decisions are recorded and circulated, financial processes are in place including an independent accountant to verify record keeping.

Manchester Health and Care Commissioning (MHCC) (entry 40)

- 2.60 MHCC was established in 2017 to enable joined up decision making, based on the needs of the local population, between the Council and NHS Manchester Clinical Commissioning Group in relation to the commissioning of health, public health and social care services and activity.
- 2.61 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 Executive Director of Adult Social Services and the Director of Public Health.
- 2.62 Staff remain employed by the Council or CCG and therefore are covered by their host organisations' policies and procedures.
- 2.63 A Section 75 partnership agreement was agreed, which formalised the arrangement described above and set out the rules for how financial pooling would occur via a Financial Framework. The Council has audited MHCC's governance arrangements and are monitoring the delivery of the recommendations. MHCC shall continue to be rated as '**Medium**' governance strength, as work continues to formalise the arrangements in the context of wider work to progress health and social care integration in Manchester, alongside ongoing due diligence.

Manchester Local Care Organisation (MLCO) (entry 41)

- 2.64 Manchester Local Care Organisation (MLCO) has been a provider of out of community based health and care services since April 2018, and is responsible for the delivery of a range of services including community health services, and adult social care.
- 2.65 The establishment of MLCO was a key part of the Our Healthier Manchester Locality Plan, and MCLO was created to provide proactive, integrated care

delivered on a neighbourhood footprint across the city and its 12 neighbourhoods.

- 2.66 MLCO is an organisation built out of Partnership and has robust controls in place in relation to governance, for example through its financial and performance reporting and internal governance processes. However, it is not a legal entity in its own right as such does not have a single linear accountability into one single organisation or place.
- 2.67 MLCO agreed six key priorities for 2020/21 that were agreed by the Partnership Board (comprised of the core partners to MLCO). These are:

A population health approach

A population health driven approach to service planning and delivery; supporting prevention programmes to improve the health of the people of Manchester.

Developing our neighbourhoods

Consolidating and strengthening our neighbourhood approach; supporting our 12 Integrated Neighbourhood Teams to make an impact on their communities.

Safe, effective & efficient services

Continue to design and deliver safe, effective and efficient services to people in our communities; building on our Care Quality Commission (CQC) good rating for community healthcare.

Working with primary care

Ensuring that GP leadership is at the heart of the MLCO; formalising the governance between primary care and MLCO to ensure joint working with the new Primary Care Networks.

Resilience

Playing a lead role in system resilience; helping people get the right care in the right place with a community and digital first ethos; keeping people at home rather than in hospital.

Building the future for MLCO

Deliver the agreed phased approach to increasing the scope of the MLCO as Manchester's integrated health and care organisation.

- 2.68 The function of MLCO is currently subject to review with the intention that there is an acceleration of its growth. As part of this and by necessity it is expected that the governance of MLCO will require a fundamental restructure. This is likely to be concluded by the end of 2020/21.

One Education (entry 44)

- 2.69 One Education provides a range of Pupil and Business Support services to schools and academies, primarily in Manchester but also some other Greater Manchester 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.
- 2.70 One Education is in a financially better position than previous years, having returned a surplus at the end of March 2019 and again at the end of March 2020. Responsibility for Ghyll Head transferred from One Education at the end of March 2020. It is to be noted that, the company carries a significant pension liability in its accounts. An external review has been carried out by PWC of One Education to consider its operation and company structure, with consideration being currently given as to how the operational relationship between the Council and One Education Board can be strengthened. One Education's service to schools and its financial position has held up reasonably well during the COVID-19 Pandemic. The return of schools at the beginning of September is expected to generate an increased demand for services.

Brunswick PFI (entry 49)

- 2.71 This partnership is a contractual agreement between the Council and S4B, which is a consortium made up of four organisations: Equitix, Vistry Partnerships, Mears and Onward Homes.
- 2.72 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 apartment extra care scheme) and the creation of new parks, a retail hub and neighbourhood office. A significant amount of this work has now been completed.
- 2.73 The Council is also in a number of ongoing legal disputes with S4B for significant financial sums. Officers are closely involved in the development of the on-site extra care scheme which is now due to be completed in January 2021.
- 2.74 A report in relation to governance assurance for the partnership is due to be taken to Resources and Governance Scrutiny Committee in December 2020.

3 Next Steps

- 3.1 Officers from Reform & Innovation and Commercial Governance are currently undertaking a comprehensive review of the Register of Significant

Partnerships process in order to both streamline and improvements the approach to the assessment of partnerships. Key overall aims of the review include:

- Seeking to enhance the level of assurance and outlining clear improvement routes to move partnerships up through the rating scales. This will include provision of guidance from Commercial Governance to partnership leads on strengthening governance arrangements;
- Improving the efficiency of the partnership update process, with a review of the template used to capture partnership reporting to ensure that it's meaningful and not just perceived as a data collection exercise;
- The refocussing of the officer working group which reviews the content of the partnership reporting and the proposed ratings of the partnerships;
- Oversight and monitoring of the delivery of any required improvements once they have been identified to ensure lead officers are implementing the appropriate actions;
- Ensuring that for any new partnerships, that officers tasked with establishing the partnerships work closely with Commercial Governance to do so. This will provide assurance that a consistency of approach across the Council is being followed and that good governance principles are embedded from the outset;
- A review of the Partnership Governance Framework (2013) guidance is undertaken to assess whether any changes are required if deemed appropriate.

3.2 In addition, it is proposed that a revised ranking system is put in place. This is in response to feedback previously highlighted by Audit Committee. It is suggested that a four step rating system is implemented which would provide an alignment towards the approach taken for the Annual Governance Statement. The ratings would be as follows:

- **High:** Demonstrating consistent application of good governance practices, providing a high level of assurance and delivering both the partnership and Council objectives;
- **Medium:** An overall sound system of governance has been established but there are some areas for improvement to ensure the delivery of both the objectives of the Council and the partnership;
- **Satisfactory:** A governance system has been established but there are a number of areas highlighted for improvement, which if not implemented, could result in the non-delivery of partnership and Council objectives;
- **Weak:** Controls are generally weak leaving the partnership's system open to the potential of significant error, resulting in a high probability that partnership's and the Council's objectives will not be met unless action is taken.

3.3 If the Audit Committee are supportive of the revised rating system, it is proposed that link officers representing the partnerships will undertake reassessment of their governance arrangements in early 2021 on this basis. Following this, a revised Register of Significant Partnerships with updated governance strength ratings, following the proposed approach outlined at 3.2, for all partnerships on the Register will be submitted to Audit Committee in

March 2021 for review and comment. This will then focus the improvement programme for partnerships which Commercial Governance will provide support to in order for the partnerships to move up the ratings scale.