



Audit Committee

Date: Tuesday, 11 June 2019

Time: 10.00 am

Venue: Council Antechamber, Level 2, Town Hall Extension,
Manchester

Everyone is welcome to attend this committee meeting.

There will be a private meeting for Members only at 9.30am in Committee Room 6 (Room 2006), 2nd Floor of Town Hall Extension. A Town Hall pass is needed to reach this room.

Access to the Council Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

Filming and broadcast of the meeting

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

Membership of the Audit Committee

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

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 - 10
To approve as a correct record the minutes of the meeting held on 15 April 2019.
- 5. Draft Annual Statement of Accounts**
The report is to follow.
- 6. Internal Audit Outturn Report** 11 - 30
The report of the Head of Audit and Risk Management is enclosed.
- 7. Revenue Outturn report 2018/19** 31 - 48
The report of the Deputy Chief Executive and City Treasurer is enclosed.
- 8. Capital Budget Outturn Report**
The report is to follow.
- 9. External Audit - Progress Report and Technical Update** 49 - 62
A copy of the Council's External Auditor progress report is enclosed.
- 10. Response Letters to External Audit** 63 - 78
The report of the Deputy Chief Executive and City Treasurer is enclosed.
- 11. Treasury Management Annual Report 2018/19** 79 - 94

The report of the Deputy Chief Executive and City Treasurer is enclosed.

12. Work Programme and Recommendations Monitor

95 - 110

A copy of the Work Programme and Recommendations Monitor is enclosed.

Information about the Committee

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

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

The Council welcomes the filming, recording, public broadcast and use of social media to report on the Committee's meetings by members of the public.

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

Smoking is not allowed in Council buildings.

Joanne Roney OBE
Chief Executive
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Further Information

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

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This agenda was issued on **Monday, 3 June 2019** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA.

Audit Committee

Minutes of the meeting held on 15 April 2019

Present:

Councillor Ahmed Ali - In the Chair
Councillors Lanchbury, Russell, A. Simcock and Watson
Dr S Downs (Co-opted member)

Apologies:

Councillor Connolly
Dr D Barker (Co-opted member)

AC/19/17 Minutes

The minutes of the Audit Committee held on 11 March 2019 were submitted for approval.

Decision

To approve the minutes of the meeting held on 11 March 2019 as a correct record.

AC/19/18 Draft Annual Governance Statement 2018/19

Members considered the report of the Deputy Chief Executive and City Treasurer which set out the draft 2018/19 Annual Governance Statement (AGS). The Annual Governance Statement was produced following completion of the annual review of the Council's governance arrangements and systems of internal control. It was reported that the AGS had been considered by the Standards Committee.

In welcoming the report, a member suggested that all Council members should be provided with the AGS for the reason that it is useful in raising awareness of the Council's governance arrangements.

The Chair invited questions from the Committee.

A member referred to the Council's webpages and requested that the information contained on the 'Your Councillors' pages appeared to be duplicated and should be merged to one page. Reference was also made to the Council's Ethical Procurement Policy and officers were asked how robustly the policy is applied in the procurement of services.

It was reported that any external provider seeking to apply to the tender of goods and services to the Council is subject to a tendering process which requires the tenderer to demonstrate how it meets the Council's ethical procurement standards.

A member acknowledged and congratulated the positive involvement of officers involved in servicing Scrutiny Committees, referred to in the AGS, as part of the assessment of the robustness of the Council's corporate governance across services.

A member referred to Section 6 of the AGS, and commented on the wording used in the Bheard Survey findings relating to 'strengthening the way the organisation's senior leadership team visibly demonstrate the behaviours'. The suggestion was made that the wording be amended to say "including strengthening the visibility of the way the organisation's senior leadership team demonstrate the behaviours".

Officers noted the comments and undertook to review the wording in advance of completing the final version of the AGS document.

A member referred to homecare contract governance under Action 3 of the document and requested officers to update the Council website to provide a clearer explanation of 'Electronic Call Monitoring' for the benefit of users.

Officers noted the comments made and reported that the Homecare Contract was not yet live and undertook to ensure that electronic call monitoring was given a clear description.

Members referred to Action 5 of the document regarding GDPR and the level of take-up of the e-learning module by Councillors and officers. The suggestion was made that a report be submitted to the Standards Committee on the number of Councillors that had completed the e-learning module.

Decisions

1. To note the draft 2018/19 Annual Governance Statement.
2. To delegate authority to the Chief Executive in consultation with Audit Committee members, to approve revisions to the AGS reflecting further progress against governance challenges made during the remainder of the 2018/19 financial year.
3. To note the comments raised by the Committee.
4. To recommend that officers submit a report to the Standards Committee to provide information on the take-up of the GDPR e-learning module by Councillors.

AC/19/19 Review of Effectiveness of Internal Audit

The Committee considered the report of the Deputy Chief Executive and City Treasurer which set out the process for the annual review of effectiveness of the Council's system of internal audit as part of its governance assurance processes. The process is designed to provide assurance to the Deputy Chief Executive and City Treasurer and the Audit Committee over the system of internal audit including

the role, function and performance of the internal audit service.

The Chair invited questions from the Committee.

A member referred to the audit outputs issued to date and asked officers to explain why the number of audits for 2018/19 had reduced in comparison to previous years and the reasons for this. Officers were asked to explain changes to the Audit Committee Terms of Reference regarding “impairment to independence or objectivity arising from additional roles outside of internal auditing of the Head of Internal Audit and Risk Management.

The Committee was informed that there had been three time consuming investigations that, although were carried out separately, were counted as a single output. Also, since 2016 there were now fewer standard compliance grant audits taking place that were quicker to complete. The development of the new audit approach had required time with members of the audit team which had been a factor in completing audit work. In addition, the point was made that the outputs from external counter fraud work undertaken is not recorded as an audit output. In view of the number available resource hours (2500 days) and the volume and complexity of the audits, it was anticipated work would increase, with approximately 120 audit outputs per year. The Head of Internal Audit and Risk Management explained that the change to the Terms of Reference was to provide clarity on his role and to enable him to not be involved in areas of audit work he may be responsible for.

A member referred to paragraph 3.8 of the report and asked officers why there was an intention to change the levels of assurance from five to four in 2019/20 as part of the revised audit approach. In reference to paragraph 3.9, officers were requested to send all audit report to Executive Members rather than a summary implementation of recommendations. The point was made that Executive members were part of the assurance reporting framework and must be included.

The Head of Internal Audit and Risk Management reported that the assurance levels had been amended to an even number to avoid setting ‘safe’ middle ground levels of assurance. Officers undertook to forward full audit reports and summary reports to Executive Members and this would be included within the Audit manual.

A member referred to the proposed revision to the Audit Committee Terms of Reference, Internal Audit and requested that the word “Review and” be inserted at the start of the second bullet point relating to the risk-based internal audit plan. Officers were also requested to retain paragraph 4.4 as detailed in the current Audit Committee Terms of Reference.

The Head of Internal Audit and Risk Management undertook to retain the words “Review and” in the proposed Terms of Reference, Internal Audit - second bullet point and to retain paragraph 4.4 of the current Audit Committee Terms of Reference in the proposed version of the Terms of Reference.

The Committee agreed that it was satisfied with the assurance provided by the review of effectiveness and management of improvement actions provided from the QAIP 2018/19 and planned actions for 2019/20, as detailed in Appendix 1 of the

report.

Decisions

1. To note the report submitted and the comments made.
2. To note the amendments made in respect of the Audit Committee Terms of Reference, as detailed in Appendix 2 of the report submitted.
3. To approve the Internal Audit Charter, as detailed in Appendix 3 of the report submitted.
4. To request that a report is submitted to the Audit Committee in six months to provide details on the circulation of audit reports and summary reports to Executive Members.

AC/19/20 Head of Audit and Risk Management Annual Audit Opinion

The Committee considered the report of the Head of Internal Audit and Risk Management which provided the Head of Audit and Risk Management's annual assurance opinion and reported on the Council's system of governance, risk management and internal control. The report was produced in accordance with the Public Sector Internal Standard 2450, which requires it to culminate in an annual audit opinion. The Head of Audit and Risk Management's provided a moderate annual assurance opinion on the Council's governance.

The Chair invited questions from the Committee.

A member asked what action the Council needed to take to improve the assurance opinion from moderate.

It was reported that further work was required to:

- The Adults Improvement Plan
- The Implementation of the ICT Disaster and Recovery Plan
- Prioritisation of scarce resources and on key priorities
- Focussing and a strong oversight on Council delivery on core services.

A member referred to the use of improvements plans in improving service areas and had this proved helpful in particular the attendance of Executive Members and service Directors to the Committee.

It was reported that the process of the Audit Committee making recommendations and inviting Executive Members and Officers to attend meetings to answer member questions had proved useful in improving focus on areas of service.

Decision

1. To note the Head of Audit and Risk Management's Annual Assurance Opinion and Report.

2. To note the comments made on the report.

AC/19/21 Annual Internal Audit Plan 2019/20

The Committee considered the report of the Deputy Chief Executive and City Treasurer and the Head of Internal Audit and Risk Management setting out the Internal Audit Plan 2019/20. The Council has adopted the standards for internal audit set out by the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Plan has been produced following consultation and requests made for audit work from key stakeholders.

The Chair invited questions from the Committee.

A member referred to the percentage of time spent investigating counter fraud which appeared to have risen from 20% to 30% and asked if this would be sufficient in helping the Council to improve its level of assurance.

It was reported that the level of resource invested in counter fraud work would need to be balanced but may increase to 30%, although it was noted that this would not be at the expense of other audit work. Some of the counter fraud work would be self-funding and re-invested into audit work.

A member asked if the 100 days identified as contingency for in year priorities and was this sufficient.

It was reported that 75-80 days had been left unallocated to deal with in year priorities, although any changes required to the Audit Plan would be referred to the Audit Committee for consideration.

A member referred to the AGS and asked if other areas such as supporting attendance management, performance management and ensuring staff appraisal had a higher priority to help reduce misconduct investigations.

The Head of Internal Audit and Risk Management undertook to consider including a piece of work on attendance and management performance.

A member referred to counter fraud and the risk based nature of the Audit Plan and asked officers why those audit areas were not included within the Council's Risk Register and other areas were audited.

It was reported that not all areas with potential significant financial or reputational risk were considered as a corporate risk would be included. A report would be submitted in Quarter 3 to provide information of a broader assurance. In addition, the issue of making officers aware of counter fraud issues could be raised as part of officer training in financial related areas of service.

Decision

1. To note the report submitted and the comments raised.

2. To approve the Annual Audit Plan 2019/20.

AC/19/22 Audit Committee Progress Report and Technical Update

The Committee considered the report of Council's External Auditors (Mazars) which provided an update on the progress made in delivering its responsibilities. The report included information on key emerging national issues and developments.

Decision

To note the report submitted.

**AC/19/23 Work Programme and Audit Committee Recommendations
Monitor**

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

The Head of Internal Audit and Risk Management reported that the Work Programme would be refreshed for the next municipal year.

It was reported that changes to the Committee's Terms of Reference would be subject to the approval of changes to the Council Constitution by Council.

Decision

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

**Manchester City Council
Report for Information**

Report to: Audit Committee - 11 June 2019
Subject: Internal Audit Outturn Report
Report of: Head of Audit and Risk Management

Summary

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

This outturn report provides Members with confirmation of the audit work completed based on the agreed Audit Plan 2018/19 and subsequent agreed amendments to that plan. Detailed reports on assurances issued and work progress were provided quarterly to Audit Committee in year and the first assurance report for 2019/20 will be provided in July 2019.

Recommendations

Members are requested to consider the outturn of the Internal Audit Service.

Wards Affected: All

Contact Officers:

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Background documents (available for public inspection):

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

Documents used in the development of the assurance report include:

- Internal Audit Plan 2018/19 (Audit Committee June 2018)
- Internal Audit Quarterly Assurance progress reports 2018/19 to Audit Committee
- Internal Audit Quarterly Recommendation Update Reports 2018/19
- Review of Effectiveness of Internal Audit (Audit Committee April 2019)
- Head of Internal Audit Assurance Opinion (Audit Committee April 2019)

1. Introduction

- 1.1 This report provides a summary outturn of the work of the Internal Audit Section for 2018/19 and reflects the completion of some outstanding planned work in April and May 2019. Update reports including assurance opinions have been provided to Audit Committee during the year and have been shared with senior managers as part of the assurance programme. The next quarterly update report will be provided in July 2019.
- 1.2 The Head of Audit Annual Assurance Opinion was presented to Audit Committee in April 2019 and provided a moderate assurance opinion overall in relation to governance, risk and control. The additional opinions issued subsequently have not impacted on that opinion.

2. Audit Plan Delivery

- 2.1 The following table provides a summary of the total number of audits provided in 2018/19 based on the approved audit plan and amendments agreed in the year. There were changes to the timing of some planned work and the addition of opinion or other assurance work at the request of management.
- 2.2 Outputs included audit reports, management letters and advice and guidance as well as support to management on service improvement which took place in project meetings. It also includes reactive fraud and irregularity investigation reports for work requiring more than five days of audit support or where an opinion was provided.
- 2.3 The analysis excludes most of the general advice and guidance provided to the business and involvement in working groups and projects, as these are not captured in formal reports. Figures include completion of brought forward work in the first quarter as agreed with managers. The outcomes of audit work were shared with senior officers and Audit Committee during the year and a summary of key assurance is provided at section 4 below.
- 2.4 The approved annual audit plan was substantially completed by the end of May with 95 final audit reports issued and six in draft awaiting response from clients on action plans. These were being followed up with teams in Education and Schools; Strategic Development and Corporate Core.

Audit Status	Audit Plan Outputs	Additional and Contingency Items
Final Report Issued	92	3
Draft Report Issued	6	
Fieldwork Completed or started	11	
Totals	109	3
Cancelled or Deferred	8	

2.5 The status of all work is shown at Appendix One and this includes a limited number of audit activities which were scheduled to be carried forward for completion into 2019/20 and remain on going in line with the rolling programme of audit activity. The eight audits cancelled or deferred were as follows:

- Manchester Support for Independent Living; Public Contracts Regulations Compliance; Recruitment and Selection and Special Education Needs deferred and included within the 2019/20 Annual Audit Plan.
- Data Retention and Disposal was incorporated in an audit of General Data Protection Regulations Post Implementation
- Software Licensing Follow Up which was deferred to 2019/20 to enable testing to take place following the implementation of recommendations
- Grant Certifications which were no longer required for Highways Local Pinch Point and Highways Challenge Grant.

2.6 Outcomes for the work which remain to be finalised will be reported in quarterly assurance reports to Audit Committee and are reflected as brought forward work in the Annual Internal Audit Plan for 2019/20.

Limited Assurances

2.7 Internal Audit issued 12 limited assurance opinions between April 2018 and May 2019. Limited and No assurance opinions are provided where there are significant concerns about the system of internal control or an absence of controls which could put the process or system objectives at risk. Recommendations made as a result are often designated as critical or major to reflect the level of risk. Where audit work identified areas for improvement recommendations were made to address the risk and management action plans were agreed or advice and guidance was provided to enable managers to make changes to systems, processes or policies. The resulting agreed action plans were monitored and progress to implementation reported to Audit Committee on a regular basis.

2.8 The limited opinions in year were reported to Audit Committee and action plans agreed and progressed in respect of:

- Adults: Management Oversight and Supervision where the approach to supervisions was leading to inconsistency including frequency of supervisions, record keeping, training and monitoring arrangements.
- Adults: Mental Health Casework Compliance, with concerns raised around timeliness, record-keeping, management oversight and reporting.
- Adults, Children's and ICT: LiquidLogic and ContrOCC (Data Migration and User Acceptance Testing) where progress on development and delivery was behind schedule and there were a number of challenges for the project to address before a decision to 'go live' was taken.
- Adults: Homelessness Floating Support Teams. The main issues preventing us from providing higher assurance were the need to further develop shared and consistent processes and consistency in the understanding and discharge of roles and responsibilities. Practices

adopted across the floating support teams varied and this had led to differences in the provision of support.

- Adults: Deprivation of Liberties (DoLS). DoLS assessments were often significantly outside the required timescales. Although referrals were screened and prioritized for allocation there were significant delays in assessments for low priority cases and there was an absence of DoLS reviews.
- Children's: MASH Follow Up audit. Required improvements related to timeliness of the process and associated reporting; recording of consent; and available guidance and procedures for staff working across the Hub.
- Children's: Early Years 30 Hours Funding raised concerns around the accuracy and robustness of the payments process; the administrative burden caused by the manual nature of processes across the system which also significantly increased the risk of errors; and the lack of training that had been provided to staff delivering the service.
- Contracts: Whistleblowing Arrangements. There was a lack of knowledge amongst contract managers in relation to contractors' whistleblowing policies and procedures along with an absence of assurance mechanisms for ensuring contractual suppliers had whistleblowing arrangements in place and confirming whether these were operating as intended.
- Contracts: Insurance Arrangements. Verification checks to ensure suppliers held minimum levels of insurance were not being undertaken consistently across the Council's contract portfolio. There was a reliance on the insurance checks undertaken as part of the initial procurement process and not regular checks to ensure this was maintained over the life of the contract
- Contracts: Frameworks Contract Governance – Overall Report. Themes emerging from this were consistent with previous audit work and included the need for clarification of the responsibilities of call-off and framework managers; development of minimum expectations over monitoring including the delivery of social value; and the review and enhancement of guidance for allocation of work through frameworks.
- Contracts: Highways Framework. There was a lack of certainty over the direct allocation process and how value for money could be demonstrated due to the lack of competition or a set pricing schedule and there remained restrictions over other authorities' ability or inclination to access the framework.
- Contracts: Taxi Framework. There was limited contract monitoring undertaken to ensure compliance with contract conditions and the achievement of value for money. Findings impacting on the opinion included an inability to demonstrate control over the use and delivery of the contract; lack of formal checks on charges against contract prices and a need to follow-up social value aspects of the contract to ensure these had been delivered.

2.9 Action to implement recommendations to address risks is monitored in line with agreed process and the next full progress and implementation report will be provided to Audit Committee in July 2019.

3. Counter-Fraud and Investigations

- 3.1 Internal Audit received 62 referrals of potential fraud, theft or other irregularity in the year April 2018 to March 2019 of which 19 were handled under the Council's Whistleblowing Policy.
- 3.2 In addition to corporate fraud, theft or other irregularity the team have investigated fraud allegations and other concerns received in respect of the Council Tax Reduction Scheme, Housing Tenancy and Housing Right to Buy Scheme, which had been referred to Internal Audit or identified as part of data matching and proactive work.
- 3.3 Detailed information in relation to anti-fraud and investigation progress and outcomes for 2018/19 will be presented in the Annual Fraud Report to be presented to Audit Committee in September 2019.

4. Recommendation Implementation

- 4.1 The total number of critical, major or significant priority recommendations fully implemented across the Council as at end of March 2019 was **64%** with a further **17%** partially implemented as shown below. When combined this is above the target of 70% for implementation which is an improvement of previous years and demonstrates continued management focus on addressing issues highlighted by Internal Audit however there is a need to ensure continuing active implementation to address risks.

Critical, Major or Significant Priority Recommendations by Directorate

Directorate	Number Due	Implemented	Partially Implemented	Referred Back	Outstanding
Corporate Core	43	30	3	5	5
Children's Services	19	11	3	0	5
Adults Services	20	12	6	0	2
Neighbourhoods & Strategic Dvt	26	16	6	0	4
Total	108	69	18	5	16
Total %		64%	17%	4%	15%

- 4.2 A separate report is provided regularly to Audit Committee detailing outstanding critical, major and significant recommendations. The reporting and escalation process has been strengthened to ensure Strategic Directors and Executive Members are made aware of outstanding recommendations (6 months overdue) on a regular basis. Strategic Directors are required to attend Audit Committee to provide updates on recommendations which remain outstanding (9 months overdue).

4.3 At year end the reports with outstanding recommendations were:

- Corporate Core: One System: Application Audit
- Corporate Core: Payments (Purchase Cards)
- Corporate Core: Contractor Whistleblowing Arrangements
- Corporate Core: Housing Revenue Account – Budget Setting and Budget Monitoring
- Children’s Services: Early Help
- Children’s Services: Children Missing from Home
- Adults Services: Transition to Adult Services
- Neighbourhoods and Strategic Development: Investment Estate Income
- Neighbourhoods and Strategic Development: Revenue Contract Management – Galleries
- Neighbourhoods and Strategic Development: Highways Framework TC886

4.4 The next full recommendation update report which confirms the current position on all outstanding actions will be presented to Audit Committee in July 2019.

5. Conclusion

5.1 Members are asked to consider the Internal Audit Outturn Report 2018/19.




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Appendix 1: Audit Status, Opinions and Capacity to Improve (where assessed)










Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Children's Services			
Troubled Families Validation of Performance Data 2017/18	Final	Moderate ●	Medium
Early Help 2017/18	Final	Moderate ●	Medium
Children Missing from Home or Care 2017/18	Final	Moderate ●	Medium
MASH follow up 2017/18	Final	Limited ●	Medium
Early Years 30 Hours Funding	Final	Limited ●	Not Set
Troubled Families Follow Up	Final	Not applicable	
Risk Management (Children's)	See Corporate Risk Management Audit		
Management Oversight and Supervisions	Final	Limited ●	High
Assessed and Supported Year in Employment (AYSE) compliance	Final	Moderate ●	High

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Post Ofsted Improvement Plan	Fieldwork complete	Set at draft	Set at final
Protect/Complex Safeguarding	Fieldwork complete		
Planning for Permanence	Fieldwork complete		
Education and Schools			
Penalty Notices for Unauthorised Absence (Schools)	Final	Moderate ●	High
Thematic School Audit: Cash	Final	Moderate ●	High
Thematic School Audit: Procurement	Draft	Moderate ●	Set at final
Off Rolling of Pupils	Draft	Moderate ●	
Annual Schools Financial Value Standard (SFVS) Return 2019	Final	Advice and Guidance	
Special Education Needs	Deferred to 19/20 plan		
Adults' Services			
MHCC: Governance Arrangements 2017/18	Final	Moderate ●	Not set

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Manchester Health and Care Commissioning: Operational Plan 2017/18	Final	Substantial ●	Not set
Client Financial Services: Pre Paid Cards- Follow Up	Final	Not set	
Support to MHCC and LCO Assurance Framework Development	Advice and Guidance		
Management Oversight and Supervision	Final	Limited ●	High
Mental Health Casework Compliance	Final	Limited ●	High
Transitions: Follow Up	Alternative assurance and included in Improvement Plan		
Risk Management (Adults)	See Corporate Risk Management Audit		
Supported Accommodation Quality Assurance Framework LD	Fieldwork complete	Set at draft	Set at final
Mental Health Panels – Decision Making	Deferred		
Quality Assurance Framework	Position statement		
Homelessness Reduction Act Compliance	Draft	Limited ●	Set at final
Local Care Organisation: SLA	Included in scope of LCO Governance Arrangements audit		

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Local Care Organisation: Governance Arrangements	Fieldwork started	Set at Draft	Set at Final
Deprivation of Liberties (DoLs) - New	Final	Limited 	High
Adult Social Care – Resource Allocation System and Panel Decision Making	Position Statement		
Adults Social Care Panels (RAS) – Compliance	Scope merged with RAS system development and decision making		
MHCC Financial Framework Compliance	Fieldwork started	Set at Draft	Set at Final
MHCC Financial Sustainability Plan Delivery	Fieldwork started		
Risk Management (Adults)	See Corporate Risk Management Audit		
Manchester Service for Independent Living (MSIL)	Deferred to Q1 2019/20		
Core			
IR35 Compliance – Advice & Guidance 2017/18	Final	Not Set	
Disclosure & Barring Service 2017/18	Final	Moderate 	Not Applicable
Grant Certifications - Greater Manchester Pension Fund	Final	Certified 	

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Core Systems - Payments (Purchase Cards)	Final	Moderate 	High
Payroll Continuous Auditing – Quarter One	Final	Not Set	
Grant Certifications – Arts Council Factory Project 2017/18	Final		
Grant Certifications - Growth Deal	Final		
Grant Certifications - Carbon Reduction Commitment	Final		
Grant Certifications - URBACT III (Claim Q2)	Final		
Payroll Continuous Auditing – Quarter Two	Final		
Grant Certifications - URBACT III (Claim Q4)	Final		
Payroll Continuous Auditing – Quarter 3	Final		
Payroll Continuous Auditing – Quarter 4	Final		
Grant Certifications - Revolving Investments in Cities of Europe (RICE)	Final	Not Set	
Overtime: Compliance	Final	Full 	Not Set

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Housing Revenue Account - Financial Administration	Final	Substantial 	
Capital Strategy – Benefits Realisation	Final	Moderate 	High
Our Town Hall – Governance	Final	Position Statement	
Our Town Hall – Security	Final	Substantial 	Not Set
Our Town Hall – Appointment of Management Consultant	Final	Assurance Review: Positive Assurance 	
Our Town Hall – Six Month Health Check	Final	Substantial 	High
Our Town Hall - Decant and Disposal (Portable Assets)	Final	Moderate 	High
Core Finance Systems - Benefits and Risk Based Verification	Final	Substantial 	Not Set
Annual Governance Statement	Final	Advice and Guidance	
Risk Governance Management (Corporate)	Final	Substantial 	High
Core Finance Systems - Revenue Budget Monitoring	Final	Substantial 	Not Set
Core Finance Systems - Payments (SAP) BACS	Final	Not Set	Not Set

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Our Manchester VCS Grants - Outcome Monitoring	Draft	Set at Draft	Set at Final
Our Manchester - Performance Management Framework	Fieldwork complete		
Recruitment and Selection	Deferred to Q1 2019/20		
ICT and Information			
LiquidLogic – Data Migration & Testing (Phase 1) 2017/18	Final	Moderate ●	Not set
Application Audit – One System 2017/18	Final	Moderate ●	High
Application Audit – SAP 2017/18	Final	Moderate ●	Medium
Mobile Connections: Follow Up	Final	Not set	
Going Google 2017/18	Final	Position Statement	
LiquidLogic Position Statement	Final	Position Statement	
LiquidLogic and ContrOCC (Data Migration and User Acceptance Testing - system finalisation phase)	Final	Limited ●	Medium
PSN Code of Connection	Final	Set at draft	Set at final

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
GDPR - Post Implementation Compliance Review	Draft		
Cyber Security	Fieldwork started		
Application Audit - GSuite	Fieldwork Complete		
Data Centre Replacement	Fieldwork complete		
Data Retention and Disposal	Scoped in GDPR review post implementation review		
Software Licensing: Follow Up	Deferred to 2019/20		
Growth and Neighbourhoods			
Retail Market Income 2017/18	Final	Moderate ●	High
Risk Management (Growth and Neighbourhoods)	See Corporate Risk Management Audit		
Leisure Contract Performance Management	Advice and Guidance		
Strategic Development			
Income and Debt Management: Investment Estate 2017/18	Final	Moderate ●	High

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Grant Certification – Disabled Facilities Grant	Final	Certified	Not Set
Risk Management (Strategic Development)	See Corporate Audit		
City Centre Review - Governance	Draft	Moderate ●	High
Northwards Programme and Project Health Check	Draft	Set at Draft	Set at Final
Capital Project Health Checks and Payments	Complete		
Highways			
Highways Pothole and Patching 2017/18	Final	Moderate ●	Medium
Grants Certification - Cycle City	Certified	Positive Assurance: Certified without Exceptions	
Grants Certification - Highways LTP Capital Maintenance			
Grants Certification – Pot Hole Action Fund			
Grant Certification - Highways Maintenance Efficiency Grant			

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Highways Revenue Contracts - Award of Work/Monitoring Payments	Final	Moderate ●	Set at Final
Highways Capital - Project Health Checks and Payments Rescoped as Manchester Salford Inner Relief Road (MSIRR) Re-procurement and Payments	Final	Moderate Assurance with advice and guidance to support assurance over second stage payment.	
Grants Certification - Highways Challenge Fund	Cancelled – No certification required		
Grants Certification - Highways Local Pinch Point			
Procurement, Commissioning and Contracts			
Contract Management – HROD	Final	Moderate ●	High
Contract Management – Galleries	Final	Moderate ●	High
Multi Links Commissioning – Advice and Guidance	Final	Not Set	
Contractor Insurance Arrangements	Final	Limited ●	Medium
Contractor Whistleblowing Arrangements	Final	Limited ●	Medium
Factory Project: Governance Arrangements	Final	Moderate ●	High

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Homecare Contract Follow Up	Final	Not Set	
Highways Framework	Final	Limited ●	High
Taxi Framework	Final	Limited ●	High
Financial Services Framework	Final	Moderate ●	High
Frameworks Contract Governance – Overall Report	Final	Limited ●	High
Corporate Contract Development	On going Advice and Guidance		
Social Value	Final	Moderate ●	High
Procurement Fraud: Spend Review	Final	Moderate ●	High
Assurance Mapping (Contracts)	Further work in 2019/20		
Public Contracts Regulations Compliance	Deferred to 2019/20		

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**Manchester City Council
Report for Resolution**

Report to: Audit Committee - 11 June 2019
Resource and Governance Scrutiny – 18 June 2019
Executive – 26 June 2019

Subject: Revenue Outturn report 2018/19

Report of: Deputy Chief Executive and City Treasurer

Summary

The report outlines the final outturn position for 2018/19.

Recommendations

1. Audit Committee and the Resources and Governance Scrutiny Committee are invited to note recommendations one to three and endorse recommendations four and five listed below.
 2. The Executive is recommended to:
 1. Note the outturn position for 2018/19 as set out in the report and summarised in the table at paragraph 4.
 2. Note the Housing Revenue Account position for 2018/19 as outlined in paragraphs 48 to 51.
 3. Note the overall General Fund position for 2018/19 as outlined in paragraph 52.
 4. Approve the use of budgets to be allocated as outlined in paragraph 53.
 5. Approve the use of reserves as outlined in paragraph 55.
-

Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its
A highly skilled city: world class and home grown talent sustaining the city's economic success	

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	strategic priorities.
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There is a small underspend at the end of the financial year which will be met from the General Fund reserve. Where required, provision has been made for known liabilities. Reserves are considered to be at a reasonable level to underwrite potential future costs and risks. If all recommendations are approved the Deputy Chief Executive and City Treasurer is of the opinion that the Council remains in a robust financial position.

Financial Consequences – Capital

There are no consequences for the capital budget.

Contact Officers:

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Background documents (available for public inspection):

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

The Revenue Budget 2018/19 as approved by Executive 7 February 2018.

Introduction

1. This report provides a summary of the revenue outturn position for 2018/19.
2. Appendix 1 sets out the performance against the Prudential indicators in support of the council's borrowing requirement.

Outturn Position 2018/19

3. For 2018/19 the outturn variance to budget is an overspend of £293k. This is a reduction of £0.767m from the overspend position of £1.060m reported to the Executive in February.

Summary Budget Information

4. The following table summarises the spend for 2018/19 by service. The paragraphs that follow outline the main reason for the variation to budget and the changes from the previous forecast reported to Executive in February 2019 which was based on the position as at end December 2018.

Overview of Outturn Position 2018/19

	Revised Budget	Outturn	Variance	Variance last reported to Executive	Movement since last report to Executive
	£000	£000	£000	£000	£000
Total Available Resources	(578,828)	(580,628)	(1,800)	(1,943)	143
Total Corporate Budgets	122,578	119,972	(2,606)	(1,813)	(793)
Children's Services	112,855	119,877	7,022	6,999	23
Adult Social Care	182,901	186,126	3,225	3,200	25
Homelessness	9,643	10,711	1,068	799	269
Corporate Core	70,650	67,187	(3,463)	(3,461)	(2)
Neighbourhoods and Highways	72,909	72,273	(636)	(688)	52
Strategic Development	7,293	4,776	(2,517)	(2,033)	(484)
Total Directorate Budgets	456,250	460,949	4,699	4,816	(117)
Total Use of Resources	578,828	580,921	2,093	3,003	(910)
Total forecast over / (under) spend	0	293	293	1,060	(767)

Resources to support the Revenue Budget (£1.8m underspend)

5. The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of March 2019, 93.00% of Council Tax had been collected. This is 0.01% behind the position at the end of 2017/18. Council Tax relating to 2018/19 will continue to be collected and the ultimate collection rate will be higher.
6. Business Rates collection for 2018/19 at 31 March 2019 is 97.4%, 1.1% above the same point in 2017/18. Whilst the collection rate has increased, the continued volatility in the position for appeals and new buildings coming onto the list means that it is very difficult to predict future collection rates.
7. However, it should be noted that the income to be included in 2018/19 for these areas is fixed. Any variances will not impact until future years.
8. The available resources to fund the revenue budget are £1.8m higher than budgeted, this is a reduction in the underspend of £143k since that reported in February. The underspend is mainly due to:
 - Dividend income of £1.27m, made up of £0.815m from the National Car Parking joint venture and £455k from Piccadilly Triangle rental dividend which was not budgeted for, over and above the £400k budgeted.
 - Additional income of £0.516m relates to £235k release of a pay provision no longer required, £125k following an independent review of invoicing, 1£84k from a reduction in the required bad debt provision and an additional £72k from Manchester Central Convention Centre events income.

Corporate Budgets (£2.606m underspend)

9. Spend against Corporate budgets is £2.606m less than budget, an increase in the underspend of £0.793m since it was last reported in February, predominantly due to the release of unused contingency and the lower carbon reduction levy.
10. The reasons for the underspend are:
 - £340k centrally held contingency was not required in 2018/19, this is in addition to the £1.58m which was held in relation to the Waste Levy and reported in February.
 - The carbon reduction levy is £246k lower than budgeted, due to emissions across the estate being lower than estimated and a previous year usage adjustment.
 - Levies are £27k lower than the budget set due to lower than anticipated recharges for legacy GM probation and magistrates costs.
 - There is a central budget for historic pension costs. Additional allowances are £71k below budget and teacher's historical pension costs are underspent by £342k as the number of people in the scheme continues to reduce.

Children's Services (£7.022m overspend)

11. The 2018-20 budget delivery plan projected that the level of need for children and young people would cost an additional £19.6m over the period 2018-20. This was based on an estimate of placement need and further developments as a continuation of the existing strategy, whereby numbers in external residential and foster care provision were expected to reduce during 2018/19 and 2019/20.
12. The £7.022m overspend for Children's Services is an increase of £23k on that reported to Executive in February 2019. Whilst significant progress has been made in the delivery of the strategy the planned reductions in the numbers of external residential and external foster care placements has not been fully achieved. The position reflects additional funding to reduce the forecast overspend as set out below:
 - Allocation of corporate inflation contingency to meet increased unit cost of placements and other inflationary pressures of £2.9m.
 - Draw down of £1.5m of non-recurrent funding set aside as part of the 2018-20 budget to mitigate the risk of external residential placements numbers not reducing during the remainder of 2018/19.
13. The position is in line with that forecast in February 2019, with only a small increase in the overspend of £23k. The estimated impact for 2019/20 has been reviewed as part of the budget setting process. The 2019/20 budget includes additional funding to reflect the higher levels of residential and fostering care required and ongoing investment into early help in localities that is intended to deliver better outcomes and improved financial sustainability.
14. The main variances on the Children's Services budget are summarised in the following paragraphs.
15. Residential Placements - The budget for residential placements overspent by £3.094m, a decrease of £329k from that reported in February 2019. This reflects the inclusion of confirmed partner contributions as part of the multi-agency agreements to jointly review, support and fund complex placements.
16. External and Internal Fostering and Special Guardianship Orders (SGOs) - The budget overspent by £3.072m which is unchanged from the position reported in February. However, there has been a reduction in the use of Independent Fostering Agencies with a corresponding increase in foster carers employed by the Council. There has also been an increase in the number of Special Guardianship Orders which is in line with the objective of promoting permanency for children and young people within families. These changes are in line with the strategy to increase family based permanent arrangements for children to improve outcomes as well as a more cost effective way of meeting demand.
17. Youth Offending Service - The budget overspent by £159k reflecting the overall increased number of remand placements and other forms of support.

This is a highly volatile area overseen by partners on the Youth Justice board who are working with the judiciary in order to minimise the remand period. The overspend has reduced by £90k in the last quarter with some reductions in both the numbers and duration of remand placements.

18. Other Children's Services budget overspends are as follows:

- Fostering, Adoption and Leaving Care Services - The £217k overspend is largely due to the higher than budgeted management fee for the Regional Adoption Agency (RAA) hosted by Stockport Council. Identifying prospective adopters is a challenge nationally and to increase the number of adoption opportunities for Manchester children it was considered beneficial to invest in a RAA as the model for Manchester. Additional investment of £200k has been provided in the 2019/20 budget.
- Legal Fees - The £0.587m overspend on legal advice and court proceedings reflects the charges associated with providing information required by the courts in accordance with the Family Procedure Rules. Further funding of £400k has been provided for in 2019/20 based on the anticipated activity.
- Leaving Care accommodation - the overspend of £341k is as a result of the increased numbers of care leavers requiring support. The service was retendered during 2018/19 securing an improvement in the support offered and reduction in costs of 30% which has partly offset the impact of an increase of 14 placements since December.
- Child and Adolescent Mental Health Services (CAMHS) - it has been agreed to pay £480k to the Manchester Foundation Trust for the support required where the local authority is the corporate parent. This is based on an interim specification and the arrangement will be reviewed in 2019/20. Additional investment of £500k has been provided in the 2019/20 budget.
- Other overspends of £220k, mainly relating to support for families to safeguard and promote the welfare of children in need (Section 17 of the Children's Act 1989).

19. The overspend is offset by the following underspends:

- £108k for the Complex Safeguarding Hub and Multi Agency Safeguarding Hub due to the phasing of costs for this new service against the full year allocated budget.
- £0.683m for Directorate Core and Back Office costs, in part reflecting the review of discretionary spend undertaken as part of the Recovery Plan.

20. The main variations in the budgets for Education Services are summarised below:

- Early Years - An overspend of £225k largely relating to increased spend for building maintenance costs and less rental income being generated from Children's Centre sites being used by Early Years providers.
- Strategic Leads and Quality Assurance – An underspend of £0.583m reflecting use of available grant income and vacancies within the service.

21. The centrally retained Dedicated Schools Grant (DSG) has overspent by £1.711m, largely due to expenditure within the high needs block which supports the education of children with Special Educational Needs and Disabilities (SEND). The overspend has increased by £1.1m since that reported in February due to additional post-16 special education needs and disability pressures. This is due to post-16 Education, Health and Care Plans (EHCP) for the colleges being £0.8m higher than previously notified and additional EHCPs allocated for the spring term of £150k. In particular, in-year adjustments to SEND funding to primary, secondary and colleges was £1.1m higher than what was expected in December 2018. This reflects the national position where demand for high needs services are outstripping the level of grant funding available. This has been recognised nationally by the Department for Education (DfE) and Manchester City Council and other local authorities have been lobbying for the funding to be increased.
22. During the autumn the Council consulted schools and the Schools Forum on a transfer of funding from the schools block to the high needs block of 0.5% per pupil (£2m) in 2019/20. This was to fund the increased numbers of children and young people with Education, Health and Care Plans. However, in December 2018 the DfE announced additional funding nationally, of which £1.281m for 2018/19 and 2019/20 has been allocated to Manchester City Council. As a result, it was agreed not to progress the funding transfer.
23. A detailed report on SEND and a review of the High Needs Block was provided to Schools Forum on 13th May 2019. This estimated that the overspend on the DSG due to High Needs is expected to increase to around £2.7m in 2019/20. The report identified recovery proposals including the need to consult with schools again on a transfer grant from the Schools Block to the High Needs Block in 2020/21.

Adult Services (£3.225m overspend)

24. The final outturn position is an overspend of £3.225m an increase of £25k on that reported in February 2019. £3.351m relates to the areas of social care included in the Manchester Health and Care Commissioning (MHCC) Pooled Budget, offset by a £126k underspend for Adult Social Care services outside the pool. In 2018/19 the MHCC Pooled Budget for both health and social care totalled £1.1 billion. The CCG (health) element of the pooled budget was balanced for 2018/19.
25. As reported during the year the overspend on the Pooled Budget predominantly related to the time required to implement the new care models being longer than originally planned which affected the timing of the associated savings. The delivery timescales and phasing of the delivery of savings has been reset as part of the 2019/20 budget process with collaborative work across a number of organisations in place to secure their delivery. Where the new care models have been implemented evaluation is being carried out to see if they are delivering the expected changes.

26. Funding for demographic growth of £7.416m was approved as part of the Council's contribution to the MHCC Pooled Budget. This funding has been utilised to meet the increase in numbers requiring care and support as previously reported, £2.5m of this was used to reduce the overspend as part of the Recovery Plan, with a further £0.4m subsequently applied by year end as the demand reduction from reablement was not achieved as planned.
27. As part of the 2018 Autumn budget and December 2018 Finance Settlement the government announced £240m of additional funding for 2018/19 and 2019/20 for councils to spend on adult social care to help councils alleviate winter pressures on the NHS, getting patients home quicker and freeing up hospital beds across England. The use of the 2018/19 allocation of £2.67m was agreed between partners and at the Council's Executive in December 2018. The proposals were part of a wider funding strategy that smoothed resources over two to three years to enable permanent rather than agency or temporary appointments for social work posts supporting the delivery of the social care improvement plan, transition to the new home care contracts and to support the health and social care system to manage winter pressures. This includes a carry forward of £0.560m into 2019/20. This is in line with that planned as part of the December Executive report which set out the use for this grant.
28. £1.797m of resource has been transferred to the Adult Social Care Reserve. This relates to underspends on plans for 2018/19 that are largely due to difficulties in recruitment of the staff required. It is anticipated that the move to permanent rather than temporary recruitments will enable this to progress in 2019/20. The funding will be used to meet the ongoing costs of care following hospital discharges that have been met from demography funding in 2018/19 and as part of the longer term funding strategy referred to above. The planned use of the improvement and resilience funding for 2019/20 will be reported to the Executive and Health and Wellbeing Board early in 2019/20.
29. The Adult Social Care grant underspend of £1.889m will also be carried forward as this was to fund the additional costs for the expanded reablement service and other costs associated with the delivery of the new care models which have been rephased. The use of the grant will reflect the revised delivery timescales. Again this is in line with the 2019/20 Budget and Business Plan.
30. A summary of the reasons for the £3.225m overspend is set out below:
 - Residential and Nursing budget overspend of £0.737m. Numbers of residential and nursing care placements are 40 lower than 12 months ago, reflecting the strategy to place people closer to home where possible and the increase in extra care schemes. However, the revised timescales for the delivery of all the planned extra care schemes means that the associated savings have not been achieved in full.
 - £2.7m of demography funding has been allocated to the budget. This has met the cost of increased demand and in part mitigated the delay in achieving savings in residential placements and care packages expected

from the Prevention, High Impact Primary Care and Reablement care models.

- The position also reflects the use of demographic funding to meet the costs of reducing the number of people with a delayed discharge from hospital who have gone into residential care.
- The Homecare budget overspent by £1.461m due to delays in implementing the new care models, particularly for the use of assistive technology. Since December the homecare hours commissioned have risen by 849 or 3%, which would have resulted in a £3.448m overspend before the application of £2m demographic funding.
- Budgets to support people with a learning disability have overspent by £54k due to a small shortfall against planned savings from the implementation of 'strengths based' support planning. The savings from the reviews of high cost placements have been delivered in full. The position includes the allocation of £1.6m of demography funding to meet the increase in demand for these services.
- The budgets for Mental Health services broke even. This includes the non-achievement of the £0.6m savings against the 'strengths based' support planning saving, allocation of £0.8m demography funding to meet new demand and £427k of funding for the national living wage to meet the increase in placement costs and the higher than budgeted number of placements.
- Adult Social Care budgets for care delivered through the Manchester Local Care Organisation have overspent by £1.552m. This largely relates to the cost of agency staff required for in-house care services to ensure the appropriate staffing ratios are met. Whilst recruitment to vacancies across the service is underway this has had limited impact on the level of agency cover required. Further work has commenced to look at future staffing levels as the service develops new provision will result in the need for less agency capacity in the future.
- Reablement underspend of £0.5m relating to delay in expansion of the new care model during 2018/19 has led to an increase in the underspend on the Adult Social Care grant. The grant carry forward is reflected in the £1.889m referenced above.
- Commissioning budgets have overspent by £463k due to the non-delivery of planned savings. Potential areas for savings have been identified for 2019/20 as part of the wider re-commissioning work.
- Public Health staffing budgets have underspent by £297k due to delays in recruiting to specialist positions.
- Other budgets within the pool have combined net underspend of £119k and areas outside of the pool an underspend of £126k due to delays in recruitment.

Homelessness / Welfare reforms (£1.068m overspend)

31. The budget for Homelessness Service is £5.7m net of grants. The service also receives external funding including:
- The Flexible Housing Support Grant (FHSG) of £1.3m. This fixed sum grant replaced the demand led Temporary Accommodation Management

- Fee with effect from 1st April 2018.
- New burdens funding for the Homelessness Reduction Act of £0.509m over two years which has been allocated by the Ministry of Housing, Communities and Local Government.
 - Greater Manchester Combined Authority (GMCA) has received funding of £1.8m over two years to support three hubs across Greater Manchester. Manchester's allocation is £0.745m over the two years.
 - Rough Sleeper Initiative Grant of £418k for 2018/19 and recently announced additional funding of £0.5m from 2018/19 on condition that the service successfully meets criteria.
32. There has been a significant increase in the numbers of households who are homeless in Manchester including families, single people, young people and people who are rough sleeping. This trend is also reflected nationally. Dispersed temporary accommodation placements have increased from 153 in April 2014 to 1,243 in April 2018 and 1,491 in March 2019.
33. The final outturn position is an overspend of £1.068m which is an increase of £269k since that reported in February 2019. The overspend consists of £0.919m in bed and breakfast accommodation and £149k for Homelessness Prevention.
34. Between the last report, based on activity to December 2018, and year end the number of single people supported in bed and breakfast accommodation increased from 89 to 138, with families supported remaining relatively stable (42 at the end of December to 37 by the end of March 2019). This has resulted in an increased overspend of £120k from that reported in February.
35. There has been increased expenditure on prevention payments of £149k to enable families to remain in settled accommodation and prevent people from becoming Homeless. This reduces the reliance on temporary accommodation.
36. Provision to support 'A Bed Every Night' cost £0.569m from November to March, this was funded from GMCA £398k, with the remaining balance funded from MHCLG Cold Weather Payments of £85k and Rough Sleeper Initiative funding of £86k. The impact of the scheme in Manchester is being reviewed and plans for 2019/20 provision are in development.

Corporate Core (£3.463m underspend)

37. The £3.463m underspend is made up of £3.309m Corporate Services and £154k Chief Executives.
38. The outturn shows a small improvement of £2k since that reported in February 2019 which is the net result of a number of changes across the Core.
39. The Chief Executives underspend of £154k includes a £337k underspend due to staffing vacancies, the release of a £168k provision held for a potential

repayment of grant monies and £244k higher savings through the purchase of annual leave.

40. This is offset by additional running costs of £104k and £491k overspend in the Coroners Service due to a combination of both increased case numbers and more complex cases.
41. The Corporate Services underspend of £3.309m includes employee savings and running costs with £2.102m due to vacant posts in a number of service areas including Commissioning, Procurement, Revenue and Benefits, Customer Services, Financial Management, Audit and Commercial Governance; a £1.2m reduction in the bad debt provision required for Revenues and Benefits; and £168k additional income in Capital Programmes relating to minor works on Platt Hall, Manchester Velodrome, National Football Museum, Withington Library and City Road East. These are offset by a £161k historic pension liability.
42. A transfer to reserve of £440k Revenue and Benefits Discretionary Housing Payment and Welfare Grant underspend has been made for use against future pressures in this area.

Neighbourhoods Directorate (£0.636m underspend)

43. The £0.636m underspend is made up of a Neighbourhood Services underspend of £0.656m offset by a small £20k overspend in Highways. The underspend has reduced by £52k compared with the February report to the Executive. Further detail on the main variances is set out below:
 - Community Safety and Compliance underspend of £0.928m, largely due to employee cost savings because of the delay filling some vacant positions as a result of the police vetting requirements and savings on running costs.
 - Libraries, Galleries and Culture underspend of £149k due to a combination of staff savings through vacancies and reduced expenditure on running costs.
 - Parks, Leisure and Events, Bereavement Services and Pest Control have overachieved against their income targets by £168k. This is offset by a shortfall in the 'The Christmas Offer' income of £63k leaving a net position of £105k.
 - The above is partly offset by overspends in Manchester Markets of £259k due to vacant units at New Smithfield Market and reduced rental income across the markets estate because of the reduced number of tenants.
 - Other overspends of £168k include a Waste and Street Cleaning overspend due to increased pay costs and £123k increased costs of Canal Safety Barriers for the City Centre.
44. It is requested that the £36k that was freed up following the use of the High Street Cleaning Grant in 2018/19 is transferred to reserves for use against future pressures.

45. The position for the Highways Service is a £20k overspend. In December, when last reported, there was an underspend of £488k due to increased income from permit fees, Highways Capital Programmes and reduced plant and machinery costs in Manchester Contracts. This has reduced by £0.508m due to an increased revenue contribution towards the capital costs of both the Asset Surveys and Gully cleansing programmes.

Strategic Development (£2.517m underspend)

46. The £2.517m underspend has increased by £484k from that reported to Executive in February, largely due to the receipt of income at Heron House, Arndale Centre and the Town Hall Extension, offset by expenditure relating to the Civic Quarter Heat Network, demolition costs and sports development costs as below. The underspend is made up as follows:
- Operational Property – additional income including rent for the Town Hall Extension totalling £284k.
 - Licensing underspend of £219k mainly arising from income relating to the licensing of premises.
 - Investment Estate underspend of £1.759m due to increased rental income for land used for car parking and business rate refunds for Heron House and the Arndale, offset by reduced income from rents and advertising.
 - Housing and Residential Growth underspend of £177k due to staff savings from vacant posts and increased contributions from the HRA.
 - Planning Building Control and Licensing underspend of £0.683m which includes underspends in both staffing costs and additional income.
 - Work and skills underspend of £123k underspend largely due to staff savings from vacant posts.
 - Facilities Management overspend of £155k - an underspend of £226k due mainly to staff savings, offset by increased costs of utilities and security.
 - Civic Quarter Heat Network - £216k initial advisor costs to assist in developing the capital scheme.
 - Strategic Development Directorate - expenditure of £218k in relation to unforeseen demolition costs (Hall and Rogers building and Ashton New Road) and funding of sports developments in Eastlands.
 - City Centre Regeneration - £139k overspend due to additional project staff costs.
47. It is requested that £0.524m relating to the unexpected rental income from the Arndale Centre is credited to the Investment Estate smoothing reserve for use against future pressures.

Housing Revenue Account

48. The Housing Revenue Account (HRA) outturn position is a £11.064m favourable variance. This allows for funding set aside to improve fire safety measures through the installation of sprinkler systems within council owned tower blocks which will take place in 2019/20, and £1.128m lower PFI payments due to delays in delivering the capital works on the Brunswick PFI scheme.

49. The other material variances are £0.660m reduced bad debt provision due to the slower than planned roll out of Universal Credit and proactive work to support residents; and increased income of £369k. This was in the main due to £120k additional rental income because of reduced voids, £124k increased investment income, £45k VAT shelter credits and £55k Feed In Tariff income.
50. The balance of £0.863m underspends is the net impact of a number of smaller variances across budgets, the main changes being £323k relating to backdated Council Tax refunds and £178k release of amounts held on the balance sheet, with the remainder as a result of lower than anticipated legal and professional fees, depreciation charges, bank charges and energy costs.
51. The HRA is a ring-fenced account and any surplus/deficit in year has to be transferred to/taken from the HRA reserve. For 2018/19 £4.295m has been transferred to the HRA general reserve (as opposed to budgeted transfer from reserves of £6.769m). This leaves a balance of £68.863m in the HRA General Reserve. The 30 year business plan currently forecasts that reserves will be exhausted by 2039/40 and work is ongoing to identify efficiencies that ensure that the reserves are kept at a sufficient level to underwrite risk and to fund future investment needs as required.

General Fund Reserve position

52. The General Fund reserve position at 1 April 2018 was £22.307m. The 2018/19 budget assumed there was a transfer to the General Fund reserve of £31k leaving a balance of £22.338m. This excluded the impact of any variance at the end of the 2018/19 financial year. As the actual outturn position is an overspend of £293k the balance on the General Fund Reserve at 31 March 2019 is £22.045m. This is deemed to be a reasonable amount for the risk the City Council is facing and is in line with that planned when the budget was set.

Budgets to be Allocated

53. In line with the 2018/19 budget report to Executive in February 2018 the inflationary pressures and budgets are allocated on the assessment of individual business cases approved by the Executive Member for Finance and Human Resources and the Deputy Chief Executive and City Treasurer. Since last reported to the Executive the following allocations are recommended for approval:
- Allocation of £1.4m contribution to Manchester Health Care and Commissioning which will be returned in 2019/20.
 - £418k allocation to Homelessness to replace the Rough Sleepers grant allocation, so the grant which can be applied to future pressures.
 - Apply £0.663m to the Cross Cutting Saving target to avoid further saving requirements.
 - Waste and Street Cleaning Contract inflation request for £188k. The contract with commenced on 4 July 2015, for the provision of domestic waste collections and street cleansing services. The agreed value of the contract is subject to inflation and any agreed variations. The methodology

and formulae for calculating the annual inflation are prescribed within the contract documentation and work has been undertaken to validate this inflationary request.

54. The remaining £340k is to be released to support the revenue budget.

Transfer to Reserves

55. Requests to transfer to reserves totalling £1m, are recommended for consideration by Executive, these are:
- High Street Cleaning - £36k. On 26 March the Ministry of Housing, Communities and Local Government allocated Manchester £95k High Street Cleaning grant. The grant came with strict conditions and needed to be fully allocated by 31 March 2019. Manchester was able to satisfy these conditions and fully allocated the grant. This enabled £36k of planned street cleaning expenditure to be offset alongside £59k new spend. The transfer to reserves of £36k will allow the service to perform future street cleaning and waste activities in 2019/20.
 - Discretionary Housing Payments and Welfare Grant - £440k. The 2018/19 Government grant allocation to Manchester was £2.43m, combined with a further £1.4m contribution from the Council, giving a total budget of £3.83m. The majority of this allocation was committed by 31 March 2019 leaving £440k unallocated. The transfer of the unallocated amount to reserves will provide increased capacity for welfare and housing support to Manchester residents in 2019/20, accompanying the further roll out of Universal Credit.
 - Arndale rental income - £0.524m. The Council received late notification of rental income from the Arndale in March 2019. The transfer of £0.524m of this income to the Investment Estate Smoothing reserve will be used to protect against future estate pressures.

Prudential Indicators

56. Prudential Indicators were introduced as part of the prudential borrowing regime which replaced the former controls on borrowing through credit approvals. Each year the Council sets various indicators as part of the budget process and then monitors throughout the year that these indicators are not breached. The table at Appendix 1 indicates the final performance against the indicators.

Conclusion

57. Overall the variance of spend to budget for 2018/19 is an overspend of £293k.
58. This is an improved position of £0.767m from that previously reported, to the Executive of £1.060m. In the main the improvement is due to additional fortuitous income and the release of contingencies that were not required.
59. A number of pressures have been addressed through the 2019/20 budget setting process and key risks will continue to be monitored and mitigations

sought as required throughout 2019/20. As set out in this report, there are continued pressures on the budgets for Children's Services and Adult Social Care and robust action will be required in 2019/20 if a balanced budget is to be achieved. The achievement of the approved savings targets is also integral to this process and will continue to be closely monitored and reported.

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Prudential Indicators

APPENDIX 1

No	Prudential Indicator		Target	Actual as at end of March 2018	Target Breached Y/N	
	Ratio of Financing Costs to Net Revenue Stream	Non – HRA	7.74	7.61	N	
		HRA	3.82	3.79	N	
2	Capital Expenditure		£m	£m		
		Non – HRA	568.0	437.5	N	
		HRA	27.5	15.3	N	
		Total	595.5	452.8	N	
3	Capital Financing Requirements *		£m	£m		
		Non – HRA	1,409.6	1,247.0	N	
		HRA	281.7	281.7	N	
		Total	1691.3	1528.7	N	
4	Authorised Limits for External Debt		£m	£m		
		Borrowing	1,454.8	726.1	N	
		Other Long Term Liabilities	216.0	155.9	N	
		Total	1670.8	882.0	N	
5	Operational Boundaries for External Debt		£m	£m		
		Borrowing	1,146.7	726.1	N	
		Other Long Term Liabilities	216.0	155.9	N	
		Total	1362.7	882.0	N	
6	Upper Limits for Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	100%	63.5%	N	
7	Upper Limits for Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	85%	36.5%	N	
			<i>Lower Limit</i>	<i>Upper Limit</i>		
8	Maturity Structure of Borrowing	under 12 months	0%	70%	0%	N
		12 months and within 24 months	0%	100%	19.5%	N
		24 months and within 5 years	0%	80%	25.2%	N
		5 years and within 10 years	0%	70%	0%	N

No	Prudential Indicator	Target		Actual as at end of March 2018	Target Breached Y/N
	10 years and above	20%	80%	55.3%	N
9	Upper Limits for Principle Sums Invested for over 364 days	£0		£0	N

***Please note that Capital Financing Requirement's Prudential Indicators are draft until confirmed**

Audit Progress Report and Technical Update

Manchester City Council

June 2019





CONTENTS

1. **Audit progress**
2. **National publications**

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

1. AUDIT PROGRESS

Purpose of this report

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

Audit progress

Since the Committee last met in April we have:

- met with finance staff to clarify our requirements and expectations in respect of our 2018/19 final audit visit;
- kept up to date through our on-going review of agendas and minutes;
- continued our detailed audit work for our 2018/19 VFM conclusion.

Our detailed audit work will continue with our final audit visit which commences on 17 June 2019.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
National Audit Office (NAO)			
1	Framework to review programmes	Questions to ask when reviewing major programmes and projects	5
2	Round-up for Audit Committees	Summary of NAO publications for Audit Committees	6
Chartered Institute of Public Finance and Accountancy (CIPFA)			
3	CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements	Clarification of issues relating to the 2018/19 financial statements	7
4	Local Authority Capital Accounting - A Reference Manual for Practitioners	Practitioners guide to capital accounting	7
5	The Guide To Local Government Finance	Introductory guide to local government finances	8
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Local Government Association			
9	Twenty-first Century Councils	Toolkit to help councils empower women, parents and carers to become local councillors and take on leadership positions.	12

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

1. Framework to review programmes, April 2019

Major programmes are expensive, high profile and carry great uncertainties and risks. It is not surprising that many fall short of their objectives, in terms of cost and/or outcomes.

The NAO has completed about 140 reports on major projects and programmes since 2010. Based on this experience, this framework draws together the key questions the NAO ask when we review major programmes. It was developed for NAO value-for-money auditors to use when reviewing programmes, but may be useful for those seeking an overview of the NAO work on projects and programmes.

The questions are structured into four sections:

- Purpose: Is there a strategic need for the programme and is this the right programme to meet the business need?
- Value: Does the programme provide value for money?
- Programme set-up: Is the programme set up in accordance with good practice and are risks being well managed?
- Delivery and variation management: Are mechanisms in place to deliver the intended outcomes and respond to change, and is the programme progressing according to plan?

There are 18 key questions, each illustrated with examples of good practice and lessons learnt from previous NAO reports.

The Framework also outlines the NAO's related resources that provide further support for examining issues in more depth.

<https://www.nao.org.uk/report/framework-to-review-programmes/>

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

2. Round-up for Audit Committees, March 2019

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors.

<https://www.nao.org.uk/report/round-up-for-audit-committees/>

2. NATIONAL PUBLICATIONS - CIPFA

3. CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements, March 2019

This bulletin covers the closure of accounts for the 2018/19 year and provides further guidance and clarification to complement the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2018/19 Code Guidance Notes.

Key areas covered include:

- A lengthy section of clarification on Financial Instruments, in particular the impact of the implementation of IFRS9 and IFRS15 on Local Authority accounts
- Streamlining the Accounts guidance
- Analysis of debtors and creditors
- EU withdrawal
- Guaranteed Minimum Pensions

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-03-closure-201819>

4. Local Authority Capital Accounting - A Reference Manual for Practitioners, April 2019

Intended to be read alongside other CIPFA publications, including the Code of Practice on Local Authority Accounting, the Guidance Notes for Practitioners and the Practitioner's Guide to Capital Finance in Local Government, this book demonstrates the requirements of capital accounting through fully worked and explained examples covering all the major transaction types and asset classes.

A comprehensive reference section, drawing upon frequently asked capital questions received by CIPFA's Finance Advisory Network, Technical Enquiry Service and TISonline discussion forum, provides further discussion of typical areas of concern.

There are top tips on the real-life application of the Code of Practice, including advice on the most effective use of financial systems, working with non-finance colleagues such as valuers, and getting through the external audit as smoothly as possible.

With clear cross-referencing to allow readers to follow a topic as it appeals to them, this publication provides unique insight and practical support in one of the most technical and demanding areas of local authority accounting.

This edition has been updated to reflect new statutory guidance and the suspension of arrangements for the recognition of the highways Network Asset. The opportunity has also been taken to add a few more frequently asked questions (FAQs).

<https://www.cipfa.org/policy-and-guidance/publications/l/local-authority-capital-accounting--a-reference-manual-for-practitioners>

2. NATIONAL PUBLICATIONS - CIPFA

5. The Guide To Local Government Finance, April 2019

This guide covers the current arrangements and provides insights into possible future changes at a time when political uncertainty makes future developments difficult to foresee.

Covering both revenue and capital financing, this guide provides the reader with an introduction to the technical complexities of funding each type of expenditure.

The publication is presented in dedicated service areas that have their own funding streams and financial complexities. These include:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.

For those requiring more of an introduction to local government finance, CIPFA also produces an Introductory Guide to Local Government Finance that summarises the key information in a way that is aimed at non-finance specialists and those new to the sector.

<https://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2019>

2. NATIONAL PUBLICATIONS - CIPFA

6. Code Of Practice On Local Authority Accounting In The United Kingdom 2019/20, April 2019

Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2019/20 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2019.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority.

This edition of the Code introduces a number of important amendments relating both to context and an understanding of requirements, as well as changes in some of accounting requirements. In particular the following areas should be noted:

- Improved clarity regarding the specification of proper accounting practices, the Code's role in these, the impact of statutory accounting requirements on the annual accounts, and the manner in which they affect the presentation of local authority reserves, including the distinction between usable and unusable reserves
- Significant amendments to Chapter Two to reflect the revisions made by the IASB to the Conceptual Framework for Financial Reporting (Conceptual Framework)
- Changes relating to the previous Carbon Reduction Commitment Scheme and Landfill Allowances Schemes
- An additional section to address the treatment of the Apprenticeship Levy
- For Scottish authorities, recognition of the ability to present transfers to or from other statutory reserves, allowance for voluntary transfers between the Revaluation Reserve and the General Fund, and pension fund legislation amendments
- For Welsh authorities recognition of legislation changes relating to separate publication of pension fund accounts
- Amendments to Section 7.1 (Financial Instruments) arising from amendments made to IFRS 9 Financial Instruments
- Changes to group accounts requirements implementing scope clarifications for disclosure requirements.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-201920-book>

2. NATIONAL PUBLICATIONS - CIPFA

7. Practitioners' Guide To Capital Finance, March 2019

This publication contains the background knowledge you need on capital finance and how to account for it. It summarises the key features of the systems of capital finance that operate under the Prudential Framework in England, Wales, Northern Ireland and Scotland.

It provides explanations and definitions of capital expenditure, credit arrangements and capital financing including minimum revenue provision (MRP) arrangements and local authority borrowing.

Its intention is to assist practitioners in managing the capital programmes of their authorities and in particular addressing the technical issues associated with the financing of the programme. It summarises the key capital finance implications of the Local Government Act 2003, the Local Government Finance Act (Northern Ireland) 2011, the Local Government in Scotland Act 2003 and associated regulations.

The publication uses worked examples throughout to allow practitioners to apply theoretical concepts to practical examples. In carrying extracts from the relevant legislation and the Prudential Code, the aim has been to produce a one-stop guide for both those with previous local authority capital finance knowledge and those new to the subject.

<https://www.cipfa.org/policy-and-guidance/publications/p/practitioners-guide-to-capital-finance-2019-edition>

2. NATIONAL PUBLICATIONS - CIPFA

8. Local Government Application Note for the UK Public Sector Internal Audit Standards, March 2019

This Application Note is aimed at those who play a significant part in shaping or managing the internal audit function within their organisations, including:

- chief executives
- chief financial officers and other senior management
- audit committees
- selected members within local government in the United Kingdom, as well as chief audit executives/heads of internal audit.

UK Public Sector Internal Audit Standards (PSIAS) have been developed to apply across the whole of the public sector in all sectors of government. The PSIAS are based on standards issued by the Institute of Internal Auditors (IIA), with additional requirements and interpretations that make them directly applicable to the UK public sector. The PSIAS are developed jointly by the relevant internal audit standard setters (RIASS) for central government, local government, devolved government administration bodies and the National Health Service (NHS). The PSIAS set out requirements which apply generally to all UK public sector engagements, but do not include any sector requirements or guidance for specific parts of government.

CIPFA has been designated as the RIASS for local government. CIPFA recognises the need to supplement the PSIAS with additional information and guidance on the requirements and practice of internal audit in the local government environment, and this Application Note provides that guidance.

Included with the Application Note is an authoritative checklist for measuring the performance of internal audit against the requirements of the PSIAS and the Application Note, in line with PSIAS 1300 Quality Assurance and Improvement Programme. The checklist can be used for both the internal and external assessments required in PSIAS 1300-1322.

<https://www.cipfa.org/policy-and-guidance/publications//local-government-application-note-for-the-uk-psias-2019-edition>

2. NATIONAL PUBLICATIONS – LOCAL GOVERNMENT ASSOCIATION ^{Item 9}

9. Twenty-first Century Councils, March 2019

This toolkit has been developed to help councils create the underlying policies, procedures, ethos and environment that encourages and empowers women, parents and carers to become local councillors and take on leadership positions.

The Local Government Association is encouraging councils to consider their existing practices, celebrate what is working, share good practice and take action to support councillors who are women, parents and carers.

The equal participation of women and men in local politics, as our elected councillors and as our leaders, is an important condition for effective democracy and good governance. Representative councils are best able to speak to, and for, their communities and to support the effective business of local government. Democracy and decision-making are strengthened when councillors reflect the people they seek to serve and represent.

<https://www.local.gov.uk/twenty-first-century-councils>

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**Manchester City Council
Report for Information**

Report to: Audit Committee - 11 June 2019
Subject: Response Letters to External Audit
Report of: Deputy Chief Executive and City Treasurer

Summary

As part of the audit of the accounts, the External Auditor requests information from the DCE and City Treasurer and the Chair of the Audit Committee in respect of financial accounting arrangements, the risks of fraud and compliance with laws and regulations.

This report provides the draft responses proposed to be issued to the External Auditor from the Audit Committee Chair (appendix 1) and Deputy Chief Executive and City Treasurer (appendix 2) for the audit of the 2018/19 accounts.

Recommendations

Members are requested to comment on the proposed letters to the External Auditor in advance of signing by the Audit Committee Chair and the Deputy Chief Executive and City Treasurer.

Wards Affected: None

Contact Officers:

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

Background documents (available for public inspection):

No specific reports other than referred to in the attached letters

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Appendix 1: Proposed Letter to External Auditor from Audit Committee Chair

Stephen R Nixon
Senior Manager
Mazars LLP
One St Peter's Square
Manchester. M2 3DE

To reply please contact:

Carol Culley
Deputy Chief Executive & City Treasurer
Town Hall, Albert Square,
Manchester, M60 2JR

T: 0161 234 3406

E: carol.culley@manchester.gov.uk

Date: XX

Dear Stephen,

Manchester City Council Audit of Financial Statements for Year Ending 31 March 2019

Please see attached responses to your letter dated 26 March 2019.

Yours sincerely,

Carol Culley, Deputy Chief Executive and City Treasurer

Appendix 1: Audit Committee Chair Responses

Question	Response
How do you exercise oversight of management's processes in relation to:	
<ul style="list-style-type: none"> Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments); 	Via Audit Committee oversight of the draft and final accounts, outcome of financial reporting processes and the work of the External Auditor.
<ul style="list-style-type: none"> Identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist. 	<p>Via the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019.</p> <p>For financial accounts as above.</p>
<ul style="list-style-type: none"> Communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct); and 	<p>Via the communications strategy set out in the Counter Fraud Strategy.</p> <p>There are a range of mechanisms in place to promote positive business practice and ethical behaviour as part of Our People strategy that include:</p> <ul style="list-style-type: none"> Regular confirmations that officers have confirmed agreement to the Code of Conduct OurManchester Leadership and Management training programmes. Induction process for all new starters (refreshed in 2018/19) Regular communications to staff on key policies and procedural requirements. On line anti-fraud training and wider on-line learning packages for example around information security and equality. <p>The annual governance statement includes a service self assessment process that provides a level of assurance that Heads of Service has</p>

Question	Response
	<p>considered staff awareness of a range of policies and standards and this informs improvement actions each year.</p> <p>The Council's Monitoring Officer, DCE and City Treasurer, Deputy S151, Director of HROD, Head of Legal Services and Head of Audit and Risk Management in particular provide support to officers and Members and also provide oversight of the governance arrangements and through this they reinforce the need for high standards of behaviour and conduct.</p>
<ul style="list-style-type: none"> Communicating to you the processes for identifying and responding to fraud or error. 	<p>Via the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019.</p> <p>Audit Committee maintains oversight of the Anti Fraud and Corruption Policy, Whistleblowing Policy, Anti Bribery Policy and Anti Money Laundering Policy – that are available to staff via the intranet.</p> <p>Standards Committee receive an annual report on the efficacy of the Whistleblowing Policy</p>
<p>How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2018/19?</p>	<p>Via the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019. This report confirms any breaches of internal control during 2018/19 and actions taken to address these.</p>
<p>How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2018/19?</p>	<p>We rely on the work of the DCE and City Treasurer and the External Auditor in this regard. This includes Legal Services and Finance review of reports supporting key decisions.</p> <p>There are no specific matters of concern beyond civil claims and matters of general business (e.g. ICO complaints, issues raised with Ombudsman) that I am aware of.</p>
<p>Are you aware of any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Legal Services provide details of all outstanding claims against the Council at the end of September and year end to inform the final accounts.</p>

Question	Response
	<p>Details of all claims over £100k are provided to the Council's Monitoring Officer, DCE and City Treasurer, Head of Legal Services and Head of Audit and Risk Management monthly and an individual assessment of the likelihood and value of settlement is provided.</p> <p>The DCE and City Treasurer provides assurance that the assessment of claims and required reserves and provisions are reflected in the final accounts.</p>
<p>Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?</p>	<p>We rely on the work of the DCE and City Treasurer and the External Auditor in this regard. However, based on the outputs from budget planning and monitoring processes, there are no factors that cause me or the Audit Committee to cast significant doubt on the Council's ability to continue as a going concern.</p> <p>This is implicit within budget monitoring and treasury management reviews, the ongoing assessment of reserves and provisions, as well as the annual accounts. These are used to inform financial planning and budget setting decisions which are reported to Executive, Audit Committee and Full Council.</p>

Question	Response
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019</p>	<p>Yes – these are set out in the Internal Audit Annual Counter Fraud Report (September 2018) to which the external auditor has access. None of the concerns reported to me or to Audit Committee indicate a systemic or significant fraud risk across the Council.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>Yes as above – given the size, scale and complexity of the Council I cannot provide complete assurance that there is no fraud (or theft, irregularity) occurring but I do not consider there is systemic or significant fraud risk across the Council.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Yes – these are set out in the Internal Audit Annual Counter Fraud Report (September 2018)</p>

Question	Response
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?	Yes – these are reviewed by management and independently by Internal Audit and risks reported to Audit Committee. The work of checking internal controls does inevitably identify areas for improvement and Audit Committee oversee actions being taken to address these.
5. If not where are the risk areas?	<p>Areas of risk are reported in the reports of the Head of Audit and Risk Management as summarised in the annual opinion as presented to Audit Committee (April 2019).</p> <p>Matters may also reflected in the Annual Governance Statement based on a robust holistic assessment of organisational governance arrangements and improvements are monitored through SMT and Audit Committee oversight of this process.</p>
6. How do you encourage staff to report their concerns about fraud?	The Council has a Whistleblowing Policy with associated contact number, email and on line reporting form; and details of the use of these by staff are reported in the Annual Counter Fraud Report (September 2018) and in an annual report to Standards Committee. Details of staff awareness and communications are reflected in the Counter Fraud Strategy.
7. What concerns about fraud are staff expected to report?	Any concerns over fraud within or against the Council – this could include theft, bribery, corruption etc
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	Related party relationships and transactions involving suppliers could give risk to risks of fraud but these are assessed alongside wider fraud risks as part of the Council's counter fraud and financial management arrangements.
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Through a robust procurement process and through contract management and monitoring and a robust partnership governance framework, including the significant partnership register.
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No – but I and the Audit Committee seek independent assurance in this regard from the External Auditor
11. Are there particular balances in the accounts where fraud is more likely to occur?	Income and payments present an element of risk of fraud/theft/loss but there are no particular balances I consider present a heightened risk of fraud.

Question	Response
12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No – but I and the Audit Committee seek independent assurance in this regard from the DCE and City Treasurer and the External Auditor

Appendix 2 : Deputy Chief Executive and City Treasurer Responses

Question	Response
What processes are in place at the Council to:	
<ul style="list-style-type: none"> Undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments); 	<p>The Council has a regular, robust process for budget setting and monthly reporting, with financial reporting through to SMT and Executive, providing a high degree of oversight of financial reporting.</p> <p>The financial accounts are prepared in line with a clear timetable and set of requirements overseen by experienced, qualified finance professionals with addition rigour applied in areas of estimates and assumptions such as the determination of provisions and reserves. This process and timetable is shared with the External Auditor and their advice and input is sought on matters of complexity or key judgements. Specialist financial advisors are used as appropriate for particularly complex transactions.</p> <p>Core financial systems form part of the focus of Internal Audit as part of the annual audit plan.</p> <p>Through review of budget monitoring and final accounts processes and reports, including the draft accounts, I have a high degree of confidence that the financial accounts are free from material fraud and error.</p>
<ul style="list-style-type: none"> Identify and respond to risks of fraud 	<p>Through regular reporting to me by the Head of Audit and Risk Management including quarterly investigation and counter fraud reports. I also receive copies of all investigation reports and updates on areas of risk identified on an ongoing basis. These matters are also discussed in my 121 meetings with the Head of Audit and Risk Management.</p> <p>The work of the Counter Fraud and Irregularity Team in Internal Audit is based on an organisational risk assessment and includes focus on internal fraud and error risk as well as external risks presented in areas such as Council Tax Reduction, Business Rates and Housing. This risk assessment is updated for issues arising and feeds into the annual internal audit plan so that additional assurance can be obtained in areas of</p>

Question	Response
	<p>known risk. Additional investment has been agreed with Housing in year to support further right to buy and tenancy fraud work in 2019/20.</p> <p>There is a clear policy framework and this includes regular refresh of policies and procedures including engagement with trades Unions and Members via the Audit Committee.</p> <p>All of this work is summarised annually in the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019.</p> <p>For financial accounts as above.</p>
<ul style="list-style-type: none"> • Communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct) 	<p>Via the communications strategy set out in the Counter Fraud Strategy.</p> <p>There are a range of mechanisms in place to promote positive business practice and ethical behaviour as part of Our People strategy that include:</p> <ul style="list-style-type: none"> • Regular confirmations that officers have confirmed agreement to the Code of Conduct • Development and update of the governance handbook • Our Manchester Leadership and Management training programmes; as well as briefings held with Senior Leadership Group. • Induction process for all new starters (refreshed in 2018/19) • Regular communications to staff on key policies and procedural requirements. • On line anti-fraud training and wider on-line learning packages for example around information security and equality. <p>The annual governance statement includes a service self assessment process that provides a level of assurance to me that Heads of Service has considered staff awareness of a range of policies and standards and this informs improvement actions each year.</p> <p>Alongside my role, the Council's Monitoring Officer, Deputy S151, Director of HROD, Head of Legal Services and Head of Audit and Risk</p>

Question	Response
	<p>Management in particular provide support to officers and Members and also provide oversight of the governance arrangements and through this they reinforce the need for high standards of behaviour and conduct.</p>
<ul style="list-style-type: none"> Communicate to the Audit Committee the processes for identifying and responding to fraud or error. 	<p>This is done primarily through the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019.</p> <p>Audit Committee maintains oversight of the Anti Fraud and Corruption Policy, Whistleblowing Policy, Anti Bribery Policy and Anti Money Laundering Policy – that are available to staff via the intranet.</p> <p>Standards Committee also receive an annual report on the efficacy of the Whistleblowing Policy.</p>
<p>How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?</p>	<p>The Council has a clear, transparent constitution that is subject to regular review and refresh to ensure that it remains up to date and reflects relevant laws and regulations. This process is overseen by the City Solicitor who has a key role through her service to seek assurance and provide support to ensure compliance with laws and regulations.</p> <p>Reports supporting decision making included oversight by Legal Services and Finance to ensure that decisions are lawful and in accordance with the Constitution.</p> <p>The City Solicitor Chairs a Governance Assurance Group that oversees developments in governance and responds to issues or risks of non compliance with Council policies, procedures, laws and other regulations. This includes senior representation from across the Council and is a conduit to all Directorate Management Teams.</p> <p>Commercial governance has been developed in year with the establishment of the Commercial Governance Team under the Deputy City Treasurer and works closely with Legal and Democratic services in ensuring the legality of decision making. This team also supports the Commercial Board with senior representation from</p>

Question	Response
	<p>a range of key support services (procurement, commissioning, legal, finance, audit etc) focused on the commercial and legality aspects of contracts, companies and partnerships.</p> <p>The Council's policy framework and supporting procedures are designed to ensure compliance with laws and regulations in respect of such matters as employment law, equalities duties and data protection legislation.</p> <p>There are no specific matters of concern beyond civil claims and matters of general business (e.g. ICO complaints, issues raised with Ombudsman) that I am aware of.</p>
<p>Are there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Legal Services provide details of all outstanding claims against the Council at the end of September and year end to inform the final accounts. This is provided to my finance teams to inform the determination of provisions, reserves and any potential contingent liabilities.</p> <p>There is a pro-active approach to identifying potential future risks of claims and litigation which includes finance and legal services officers engaging with Directorate Management Teams and Chief Officers to understand potential future risks. Legal also work closely with the Insurance Team to identify and evaluate the risks associated with untoward events to assess the likelihood and scale of impact of potential litigation. These risks are assessed and recorded by Legal Services to inform the process of financial management and financial reporting.</p> <p>Details of all claims over £100k are provided to me and the Council's Monitoring Officer, Head of Legal Services and Head of Audit and Risk Management monthly and an individual assessment of the likelihood and value of settlement is provided. Where there is a financial risk attributed to such claims (or risks of claims) they are reflected in the financial accounts and subject to review by External Audit.</p>
<p>What controls are in place to: identify, authorize, approve, account for and disclose</p>	<p>The process for identifying related parties is undertaken as part of the annual accounts and is informed by:</p>

Question	Response
<p>related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2019.</p>	<ul style="list-style-type: none"> • Declarations of interest (senior officers and Members) • The Council's significant partnership register • Legal Services review of officer/member roles in companies and partnerships. <p>This process informs the disclosure of related party transactions. A list of all such related parties will be provided as required as part of the audit of the accounts and the totals of material transactions with related parties form a note to the accounts.</p>

Question	Response
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (<i>if 'yes', please provide details</i>)?</p>	<p>Yes – these are set out in the Internal Audit Annual Counter Fraud Report (September 2018) to which the external auditor has access. None of the concerns reported to me indicate a systemic or significant fraud risk across the Council.</p> <p>I also meet with the Head of Audit and Risk Management who reports directly to me on matters of risk in respect of actual, suspected or alleged instances of fraud or other irregularity. This includes a quarterly report of cases that is shared also with the City Solicitor and Director of HROD.</p> <p>I receive copies of all final investigation reports as part of Internal Audit's reporting arrangements and seek assurance over the performance of the investigation functions within Internal Audit as well as the findings and implications of investigations.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>Yes as above – given the size, scale and complexity of the Council I cannot provide complete assurance that there is no fraud (or theft, irregularity) occurring but I do not consider there is systemic or significant fraud risk across the Council.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Yes – these are set out in the Internal Audit Annual Counter Fraud Report (September 2018) and as the Counter Fraud Strategy.</p>

Question	Response
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?	Yes – these are reviewed by management and independently by Internal Audit as well as by other core functions Legal Services, HROD, Procurement, Performance and Finance. The work of checking internal controls does inevitably identify areas for improvement and Directorate Management Teams and SMT oversee actions taken to address these.
5. If not where are the risk areas?	<p>Areas of risk are reported in the reports of the Head of Audit and Risk Management as summarised in the annual opinion as presented to Audit Committee (April 2019).</p> <p>Matters may also reflected in the Annual Governance Statement based on a robust holistic assessment of organisational governance arrangements and improvements are monitored through SMT and Audit Committee oversight of this process.</p>
6. How do you encourage staff to report their concerns about fraud?	<p>The Council has a Whistleblowing Policy with associated contact number, email and on line reporting form; and details of the use of these by staff are reported in the Annual Counter Fraud Report (September 2018) and in an annual report to Standards Committee. Details of staff awareness and communications are reflected in the Counter Fraud Strategy and are set out in the Corporate Communications Team workplan for 2019.</p> <p>As part of the OurPeople Strategy we encourage staff to speak up on a range of matters, not just fraud, and as Strategic Director I promote this in my discussions and communications with my management team and with staff groups.</p>
7. What concerns about fraud are staff expected to report?	Any concerns over fraud within or against the Council – this could include theft, bribery, corruption etc
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	Related party relationships and transactions involving suppliers could give risk to risks of fraud but these are assessed alongside wider fraud risks as part of the Council's counter fraud and financial management arrangements.
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Through a robust procurement process and through contract management and monitoring and a robust partnership governance framework. This includes the engagement of

Question	Response
	procurement, legal and other relevant teams in the development and agreement of contracting and partnership arrangements.
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No – based on my review of budget monitoring and final accounts processes and reports, including the draft accounts, there are no records I consider misleading. Assumptions in the accounts and the basis for these are based on accounting standards and confirmed in the annual Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty that is reported to Audit Committee.
11. Are there particular balances in the accounts where fraud is more likely to occur?	<p>Income and payments present an element of risk of fraud/theft/loss but there are no particular balances I consider present a heightened risk of fraud.</p> <p>As above key assumptions and estimates are based on clear accounting policies and assumptions shared with the external auditor for assessment as part of the audit of the accounts.</p>
12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No – based on my review of budget monitoring and final accounts processes and reports, including the draft accounts, there are no assets, liabilities or transactions that I believe have been improperly included or omitted from the accounts. Assumptions in the accounts and the basis for these are based on accounting standards and confirmed in the annual Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty that is reported to Audit Committee.

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**Manchester City Council
Report for Information**

Report to: Audit Committee – 11 June 2019
Subject: Treasury Management Annual Report 2018/19
Report of: Deputy Chief Executive and City Treasurer

Summary

To report the Treasury Management activities of the Council 2018/19.

Recommendations

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

1 Introduction and Background

- 1.1 Treasury Management in Local Government is regulated by the CIPFA Code of Practice on Treasury Management in Local Authorities. The City Council has adopted the Code and complies with its requirements. A primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement which sets out Council, Committee and Chief Financial Officer responsibilities, and delegation and reporting arrangements. This was approved by the Council on 2 March 2018 as part of the Treasury Management Strategy Statement for 2018/19.
- 1.2 CIPFA amended the CIPFA Treasury Management in the Public Services Code of Practice in late 2011. The revised Code recommended local authorities include, as part of their Treasury Management Strategy Statement, the requirement to report to members at least twice a year on the activities of the Treasury Management function. This report, along with the Interim Treasury Management report received by the Audit Committee on the 5th November 2018, therefore ensures that the Council meets the requirements of the Strategy, and therefore the Code.
- 1.3 Treasury Management in this context is defined as:
- 'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.*
- 1.4 This outturn report covers:
- Section 1: Introduction and Background
 - Section 2: The Council's Portfolio Position as at 31st March 2019
 - Section 3: Borrowing Strategy for 2018/19
 - Section 4: Borrowing Activities in 2018/19
 - Section 5: Compliance with Prudential Indicators and Treasury Limits
 - Section 6: Investment Strategy for 2018/19
 - Section 7: Temporary Borrowing and Investment Outturn for 2018/19
 - Section 8: Conclusion
 - Appendix 1: PWLB Interest Rates
 - Appendix 2: Treasury Management Prudential Indicators
 - Appendix 3: Glossary of Terms

2 The Council's Portfolio Position as at 31st March 2019

- 2.1 As outlined in the approved Treasury Management Strategy for 2018/19 it was anticipated that there would be a need to undertake some permanent borrowing in 2018/19 to fund the capital programme and to replace some of the internal funds. There was borrowing of £150.0m from Public Works Loan Board (PWLB) in the year.

2.2 The Council's debt position at the beginning and the end of the year was as follows:

Loan Type	31 March 2018				31 March 2019			
			Principal	Average			Principal	Average
	GF	HRA		Rate	GF	HRA		Rate
	£m	£m	£m	%	£m	£m	£m	%
PWLB	0.0	0.0	0.0	0.00	150.0	0.0	150.0	2.45
Temporary Borrowing	0.9	0.0	0.9	0.50	4.9	0.0	4.9	0.75
Market Loans	378.5	69.7	448.2	4.75	338.0	62.2	400.2	4.50
Stock	0.9	0.0	0.9	4.00	0.9	0.0	0.9	4.00
Government Lending	80.3	0.0	80.3	0.00	52.0	0.0	52.0	0.00
Gross Total	460.6	69.7	530.3	4.02	545.8	62.2	608.0	3.58
Housing Investment Fund (HIF) Temporary Borrowing					118.8	0.0	118.8	0.00
Temporary Deposits	(137.9)	0.0	(137.9)	(0.35)	(80.6)	0.0	(80.6)	0.64
Internal Balances (GF/HRA)	37.0	(37.0)	0.00	0.00	35.4	(35.4)	0.00	0.00
Net Total	359.7	32.7	392.4	-	619.4	26.8	646.2	-

2.3 Since its inception the Housing Investment Fund (HIF) for Greater Manchester has been managed by the City Council at a transactional level on the basis that the Greater Manchester Combined Authority (GMCA) did not have the relevant borrowing powers to be able to hold the Government funding for the activity. During 2018/19 the GMCA received these powers and therefore the debt from Government relating to the HIF was novated from the City Council to the GMCA, with £197.7m transferring on the 13 March 2019. The process of novating the HIF investments has begun, but none had novated as at 31 March 2019, and the Council therefore held £118.8m of investments supported through an interest free loan from the GMCA to the City Council, as shown in the table above.

2.4 The HIF debt novation, alongside the capital activity of the City Council, has required that the Council support the cash flow through external borrowing. On the 31 January 2019, the Council borrowed £150m from the Public Works Loan Board (PWLB).

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

- 2.6 At 31 March 2019 Government lending included £36m from the Homes England in relation to land receipts to be used to support housing initiatives, and £16m from Salix for energy schemes.
- 2.7 An assumed borrowing need of £360m was identified in the budget for 2018/19. However, further additional borrowing beyond that noted above was not required in the year, which is due to positive changes in working capital and the profile of capital spend changing from that set at budget.
- 2.8 Several local public sector organisations invest funds with the Council in order to reduce counterparty risk and to achieve an investment return. The Council has borrowed £4.8m in this way, which is deemed to be temporary borrowing due to the type of facility offered.

3 Borrowing Strategy for 2018/19

- 3.1 The treasury strategy continues to be a balance between postponing borrowing to avoid the cost of investing higher levels of cash and reduce counterparty risk, and taking borrowing to 'lock-in' long term borrowing at historically low rates and mitigate against the risk of delaying and borrowing at higher rates.
- 3.2 The expectation for interest rates within the 2018/19 strategy was informed by the Authority's external Treasury Advisors. Link Asset Services expected Bank Rate to rise to 0.75% by March 2019. The Bank of England did in fact increase Bank Rate to 0.75% from 0.50% on the 2nd August 2018. Despite the rise in Bank Rate the assumption that variable or short-term rates were expected to be the cheaper form of borrowing over the period remained valid. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

4 Borrowing Activities in 2018/19

- 4.1 During the financial year the Council borrowed a total of £164.9m of the assumed borrowing need of £360m identified in the budget. The borrowing need became lower throughout the year because of favourable movements in the levels of receipts and payments. The sources of the borrowing taken are discussed below.

PWLB

- 4.2 PWLB interest rates have fluctuated during the year as shown in the summary table below and in the graph attached at Appendix A.

PWLB Borrowing Rates 2018/19 for 1 to 50 years					
	1 Year	5 Years	10 Years	25 Years	50 Years
Low Date	1.48% 01/06/2018	1.70% 28/03/2019	2.00% 28/03/2019	2.53% 26/03/2019	2.36% 26/03/2019
High Date	1.84% 10/10/2018	2.27% 10/10/2018	2.70% 10/10/2018	3.13% 10/10/2018	2.99% 12/10/2018
Average	1.70%	2.00%	2.39%	2.85%	2.66%

- 4.3 After 1 November 2012 the Government, reduced the interest rates by 0.20% on loans from the PWLB to local authorities who provide information to Government on their plans for long-term borrowing and associated capital spending. The City Council provided the required information, and can therefore access this Certainty Rate.
- 4.4 The £150m PWLB borrowing in the year was taken at the more favourable Certainty Rate. Six tranches of £25m have been taken each with maturities between 37.5 years and 42.5 years.

Homes and Communities Agency (HCA)

- 4.5 The HCA has made funding available to Greater Manchester (GM), which is in effect a 'loan' of the HCA's receipts from the disposal of its land and property within GM. The funds can be used to invest in any project which supports GM City Deal objectives. Some of the funds will be passed on to GM authorities for projects within their areas. The funds received are classified as loans as they will be repaid to the HCA in March 2022, however no interest is charged by the HCA on the advances. The Council hosts this arrangement on behalf of GM and the funds are to be used for housing or commercial projects within GM. It is expected that the receipts will be novated to the GMCA in 2019/20.
- 4.6 In the year the Council received a further £2.4m of HCA funding. Further funds are expected to be called down against these arrangements from 2019/20 onwards. The funding from the HCA is held as an interest free loan, until such time as an investment approval is made. At this point, the approved element of the loan becomes risk-based, with the return to the HCA based on the performance of that investment.
- 4.7 The funds received are to be repaid to the HCA in March 2022. No interest is charged to the Council for the receipt of the funds; however, should an investment made with HCA funds not be recovered, the loss is deducted from the amount due to HCA. Conversely, should any profit be made by an investment these will be added to the amount due to the HCA. This means the loan is almost risk-free to the Council.

Housing Investment Funding (HIF)

- 4.8 As noted above, on 13 March 2019 the total HIF debt of £197.7m was transferred from MCC to GMCA. GMCA in return put MCC in funds for the value of the outstanding loans with developers. This amounted to £118.8m at 31 March 2019.

Salix Borrowing

- 4.9 In the year the Council received £12.5m of this funding which was recorded as a loan at 31 March 2019. 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 advance was received in respect of specific Council projects and will be repaid by 1 April 2023.

5 Compliance with Prudential Indicators and Treasury Limits

- 5.1 During the financial year, the Council operated within the prudential indicators set out in the Treasury Management Strategy Statement, and performance against these is shown in Appendix B. Further to this, the Council sets an operational limit on the cleared balance that is left within the Council's current accounts, which is aimed at minimising the cash held in these accounts which will attract no interest and thereby maximise the investment return for the authority. The limit is set at £400k and this was met during the year with the exception of seven breaches described below. Where the limit is breached it means that the Council either incurred interest costs due to being in overdraft, or lost potential investment income due to excess cash not being invested. It is important to note that any such breach will be rectified the following working day, and therefore the financial impact is minimised.
- 5.2 The breaches of the Council's daily £400k limit on the Barclays Current Account can be grouped under three main areas:
- i. On four occasions Treasury Management staff had not been advised of expected specific receipts or payments, which resulted in the Current Account being outside of the £400k limit. Each occurrence was late in the day meaning there was no opportunity to transfer funds to or from the Call Account to remain within limits.
 - ii. On two occasions Treasury Management breached the £400k limit due to failures in treasury management processes. Measures have been put in place to strengthen procedures and help prevent future errors occurring.
 - iii. On one occasion Treasury Management was subject to online fraud. Further investigation and action is ongoing to recover the funds. Electronic fraud is unfortunately growing significantly and additional security measures have been put in place to better detect and prevent any future fraudulent activities directed towards the Council.
- 5.3 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.

6 Investment Strategy for 2018/19

- 6.1 The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved by the Executive Committee on 7 February 2018, and by Council on 2 March 2018. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as: a) the security of capital; and b) the liquidity of investments.
- 6.2 The Council's temporary cash balances are 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.
- 6.3 During the year in order to increase flexibility and further improve liquidity the Council started to use Money Market Funds (MMFs), as approved as part of the 2018/19 Treasury Management Strategy Statement. Money Market Funds are investment instruments that invest in a variety of institutions, therefore diversifying the investment risk. The funds are managed by a fund manager and they have objectives to preserve capital, provide daily liquidity and a competitive yield. Investing in the Funds has been beneficial to the Council because the interest rates on the Funds have been competitive in comparison to other deposit options available to the Council.
- 6.4 Four MMFs are initially being used and these have been selected and their use approved in accordance with the requirements set out in the TMSS.

7 Temporary Borrowing and Investment Outturn 2018/19

- 7.1 Investment rates available in the market continue to be at a low point. The average level of funds available for investment purposes in 2018/19 was just over £138m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, the receipt of grants, progress on the capital programme, and working capital.
- 7.2 Temporary borrowing consists of funds the Council holds for Manchester organisations that work closely with the Council. It was agreed the Council would pay interest on their funds in line with the base rate.
- 7.3 The average level of temporary borrowing during the financial year was £3.8m.
- 7.4 Detailed below is the temporary investment and borrowing undertaken by the Council. As illustrated, the Council over performed the benchmark by 6 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.

	Average temporary Investment /borrowing	Net Return/Cost	Benchmark Return / Cost *
Temporary Investments	£138.3m	0.57%	0.51%
Temporary Borrowing	£3.8m	0.68%	0.63%

**Average 7-day LIBID / LIBOR rate sourced from Link Asset Services*

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

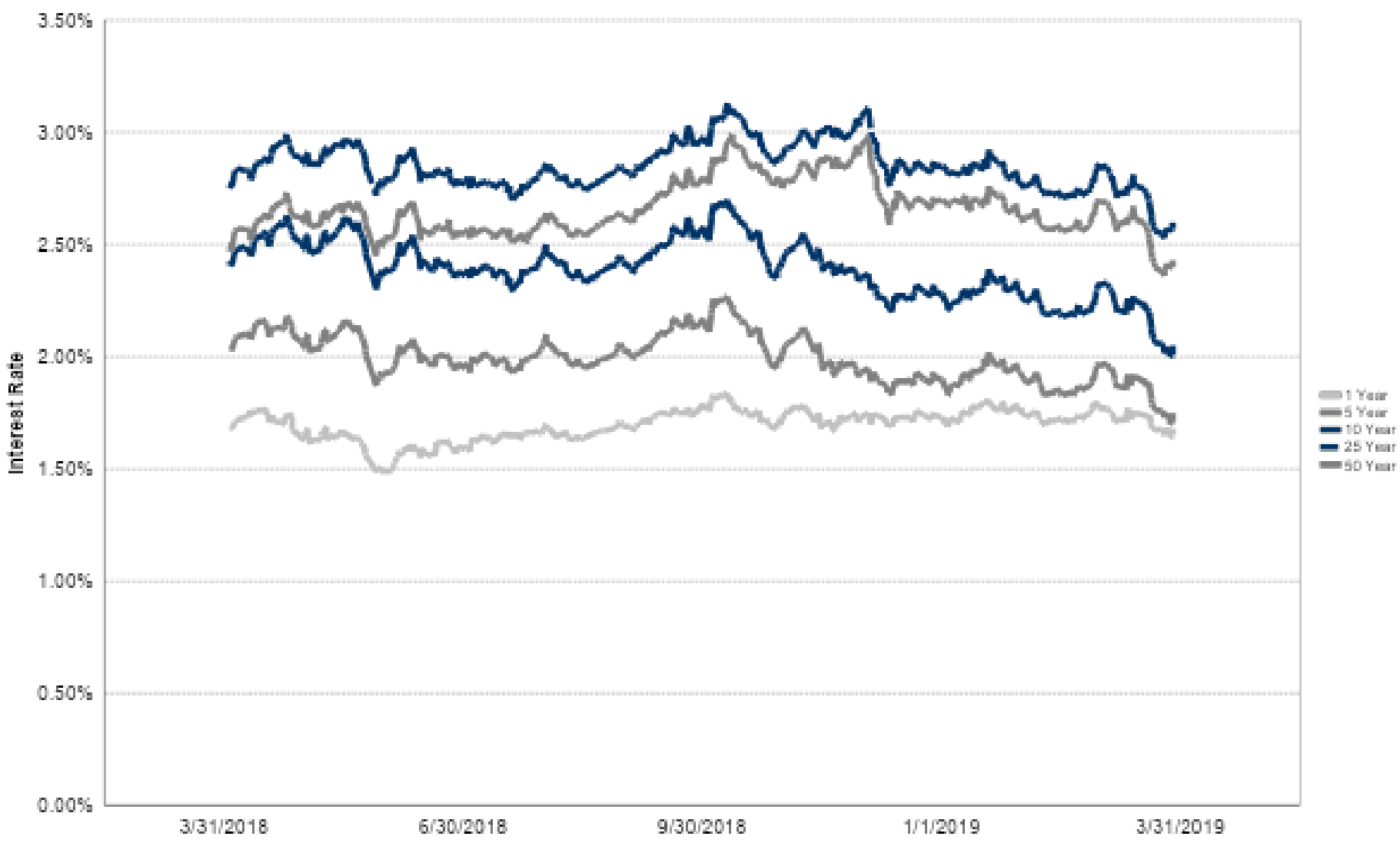
8 Conclusion

8.1 The current borrowing position continues to reflect 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 (sourced from reserves, provisions, positive cash flows, etc.). It remains the Council's policy to keep cash as low as possible and not to borrow in advance of need for capital purposes. Cash balances have decreased in 2018/19, and in the year long term borrowing of £150.0m was secured from the PWLB to strengthen the Council's balance sheet position.

8.2 Proactive treasury management during the year has enabled the Council to achieve an average net return on investments of 0.57%, which is higher than the benchmark average 7-day LIBID rate of 0.51%. There was an average net cost of temporary borrowing of 0.68%, higher than the benchmark average 7-day LIBOR rate of 0.63%, which is predominantly due to the terms the Council has offered to other public sector bodies (referenced at paragraph 2.8 above) being linked to Bank of England base rate rather than LIBOR.

8.3 Based on the current cash flow forecast, it is expected that the Council will need to borrow further funds during the 2019/20 financial year. This will be dependent on cash flow movements and changes in working capital throughout the year, which will be monitored. All available borrowing options will be considered, as per the Treasury Management Strategy Statement for 2019/20.

PWLB Rates April 2018 - March 2019



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Treasury Management Prudential Indicators: 2018/19

	Original	Minimum In Year to 31 Mar 2019	Maximum In Year to 31 Mar 2019
	£m	£m	£m
Operational Boundary for External Debt:			
Borrowing	1,147.7	530.3	845.1
Other Long Term Liabilities	216.0	155.9	155.9
Authorised Limit for External Debt:			
Borrowing	1,454.8	530.3	845.1
Other Long Term Liabilities	216.0	155.9	155.9
Actual as at 31 Mar 2019			
The Council has adopted CIPFA's Code of Practice for Treasury Management in the Public Services	Yes		Yes
Upper Limits for Interest Rate Exposure:			
Net Borrowing at Fixed Rate as a percentage of Total Net Borrowing	100%	42%	73%
Net Borrowing at Variable Rate as a percentage of Total Net Borrowing	85%	27%	58%
Upper Limit for Principal Sums Invested for over 364 days	£0		£0

Maturity structure of Fixed Rate Borrowing	Lower Limit	Upper Limit	Actual as at 31 Mar 2019
	2018/19 Original	2018/19 Original	
under 12 months	0%	70%	0%
12 months and within 24 months	0%	100%	20%
24 months and within 5 years	0%	80%	25%
5 years and within 10 years	0%	70%	0%
10 years and above	0%	80%	55%

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Glossary of Terms

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

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

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 included above in the specified category, e.g. foreign currency, exceeding one year or outside the City 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 Audit Committee Work Programme 2019/20 (Draft for Audit Committee Comment)

Month	Key Items	Owner
11 June	Draft Statement of Accounts Finance Outturn Reports and Treasury Management (Final) Internal Audit Annual Report	Finance Finance Audit and Risk
30 July	External Audit Report Final Statement of Accounts Internal Audit Quarterly Reports (Q1)	EA Finance Audit and Risk
17 September	Register of Significant Partnerships Update Annual Counter Fraud Report (Part B)	PRI Audit and Risk
15 October	Propose Annual Training Event	
12 November	AGS Update Register of Significant Partnerships Update Treasury Management (Interim) Internal Audit Quarterly Reports (Q2)	PRI PRI Finance Audit and Risk
10 December	Annual Audit Letter Grants Certification Report Review of Code of Corporate Governance	EA EA PRI
14 January	Propose no meeting	
11 February	Risk Management Strategy and Risk Register Internal Audit Quarterly Reports (Q3)	Audit and Risk Audit and Risk
10 March	Register of Significant Partnerships Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty Annual Internal Audit Plan	PRI Finance Audit and Risk
April (not currently scheduled)	Draft Annual Governance Statement (AGS) Head of Audit and Risk Management Annual Opinion Review of Internal Audit and Quality Assurance Improvement Programme (QAIP)	PRI Audit and Risk Audit and Risk

Meeting Date – 11 June 2019, 10am (Report deadline 31 May) 95 minutes

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

Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5
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Meeting Date 30 July 2019 – 10am (Report deadline 19 July) 105 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time
Audit Findings Report	Karen Murray	External Audit (Mazars)	Report from the External Auditor confirming progress and any issues arising from the audit of the accounts. <i>To receive assurance</i>	4.7	20
Annual Statement of Accounts	Carol Culley Janice Gotts Karen Gilfoy	Deputy Chief Executive and City Treasurer Deputy City Treasurer Chief Accountant	To seek Audit Committee approval for the Annual Accounts following external auditor review. Item to include confirmation of completion of: Letters / enquires for the Deputy Chief Executive and City Treasurer <ul style="list-style-type: none"> • and Audit Committee Chair • Letter of Representation <i>To approve</i>	1	30
Internal Audit Assurance Report	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Summary of internal audit activity and report opinions to the end of quarter one. <i>To consider and comment</i>	4.4	20
Outstanding Audit Recommendations	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Update on the implementation of internal and external audit recommendations for each Directorate to the end of quarter one. <i>To consider and comment</i>	4.4	10
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20

Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5
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Meeting Date 17 September 2019, 10am (Report deadline 6 September) 85 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time
External Audit Progress Report and Update	Karen Murray	External Audit (Mazars)	Update on the work of the External Auditor	2 4.7	10
Register of Significant Partnerships Update	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	Half Year Update on actions taken to strengthen and develop arrangements with significant partnerships <i>To consider and comment</i>	1 3 4.10 4.12	20
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5
Part B Exclusion of Press and Public					
Annual Counter Fraud Report	Tom Powell Kathryn Fyfe Helen Smith	Head of Audit and Risk Audit Manager Lead Auditor	Annual report of counter fraud activity <i>To consider and comment</i>	4.1	30

Meeting Date 12 November 2019, 10am (Report deadline 1 November) 115 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time
Internal Audit Assurance Report	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Summary of internal audit activity and report opinions to the end of quarter two. <i>To consider and comment</i>	4.4	20
Outstanding Audit Recommendations	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Update on the implementation of internal and external audit recommendations for each Directorate to the end of quarter two. <i>To consider and comment</i>	4.4	10
Register of Significant Partnerships Update	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	Update of actions being taken to provide assurance over the Council's role in significant partnerships. <i>To consider and comment</i>	4.10 4.12	20
Annual Governance Statement Update	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	Summary of the progress in implementing recommendations from the Annual Governance Statement. <i>To consider and comment</i>	1 3 4.10 4.12	20
Treasury Management (Interim) Report	Janice Gotts Karen Gilfoy Tim Seagrave	Deputy City Treasurer Chief Accountant Finance Lead	Update on the Treasury Management activities of the Council. <i>To consider and comment</i>	4.11	10
External Audit Progress Report and Update	Karen Murray	External Audit (Mazars)	Update on the work of the External Auditor	2 4.7	10
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20

Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5
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Meeting Date 10 December 2019, 10am (Report deadline 29 November) 85 minutes					
Item	Lead Officer	Position	Comments	AC ToR	Time
Annual Audit Letter	Karen Murray	External Audit (Mazars)	Report from the External Auditor on the overall findings and recommendations resulting from the 2018/19 annual audit plan. <i>To consider and comment</i>	2 4.7	10
Grants Certification Report	Karen Murray	External Audit (Mazars)	Report from the External Auditor in respect of the audit of grant returns 2018/19, any issues arising and associated fees. <i>To consider and comment</i>	4.7	10
Review of Code of Corporate Governance	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	To consider and comment on the updated Code of Corporate Governance <i>To consider and comment</i>	1 3 4.10 4.12	20
Annual Audit Plan – Horizon Scanning Report	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Report on areas of potential risk and focus for 2020/21 and future years' internal audit planning. As requested by Audit Committee in February 2019 meeting <i>To consider and comment</i>	4.2 4.3	20
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20

Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5
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Meeting Date 11 February 2020, 10am (Report deadline 31 January) 75 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time
Internal Audit Assurance Report	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Summary of internal audit activity and report opinions to the end of quarter three. <i>To consider and comment</i>	4.4	20
Outstanding Audit Recommendations	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Update on the implementation of internal and external audit recommendations for each Directorate to the end of quarter three. <i>To consider and comment</i>	4.4	10
Risk Management Strategy and Risk Register	Tom Powell Richard Thomas John Gill	Head of Audit and Risk Deputy Head of Audit and Risk Risk and Resilience Manager	Update on the Council's risk management strategy and governance arrangements. To include the corporate risk profile as articulated in the latest refresh of the corporate risk register. <i>To consider and comment</i>	4.1	20
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

Meeting Date 10 March 2020, 10am (Report deadline 28 February) 85 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time
Annual Audit Plan	Karen Murray	External Audit (Mazars)	Report from the External Auditor on the External Audit Plan for the audit of the accounts and value for money conclusion for year e3nding 31 March 2020 <i>To consider and comment</i>	2 4.7	10
Register of Significant Partnerships	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	Annual review of the register of significant partnerships. <i>To consider and comment</i>	4.10 4.12	20
Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty	Carol Culley Janice Gotts Karen Gilfoy	City Treasurer Deputy City Treasurer Chief Accountant	To explain the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the accounts. <i>To consider and comment</i>	1 4.9	10
Annual Internal Audit Plan	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	To provide the Internal Audit Strategy and annual internal audit work plan for Audit Committee consideration in line with Public Sector Internal Audit Standards. <i>To review and approve</i>	4.2 4.3	20
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

Meeting Date for April TBC (proposed 7 April 2020), 10am (Report deadline 27 March) 105 minutes

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
Draft Annual Governance Statement (AGS)	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	To advise the processes followed to produce the AGS and obtain Audit Committee input to the draft statement. <i>To consider and comment</i>	1 3 4.10 4.12	30
Head of Audit and Risk Management Annual Opinion	Tom Powell	Head of Audit and Risk	Head of Internal Audit and Risk Management Annual Opinion on the Council's systems of governance, risk management and internal control as well as a summary of audit work undertaken in the year. <i>To consider and comment</i>	4.6	30
Review of Internal Audit and Quality Assurance Improvement Programme (QAIP)	Carol Culley	Deputy Chief Executive and City Treasurer	To consider organisational arrangements for the delivery of internal audit in line with legislation and Public Sector Internal Audit Standards. To include review of the Internal Audit Charter. <i>To consider and comment</i>	3	15
Annual Review of Audit Committee Terms of Reference	Andrew Woods	Governance Team Leader	To review the Committee terms of reference and operation of the Committee. To propose changes (where required) for consideration at Council. <i>To consider and comment</i>		5
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

Audit Committee Terms of Reference: As Constitution (pending update)

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

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

Audit Committee - Recommendations Monitor

Date	Item	Recommendation	Response	Contact Officer
22 March 2018	AC/18/15 Review of Effectiveness of Internal Audit	4. To request that the subsequent reports on the Review of Effectiveness of Internal Audit include recognition of the importance of the role of the independent members serving on the Audit Committee.	This will be reflected in the 2018/19 review to be presented to March or June 2019 Audit Committee.	Carol Culley City Treasurer
31 July 2018	AC/18/37 Annual Statement of Accounts 2017/18 and Letter of Representation	To request officers to refresh the description of the core functions of Council committees, as detailed in Appendix 2 of the report, and include this within the 2018/19 Statement of Accounts.	For inclusion in 2018/19 accounts to Audit Committee June 2019	Carol Culley City Treasurer
5 Nov 2018	AC/18/54 2018/19 Annual Governance Statement (AGS) – Summary of Progress to Date	<p>To request that the Annual Governance Statement includes a response to concerns expressed regarding the consistency of the implementation of the Our Manchester behaviours across all areas of the Council’s services and staff.</p> <p>To request that, as part of the Annual Complaints report, officers include details on the number of Freedom of Information and other subject access requests made to the Council and provide details of the average length of staff time taken to process a request and costs involved.</p>		

10 December 2018	AC/18/63 Draft Code of Corporate Governance	<p>To request officers to circulate to Audit Committee members, information and examples of benchmarking work used to assess functions, expenditure and performance.</p> <p>To request officers to strengthen the wording used to set out responsibilities on Managing Data and that this be included in the programme of implementation for the Annual Governance Statement.</p> <p>To request the Member Development Working Group to include within its Annual Work Programme for members training 'understanding of the Council Constitution - the protocol governing officer member relations'.</p>	The MDWG has received the request and included the topic in its work programme.	
11 February 2019	AC/19/04 Internal Audit: Manchester Support for Independent Living (MSIL) Risk Assessment and Audit Plan	To request the Head of Internal Audit and Risk Management to include a draft Annual Audit Plan Visioning report item in the Annual Work Programme 2019/20 for submission to the December 2019 meeting of the Committee.		
11 February 2019	AC/19/07 Health and Social Care Assurance Framework	To request that the minutes of the Manchester Local Care Organisation Audit Committee be submitted to the Audit Committee for information.		
15 April 2019	AC/19/19 Review of Effectiveness of Internal Audit	To request that a report is submitted to the Audit Committee in six months to provide details on the		

		circulation of audit reports and summary reports to Executive Members.		
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