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TRAFFORD COUNCIL

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Tuesday, 30 June 2015

Time: 6.30 p.m.

Place: Committee Rooms 2 and 3, Trafford Town Hall,
Talbot Road, Stretford, M32 0TH

AGENDA	PART I	Pages
1.	ATTENDANCES	
	To note attendances, including Officers and any apologies for absence.	
2.	MEMBERSHIP OF THE COMMITTEE 2015/16, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON	
	To note the Membership of the Committee for the 2015/16 Municipal Year, as appointed at the Annual Meeting of the Council held on 28 May, 2015, namely:	1 - 2
	Councillors Baugh, Boyes, Brotherton, Butt (Vice-Chairman), Mrs. Evans, Mitchell (Chairman) and Ross (Opposition Spokesperson).	
3.	TERMS OF REFERENCE	
	To note the Committee's Terms of reference as agreed at the Annual Meeting of the Council held on 28 May, 2015.	3 - 6
4.	MINUTES	
	To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 24 March, 2015.	7 - 10
5.	PRESENTATION ON SCHOOLS FUNDING	
	To receive a presentation of the Finance Manager.	Verbal Report

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6. PRE-AUDITED ACCOUNTS 2014/15

To consider the following reports of the Executive Member for Finance and the Director of Finance:

- | | | |
|-----|--|-----------|
| (a) | Accounts 2015 - Statutory Financial Accounts for the Year 2014/15 (Pre-Audit) | To Follow |
| (b) | Revenue Budget Monitoring 2014/15 - Period 12 Pre-Audit Outturn (April 2014 to March 2015 Inclusive) | 11 - 64 |
| (c) | Capital Investment Programme 2014/15 Outturn | 65 - 82 |

7. TREASURY MANAGEMENT ANNUAL PERFORMANCE 2014/15

To consider a report of the Executive Member for Finance and the Director of Finance.

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8. TREASURY MANAGEMENT STRATEGY - THE LOCAL AUTHORITIES' PROPERTY INVESTMENT FUND

To consider a report of the Executive Member for Finance and the Director of Finance.

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9. INSURANCE REPORT 2014/15

To receive a report of the Director of Finance.

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10. AUDIT PROGRESS REPORT

To receive a report of the Council's External Auditor.

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11. ANNUAL INTERNAL AUDIT REPORT 2014/15

To receive a report of the Audit and Assurance Manager.

133 - 172

12. DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

To receive a report of the Audit and Assurance Manager.

173 - 226

13. ANNUAL ACCOUNTS AND AUDIT COMMITTEE REPORT 2014/15

To receive a report of the Chair and Vice-Chair of the Accounts & Audit Committee for 2014/15.

227 - 242

14. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2015/16

To consider a report of the Audit and Assurance Manager.

243 - 246

15. URGENT BUSINESS (IF ANY)

Any other item or items which by reason of special circumstances (to be

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specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

THERESA GRANT

Chief Executive

Membership of the Committee

Councillors A. Mitchell (Chairman), D. Butt (Vice-Chairman), J. Baugh, C. Boyes, B. Brotherton, N. Evans and T. Ross.

Further Information

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

Chris Gaffey, Democratic and Scrutiny Officer.

Tel: 0161 912 2019

Email: chris.gaffey@trafford.gov.uk

This agenda was issued on **Thursday, 18 June 2015** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

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TRAFFORD COUNCIL

MEMBERSHIP OF COMMITTEES 2015/16

Note on Membership: In accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) recommended practice the Chairman and Vice-Chairman of the Accounts and Audit Committee should not also be a Chairman or Vice-Chairman of an Overview and Scrutiny Committee / Select Committee.

COMMITTEE		NO. OF MEMBERS	
ACCOUNTS AND AUDIT		7	
CONSERVATIVE GROUP	LABOUR GROUP	LIBERAL DEMOCRAT GROUP	
Councillors:-	Councillors:-	Councillors:-	
Chris Boyes Dylan Butt V-CH Nathan Evans Alan Mitchell CH	Jane Baugh Barry Brotherton Tom Ross OS		
TOTAL	4	3	0

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ACCOUNTS AND AUDIT COMMITTEE

Statement of Purpose

The purpose of the committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Composition

Membership of the Audit and Accounts Committee shall comprise 7 Members, be politically balanced and shall not include any Members of the Executive. A non voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Terms of Reference

Internal and External Audit

- a) Review and approve (but not direct) the terms of reference for Internal Audit, an Internal Audit strategy and internal audit resourcing.
- b) Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual Internal Audit coverage and whether this provides adequate assurance on organisations main business risks, review the performance of Internal Audit.
- c) Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and action plans.
- d) Review arrangements made for cooperation between Internal Audit, External Audit and other review bodies and ensure that there are effective relationships which actively promote the value of the audit process.
- e) Receive the Annual Internal Audit report and opinion.
- f) Review and consider proposed and actual External Audit coverage and its adequacy and consider the reports of external audit and inspection agencies.
- g) Receive updates from External Audit on External Audit findings and opinions (including the audit of the annual financial statements and the value for money conclusion) and seek assurance on the adequacy of management response to External Audit advice, recommendations and action plans.

Risk Management

- a) Review the adequacy of arrangements for identifying and managing the organisation's business risks, including partnerships with other organisations. This includes review of the Council's risk management policy and strategy and their implementation.
- b) Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- c) Receive and consider regular reports on the risk environment and associated management action.

Internal Control Arrangements, Corporate Governance and the Annual Governance Statement

- a) Review the effectiveness of corporate governance arrangements and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- b) Conduct a critical review of the proposed Annual Governance Statement (AGS), which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations 2011. The review includes the procedures followed in its completion and the content of the Statement to consider:
 - how meaningful the AGS is;
 - the robustness of the evidence and assurances on which the AGS is based; and
 - whether the AGS discloses adequately the organisations actions for addressing any significant internal control weaknesses disclosed within the statement.
- c) Make recommendations for amendment of the AGS and the associated procedures.

Anti - Fraud and Corruption Arrangements

- a) Review and ensure the adequacy of the organisation's Anti – Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- b) Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

Accounts

- a) Approve the annual Statement of Accounts, including subsequent amendments.
- b) Consider the External Auditor's report on the audit of the annual financial statements.
- c) Be responsible for any matters arising from the audit of the Council's accounts, including the auditor's opinion on the accounts, identification of any misstatements, comments on the accounting and internal control systems and qualitative aspects of accounting practices and financial reporting.

Access and Reporting

- a) To have the right of access to senior officers and all committees of the Council.
- b) To report directly to the Executive or Council, as appropriate, on matters within these terms of reference.

Delegation

In exercising the power and duties assigned to the Committee in its terms of reference, the Audit and Accounts Committee shall have delegated power to resolve and to act on behalf of and in the name of the Council.

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ACCOUNTS AND AUDIT COMMITTEE

24 MARCH 2015

PRESENT

Councillor M. Whetton (in the Chair).

Councillors Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, B. Brotherton, D. Butt and T. Ross

In attendance

Director of Finance	(I. Duncan)
Audit and Assurance Manager	(M. Foster)
Principal Audit and Assurance Officer Team Leader	(H. Carnson)
Information Governance Manager	(P. Titterington)
Democratic & Scrutiny Officer	(C. Gaffey)

Also in attendance

M. Thomas, Grant Thornton UK LLP

49. MINUTES

RESOLVED: That the Minutes of the meeting held on 10 February 2015 be approved as a correct record and signed by the Chairman.

50. UPDATE ON 2014/15 SIGNIFICANT GOVERNANCE ISSUE FROM 2013/14 ANNUAL GOVERNANCE STATEMENT : INFORMATION GOVERNANCE

The committee received a report of the Information Governance Manager providing an extract from the 2013/14 Annual Governance Statement, outlining one of the significant governance issues identified for further development through 2014/15 i.e. Information Governance. The report included a brief update on work undertaken to date and further work planned in respect of this issue.

The Information Governance Manager answered questions from Members relating to NHS data, staffing of the new team and the retention and disposal of data.

Members thanked the Information Governance Manager for the report, commenting it was useful to remind Members of the importance of Information Governance. It was confirmed that the guidance would be rolled out to Members in the near future.

RESOLVED: That the report be noted.

51. ACCOUNTS AND AUDIT COMMITTEE PROGRESS REPORT AND EMERGING ISSUES AND DEVELOPMENTS FOR TRAFFORD COUNCIL (MARCH 2015)

Members received a report from Grant Thornton UK LLP on the progress at March 2015 in delivering its responsibilities as the Authority's external auditor. The report provided a summary of emerging national issues and developments relevant to the Council and included a number of challenge questions in respect of these emerging issues.

Accounts and Audit Committee
24 March 2015

The External Auditor and the Director of Finance answered several questions from Members relating to the challenge questions and taxi licensing.

Members asked what role the Accounts & Audit Committee could play regarding issues discussed by the Scrutiny Committee. The Director of Finance advised he would discuss this with the Director of Legal and Democratic Services.

RESOLVED: That the report be noted.

52. TRAFFORD AUDIT PLAN

The Committee received a report from Grant Thornton UK LLP outlining their audit plan for Trafford for 2015/16. The audit plan covered Grant Thornton's approach, identified risks and developments, value for money, key dates and fees.

The External Auditor and the Director of Finance answered questions from Members relating to school funding and preparation for the audit of the upcoming financial year.

Referring to page 30 of the agenda (agenda item no.5), Members raised questions about the complexity of how schools are funded. The Audit and Assurance Manager stated that a presentation to the Committee regarding school funding could be added to next year's work programme.

RESOLVED: That the report be noted.

53. INTERNAL AUDIT PLAN 2015/16

The Committee considered a report of the Audit and Assurance Manager providing, at a high level, the proposed Internal Audit Operational Plan for 2015/16.

The Audit and Assurance Manager answered questions from Members regarding staffing levels, school audits, and financial appraisals.

It was noted that the reduction in auditing days from the previous year was directly related to the reduction in staffing levels, and was something that should be resolved in the coming weeks. Some auditing matters had been rescheduled from 2014/15 to 2015/16 for this reason.

The Audit and Assurance Manager confirmed progress reports would be presented to the Committee throughout the year.

RESOLVED: That the report be noted and approved.

54. REVENUE BUDGET MONITORING 2014/15 - PERIOD 10 (APRIL 2014 TO JANUARY 2015)

The Committee received, for information, a joint report of the Executive Member for Finance and Director of Finance detailing the outcomes of the monitoring of the Council's revenue budget for period 10 (April 2014 to January 2015).

Accounts and Audit Committee
24 March 2015

The Director of Finance answered questions from Members relating to the variance in the budget for Children's Services, provisions for outstanding debts, and the winter resilience budget provision.

Regarding the variance in the budget for Children's Services, The Director of Finance referred Members to the table on page 62 of the agenda, and noted that an influx of expensive places for children in care was the main contributor to this variance.

RESOLVED: That the report be noted.

55. STRATEGIC RISK REGISTER UPDATE

The Committee considered a report of the Audit and Assurance Manager containing an update on the strategic risk environment, which included arrangements in place to manage each of the strategic risks.

Several Members raised their concerns regarding the upcoming appointment of the new Corporate Director of Resources. Members were concerned that if a financial qualification was not a prerequisite for the role this could dilute the Council's financial capabilities.

The Director of Finance advised he would discuss the matter with the Chief Executive, and suggested she provide information that can be circulated to Members for clarification on the matter.

RESOLVED: That the report be noted.

56. AUDIT AND ASSURANCE SERVICE: ANTI-FRAUD AND CORRUPTION UPDATE

The Committee considered a report of the Audit and Assurance Manager updating Members with actions underway and planned, which support the Council's Anti-Fraud and Corruption Strategy.

The Audit and Assurance Manager and the Director of Finance answered questions from Members relating to the Council's practices of handling cash payments.

RESOLVED: That the report be noted.

57. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME

The Committee considered a report of the Audit and Assurance Manager setting out the updated work plan for the Committee for the 2014/15 municipal year i.e. items covered during the year in addition to the agenda for the March 2015 meeting.

It outlined areas considered by the Committee at each of its meetings over the period of the year. The report noted that the work programme had assisted in

**Accounts and Audit Committee
24 March 2015**

ensuring that the Committee had met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee.

RESOLVED: That the report be noted.

58. ACKNOWLEDGEMENTS

The Chairman thanked all the Members for their participation over the municipal year, and expressed his appreciation to all the Officers who have been present. The Chairman gave special thanks to the Director of Finance and the Audit and Assurance Manager.

The meeting commenced at 6.37 pm and finished at 8.12 pm

TRAFFORD COUNCIL

Report to: Executive

Date: 29 June 2015

Report for: Decision

Report of: The Executive Member for Finance and the Director of Finance

Report Title:

Revenue Budget Monitoring 2014/15 – Period 12 Outturn (April 2014 to March 2015).

Summary:

The revised revenue budget approved at the Council meeting on 17 September 2014 is £156.134m and the pre-audit outturn is £150.627m. This is an underspend of £(5.507)m, (3.5)% for the year, and a favourable movement on the previous forecast of £(1.726)m (summary by Directorate and Portfolio at Tables 1 and 2).

Excluding Council-Wide budgets, the service expenditure outturn is £(2.902)m less than budgeted, or (2.1)%.

The main areas of overall budget variance are summarised as:

Activity	Outturn £m	Movement £m
Increased demand and unit costs for Children in Care placements	0.3	(0.3)
Adult Services client costs	(0.3)	(0.2)
Adult Services provision for doubtful debts	0.5	-
LD Pool: release of budget provision for transitional cases	(1.6)	(0.1)
Additional external income, including SLA's	(1.5)	(0.5)
Rephased base budget savings	0.4	
In year savings not met (incl. Terms & Conditions)	0.6	
Vacancy management	(1.5)	
Deprivation of Liberty assessment costs	0.2	-
Manchester Airport Group Dividend	(1.0)	-
Council-wide contingency & provisions	(0.3)	(0.3)
Other variances	(0.4)	(0.2)
Additional Income from Business Rates available in 2014/15	(0.9)	(0.1)
Outturn	(5.5)	(1.7)

It is worth noting that the outturn for the year is £(3.925)m below the original budget of £154.552m set in February 2014. This is the 11th successive year that expenditure has been contained within budget.

Reserves

The level of General Reserve at year end is £(7.9)m (see paragraph 16). After deducting future planned commitments the available balance is £(6.7)m, which is £(0.7)m above the minimum level of £(6.0)m.

The brought forward deficit on the Learning Disability Pooled Fund at 1 April 2014 was £3.0m. As part of the 2015/16 budget proposals it was agreed at the Council meeting on 18 February 2015 to write down this deficit in full against the General Reserve.

The £(1.067)m in-year underspend in Children, Families & Wellbeing has been used to reduce the original commitment on the General Reserve agreed in September 2014 (see Table 6).

The net service carry forward reserves at the beginning of the year was £(4.004)m, and after taking into account planned use and the service Directorates' outturn the closing balance is £(3.641)m surplus.

Council Tax

The surplus brought forward of £(0.5)m, has increased by an in-year surplus of £(1.1)m. After taking account of the planned use of £0.4m to support the base budget, additional provision for doubtful debts of £0.2m and another £0.2m for backdated valuation and discount appeals, the total surplus forecasted to be carried forward is £(0.8)m. The Council's share of this surplus is £(0.6)m, and is planned to support future budgets in the MTFP.

Business Rates

The final surplus on the new Business Rate Retention scheme for 2014/15 is £(3.524)m, of which Trafford's share (24.5%) is £(0.863)m. Under the rules which govern the scheme, this surplus cannot be included in the General Fund until 2015/16.

Section 31 grants which compensate the Council for the Government's extension of the Small Business Rate Relief/Retail Relief Discount Schemes and further income from renewable energy schemes which is wholly retained by the Council, is £(0.918)m, a favourable movement of £(0.074)m since last reported, and is included in the outturn of £150.627m.

Recommendation(s)

It is recommended that:

- a) the pre-audited outturn be noted
- b) the £(1.067)m underspend in Children, Families & Wellbeing is transferred to the General Reserve;
- c) an earmarked reserve of £400k is established in respect of the Better Care Fund;
- d) the General Reserve and Collection Fund balances and commitments are noted and confirmed.

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting

Extension: 4534

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	As set out above
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Director of Finance:.....ID.....

Director of Legal & Democratic Services:.....JLF.....

DIRECTOR'S SIGNATURE

Budget Monitoring - Financial Results

1. Based on the pre-audit outturn for the year, the Council will underspend its budget by £(5.507)m, (3.5)%, for 2014/15 (Tables 1 & 2), which is a favourable movement of £(1.726)m from last period (paragraph 4).
2. The overall variance includes a net underspend on the three Directorate budgets of £(2.902)m, (2.1)%, and a net underspend on Council-wide budgets of £(2.605)m, (12.8)%. The details of service variances can be found in Annexes 1 to 3, and for Council-Wide, Annex 4:

Table 1: Budget Monitoring results by Directorate	Year end Forecast (£000's)	Percentage %	Period Movement (£000's)	Annex
CFW – Children's Services	337*	1.1%	(271)	1
CFW – Adult Social Services	(1,404)*	(2.6)%	(481)	1
CFW – Public Health	-	-	-	1
Economic Growth, Environment & Infrastructure	(1,200)	(3.6)%	(341)	2
Transformation & Resources	(635)	(3.6)%	(191)	3
Total Service Variances	(2,902)	(2.1)%	(1,284)	
Council-wide budgets	(2,605)	(12.8)%	(442)	4
Outturn variance	(5,507)	(3.5)%	(1,726)	

CFW – Children, Families & Wellbeing

Table 2: Budget Monitoring results by Executive Portfolio Holder	Year end Forecast (£000's)	Percentage %	Period Movement (£000's)
Children's Services	337*	1.1%	(271)
Adult Social Services	(1,404)*	(2.6)%	(481)
Community Health & Wellbeing	-	-	-
Environment & Operations	(773)	(2.7)%	(337)
Economic Growth & Planning	(427)	(8.7)%	(4)
Communities & Partnerships	41	1.3%	(50)
Transformation & Resources	(280)	(2.6)%	(26)
Finance	(3,001)	(12.6)%	(557)
Outturn variance	(5,507)	(3.5)%	(1,726)

* The £(1.067)m underspend in CFW has been used to reduce the commitment on the General Reserve (see Table 6).

Key Outturn Variations and Period Movements

3. The key variances for the year contributing to the outturn position of £(5.507)m are:
 - Learning Disability Pooled budget release of £(1.600)m provision for additional costs arising as children transition into Adult Services between the ages of 18 and 25;
 - New and increased income generated £(1.125)m of additional funding, including: Parking Services £(0.287)m; Planning & Building Control £(0.167)m; Exchequer Services £(0.253)m; Legal Services £(0.165)m;

Partnerships & Communities £(0.108)m; HR £(0.135)m and Finance Services £(0.095)m;

- Manchester Airport Group interim dividend payment £(1.000)m which had not been budgeted for;
- Vacancy management across all Directorates £(0.913)m;
- £(0.918)m additional Section 31 grant relating to the Government's extension of the Small Business Rate Relief/Retail Relief Discount Schemes and further income from renewable energy schemes;
- Other net variances totalling £0.049m.

4. The key variances contributing to the period movement of £(1.726)m favourable are

- £(0.274)m reduction in anticipated costs within Children's Social Services (including Children with Complex and Additional Needs);
- £(0.323)m net favourable movement relating to client need within Adult Services;
- £(0.167)m increased income across Adult Services;
- £(0.335)m reduction in running costs across the Economic Growth, Environment & Infrastructure Directorate, particularly within Highways, £(0.146)m, Waste Management, £(0.100)m, Property & Development, £(0.042)m and Parking Services, £(0.041)m;
- £(0.290)m increased income across the Transformation & Resources Directorate, including Council Tax and NNDR liability order income, recovery of court costs and a number of Government grants within Exchequer Services;
- £(0.318)m underspend on contingency and provision budgets following year-end adjustments concerning creditor provisions in respect of the electronic ordering system;
- Other net variances, £(0.019)m.

MTFP Savings and increased income

5. The 2014/15 base budget, or permanent budget, is based on the achievement of permanent base budget savings and increased income of £(13.776)m.
6. The following table summarises the overall achievement at financial year-end against the total base budget savings target for 2014/15 of £(13.776)m; noting the shortfall, how this shortfall has been mitigated in 2014/15 and action already taken in the 2015/16 budget.

Table 3: Base budget savings	Total (£000's)
Total Savings delivered	(12,647)
Budget savings required	(13,776)
Shortfall	1,129
Met by:	
Re-phased savings from T&R reserve in 14/15	
• HR Restructure	(83)
• Partnerships & Communities Restructure	(84)
• Legal Service Restructure	(36)
• Design and Print (T&R)	(113)
Re-phased savings from EGEI reserve in 14/15	
• Parks Maintenance	(47)
• Town Centre Advertising	(16)
• Property Referral Fees Advertising	(3)
• Moving Traffic Offences	(30)
Re-phased savings from CFW reserve in 14/15	
• Terms and Conditions (CFW)	(423)
• Children in Care Placements	(245)
• Personal Budgets (Mental Health etc.)	(212)
• Shortfall in Adoption Fee Income	(100)
• Education Support Services (overachievement against savings target)	5
Alternative savings in CFW in 14/15	
• Home to School Transport (overachievement against savings target)	258
Shortfall met from Service Carry forward reserves	(1,129)

7. In cash terms, £(12.647)m, or 91.8%, of the original savings target of £(13.776)m has been delivered at year end. This is a reduction of £0.180m on the February 2015 forecast of £(12.827)m. The overall shortfall in savings of £1.129m will be met from Directorate carry forward reserves.
 - Of the £1.129m shortfall, £0.717m relates to CFW, £0.316m T&R and £0.096m EGEI.
 - There are savings that will not be delivered, of which £0.423m relates to terms and conditions within CFW, £0.212m relating to Personal Budgets (Mental Health etc.), £0.016m reduced Town Centre Advertising Income, £0.100m shortfall in adoption fee income and £0.218m relating to Children in Care Placements. The total of £(0.969)m have been removed as savings from the budget for 2015/16.
8. Additional savings of £(3.3)m were agreed by the Executive on 17 September 2014 to address the in-year budget shortfall in Adult Social Care. Some £(3.226)m or 98%, of these savings have been delivered at the financial year end, which is £(0.726)m above the minimum £(2.5)m target. Further details are shown in Annex 1 paragraph 3.2 on page 15.

Council Tax

9. The brought forward surplus on the Council Tax element of the Collection Fund has shared ownership between the GM Fire & Rescue Authority and the Police & Crime Commissioner, as well as the Council.
10. The total Council Tax in-year surplus for 2014/15 is £(1.095)m, with the Council's share of this being £(0.926)m. The majority of the in-year surplus has been generated from pro-active interventions in unreported changes of circumstances, which has reduced the need for Council Tax Support. This means that the correct award of Support is made earlier and reduces the amount of overpayments that have to be collected subsequently. Some of the in-year increase also relates to an increase in empty homes premium, however, this initiative cannot be guaranteed into the future as the purpose of the policy is to discourage empty properties and to encourage bringing them into the housing market.
11. Backdated valuations and awards of discounts or exemptions resulted in a one-off reduction in income of £0.231m. In year collection rates for 2014/15 have been better than expected at 97.84% compared to a target of 97.8%, however the collection of older debt has not been as successful as in previous years. As a consequence, a further one-off amount of £0.193m has been set aside to increase the provision for doubtful debt. The unpaid debts will continue to be pursued and if successful the provision could be reduced, which will improve the balance on the Collection Fund.
12. After taking account of the planned application to support the 2014/15 budget of £0.356m, the end of year total balance is forecasted to be £(0.773)m, of which the Council's share is £(0.649)m. This is an adverse movement of £0.189m since the previous forecast, largely as a result of the increase in the provision for doubtful debts. The Medium Term Financial Plan assumes use of the

Collection Fund surplus of £0.356m per annum over the next two financial years.

Table 4: Council Tax surplus	Overall		Trafford	
	£(000's)	£(000's)	£(000's)	£(000's)
Surplus brought forward		(458)		(385)
Changes in Band D equivalents	113		95	
Empty Homes Premium	(100)		(84)	
Council Tax Support awards	(1,108)		(931)	
In Year Surplus		(1,095)		(920)
Banding valuations & discounts	231		193	
Increase in Bad Debt Provision	193	424	163	356
In-year application of surplus		356		300
Forecasted surplus carry forward		(773)		(649)

Business Rates

13. 2014/15 was the second year of operation of the new business rates retention scheme. The Government has established a target yield figure, or baseline, and 24.5% of yield above target is retained by the Council. However, 49% of any shortfall against the target is charged to the Council up to a safety net maximum cost to the Council of £2.433m.
14. The level of income for the year, after discounts, reliefs, cost of collection and provisions, was £(158.111)m, which is £(3.524)m in excess of the baseline target of £(154.587)m. The amount retained by the Council, net of levy payable to the Government was £(0.863)m and exceeded previous projections by £(0.008)m. The majority of this will be available to support the budget in 2015/16 based on the Council's NNDR1 submission in January 2015.

Table 5: Business Rate Retention	Original	Projection	Actual
	£m	£m	£m
Baseline	(154.587)	(158.078)	(158.111)
Increase in excess of baseline		(3.489)	(3.524)
Less Government share (50%)		1.745	1.762
Less GMFRA share (1%)		0.035	0.035
= Trafford share		(1.709)	(1.727)
Less Levy @ 50%		0.854	0.864
Amount retained (24.5%)		(0.855)	(0.863)
S31 Grant (net of levy) & renewable energy income		(0.844)	(0.918)

15. Section 31 grants have been received by the Council to compensate for the loss in income due to the Government's decision to extend Small Business Rate Relief/Retail Relief Discount schemes. Including retained income from renewable energy schemes, this totals £(0.918)m (net of any levy payable to

the Government) compared to previous projection of £(0.844)m, an increase of £(0.074)m due to higher than anticipated take-up of these discounts. These grants are included in the outturn figures for 2014/15.

Reserves

16. The table below shows the balance on the General Reserve at 31 March 2015 and also includes for the future commitments agreed by Council on 18 February 2015 as part of the 2015/16 Budget, and adjustments made as a consequence of the end of year accounts process. The balance at year end is £(7.871)m. After taking into account future plans the uncommitted balance is £(6.7)m, £(0.7)m above the agreed minimum level of £(6.0)m:

Table 6 : General Reserve Movements	(£000's)
Balance 31 March 2014	(10,980)
Commitments in 2014/15:	
- Planned use for 2014/15 Budget (agreed 19 Feb 2014)	2,007
- Additional support for Adult Services (agreed at Council 17 September 2014)	1,582
- Adult Services budget in-year underspend	(1,067)*
- Support to help deliver future CFW savings (agreed by Executive 1 December 2014)	500
- Support for Better Care Fund (subject to approval, see paragraph 17)	400
- Planned use for one-off projects 2014/15	22
- Council-wide budgets underspend	(2,605)
- Transfer from Earmarked Reserves (agreed at Council 18 February 2015)	(752)
- Write down of LD Pool (agreed at Council 18 February 2015)	3,022
Estimated Balance 31 March 2015	(7,871)
- Planned use for 2015/16 Budget (agreed at Council 18 February 2015)	1,000
- Planned use for one-off projects 2015/16	200
Estimated Balance 31 March 2016	(6,671)

* The additional support for Children, Families & Wellbeing agreed at Council on 17 September 2014 as part of the 2014/15 revenue budget re-alignment report included a temporary budget increase of £1.582m. It is proposed that the in-year saving within this budget of £(1.067)m be used to reduce the commitment on the General Reserve previously agreed above.

17. The Better Care Fund is an initiative of the previous government and it is a pooled budget between the Council and Trafford Clinical Commissioning Group (CCG). Its aim is to transform local services to ensure that people receive better and more integrated care and support. The fund came into place in April 2015 and the release of an element of the fund is conditional upon performance, in particular with regard to the number of non-elective admissions to hospital. This risk is shared 30% Council and 70% CCG. It is recommended that the Council earmarks £400k for its share of the risk on non-elective

admissions. Performance of the fund will be included in budget monitoring reports during the course of the year.

18. Service balances brought forward from 2013/14 were a net £(0.982)m. After the pre-audited outturn for the year, there is a net surplus of £(3.641)m to be carried forward to 2015/16 (Table 7). This includes the write down of the LD Pool deficit against the General Reserve, agreed at the Council meeting on 18 February 2015,

Table 7: Service balances	b/f April 2014 (£000's)	Movement in-year (£000's)	Year-end Balance (£000's)
Communities, Families & Wellbeing	(871)	469	(402)
Economic Growth, Environment & Infrastructure	(1,155)	(583)	(1,738)
Transformation & Resources	(1,978)	477	(1,501)
Total All Services (Surplus)/Deficit	(4,004)	363	(3,641)
Learning Disability Pool (a)	3,022	(3,022)	-
Total (Surplus)/Deficit	(982)	(2,659)	(3,641)

Note:

(a) it was agreed by the Council on 18 February 2015, as part of the 2015/16 budget proposals, to write down the brought forward deficit of £3.022m on the LD Pool in full.

The use of reserve balances during the year are detailed in the Directorate reports attached as Annexes.

Recommendations

19. It is recommended that:
- the pre audited outturn be noted;
 - the £(1.067)m underspend in Children, Families & Wellbeing is transferred to the General Reserve
 - an earmarked reserve of £400k is established in respect of the Better Care Fund;
 - the General Reserve and Collection Fund balances and commitments are noted and confirmed.

TRAFFORD COUNCIL

Report to: CFW Senior Leadership Team
 Date: 21st May 2015
 Report for: Discussion
 Report author: CFW Finance Managers

Report Title:

Revenue Budget Monitoring 2014/15 – Draft Outturn Report (1st April 2014 to 31st March 2015).

1 Outturn

- 1.1 This is the final CFW Directorate Monitoring Report for 2014/15 and reflects variances against the realigned budget as approved by the Executive.
- 1.2 The revised revenue budget for the year for CFW is £84.826m. The projected outturn for CFW is now £83.759m, which represents an underspend of £(1.067)m against the re-aligned budget (1.26%).
- 1.3 There is a favourable movement in Adult Social Services from period 11 to Outturn of £(481)k. The improvement in the position is made up of an improvement in the client costs of £(310)k and other movements of £(171)k.
- 1.4 Movements in respect of client costs are due to:
- An increase in the direct payments clawback across all client groups £(114)k;
 - Further release of Resilience funding of £(200)k, which was retained at Month 11 in anticipation of further costs;
 - Additional Continuing Health Care income £(121)k;
 - Saving on transition costs of £(101)k from savings in high cost packages
 - Additional doubtful debt provision of £386k;
 - Reduction in client costs from Month 11 to outturn £(160)k due to impact of Panel process and early impact of savings initiatives.
- 1.5 Movements in respect of other areas are:
- Reduced spend on Telecare in anticipation of new arrangements being introduced £(41)k;
 - Increase in Adaptations income from previous projection due to impact of remedial action £(40)k;
 - Reduced spend on Network agency relating to 24 hour supported living service £(30)k;
 - Other net changes £(60)k favourable.
- 1.6 The outturn also includes an improvement of the position in Children Services of £(271)k which is mainly as a result of reduced placement costs in Children's Social Care. There are more details about the reasons for these movements later in the report.

2 Explanation of Variances

Children's Services

2.1 The overall adverse variance for Children's Services is £0.337m and is summarised below.

2.2 **Children's Social Services (Including Children with Complex Needs) - £1.081m adverse variation from budget.**

1. £603k adverse variance on client care packages of which £358k relates to increased numbers and £245k increase in unit costs:

Service	Budget Service Users	Budget Average weekly cost	Gross Budget	Actual Service Users	Average weekly cost	Actual Gross	Variance Service Users	Variance Gross
	No.	£	(£000's)	No.	£	(£000's)	No.	(£000's)
Welfare secure	0.3	5,068	90	0.4	4,066	74	0.0	-16
External Children's Homes	4.6	3,342	796	7.4	3,315	1,274	2.8	478
Agency foster care	29.8	842	1,307	35.2	850	1,556	5.4	249
In-house foster care	97.4	270	1,373	91.0	295	1,395	-6.5	22
Family and friend foster care	109.6	180	1,031	108.5	193	1,091	-1.1	60
Asylum seekers	1.7	272	24	1.2	-112	-7	-0.5	-31
Special Guardianship	33.0	159	274	28.0	155	226	-5.0	-48
Assisted Residence Allowances	26.0	96	130	22.0	110	126	-4.0	-4
Aftercare	n/a		347	n/a		531	n/a	184
Supported Lodges	n/a		255	n/a		222	n/a	-33
Youth Homeless	n/a		185	n/a		169	n/a	-16
Stay in Care Placements	n/a		70	n/a		0	n/a	-70
Adoption	20.0		976	11.0		703	-9.0	-273
CAN respite	2.6	1,674	227	2.6	1,820	246	0	19
CAN long term care	3.4	2,448	434	4.1	2,712	574	0.7	140
CAN Home from Home	n/a		239	n/a		184	n/a	-55
CAN Direct payments/personalisation	n/a		376	n/a		373	n/a	-3
Total			8,134			8,737		603

2. £319k shortfall in income, most of which relates to adoption income of £370k;
3. £56k adverse variance on running costs;
4. Staff vacancies of £(121)k and an adverse variance of £124k relating to the non-achievement of savings in relation to changes in terms and conditions. This is due to the number of exemptions in connection with critical front line services.
5. An adverse variance of £100k due to non-achievement of the adoption income saving.

2.3 Other variances within Children's Services include:

**Children's Staff management of vacancies – favourable variance
£(0.520)m**

There is a favourable variance of £(520)k in relation to the management of staff vacancies across all of Children's Services (of which £(121)k is included in Children's Social Services above).

**Children's Terms and Conditions savings unachieved – adverse variance
£0.220m**

An overspend of £220k relating to the non-achievement of savings in relation to changes in terms and conditions. This is due to the number of exemptions in connection with critical front line services; £124k is included in Children's Social Services above.

**Children's Education Early Years additional income - favourable variance
£(0.194)m**

Mainly from additional income relating to the Education Psychology SLA to Schools.

Home To School Transport – favourable variance £(0.249)m

The new contractual arrangements for the 2014/15 academic year are projected to save an additional £(249)k in this financial year over and above the existing target of £(100)k and managing estimated demographic pressures of £90k.

Children's Services running costs - adverse variance £0.002m.

There are adverse variances totalling £2k in relation to running costs across all children's services.

Adult Services

2.4 There is a variation of £(1.404)m compared to the budget of £55.482m.

1. Base budget and additional in year savings not achieved (See Appendix 2 Adults, excluding vacancy management) - £191k adverse;
2. A recent Supreme Court judgment, which effectively lowered the threshold for what constitutes deprivation of liberty in care (DOLS), has resulted in additional assessment costs for all local authorities, which for Trafford is £224k adverse;
3. In year savings of £(404)k due to vacant posts, particularly within Older People's Services (£110)k, Mental Health £(63)k, Physical Disabilities £(22)k, LD Day Care and Reablement £(88)k, Public Health £(82)k and other services £(43)k;
4. A one-off saving of £(185)k as a result of the clawback of funding on a carers contract;
5. A £(500)k favourable variance due to a full release of the resilience budget provision for care packages;
6. The release of £(1,600)k of the provision for additional costs arising as children transition into Adult Learning Disability Services between the ages of 18-25. This is a saving released following the start of the new school year as final decisions are made regarding which students remain in education;

7. £886k increase in the provision for outstanding debts following a high level review of current and historical debt;
8. Adverse variation of £60k on Adaptations due to reduced fee income, in line with capital programme spend;
9. Adverse variation of £110k on Integrated Community Equipment Services (ICES) due to increased demand for equipment;
10. Reduced telecare costs £(156)k favourable, due to capitalisation of £100k spend and reduced activity pending introduction of new arrangements for Telecare;
11. LD transport charges from Children Services due to increased activity - £34k adverse;
12. Other variances across all service areas £(64)k favourable.

Public Health

- 2.5 There is a nil variance from budget because the Public Health budget is funded through a ring-fenced grant. Any underspend against this grant in the current year will be carried forward to 2015/16. The projected variations relating to Public Health are set out and explained in detail in Appendix 1. This will leave a current unallocated grant balance of £803k for which proposals will be brought forward to support Public Health priorities.

3. Savings

3.1 2014/15 Base Budget Savings

The council's overall budget for 2014/15 includes £(13,776)k of savings of which £(7,390)k relates to CFW. The table in Appendix 2 shows the final position in respect of savings delivered compared to the original forecasts.

Of the 34 savings proposals a total of 31 are in line or over-achieved and three schemes have under-achieved in relation to target. The main variances relating to the net shortfall of £494k are:

1. Children in Care placements - £245k shortfall. This saving proposal was linked to a plan to reduce unit costs for CIC placements (see CFW2 for further details);
2. Home to School Transport £(249)k. The reorganisation of home to school contracts has resulted in a larger saving but is in reality the 2015/16 saving being achieved early;
3. Terms and Conditions (CYPS & Adults) - £423k shortfall due to the number of exemptions in relation to the delivery of front line services;
4. Adoption Placement fees - £100k savings relating to income from other local authorities will not be achieved, as the number of adopters now exceeds the number of children awaiting adoption.

3.2 Additional in-year savings

There are also £(3.296)m of additional in year savings which were approved as part of the CFW budget re-alignment report, of which it was assumed that £(2.5)m would be achieved in year. A list of these savings and the current projection against the re-based budget of £(2.5)m are also included in Appendix 2.

Of the 18 savings proposals a total of 15 are expected to be in line or over-achieving target and the remaining 3 schemes a shortfall, resulting in a net surplus of £(0.726)m as follows:

1. Area Family Support team - £(18)k over achievement
2. Voluntary & Community Sector – £21k underachievement
3. LD Contract negotiations - £66k underachievement
4. LD Ordinary Residence - £(22)k overachievement
5. LD Acceleration of tenders - £(60)k overachievement
6. LD Other schemes - £2k underachievement
7. Vacancy Management - the in-year vacancy management saving is £(924)k, of which it was assumed that £(209)k would be achieved in year as part of the budget realignment. This savings target has been overachieved by £(715)k mainly due to posts held vacant pending 2015/16 savings implementation.

3.3 Provision for Outstanding Debts

The Council collects approximately £9.5m each year from clients towards the cost of their residential or domiciliary care package. This is a means tested assessment of a client's ability to pay and some of the debt is deferred i.e. not collected, until a client's assets are sold which can mean debt is not collected for some years. Also the health and wellbeing of a client is taken into account when considering the recovery of debt.

A high level review of current and historical debt outstanding was carried out and a sum of £500k was included in recent monitoring reports to be set aside for potential non-collection of debts; this was in addition to the sum of £404k which is already earmarked from previous years. A further review at year end highlighted that it would be prudent to set aside an additional provision of £386k for outstanding debt, which brings the cumulative provision to £1,290k against an overall historical outstanding debt of £3.565m.

Putting this in context, total bills of £85m have been raised since 2005 and therefore the earmarked provision is equivalent to 1.52% of the total debt raised. The Council will continue to maximise income collection but if any debt is ultimately written off this will be done in accordance with the Council's agreed procedures.

3.4 Care Packages

This is the final report of the financial year based on client activity for the year.

Adult CFW supports the most vulnerable people in the borough and as such the budgets are demand led. Variations in the number and unit cost of care packages has led to significant variations in demand levels, which have not previously been fully reflected in the budget.

2014/15 budgets have now been re-aligned based on the actual cost of all service users up to 31st August with a projection to 31st March 2015 for all “live” cases. The following table sets out the number and average weekly unit cost of “live” cases which form the basis of current forecast expenditure, based on last available information produced at the end of February 2015:

	Re-aligned 2014/15 Budget			Outturn			Variance		
Service	Service Users	Average weekly cost	Gross Budget	Current Service Users	Average weekly cost	Gross Forecast	Service Users	Weekly cost	Gross
	No.	£	(£000's)	No.	£	(£000's)	No.	£	(£000's)
Older People									
Domiciliary Care	855	156.33	7,096	829	150.98	6,815	(26)	(5.35)	(281)
Direct Payments	155	178.42	1,669	145	172.76	1,671	(10)	(5.66)	2
Residential/Nursing	571	471.06	14,222	537	473.48	14,250	(34)	2.42	28
Physical Disability									
Domiciliary Care	143	178.98	1,212	125	185.91	1,144	(18)	6.93	(68)
Direct Payments	189	220.12	2,270	175	221.29	2,310	(14)	1.17	40
Residential/Nursing	30	656.50	947	28	667.04	959	(2)	10.54	12
Learning Disability									
Day Care	30	265.06	407	33	257.76	413	3	(7.30)	6
Domiciliary Care	49	293.85	799	46	278.36	728	(3)	(15.49)	(71)
Direct Payments	254	297.47	4,220	249	301.20	4,390	(5)	3.73	170
Residential/Nursing	74	1,330.10	4,166	65	1331.91	3,927	(9)	1.81	(239)
Supported Living	88	992.47	4,287	89	988.76	4,497	1	(3.71)	210
Mental Health									
Domiciliary Care	46	121.01	244	45	109.51	242	(1)	(11.50)	(2)
Direct Payments	30	122.65	209	29	124.98	217	(1)	2.33	8
Residential/Nursing	39	561.39	1,135	38	584.51	1,170	(1)	23.12	35
Supported Living	19	1,298.06	1,092	24	1,171.59	1,158	5	(126.47)	66
Total			43,975			43,891			(84)

3.5 The above table reflects the current gross cost of services based on individual care packages. However, for financial monitoring purposes, a number of further assumptions have been made which are not reflected in the table:

- Clawback on Direct Payments of £(964)k based on total receipts in 2014/15. The current forecast is in excess of the actual clawback figure in 2013/14 of £(837)k.
- A resilience budget provision of £500k was set aside in October 2014 to offset any net growth in care package numbers/costs during the remainder of the financial year. The full £500k provision has been released and the benefit is reflected in the outturn figures.

4. Learning Disabilities (LD) Pooled Fund

4.1 At the beginning of the year the LD Pool had a carry forward adverse balance of £3.022m.

4.2 As part of the 2015/16 budget proposals it was agreed at the Council meeting on 18 February 2015 to write down this deficit in full against the General Reserve.

4.3 Joint work is on-going with Trafford CCG regarding a review of the cost of the Learning Disability service which will help to inform the extent of any contribution by the CCG to the historical deficit.

5. Service carry-forward reserves

5.1 At the beginning of April 2014 the Children, Families and Wellbeing Directorate had accumulated balances of £(871)k carried forward from previous financial years.

5.2 The remaining carry-forward balances at the end of the year after taking into account the outturn position are:

	DSG	CFW – Non LD Pool	CFW LD Pool
	(£000's)	(£000's)	(£000's)
Balance b/f 1 April 2014	(2,777)	(871)	3,022
Troubled Families Grant (Note 1)		(468)	-
Troubled Families Commitments 15-16		468	
Specific commitments in 2014/15 (Note 2)	750	469	
LD Pool Deficit Reserve Write Down (agreed Council 18 February 2015)			(3,022)
Outturn 2014/15 (Note 3)	701	0	
	(1,326)	(402)	0
Specific Commitments Slipped into 2015/16 (Note 2)		197	
	(1,326)	(205)	0

Notes

1. The DCLG have provided a grant for troubled families which is not ring-fenced and will not be spent by 31st March 2015. There are commitments made to partners for 2015/16.

2. Specific commitments that have been made from historical reserves are detailed in the table below:-

	2014/15 Reserves commit- ments £000	2015/16 Commit- ments £'000	Description
Adoption Reform Grant	108	0	The time delay in appointing grant funded posts
NW Champions / Outcome star	13	0	Income received in 2013/14 held on behalf of external Partners
View Point	7	7	Three year contract 2013/14 to 2015/16
CIB Best Practice Network	0	27	Income received in 2012/13 on behalf of external Partners
Youth Service Trading Accounts	185	94	Underspends on specific traded services. In 2015/16 there are only two specific projects.
YOS Projects	114	24	Slippage on 14/15 12 month projects
Domestic Abuse	7	0	
YOS IT System	35	20	Allocated over three years 2014/15 - 2016/17
Multi Systemic Therapy	0	25	MST National licence fee 2015/16
Total	469	197	

3. The total CFW net underspend of £(1.067)m will be used to reduce the commitment on the General Reserve previously agreed at Council on 17 September 2014.

6. Management Action during the year

6.1 The re-aligned CFW budget was dependent on the delivery of additional in-year savings of £(2.5)m. Further detail on the achievement against this target is included at Appendix 2.

6.2 Resource Allocation Process

In June 2014, a revised Resource Allocation model was implemented, which now includes a weekly Resource Panel with wider representation including Directors. The aim of the revised model is to ensure that the amount of funding allocated is based on "Just Enough" support principles, to minimise cases agreed outside the Resource Panel and to ensure that the process for agreeing funding for individual packages of care is strengthened, ensuring that both

senior operational managers and commissioners scrutinise each case and make best use of available resources, voids, contracts etc.

In addition a further panel has been established to exercise the same level of scrutiny on cases coming out of the internal and external reablement services.

6.3 Business Delivery Programme Board

The Business Delivery Programme Board has refreshed the way it works, splitting into three key elements:

- Core Business,
- Financial Business, and
- Learning Disability Business.

This new approach ensures Directors, lead commissioners, Finance Managers and Heads of Operational Services maintain oversight of activity linked to the budget and address key issues relating to financial monitoring reports, monitoring of savings targets, and other budget recovery action taken. A revised approach to escalating issues arising to the CFW Senior Leadership Team has also been agreed.

The approach will continue to be refined to take account of the impact of new national reporting requirements under the Zero Based Review and the new client and financial systems Liquid Logic / Controcc.

6.4 Financial Tracking and Monitoring

An overarching Activity Plan has been developed which details all areas of activity linked to the Learning Disability Pooled Budget, including previous Recovery Plans and Business Cases in respect of 2014/15 and 2015/16 savings proposals.

In addition a financial spread sheet has been created to allow reductions to be quantified based on “real time” information. The spread sheet highlights the starting position, reductions projected based on Business Case plans and actual reductions achieved once actions have been implemented and savings realised. The introduction of the facility to track financial changes will support the programme of work and highlight where savings have been achieved and also where there may be areas at risk.

6.5 Children in Care Placements Tracking and Monitoring

The robust tracking and monitoring of placements has been described in detail in previous monitoring reports. The next detailed quarterly placement meeting is being brought forward by one month to ensure the planning of 2015/16 resources is as robust as possible.

Staffing resources are also being considered as a part of this exercise in order that workloads can be managed as effectively and efficiently as possible.

Period 12 Outturn revenue expenditure and income variances

The following tables detail the main variances from the re-alignment revenue budget to the outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Revised Budget (£000's)	Forecast Outturn (£000's)	Outturn variance (£000's)	P11 Outturn variance (£000's)	Period Movement (£000's)	Ref
Children's Services Portfolio – DSG Element						
Dedicated Schools Grant	0	701	701	782	(81)	CFW1
Transfer to Dedicated Schools Grant Reserve	0	(701)	(701)	(782)	81	CFW1
Sub-total – DSG	0	0	0	0	0	
Children's Services Portfolio – Non DSG Element						
Education Early Years' Service	6,377	5,959	(418)	(470)	52	CFW3
Children's Social Services	15,225	16,381	1,156	1,341	(185)	CFW2
Children with Complex & Additional Needs	1,943	1,868	(75)	14	(89)	CFW2
Commissioning	1,687	1,505	(182)	(153)	(29)	CFW3
Multi Agency Referral & Assessment Service (MARAS)	1,491	1,443	(48)	(43)	(5)	CFW3
Youth Offending Service	360	360	0	0	0	CFW3
Children's Centres	1,828	1,683	(145)	(110)	(35)	CFW3
Youth Service	1,301	1,350	49	29	20	CFW3
Sub-total – Children's Services	30,212	30,549	337	608	(271)	
CFW Children's Total	30,212	30,549	337	608	(271)	

Budget Book Format (Objective analysis)	Full Year Revised Budget (£000's)	Forecast Outturn (£000's)	Outturn variance (£000's)	P11 Outturn variance (£000's)	Period Movement (£000's)	Ref
Adult Social Services Portfolio						
Older People	20,439	21,277	838	(134)	972	CFW4
Physical Disabilities	4,963	4,923	(40)	(141)	101	CFW5
Equipment & Adaptations	1,004	1,113	109	98	11	CFW6
Mental Health	3,612	3,330	(282)	(8)	(274)	CFW7
Other Adult Services	854	1,033	179	185	(6)	CFW8
Strategic & Support Services	967	927	(40)	(21)	(19)	
Adaptations	(64)	(4)	60	100	(40)	CFW9
Housing Services (Supporting People)	630	633	3	(1)	4	
Community Services (Drugs and Alcohol, Dom Abuse)	230	226	(4)	(4)	0	
Equalities & Diversity	145	147	2	4	(2)	
Sub-total	32,780	33,605	825	78	747	
Learning Disabilities Pooled Fund	22,702	20,473	(2,229)	(1,001)	(1,228)	CFW10
CFW Adults Total	55,482	54,078	(1,404)	(923)	(481)	
Community Health & Wellbeing Portfolio						
Public Health	(868)	(868)	0	0	0	CFW11
CFW Public Health Total	(868)	(868)	0	0	0	
CFW Total	84,826	83,759	(1,067)	(315)	(752)	

Business Reason / Area (Subjective analysis)	Outturn Variance (£000's)	P11 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Children's				
Management of staff vacancies	(520)	(411)	(109)	CFW3
Transport Costs	(249)	(252)	3	CFW3
Client Need	358	467	(109)	CFW2
2014/15 Savings not achieved	565	585	(20)	CFW3
Other running costs	58	(27)	85	CFW3
Income	125	246	(121)	CFW2,3
Total Children's	337	608	(271)	
Adults				
Management of staff vacancies	(404)	(444)	40	CFW 4,5,7,8,10,11
Transport Costs	45	72	(27)	CFW 4,5,8,10
Client Need	(2,222)	(1,435)	(787)	CFW 4,6,7,10
Reduction in Grant Income	0	0	0	
2014/15 Savings not achieved	222	232	(10)	CFW 4,8,10
Other running costs	756	574	182	CFW 4,5,6,7,10,11
Other Income	199	78	121	CFW 4,7,8,9 10,11
Total Adults	(1,404)	(923)	(481)	
Public Health	0	0	0	CFW 11
Total CFW	(1,067)	(315)	(752)	

NOTES ON VARIANCES

CHILDREN AND FAMILIES

CFW1 – DSG Reserve b/fwd.

- The brought forward DSG reserve balance is £(2,777)k. £750k of this has been allocated to schools on a one off basis. There is an overspend on SEN of £644k, an overspend on Early Years of £218k, an underspend on Redundancy of £(111)k and an underspend on Maternity of £(50)k. This leaves a year end reserve of £(1,326)k. Schools reserves as at 31st March 2015 are £9.2m (these are shown at Appendix 3).

CFW2 – Children’s Social Services (Including CAN) - £1,081k adverse variance

- There is an overspend of £603k, on client care packages of which £358k relates to increased numbers and £245k increase in unit costs. This is a decrease of £(129)k on the previous month. Plans are being reviewed in line with what was described in paragraph 6.5.
- There is a projected shortfall in adoption income of £470k. £100k relates to the savings target regarding income from other LA’s not being achieved, as the number of adopters now exceeds the number of children awaiting adoption. In addition to the saving not being achieved, there is an additional £370k shortfall in adoption income causing a total pressure of £470k against the base budget. It has now become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. The result of this is that associated staffing establishments will have to be reviewed.
- The remaining variances are a reduction in the Staying Put Grant £87k, an increase in Continuing Health Care income of £(123)k, support costs relating to foster carers £55k, staff management £(121)k and £124k for not achieving the Terms and Conditions saving, other minor variances £(14)k.

CFW3 - Various

Children’s various Vacancy Management - £(520)k favourable

- There are vacancy management savings amounting to £(520)k across all Children’s Services, this includes Children’s Social Care of £(121)k included in CFW2 above.

Children’s various 2014/15 savings not achieved - £220k adverse

- Non-achievement of elements of the terms and conditions saving due to the exemptions required in critical front line services (£124k already included in Children’s Social Services CFW2 above).

Children’s Home To School Transport - £(249)k favourable.

- A favourable variance due to the reorganisation of transport contracts which is a 2015/16 saving that is being achieved early.

Additional Income Across Children's Services - £(194)k favourable

- Additional income, mainly relating to the Educational Psychology Service SLA to Schools.

Running Costs Across Children's Services - £2k adverse

- There are various favourable variances for running costs across Children's services which total £2k.

ADULT SOCIAL SERVICES

CFW4 – Older People £838k adverse

Vacancy management - £(110)k favourable:

- Commissioning management £(65)k favourable and Reablement £(139)k favourable and care management £94k adverse - vacancies and savings against posts budgeted at top of grade offset by additional agency costs.

Client Need- £431k adverse:

- Adverse movement in External placements £826k;
- One-off efficiency saving due to the clawback of funding on a carers contract £(185)k;
- Contracts now included as part of Level 1 costs £(210)k.

Savings not achieved- £1k adverse:

- Voluntary and Community Sector – in year shortfall as contracts reduced/ceased part way through the year.

Transport - £(21)k favourable:

- Underspend on reablement transport.

Other running costs- £236k adverse:

- Additional cost of reablement services £173k;
- Additional costs for Ascot House offset by winter pressures funding £76k;
- Other minor variances within other Older People budgets £(13)k.

Other Income - £302k adverse:

- £500k increase in the provision for doubtful debts following a high level review of current and historical debt outstanding Care Act and winter pressures funding £(144)k;
- Ascot House income £(54)k.

CFW5 – Physical Disabilities - £(40)k favourable

Vacancy Management - £(22)k favourable

- PD Reablement part offset by additional staffing in Direct Payments.

Client Need - £118k adverse

- Net change in client spend on external placements across PD.

Transport - £29k adverse

- Additional spend on PD Reablement.

Other Running Costs - £(167)k favourable

- Reduced spend on telecare due to capitalisation of costs and reduced activity pending introduction of new approach.

Other Costs - £2k adverse

- Other minor variations.

CFW6 – Equipment & Adaptations £109k adverse

Client Need - £112k adverse

- ICES – Increased demand for equipment.

Other running costs - £(3)k favourable

- ICES - Minor variations in other running costs.

CFW7 – Mental Health £(282)k favourable

Vacancy management - £(63)k favourable

- MH Social Workers £(51)k favourable and reduced agency costs £(12)k favourable.

Client Need- £(237)k favourable:

- Contract ceased (Floating Support) – service no longer required £(47)k;
- Changes in client need and some MH actual costs included under Older People due to new Zero Based Review (ZBR) reporting changes £(190)k.

Other running costs- £18k adverse:

- Minor variances within other Mental Health budgets.

CFW8 - Other Adult Services £179k adverse

Vacancy management - £(41)k favourable

- Benefits Advice £(41)k favourable - Vacancies and savings against posts budgeted at top of grade offset by additional agency costs.

Transport Costs - £4k adverse:

- Variation in number and cost of routes.

Other running costs- £239k adverse:

- Generic Services - additional Deprivation of Liberty (DOLS) assessment costs £224k;
- Healthwatch costs (offset by additional income – see other income variance below) £46k;
- Community Voices reduction £(33)k;
- Other variations in running costs - £2k adverse.

Savings not achieved- £33k adverse:

- Information and Advice Review - £33k adverse - this is the CFW share of a Council Wide savings target now split equally across EGEI, CFW and T&R.

Other income – £(57)k favourable

- Increased Healthwatch income £(57)k.

CFW9 – Adaptations – £60k adverse**Employee costs - £5k adverse**

- Additional employee costs £5k.

Other income – £55k adverse

- Reductions in fee income in line with reduced adaptations capital programme spend.

CFW10 – LD Pooled Fund – £(2,229)k favourable**Vacancy management - £(88)k favourable:**

- Net vacancies within Social Work, In-House Day Care, Supported Living and LD Reablement.

Client Need- £(2,295)k favourable:

- Release of £(1,600)k of the provision for additional costs arising as children transition into Adult Services between the ages of 18-25. This is a saving released following the start of the new school year as final decisions are made regarding which students remain in Education;
- Reduction in client need as reflected in Level 1 outturn placement analysis and transfer of costs to Older People in response to new ZBR reporting requirements £(656)k favourable;
- Other net variations in client need £(39)k favourable.

Savings not achieved- £186k adverse:

- Terms and conditions savings not achieved due to the number of exemptions relating to the delivery of critical front line services.

Transport - £26k adverse

- Additional recharge from CYPS in respect of adults in Education, less LD reablement saving.

Other running costs- £(76)k favourable:

- Other variances across a range of Learning Disability budgets.

Income- £19k adverse:

- Reduction in income associated with in-house Supported Living services.

CFW11 - Public Health – nil variance**Vacancy management - £(82)k favourable:**

- Public Health Leaders - £(51)k favourable – vacancies and savings against posts budgeted at top of grade;
- Health Improvement - £(42)k favourable – vacancy management;
- Other Public Health staffing variations - £11k adverse.

Other contract and service savings- £(721)k favourable:

- Due to lower demand than budget for activity led budgets across a range of Public Health services and contracts as follows;
 - Drug and Alcohol Misuse - £(169)k favourable - drug costs, community services and residential services;
 - Tobacco - £(107)k favourable – Nicotine Replacement Therapy vouchers and smoking cessation community services;
 - Dental Public Health £(97)k favourable;
 - NHS Health Check - £(187)k favourable - health checks;
 - Sexual Health - £(178)k favourable - chlamydia screening, GUM services and contraception;
 - Other variations - £17k adverse.

Other running costs- £803k adverse:

- Unspent grant in 2014/15 of £803k across a range of Public Health budgets (see above) carried forward to 2015/16 to support Public Health priorities.

Appendix 2

CFW Base Budget Savings 2014/15		Note	2014/15 Budget (£000's)	Out-turn Saving (£000's)	Variance (£000's)
Children in Care Placements	CYPS	1	(480)	(235)	245
Supported Living	CYPS		(50)	(50)	-
MARAS Staffing	CYPS		(50)	(50)	-
Market Management	CYPS		(350)	(350)	-
Increased Use Personal Budgets	CYPS		(25)	(25)	-
Commissioning Integration	CYPS		(20)	(20)	-
Complex Additional Needs	CYPS		(50)	(50)	-
Education Support Services Review	CYPS		(100)	(105)	(5)
Home To School Transport	CYPS	2	(100)	(349)	(249)
Complex & Additional Needs Personalisation	CYPS		(125)	(125)	-
Terms and Conditions	CYPS	3	(656)	(436)	220
Adoption Placement Fees	CYPS	4	(100)	-	100
Connexions Service	CYPS		(260)	(260)	-
Youth Offending Service	CYPS		(150)	(150)	-
Early Years Childcare	CYPS		(25)	(25)	-
Education Welfare Officers	CYPS		(100)	(100)	-
School Improvement	CYPS		(105)	(105)	-
Grant Assisted Projects (YOS & KEEP)	CYPS		(74)	(74)	-
Reduced Inflation applied to running costs	Adults		(422)	(422)	-
Market Management	Adults		(533)	(533)	-
New models of service in LD reducing placement costs	Adults		(200)	(200)	-
Mental Health - implement Personal Budgets	Adults		(50)	(50)	-
LD Transport - implement Personal Budgets	Adults		(200)	(200)	-
Ascot House - joint service with TPS resulting in efficiencies in running costs	Adults		(100)	(100)	-
Reduce Public Health	Adults		(850)	(850)	-
Telecare	Adults		(400)	(400) *	-
Reablement	Adults		(500)	(500) *	-
Commissioning Integration (Children's/Adults)	Adults		(20)	(40)	(20)
Advice & Information - Council wide review	Adults		(83)	(83)	-
Pre-payment cards	Adults		(40)	(40)	-
Carers Services	Adults		(50)	(50)	-
Extension of Personalisation Agenda	Adults		(25)	(25)	-
Supporting People	Adults		(399)	(399)	-
Terms and Conditions	Adults	3	(695)	(492)	203
Inflationary increase for rents charged for supported living houses	Adults		(3)	(3)	-
			(7,390)	(6,896)	494

* Represents a reduction in expenditure budgets for care services. Therefore savings assumed achieved as expenditure in care was kept within the net budget for care.

CFW In Year Budget Savings 2014/15		Note	2014/15 Target (£000's)	Assumed in rebased Budget (£000's)	Outturn Saving (£000's)	Variance (£000's)
Music Service	CYPS		(5)	(5)	(5)	-
Early Help Framework	CYPS		(66)	(66)	(66)	-
Complaints and Governance	CYPS	6	(5)	(4)	(5)	(1)
Stronger Families	CYPS		(250)	(250)	(250)	-
Area Family Support Team	CYPS	1	(36)	(18)	(36)	(18)
Children In care Personal needs	CYPS		(100)	(100)	(100)	-
Education Psychology	CYPS		(50)	(50)	(50)	-
Application of Grants	CYPS		(500)	(500)	(500)	-
Voluntary & Community Sector	Adults	2	(80)	(80)	(59)	21
LD – Contract Negotiations	Adults	3	(150)	(75)	(9)	66
LD – Acceleration of Tenders	Adults	5	(490)	(245)	(305)	(60)
LD – Ordinary Residence	Adults	4	(150)	(75)	(97)	(22)
LD – Ordinary Residence – Brokering Supported Living	Adults		(7)	(4)	(4)	-
LD – Care Packages	Adults		(9)	(9)	(9)	-
LD – Development Fund	Adults		(13)	(13)	(13)	-
LD – Void Management	Adults	6	(17)	(9)	(6)	3
Better Care Fund	Adults		(788)	(788)	(788)	-
Vacancy Management	All	7	(580)	(209)	(924)	(715)
			(3,296)	(2,500)	(3,226)	(726)

Schools Reserve Balances as at 31st March 2015

School	Opening Reserve £	Budget 15-16 £	Total Reserves £	% of Budget
Navigation Primary	110,896	1,422,149	57,943	4.07%
Oldfield Brow Primary	95,164	975,942	143,771	14.73%
Stamford Park Junior	154,573	934,514	158,050	16.91%
Stamford Park Infant	55,454	869,774	91,756	10.55%
Heyes Lane Primary School	20,681	2,253,901	57,131	2.53%
Broadheath Primary	-117	1,244,054	72,862	5.86%
Broomwood Primary	135,996	1,504,312	193,104	12.84%
Well Green Primary	78,627	860,027	45,801	5.33%
Willows Primary	95,270	850,258	130,569	15.36%
Cloverlea Primary	75,662	854,625	69,527	8.14%
Bollin Primary	239,292	1,649,138	352,828	21.39%
Springfield Primary	105,834	1,609,243	99,412	6.18%
Woodheys Primary	18,978	1,521,543	27,510	1.81%
Worthington Primary	167,339	1,204,975	174,158	14.45%
Brooklands Primary	72,605	1,671,276	59,748	3.57%
Firs Primary	46,185	1,510,507	15,350	1.02%
Wellfield Junior	102,082	992,168	122,662	12.36%
Partington Primary	857,061	2,199,439	452,783	20.59%
Moorlands Junior	72,125	994,764	148,055	14.88%
Templemoor Infant	53,485	817,015	77,463	9.48%
Wellfield Infant & Nursery	35,034	909,518	62,779	6.90%
Urmston Junior	45,428	970,548	56,310	5.80%
Urmston Infant	51,903	883,715	97,681	11.05%
Davyhulme Primary	183,107	1,871,944	182,363	9.74%
Flixton Junior	2,367	885,234	19,360	2.19%
Flixton Infant	9,188	796,870	29,453	3.70%
Barton Clough Primary	87,138	1,310,864	140	0.01%
Gorse Hill Primary	95,224	1,589,159	82,318	5.18%
King's Road Primary	129,651	2,119,293	124,082	5.85%
Moss Park Junior	150,178	991,517	156,196	15.75%
Moss Park Infant	92,491	890,967	72,715	8.16%
Seymour Park Community Primary	96,879	2,782,626	146,293	5.26%
Victoria Park Junior	94,805	1,074,773	112,309	10.45%
Victoria Park Infant	64,255	972,996	71,857	7.39%
Highfield Primary	53,910	1,068,621	35,296	3.30%
Woodhouse Primary	93,455	858,362	72,650	8.46%
Kingsway Primary	119,378	875,845	202,027	23.07%
Tyntesfield Primary	129,987	1,418,972	130,281	9.18%
Bowdon C.E. Primary	138,425	1,395,169	149,491	10.71%
St. Hugh's Catholic Primary	36,157	2,141,244	48,841	2.28%
Altrincham C.E. Primary	-4,400	1,101,137	-1,697	-0.15%
St. Anne's C.E. Primary	54,682	827,238	68,705	8.31%
St. Mary's C.E. Primary (Sale)	68,681	1,023,357	100,610	9.83%
Holy Family Catholic Primary	171,271	844,717	83,153	9.84%
Our Lady of Lourdes Catholic Primary	80,056	1,019,654	46,341	4.54%
All Saints' Catholic Primary	106,452	842,172	137,252	16.30%
St. Mary's C.E. Primary (Davyhulme)	10,543	766,652	37,959	4.95%
St. Michael's C.E. Primary	31,885	836,481	35,858	4.29%
St. Hilda's C.E. Primary	5,889	1,374,254	12,900	0.94%

School	Opening Reserve £	Budget 15-16 £	Total Reserves £	% of Budget
St. Matthews C.E. Primary	49,566	1,032,991	32,491	3.15%
English Martyrs' R.C. Primary	103,347	860,748	108,573	12.61%
St. Hugh of Lincoln R.C. Primary	152,183	1,116,672	183,934	16.47%
St. Ann's R.C. Primary	118,436	1,626,726	93,791	5.77%
St. Alphonsus R.C. Primary	212,649	1,195,958	250,184	20.92%
St. Teresa's R.C. Primary	39,068	996,058	8,116	0.81%
St. Monica's R.C. Primary	66,220	1,205,350	137,709	11.42%
Our Lady Of the Rosary R.C. Primary	85,109	738,107	94,500	12.80%
St. Margaret Ward Catholic Primary	105,366	1,045,867	139,195	13.31%
St. Joseph's Catholic Primary	44	1,456,656	59,017	4.05%
St. Vincent's R C Primary School	64,327	2,000,899	118,203	5.91%
Sale High School	468,764	3,934,675	597,220	15.18%
Lostock College	447,791	2,433,200	329,785	13.55%
Blessed Thomas Holford Catholic High	48,539	5,388,375	-81,466	-1.51%
Stretford Grammar	739,884	3,929,501	510,361	12.99%
Stretford High CLCollege	589,278	5,443,714	502,144	9.22%
St. Antony's Catholic College	161,426	3,574,763	-80,336	-2.25%
Pictor School	220,964	2,369,699	231,263	9.76%
Brentwood School	1,200,219	2,273,709	814,809	35.84%
Longford Park School	117,506	1,069,793	84,625	7.91%
Delamere School	37,733	1,640,474	42,318	2.58%
Manor High School	57,551	2,277,142	67,691	2.97%
Egerton School	26,136	980,156	63,421	6.47%
TOTALS	9,903,318	108,974,756	9,231,554	8.47%

TRAFFORD MBC

Report to: Economic Growth, Environment and Infrastructure
Directorate Management Team

Date: 14 May 2015

Report for: Discussion

Report author: Finance Manager

Report Title**Revenue Budget Outturn 2014/15****1. Outturn and Key Period Movements**

- 1.1 The approved revenue budget for the year is £33.492m. The forecast outturn is £32.292m, which is £(1.200)m under the approved budget. This is a net favourable movement of £(0.341)m from the last report.
- 1.2 The key period movements relate to a reduction in the waste disposal levy overspend as advised by the GM Waste Disposal Authority (GMWDA) £(0.034)m, additional income from planning applications £(0.034)m, outdoor media advertising £(0.036)m, parking £(0.063)m and bulky and commercial waste £(0.026)m, lower fee income from capital schemes £0.083m, reduction in running costs in highways, property and waste collection £(0.208)m, and a net favourable movement in staffing/running costs across all other services £(0.023)m.
- 1.3 The balance on the EGEI Reserve after the outturn, transfers and known commitments is £(1.252)m. This will be utilised for one-off budget pressures in 2015/16, if necessary, and also to support initiatives to protect services and deliver efficiencies and income generation going forward.

2. Summary of Variances for the Year

- 2.1 The overall underspend of £(1.200)m has been achieved against a background of significant financial challenges for the Directorate throughout the year. This includes the achievement of approved budget savings of £(3.153)m and the successful management of a number of in-year budget pressures. These pressures include re-phased budget savings in Enforcement, Groundforce and Highways £0.135k, increased energy costs in street lighting and property £0.111m, waste disposal costs £0.046m, plus income shortfalls in building control £0.106m and Green Deal £0.038m.
- 2.2 The Directorate has been able to mitigate these pressures in full through additional income streams and active cost management. This includes one-off income from Oakfield Road car park £(0.138)m and investment properties £(0.196)m, plus additional income from other parking £(0.149)m, planning £(0.273)m, Highways GMRAPs £(0.105)m, outdoor media £(0.036)m and bulky/commercial waste £(0.024)m. There has been contract/other running cost savings in waste management £(0.190)m, parking services £(0.071)m, highways, property and Groundforce £(0.196)m, plus reduced senior management costs from restructuring £(0.133)m and other vacancy savings across the Directorate of £(0.125)m.

2.3 All variances are reviewed and where appropriate incorporated in the Directorate medium term financial plan both in terms of any potential on-going budget pressure, but also the ability to achieve sustainable additional income or cost savings. Details of the variances and key movements are shown in Appendix 1.

3. Reserves

- 3.1 At the start of 2014/15 the Directorate had brought forward balances of £(1.155)m from previous years. Of this £(0.215)m related to re-phased economic regeneration projects which has now been transferred to an earmarked Economic Growth reserve.
- 3.2 After spending and further transfers in 2014/15, the Economic Growth reserve balance at 31 March 2015 is £(0.444)m. This will be utilised to support economic development activities which lead to growth and investment in the borough over numerous financial years.
- 3.3 In addition to the above, traded services (Catering and Cleaning) have a balance of £(0.302)m carried forward to 2015/16. This reflects that the business is managed across academic years rather than financial years, and also provides for re-investment in the service (e.g. systems, equipment, appliances in schools etc.) to further improve efficiency and generate future business growth.
- 3.4 The remaining balance on the EGEI Directorate Reserve after the outturn for 2014/15, future known commitments and re-phasing of projects is £(1.252)m (table below). The EGEI Reserve will be utilised on initiatives to generate future savings and income generation to support service provision within the on-going revenue budget constraints. In addition, there may be some acceleration of one-off costs (e.g. stock write offs) associated with mobilisation of the joint venture contract for environmental, highways and property services, which will commence on 4th July 2015. The reserve may also be required for other one-off budget pressures arising during the year.

Utilisation of EGEI Carry forward Reserve 2014/15	(£000's)
ETO Surplus balance brought forward at 1 April 2014	(494)
EGP Surplus balance brought forward at 1 April 2014	(661)
Transfer to Economic Growth Reserve 1 April 2014	215
Spend in 2014/15	448
Transfer from Waste Levy Reserve re 2014/15	(46)
Period 12 outturn 2014/15 (favourable)	(1,200)
EGEI Reserve Balance 31 March 2015	(1,738)
Commitments on future projects or one-off spend	486
EGEI Reserve Balance after known commitments	(1,252)

4. Savings

- 4.1 The approved Directorate budget for 2014/15 includes savings of £(3.153)m as follows:

	Budget (£000's)	Outturn (£000's)	Variance (£000's)
Increased and new income	(320)	(271)	49
Efficiencies and others	(786)	(786)	0
Policy Choice	(1,920)	(1,873)	47
Mitigating action across EGEI	0	(96)	(96)
Terms and Conditions	(127)	(127)	0
Total EGEI Savings	(3,153)	(3,153)	0

- 4.2 The income shortfall of £0.049m relates to the delay in implementing the saving relating to moving traffic offences £0.030m (note EGEI1 below) and £0.019m from town centre advertising and property referral fee web-site advertising (EGEI10). In policy choice £0.047m relates to re-phasing of savings in Groundforce (note EGEI4). All these items are mitigated in full from management action and other favourable variances across the Directorate. The savings will be achieved in full from 2015/16, with alternative measures for town centre advertising progressed through the Medium Term Financial Plan.
- 4.3 In addition, there is a £0.058m shortfall in the saving associated with the review of Enforcement approved in the 2013/14 budget. This is also due to additional staff and stakeholder consultations and the saving is now being delivered in full (from August 2014) (see note EGEI6).

5. Recommendations

- 5.1 It is recommended that the outturn underspend of £(1.200)m be noted.

Period 12 Outturn revenue expenditure and income variances.

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Economic Growth, Environment & Infrastructure Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Outturn (£000's)	P12 Outturn Variance (£000's)	P11 Forecast Variance (£000's)	Period Movement (£000's)	Ref
Highway and Network Management, including Traffic & Transportation	5,151	5,110	(41)	67	(108)	EGEI1
School Crossing Patrols	509	443	(66)	(60)	(6)	EGEI2
Parking Services	(337)	(695)	(358)	(254)	(104)	EGEI3
Groundforce	4,144	4,111	(33)	(28)	(5)	EGEI4
Bereavement Services	(1,090)	(1,083)	7	5	2	
Sustainability & Greenspace	359	320	(39)	(37)	(2)	
Waste Management (incl. WDA levy)	18,979	18,809	(170)	(70)	(100)	EGEI5
Public Protection	602	597	(5)	12	(17)	
Environmental Enforcement	89	154	65	65	0	EGEI6
Directorate Strategy & Business Support	259	126	(133)	(136)	3	EGEI7
Sub-total Environment & Operations Portfolio	28,665	27,892	(773)	(436)	(337)	
Property and Development	2,671	2,406	(265)	(244)	(21)	EGEI8
Planning & Building Control	(119)	(232)	(113)	(108)	(5)	EGEI9
Strategic Planning & Development	533	525	(8)	(28)	20	
Economic Growth	759	704	(55)	(58)	3	EGEI10
Housing Strategy	596	610	14	15	(1)	EGEI11
Directorate Strategy & Business Support	459	459	0	0	0	
Sub-total Economic Growth & Planning Portfolio	4,899	4,472	(427)	(423)	(4)	
Operational Services for Education	(72)	(72)	0	0	0	EGEI12
Total Outturn Period 12	33,492	32,292	(1,200)	(859)	(341)	

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P12 Outturn Variance (£000's)	P11 Forecast Variance (£000's)	Period Movement (£000's)	Ref
Highways and Network Management				
Income shortfall, including moving traffic offences	13	57	(44)	
GMRAPs income above budget	(105)	(104)	(1)	
Capital fee income shortfall	96	17	79	
Staff vacancies	(21)	(25)	4	
Running costs including depot	(94)	32	(126)	
Energy – Street Lighting	70	90	(20)	
Sub-total	(41)	67	(108)	EGEI1
School Crossing Patrols - vacancies	(66)	(60)	(6)	EGEI2
Parking Services				
Additional income – Oakfield Road	(138)	(128)	(10)	
Income – other locations	(149)	(96)	(53)	
Staffing and running costs	(71)	(30)	(41)	
Sub-total	(358)	(254)	(104)	EGEI3
Groundforce				
Re-profiling of staff/equipment savings	47	47	0	
Other running costs	(50)	(45)	(5)	
External income	(30)	(30)	0	
Sub-total	(33)	(28)	(5)	EGEI4
Bereavement Services				
Staffing and maintenance costs	(16)	18	(34)	
Income shortfall (surplus)	23	(13)	36	
Sub-total	7	5	2	
Sustainability & Greenspace				
Vacancy, supplies & services	(39)	(37)	(2)	
Waste Management				
Staffing and general running costs	(40)	0	(40)	
Additional bulky and commercial waste income	(26)	0	(26)	
GM Waste levy – additional green waste recycling	46	80	(34)	
Waste contract – one-off procurement saving	(150)	(150)	0	
Sub-total	(170)	(70)	(100)	EGEI5

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P12 Outturn Variance (£000's)	P11 Forecast Variance (£000's)	Period Movement (£000's)	Ref
Public Protection				
Staffing and running costs	(29)	(10)	(19)	
Income shortfalls	24	22	2	
Sub-total	(5)	12	(17)	
Environmental Enforcement				
Re-profiling of staff/equipment saving	58	58	0	
Running costs - vehicles	7	7	0	
Sub-total	65	65	0	EGEI6
Director & Business Support				
Staffing and Running costs	(133)	(136)	3	EGEI7
Sub-total Environment & Operations Portfolio	(773)	(436)	(337)	
Property and Development				
Investment Property Rental Income:				
- Stretford Arndale back rent for 2013/14	(67)	(67)	0	
- Urmston Town Centre – one-off surplus	(50)	(42)	(8)	
- Airport – surplus	(26)	(26)	0	
- Other properties - surplus	(53)	(55)	2	
Community buildings – income/running costs	(2)	10	(12)	
Admin Buildings running costs	(14)	(34)	20	
Facilities Management staffing vacancies	(19)	(42)	23	
Markets – one-off adjustment to cost recovery	29	29	0	
Other running cost variances	(6)	44	(50)	
Major projects capital fee income	(58)	(62)	4	
Sub-total	(266)	(245)	(21)	EGEI8
Planning & Building Control				
Planning applications income	(273)	(239)	(34)	
Building Control income shortfall	106	116	(10)	
Staffing including interim support	63	24	39	
Running costs	(9)	(9)	0	
Sub-total	(113)	(108)	(5)	EGEI9
Strategic Planning & Development				
Staffing/running costs savings	(8)	(28)	20	

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P12 Outturn Variance (£000's)	P11 Forecast Variance (£000's)	Period Movement (£000's)	Ref
Economic Growth				
Staffing vacancies	(52)	(49)	(3)	
Other running costs	(22)	(28)	6	
Town centre advertising income	16	16	0	
Property referral fee website advertising income	3	3	0	
Sub-total	(55)	(58)	3	EGEI10
Housing Strategy				
Green Deal income re-phased implementation	38	38	0	
Staffing and running cost savings	(23)	(22)	(1)	
Sub-total	15	16	(1)	EGEI11
Sub-total Economic Growth & Planning Portfolio	(427)	(423)	(4)	
Total Outturn EGEI Period 12	(1,200)	(859)	(341)	

Summary Variance Analysis Period 12

All Services	Savings £000	Staff £000	Running Costs £000	Income £000	Total Variance £000
Period 11	154	(378)	7	(642)	(859)
Period 12	154	(425)	(224)	(705)	(1,200)
Period Movement	0	(47)	(231)	(63)	(341)

ADDITIONAL NOTES ON OUTTURN VARIANCES

EGEI1 – Highways & Network Management - £(0.041)m (favourable)

The approved budget for Highways includes an income generation saving of £(0.030)m from moving traffic offences. This is part of an AGMA initiative to improve safety and traffic flows on major routes and the project has needed to be re-phased into 2015/16.

Running costs are £(0.094)m less than budget over a number of service areas, which is a favourable movement of £(0.126)m since last reported. The movement includes the effect of finalising the allocation of highways and street lighting costs between revenue and capital schemes on individual works orders at year end.

Staffing is £(0.021)m underspent for the year due to vacancies.

There is additional income above budget of £(0.105)m from the Greater Manchester Road Access Permit Scheme, which was implemented during 2013/14. This is the year end figure notified from TfGM.

Fee income from technical and consultancy work charged to capital schemes is £0.096m below budget due to the timing of capital works. This is £0.079m higher than last reported and reflects the year end position on capital spending.

Street Lighting energy costs £0.070m higher than budgeted reflecting usage volumes for the year and new contract prices from October 2014. This is £(0.020)m lower than last month. The new energy supplier bills from October were received in January 2015 and showed a 16.5% overall increase compared to the previous contract prices agreed in October 2013. Of the increase only 1.4% related to the Council's procurement of energy, with the remainder relating to increases in network, transmission and other charges from the National Grid.

The wholesale price of energy influences only around 50% of the Council's energy bill and, hence, very little of the increase in costs is due to procurement of energy. The majority is due to increases in transmission and distribution costs. Distribution Use of System Charges, passed on to us by the Distribution Network Operator, are unavoidable and charges for periods of peak demand have increased by 21% over the previous year. This pressure will continue into 2015/16 and increases have been provided in the Medium Term Financial Plan.

EGEI2 – School Crossing Patrols – £(0.066)m (favourable)

There is an underspend on staffing due to vacancies, which is £(0.006)m higher than last reported.

EGEI3 – Parking Services – £(0.358)m (favourable)

The approved budget for 2013/14 included assumptions regarding the partial, then full closure of Oakfield Road car park during the year as part of the regeneration of Altrincham Town Centre. The re-phasing of the town centre project has resulted in income being £(0.138)m above budget, which has continued from last year.

Other car parking income is £(0.149)m above target, which is a favourable movement of £(0.053)m since last reported.

Running costs are £(0.071)m less than budgeted. This is a favourable movement of £(0.041)m since last reported and includes the final invoices relating to contract costs.

EGEI4 – Groundforce - £(0.033)m (favourable)

Savings associated with staffing, supplies, vehicles and equipment have been re-profiled, and there is a one-off overspend of £0.047m this year. This relates to additional consultations with staff and other stakeholders in order to implement the approved budget proposals earlier in the year.

Running costs are £(0.050)m less than budgeted mainly reflecting a reduction in plant and vehicles costs (including fuel). This is a favourable movement of £(0.005)m from last reported. One-off backdated income of £(0.039)m is also included in the outturn relating to rechargeable grounds maintenance works, as reported previously.

EGEI5 – Waste Management and Disposal - £(0.170)m (favourable)

Following final notifications from the Greater Manchester Waste Disposal Authority, there is an additional levy cost of £0.046m this year, a favourable movement of £(0.034)m since last reported. The additional levy cost is due to weather related increases in the overall tonnages of green waste being disposed, particularly in the early part of the financial year, and which has adversely affected most Councils across Greater Manchester. The level of waste is recorded at the time of disposal and the levy impact reported monthly to GM Councils by the WDA. The percentage of waste recycled as a proportion of all waste remains high (over 60%), and the budgeted savings from the introduction of food waste recycling are on course to be achieved.

The service has negotiated changes to the waste collection contract which will result in a one-off saving of £(0.150)m.

Staffing and general running costs, including purchases of stock, are £(0.040)m less than budgeted. This underspend will be carried forward in the EGEI reserve as it may be required in the new financial year to help maintain recycling levels and reduce disposal costs. Following the year end billing process, additional income from bulky waste and commercial waste of £(0.026)m is reported in the outturn.

EGEI6 – Environmental Enforcement £0.065m (adverse)

The 2013/14 saving associated with the review of Enforcement has been re-profiled following additional staff and stakeholder consultations. This has resulted in an overspend of £0.058m for the year. All changes were implemented at the end of August and the saving achieved in full from this point.

Additional costs relating to vehicles of £0.007m are included in the outturn spend.

EGEI7 – Director & Business Support £(0.133)m (favourable)

The restructure of the previous ETO and EGP Directorates has led to a rationalisation of management costs which will deliver an on-going budget saving of £(0.086)m. There is an additional one-off underspend of £(0.047)m due to the timing of new starters and the filling of outstanding vacancies in the new structure.

EGEI8 – Property and Development - £(0.266)m (favourable)

The approved budget for 2014/15 included assumptions regarding Urmston Town Centre asset disposal. This has taken longer than had been assumed and rental income has continued beyond expectations giving an additional £(0.050)m one-off benefit this year. The disposal has now been completed.

For Stretford Arndale, the Agents for the owners have continued to maintain a number of short term lettings to ensure the number of vacant units is minimised and this has held up gross rental income. The year-end rental payment for 2013/14 of £(0.067)m was received in October.

Rent from Manchester Airport rent is £(0.026)m above budget following notification from Manchester City Council of new rent levels. This includes an additional one-off payment recently received from Manchester.

Other let estate rental income is above budget across the property portfolio totalling £(0.053)m.

Improved efficiency in the Major Projects team has continued from the last financial year and fee income from capital and external projects is £(0.058)m higher than budgeted. This is an adverse movement of £0.004m since last reported.

Administrative building running costs are less than budgeted across the portfolio by £(0.014)m, and adverse movement of £0.020m since last reported. This includes a £(0.058)m underspend relating to the catering concession at Altrincham Town Hall.

There is a one-off adjustment to cost recovery for Altrincham Market £0.029m.

EGEI9 – Planning and Building Control – £(0.113)m (favourable)

Income from planning fees is £(0.034)m higher than last reported, giving an overall surplus of £(0.273)m. There is a shortfall in income from building control fees of £0.106m, a favourable movement of £(0.010)m. Mitigating action has been successful in reducing the trend of income shortfalls in building control during this financial year, and this action is continuing. Both fees are monitored regularly.

There is an overspend on staffing of £0.063m for the year, an increase of £0.034m from last reported. The overspend reflects the appointment of interim staff to cover vacancies and address the resulting capacity issues. These posts contribute to the achievement of the additional planning income above. The permanent filling of vacant posts will be addressed by the on-going restructure of the combined Directorate. Running costs are £(0.009)m less than budget.

EGEI10 – Economic Growth Team – £(0.055)m (favourable)

There is an underspend of £(0.051)m in staffing and running costs of the Altrincham Town Team as service review and re-design is implemented in this area.

The income generation proposal relating to town centre advertising will not be achieved due to recent legal advice leading to an overspend of £0.016m. This will be addressed through alternative proposals and progressed in the Medium Term Financial Plan. Income from property referral fees web-site advertising have been re-phased to later in the year giving a shortfall of £0.003m.

EGEI11 – Housing Strategy – £0.015m (adverse)

There is a shortfall in income of £0.038m from the implementation of Green Deal. This is an on-going pressure and will be addressed in the Medium Term Financial Plan. Other staffing and running costs are £(0.023)m underspent.

EGEI12 – Operational Services for Education

This service area includes catering and cleaning services to schools, which are managed on a trading account basis. The introduction of universal free school meals for infant age children from September 2014 placed significant pressure on the catering service to invest in school kitchens, staff and equipment in order to meet the additional demand. This has also seen an increase in turnover which has offset the additional running costs. There is a net traded surplus at the end of March 2015 of £(0.302)m. However, the service manages its costs and income over school terms and academic years rather than financial years and any surplus at the end of March will be required to continue the investment in the service and in particular improve readiness for the new academic year in September 2015. This amount has therefore been carried over to 2015/16 in an earmarked reserve.

TRAFFORD COUNCIL

Report to: Transformation & Resources Directorate Management Team
 Date: 28 May 2015
 Report for: Discussion
 Report author: Senior Accountant – Transformation & Resources

Revenue Budget Outturn 2014/15

1. Outturn and Key Period Movements

1.1 The current approved revenue budget for the year is £17.526m and the outturn is £16.891m, which is a £(0.635)m, or (3.6)%, underspend position. This represents a favourable movement of £(0.191)m since the last report which can be explained by the following key movements:

- Savings in barrister, court and other legal costs £(0.069)m
- Additional grant income in Exchequer Services £(0.054)m in respect of Counter Fraud Grant, NNDR administration income and extra liability order income.
- Under- utilisation of Safer, Stronger Communities funding in Partnerships and Communities of £(0.042)m.

1.2 At the start of 2014/15 the Directorate had brought forward reserve balances of £(1.978)m and during the year applied £1.112m on a number of reshaping Trafford projects and initiatives which support future efficiencies (see Para 4.1). The year-end balance is £(1.501)m including the in-year underspend of £(0.635)m.

2. Explanation of Variances

2.1 Legal and Democratic £(0.138)m:

This mainly relates to additional income received by the Performance team in the form of Troubled Families Grant £(0.040)m for a Performance analyst and Data analyst and £(0.017)m from additional SLA income in respect of services provided to schools. There were also savings in employee costs on the Leadership Support team of £(0.061)m as a result of three vacancies, of which only one was backfilled by agency cover, pending a further restructuring exercise.

2.2 Access Trafford £0.044m

There was an overspend in respect of salary costs of £0.057m associated with library and contact centre staff. Across the T&R service area a vacancy factor equivalent to 3.5% of overall salaries is included in the budget to reflect that at any point in time it is very unlikely that a full complement of staff will be in post. Whilst savings in employee costs equivalent to the vacancy factor were achieved across T&R, an overspend occurred in Access Trafford due to the front line nature of the service and the need for vacancies to be filled quickly. These costs were partly mitigated by a £(0.013)m of additional income. The inclusion of a vacancy factor will be reviewed during 2015/16.

2.3 ICT £(0.061)m

During the year savings have been made totalling £(0.205)m on:

- staffing costs due to a number of unfilled vacancies of £(0.156)m;
- additional recharges to the capital programme in respect of new server development £(0.049)m.

These savings have been offset by additional expenditure of £0.144m including:

- SAP licence costs had to be continued due to the delay in implementing the new social care system £0.059m;
- voice and data ISDN to SIP switchover £0.067m;
- Other Software costs £0.018m.

2.4 Communications £(0.064)m

The Communications Team underwent a restructure during 2014/15 during which time the team carried a number of vacancies. This resulted in an underspend of salaries of £(0.096)m. In addition surplus income was achieved of £(0.023)m, including £(0.018)m from Clearwater for billboard advertising and events expenditure was £(0.057)m lower than budget.

A design and print project took place during the year which had a savings target of £0.221m; £0.113m of these savings have been delayed until 2015/16 due to an ongoing procurement exercise. However, they were offset in-year through savings in the Directorate.

2.5 Finance Services £(0.396)m

The significant underspend in the year mainly relates to:

- Exchequer Services £(0.268)m

This has resulted from an underspend on staffing in the Revenues and Benefits Administration Team of £(0.183)m caused by the secondment of staff to the Local Welfare Assistance & Universal Credit teams. There has also been unbudgeted income of £(0.054)m in respect of Counter Fraud Grant, additional NNDR administration income and extra liability order income.

- Financial Management £(0.082)m

This includes lower than anticipated expenditure on employee costs of £(0.026)m due to vacancies and additional income of £(0.056)m in respect of income generated from services to schools and VAT refund income.

- Internal Audit £(0.030)m

This is mainly due to salaries being lower than budgeted as a result of a staffing restructure and in-year vacant posts.

2.6 Partnership and Communities £0.023m

Additional one-off expenditure was incurred on salaries following the restructure of the service and there was a shortage in CCTV income which in the main was financed by additional funding, including Data Release Grant. There was also an under-utilisation of Safer, Stronger Communities funding because of savings in the cost of initiatives undertaken.

2.7 Culture and Sport £0.018m

This mainly relates to expenditure at Sale Waterside Arts Centre which exceeded budget by £0.094m and related to additional advertising, catering and the cost of productions but the majority of this was met from additional income of £(0.070)m.

2.8 Human Resources £(0.044)m

Overspend on staffing of £0.096m due to additional agency costs required to cover vacancies. This has been more than offset by savings in running costs of £(0.028)m relating to legal fees and subscriptions, surplus income of £(0.112)m generated from Supply Service Agency placement income and schools SLA income. This was received from some schools/academies upgrading their package of services, in addition to ad-hoc charges for services outside of the core SLA offers.

2.9 Executive £(0.017)m

There has been an underspend on both the salaries, due to the former Corporate Director leaving, and various running cost budgets, particularly photocopying, of £(0.004)m and £(0.013)m respectively.

3. MTFP Savings 2014-15

- 3.1 The Council's overall budget for 2014/15 included £(13.776)m of savings of which £(3.006)m relates to T&R. A total of £(2.628)m or 87% was delivered during the year but the timing of some savings have been delayed as detailed below.

Table 1: Saving Description	Phased Savings (£000's)
Human Resources Restructure	83
Partnerships and Communities Restructure	87
Legal Services Restructure	36
Design and Print	113
ICT - Social care - licence fee	59
Total	378

- 3.2 All delayed savings are expected to be achieved in full in 2015/16.

- 3.3 The in-year shortfall against budget has been mitigated by in-year net underspends.

4. Reserves

4.1 The Directorate had accumulated balances of £(1.978)m brought forward from previous years and during the year £1.112m was applied to a number of areas including:

- Legal costs relating to the joint venture proposals £0.327m
- Libraries and CFW consultation costs £0.054m
- Waterside Arts Centre Bar project £0.050m
- ICT EDRMS-Liquid Logic project £0.055m
- Legal litigation costs £0.293m
- Communications projects delayed from 2013/14 £0.050m
- Safer Communities projects delayed from 2013/14 £0.087m

4.2 The remaining commitments against the reserve in 2015/16 are under review and an update will be included in the first monitoring report for 2015/16. The balance of earmarked reserves as at 31 March 2015 is £(1.501)m, including the 2014/15 in-year underspend of £(0.635)m.

Period 12 Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the outturn and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Forecast Outturn (£000's)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P12 to P11 Movement (£000's)	Note ref
Transformation and Resources Portfolio						
Legal & Democratic	2,491	2,353	(138)	(69)	(69)	T&R1,3
Communications & Customer Services	5,837	5,756	(81)	(78)	(3)	T&R1,2
Strategic Human Resources	2,068	2,024	(44)	(79)	35	T&R1
Corporate Leadership and Support	368	351	(17)	(28)	11	
sub-total	10,765	10,484	(280)	(254)	(26)	
Finance Portfolio						
Finance Services	3,614	3,218	(396)	(281)	(115)	
sub-total	3,614	3,218	(396)	(281)	(115)	
Communities and Partnerships						
Partnerships & Communities	1,529	1,552	23	80	(57)	T&R1
Culture & Sport	1,619	1,637	18	11	7	
sub-total	3,148	3,189	41	91	(50)	
Total	17,526	16,891	(635)	(444)	(191)	

Business Reason / Area (Subjective analysis)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	P12 to P11 Movement (£000's)	Note ref
Delay in savings implementation	378	375	3	T&R1
SDN line upgrade delay	67	67	-	T&R2
Court Costs and Legal fees	6	47	(41)	T&R3
Management of Vacancies	(490)	(563)	73	T&R4
Income	(807)	(517)	(290)	T&R5
Running Costs	211	147	64	T&R6
Total	(635)	(444)	(191)	

TRAFFORD COUNCIL

Report to: Director of Finance
Date: 14 May 2015
Report for: Information
Report author: Finance Manager Financial Accounting

Report Title

Revenue Budget Monitoring 2014/15 – Period 12 Outturn - Council-Wide Budgets (April 2014 to March 2015 inclusive)
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1 Outturn

- 1.1 The current re-aligned revenue budget for the year is £20.291m. The outturn forecast is £17.686m, which is £(2.605)m under the budget, a favourable movement of £(0.442)m since the last report.
- 1.2 Appendix 1 details the variances from the approved budget and the period movement from the previous forecast by both function and activity, which in summary are;
- Manchester Airport Group interim dividend payment £(1.000)m not budgeted for;
 - Proceeds from the planned sale of the Council's interest in Urmston Town Centre, in excess of the figure reported to the Council meeting on 17 September 2014, £(0.054)m;
 - Empty Homes and Single Person Discount Reviews, one-off fees of £0.052m. As a consequence of the Empty Homes review, the Council will receive additional income from New Homes Bonus grant for each of the 155 properties identified, worth approximately £1,455 per property per annum for six years;
 - Members expenses - savings as a result of changes to the Members Allowances Scheme, new Government pension regulations, the pay award and reduced running costs £(0.091)m;
 - £(0.918)m additional Section 31 grant relating to the Government's extension of the Small Business Rate Relief/Retail Relief Discount Schemes and further income from renewable energy schemes;
 - £0.045m reduction in the level of Education Services grant;
 - Housing and Council Tax Benefits overpayment recovery net variance of £(0.221)m;
 - £(0.318)m underspend on contingency and provision budgets following year-end adjustments concerning creditor provisions in respect of the electronic ordering system;
 - £(0.041)m, costs of off-site document storage are lower than budget;
 - £(0.026)m, cost savings from the phasing out of the old car lease scheme;

- External Audit fees, one-off rebates £(0.037)m and savings on grant audit fees of £(0.001)m, offset by additional costs of £0.010m relating to the forensic review of the Council's investigation report into budget monitoring arrangements;
- VAT refunds relating to a claims for backdated commercial waste income, £(0.029)m and parking meter income, £(0.013)m;
- Costs of the Judicial Review regarding adult social care budget consultation, £0.037m.

2 Service carry-forward reserve

- 2.1 Other than for the Coroner's Service, Council-Wide budgets do not have their own carry forward reserve, and any underspend are transferred to the General Reserve, as detailed in the summary report.

Period 12 Outturn revenue expenditure and income variances,

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P12 Forecast Outturn (£000's)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	Period Movement (£000's)	Ref
Finance Portfolio						
Precepts, Levies & Subscriptions	17,855	17,857	2	(5)	7	
Provisions (bad debts & pensions)	(535)	(885)	(350)	29	(379)	C-W1
Treasury Management	7,981	6,965	(1,016)	(1,016)		C-W2
Insurance	775	775				
Members Expenses	926	835	(91)	(50)	(41)	C-W3
Grants	(6,804)	(7,693)	(889)	(793)	(96)	C-W4
Other Centrally held budgets	93	(168)	(261)	(328)	67	C-W5
Total	20,291	17,686	(2,605)	(2,163)	(442)	

Business Reason / Area (Subjective analysis)	P12 Outturn variance (£000's)	P11 Outturn variance (£000's)	Period Movement (£000's)	Ref
Urmston Town Centre additional sale proceeds	(54)	(54)		C-W1
Empty Homes/Single Person Discount Review	52	45	7	C-W1
Judicial Review	37	38	(1)	C-W1
Creditor provisions over 4 years old	(314)		(314)	C-W1
Document Storage	(41)		(41)	C-W1
Car Leasing scheme	(26)		(26)	C-W1
Provision for bad debts & other contingencies	(23)		(23)	C-W1
Other adjustments.	19		19	C-W1
Treasury Management:				
- MIA interim dividend	(1,000)	(1,000)		C-W2
- Investment Income	(13)	(10)	(3)	C-W2
- Debt payments	(3)	(6)	3	C-W2
Precepts, Levies & Subscriptions	2	(5)	7	
Members Expenses	(91)	(50)	(41)	C-W3
Grants	(889)	(793)	(96)	C-W4
External audit fees	(28)	(29)	1	C-W5
Housing & Council Tax benefits	(221)	(289)	68	C-W5
VAT Refunds	(40)	(42)	2	C-W5
Other minor variances	28	32	(4)	C-W5
Total	(2,605)	(2,163)	(442)	

NOTES ON PROJECTED VARIANCES

C-W1 – Provisions - £(0.350)m (favourable), £(0.379)m favourable movement

The sale proceeds from the planned sale of the Council's interest in Urmston Town Centre, following its redevelopment, are £(0.054)m in excess of the figure agreed at the Council meeting on 17 September 2014.

An exercise was carried out to confirm whether long term (more than 6 months) empty properties were in fact occupied. The final fee for this work was £0.052m made up from an Empty Homes review, £0.038m and a Single Person Discount review, £0.014m. Also, as a consequence of the review of empty homes additional New Homes Bonus grant will be secured for each of the 155 properties identified, worth approximately £1,455 per property.

The Council was recently successful in defending legal proceedings, brought in relation to the legality of the budget consultation process regarding the proposed cuts to its adult social care budget. Whilst the Council succeeded in the High Court and permission to appeal was refused, nevertheless, the Claimant has now applied for permission to appeal directly to the Court of Appeal. The matter is currently with the Court of Appeal to decide whether or not to give permission. If permission is given

then this will increase legal costs. The current costs to the Council of the Judicial Review charged to the 2014/15 accounts are £37k.

£(0.318)m underspend on contingency and provision budgets following year-end adjustments concerning creditor provisions in respect of the electronic ordering system.

The costs of off-site document storage are lower than budget, £(0.041)m.

The costs of the phasing out of the old car leasing scheme are lower than budget, £(0.026)m.

C-W2 – Treasury Management - £(1.016)m (favourable)

Manchester Airport Group (MAG) announced their interim results for 2014/15 and have paid a total dividend of £31m across the members of the Group, which for Trafford equates to £(1.0)m.

Other minor savings from investment interest and lower debt repayments, £(0.016)m.

C-W3 – Members Expenses - £(0.091)m (favourable), £(0.041)m favourable movement

Changes to the Members Allowances Scheme were approved at the Council meeting on 17 September 2014 following a report from the Independent Remuneration Panel (IRP). The changes will generate annual savings of approximately £(0.036)m. However, a number of the changes were only effective part way through the year and the final saving in 2014/15 is £(0.025)m. Government legislation, effective from 1 April 2014, has removed the access to a Local Government Pension Scheme for Councillors. This is on a phased basis and will be applied to those Councillors re-elected in the May local elections in each of the next 3 years. The budget saving in 2014/15 was £(0.013)m. Savings have also been made from the part year effect of the recent pay award and reduced running costs totaling £(0.053)m.

C-W4 Grants - £(0.889)m (favourable), £(0.096)m favourable movement

In 2014/15 the Council received additional Section 31 grant to compensate for the loss of income from the Government's decision to extend the Small Business Rate Relief/Retail Relief Discount Schemes. The grant also includes a sum for a renewable energy scheme at Saica paper mill, which is wholly retained by the Council. The grant is worth £(0.918)m in total and the Council has discretion over its use.

The 2014/15 Education Services grant, at £(3.408)m, is £0.045m below the budget of £(3.453)m. This specific grant is based on pupil numbers in Council maintained schools and is dependent on the final number of schools converting to Academy status during the year.

C-W5 – Other Centrally held budgets - £(0.261)m (favourable), £0.067m adverse movement

- **Housing & Council Tax Benefits - £(0.221)m (favourable)**
The Council Tax Benefit Scheme ceased in 2013 and was replaced by the Council Tax Support Scheme. Any recovery of overpaid Council Tax Benefit from previous years is retained by the Council and the outturn for 2014/15 is

£(0.190)m. The credit from the recovery of overpaid Council Tax Benefit is difficult to predict and will eventually taper off.

There is a net variance of £(0.031)m within the Housing Benefit budget, an adverse movement of £0.109m since last month. This includes final year- end adjustments relating to prior years.

- **External Audit fees - £(0.028)m (favourable), £0.001m adverse movement**
The Audit Commission paid rebates to audited bodies, returning some £6.8m to local government, fire and rescue and police bodies. The rebates reflect the efficiency savings achieved by the Commission ahead of its closure in March 2015, Trafford's share being £(0.021)m.

The Commission also made further rebates in respect of audit fees to audited bodies, returning another £6 million to principal bodies. This second tranche of rebates resulted from the efficient management of the Commission's closure, Trafford's share being £(0.016)m. The Commission's Board will also consider in March 2015 the amount of any final rebate on audit fees.

There have also been additional one-off costs of £0.010m relating to the forensic review of the Council's investigation report into budget monitoring arrangements and a minor saving on grant audit work of £(0.001)m..

- **VAT Refunds - £(0.040)m, adverse movement**

HMRC changed the VAT legislation regarding the collection of commercial waste in February 2011 from taxable to non-business (nil rate VAT).

The Council submitted a claim to HMRC initially for 4 years covering June 2007 to March 2011 for £0.157m.

After negotiations via the CIPFA VAT committee it has been agreed by HMRC that they will pay Local Authorities 20% of the value of this claim, which for Trafford is £(0.029)m. 20% reflects the number of commercial customers who are not registered for VAT, so cannot reclaim the value charged, or are charities. This was a National agreement across all Local Authorities who submitted claims.

HMRC has also recently changed the VAT legislation regarding the treatment of change which Councils do not refund to customers for their off street car parking meter fees, from taxable to non-business (nil rate VAT). This allowed the Council to make two claims, one for £(0.016)m relating to the period from January 2010 to March 2013, which has now been paid. The second for £(0.043)m for the period from April 1991 to March 2008 relates to and has been added to another current Council claim outstanding for off street car parking which is still going through the European Court process. A decision on this claim is awaited from HMRC.

- Other minor variances £0.028m.

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TRAFFORD BOROUGH COUNCIL

Report to: Executive – 29 June 2015
Report for: Decision
Report of: The Executive Member for Finance and the Director of Finance

Report Title

CAPITAL INVESTMENT PROGRAMME 2014/15 OUTTURN

Summary

The report summarises the outturn position for 2014/15 and the consequential impact on the Medium Term Financial Plan 2015/18.

Capital expenditure for 2014/15 amounted to £26.5m, equivalent to 62% of revised budget of £42.9m. The forecast outturn for 2014/15 had been £35.8m and the variance of £9.3m can be explained by a number of factors that are detailed in the report

Net re-profiling of £16.9m will increase the Capital Investment Programme in 2015/16 and later years.

Recommendation(s)

The Executive is requested to

- Note this summary report
- Approve the changes to the 2015/18 Programme
- Approve the additional expenditure, listed in Appendix B, in accordance with Financial Procedure Rule No. 4
- Note the outturn of the prudential indicators for 2014/15 as set out in paragraph 14 and Appendix C.

Contact person for access to background papers and further information:

Name: Mark Hughes
Extension: 2072

Background Papers - None

Capital Expenditure 2014/15

1. The original budget for 2014/15 was approved at £40.9m in February 2014. The Executive approved a revised budget of £42.9m as at Quarter 3 which reflected new schemes supported by capital grants and contributions.
2. Final capital expenditure of £26.5m has been incurred in 2014/15 and some of the main highlights include:
 - **School Improvements - £13.2m:-**
 - Broadheath Road Primary School refurbishment- £1.4m
 - Bowdon CoE Primary School - £2.6m
 - Springfield Primary School refurbishment - £1.5m
 - Expansion & Basic Need Works - £4.1m
 - Improvements via Devolved Formula Capital - £0.6m
 - Capital Maintenance works - £2.0m
 - Universal Infant Free school Meals works - £0.6m
 - **Adult Social Services - £3.0m:-**
 - Disabled Facilities Grants - £1.5m
 - Telecare System - £0.4m
 - Extra Care Housing - £0.7m
 - Liquid Logic – ICT Social Care System - £0.4m
 - **Major building works on Public & Operational Buildings - £0.5m**
 - **Regeneration Projects - £1.5m**
 - **Highway Related Improvements - £6.6m:-**
 - Integrated Transport Improvements - £2.5m
 - Highway Structural Maintenance - £3.5m
 - Bridges and Street Lighting Improvements - £0.6m
 - **Sport, Recreation & Culture - £0.9m**
 - **ICT Investment £ 0.7m**
3. The level of capital expenditure equates to 62% of the approved budget and a summary of the major variances is shown below. Appendix A provides an analysis of variance at a service level whilst Appendix B details variances at an individual scheme level.

Actual Capital Expenditure compared to Revised Budget 2014/15	£m
Revised 2014/15 Budget	42.9
Actual	26.5
Variance	(16.4)
Explained By:-	
Re-profiling to future years (Appendix B, pages 11-14)	(18.3)
Acceleration (Appendix B, page 14)	1.4
Additional Expenditure (Appendix B, page 14-15)	0.8
Savings (Appendix B, page 15)	(0.3)
Total	(16.4)

4. Outturn was projected at Quarter 3 to be £35.8m and the level of expenditure incurred has fallen to the final figure of £26.5m. This reflects changes to a number of schemes requiring further re-profiling to 2015/16 and later years.

The main areas of change are :-

- Schools related works - £2.6m
- Services for Adults - £1.0m
- Corporate Landlord related schemes - £1.2m
- Highways structural maintenance & improvements - £1.4m
- Information Technology schemes - £2.0m.
- Other services - £1.1m

Specific explanations are provided in the service analyses included in Paragraphs 11 – 13

5. Included in the figures above are a number of schemes where the Council has limited control over the phasing of expenditure. Schools Devolved Formula capital, land assembly schemes and third party grants are outside our control and after adjusting for these outturn performance increases to 66%.

Financing of Capital Expenditure

6. The expenditure was financed from grants and external contributions, supplemented by receipts derived from the sale of surplus assets and a small level of specific reserves. The actual levels applied are shown below:-

<i>Financing of Capital Expenditure 2014/15</i>	Revised £m	Actual £m
Internal Resources		
Capital Receipts	1.4	1.4
LSVT VAT Receipts	9.3	4.7
Specific Reserves	1.3	0.2
Borrowing	1.2	-
Sub-Total	13.2	6.3
External Resources		
Grants & Contributions	29.7	20.2
Total	42.9	26.5

7. Sufficient capital resources will be available to cover all the expenditure re-profiled from 2014/15 to future years. No grants and contributions are at risk of clawback and will therefore be available in later years. The lower than projected borrowing will lead to a temporary reduction in minimum revenue provision (repayment of debt) of approximately £48k in 2015/16 compared to the MTFP estimate.

Explanation of major variances

8. Final expenditure of £26.5m has been incurred against an approved budget of £42.9m. The table below provides a comparison, by service area, of the budget and actual expenditure and the expected movement to projected outturn reported at Quarter 3.

Actual Capital Expenditure compared to Revised Budget 2014/15					
Service Area	Budget	Actual	Variance	Previous Projected Outturn	Period Change
	£m	£m	£m	£m	£m
Children Families & Wellbeing					
Schools	18.6	13.2	(5.4)	15.8	(2.6)
Children's Services	0.1	0.0	(0.1)	0.1	(0.1)
Services for Adults	4.6	3.0	(1.6)	4.0	(1.0)
Total	23.3	16.2	(7.1)	19.9	(3.7)
Economic Growth, Environment & Infrastructure					
Corporate Landlord	2.3	0.6	(1.7)	1.8	(1.2)
Town Centre Regeneration & Strategic Planning	2.2	1.4	0.8	1.8	(0.4)
Housing Services	0.3	0.0	(0.3)	0.2	(0.2)
Highways	8.9	6.6	(2.3)	8.0	(1.4)
Bereavement Services	0.6	0.0	(0.6)	0.3	(0.3)
Sustainability & Greenspace	0.8	0.9	0.1	0.7	0.2
Public Protection	0.2	0.0	(0.2)	0.2	(0.2)
Total	15.3	9.5	(5.8)	13.0	(3.5)
Transformation & Resources					
Performance & Improvement	0.1	0.0	(0.1)	0.1	(0.1)
Customer Services	0.1	0.1		0.1	
Information Technology	4.1	0.7	(3.4)	2.7	(2.0)
Total	4.3	0.8	(3.5)	2.9	(2.1)
Capital Programme Total	42.9	26.5	(16.4)	35.8	(9.3)

9. Where schemes are estimated to overspend then this is reported to the Executive in accordance with finance procedure rules during the year. Given the incidence of capital expenditure this mainly occurs in the final quarter of the year. During 2014/15 additional expenditure of £659k has been incurred on a number of projects financed from specific resources. For example £263k of highway works done under S278 of the Highways Act and these are funded by the developer ; £37k was incurred on replacement of lifecycle components on the Sale Waterside PFI asset and these were financed by the PFI partner. Additional expenditure was also incurred on a number of grant funded schools and highway related projects and these were offset by savings in these respective areas.
10. The estimated cost of the scheme to replace the cremators at Altrincham Crematorium has increased by £95k to £445k. This follows a recent tendering exercise and whilst options have been considered to reduce the cost of the scheme no further adjustments can be made to the specification.

A review has been undertaken of the Corporate Landlord budgets and resources have been identified to cover the additional requirement. Approval is required for this re-allocation of resources.

Children, Families and Wellbeing

11. Expenditure of £16.2m has been incurred which represents 69% of the £23.3m budget. The result of this is net re-profiling of £7.1m to 2015/16 and later years. The main areas of variance include :-

- **Schools** related investment accounts for £18.6m of the budgets in this Service Area and expenditure for the year totals £13.2m, resulting in net re-phasing of £5.4m to 2015/16 and later years.
- The budget for 2014/15 included the main allocations for Basic Need and Maintenance for which approval was given by the Executive, to individual schemes, in July 2014. The size of the schemes is such that it is not unusual for delays to be encountered. These include Bowdon CoE Primary School and Brentwood School for which detailed explanations are included in Appendix B.
- **Social Care and DFG's** - The approved budget was £4.6m and actual expenditure £3.0m resulting in £1.6m being re-phased to 2015/16. This re-phasing relates primarily to ;
 - **Social Care Grant** – A revised capital programme is being developed for Adults Social Care. This will be aligned to our transformation work and ensuring capital expenditure supports development of the new organisational model. Proposed capital programme will be presented to Executive in July 2015 and as a result £0.5m has been re-phased.
 - **Liquid Logic Social Care System** – The system is now live but the financial integrations are still to be completed which has resulted in £0.4m being re-phased to 2015/16
 - **Disabled Facilities Grants** - There have been a number of challenges within this service that have led to delays in delivering major adaptations. A fundamental review of the service is underway and we expect the remaining budget of £0.4m to be required to meet demand and therefore is to be re-phased to 2015/16.

Economic Growth, Environment and Infrastructure

12. Expenditure of £9.5m has been incurred which represents 62% of £15.3m budget. The variance of £5.8m relates to net re-phasing of £6.1m and expenditure of £0.3m incurred on schemes not budgeted for but funded from external contributions (for example S278 highways works).

The major areas of re-phasing being :-

- **Corporate Landlord** related projects include Mechanical & Electrical, Disability Discrimination Act, Public Building Repair Works and the Community Asset Transfer budget along with specific budgets for Broadheath Community Centre and retentions on the LTA initiative. Budgets totaling £2.3m are included in the service area with expenditure in the year of £0.6m. A programme of schemes has only

recently been agreed, the majority have commenced with the intention that they will complete early in 2015/16. As a result the balance of £1.7m is to be rephased to 2015/16. Minor savings on a number of schemes have been identified and it is intended to use these to support the cremator replacement project at Altrincham Crematorium to be carried out in 2015/16.

- **Altair Development, Altrincham** – Variance of £1.0m due to ongoing land assembly issues has resulted in re-phasing to later years.
- **Town Centre Regeneration** – A number of town centre improvement projects are now underway following the successful notification of external grants required to finance the schemes. Extended consultation and design works has resulted in £0.6m, of a £2.1m budget requiring rephasing to 2015/16.
- **Highways related** budgets totaled £8.9m with expenditure in year of £6.6m. The result of this is net re-phasing 2015/16 of £2.3m. Whilst the majority of the planned structural maintenance and integrated transport programmes were delivered as expected a number of schemes funded by, and involving, external parties have not progressed as expected. These include Altrincham Interchange, City Cycle Ambition Grant, Better Bus Improvements and A56/West Timperley Improvements. A detailed explanation is included in Appendix B.
- **Parks and Public Realm** - A revised budget £0.8m with actual expenditure of £0.9m. Included in the revised budget is £150k of play area improvements and access schemes accelerated from 2015/16 as a result of the Environment Infrastructure report approved by Executive in October 2014. The majority of these schemes along with some originally phased into 2015/16, to be funded from external contributions, have been completed in year. The result is net acceleration of £0.1m from 2015/16.
- **Bereavement Services** – Budget of £0.6m with re-phasing of £0.6m
 - **Additional Burial Land** - The purchase of additional burial land in Altrincham has been delayed due to the ongoing negotiations with the land owner which has now been successfully resolved. Work has also been undertaken to identify the required infrastructure works at an additional cost of £68k. This can be covered from savings in the highways drainage and cemetery footpaths budgets. As result £0.4m has been re-phased to 2015/16.
 - **Altrincham Crematorium** - The scheme to replace the cremators has not commenced due to ongoing tender evaluation, with the costs increasing by £95k to £445k. Savings in the Corporate Landlord budgets have been identified to cover this and the scheme is to be undertaken in 2015/16. As a result £0.2m originally included to 2014/15 is to be re-phased.

Transformation and Resources

13. The budget for this service area is £4.3m with expenditure of £0.7m resulting in £3.5m being re-phased to 2015/16. It was reported at quarter 3 that the anticipated outturn would be £2.9m, £1.4m lower than the approved budget. The main areas of rephasing relate to:-

- Major ICT projects including the corporate Customer Relationship Management (CRM) and Electronic Data Records Management System projects. The initial scoping phase for CRM was completed in year by the selected supplier and as a result of this the scope of the scheme has been reassessed and also the capital cost estimates have also been updated. Implementation will take place during 2015/16.

Prudential Indicators

14. The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix C are the actual capital programme related indicators agreed in February 2014, and updated in February 2015. No indicators were breached in 2014/15.

Conclusions & Recommendations

15. The report has identified the impact of the capital expenditure outturn in 2014/15. The Executive is requested to:-
- Note this summary report
 - Approve the changes to the 2015/18 Programme
 - Approve the overspends, listed in Appendix B, in accordance with Financial Procedure Rule No.4
 - Approve the actual prudential indicators for 2014/15 as set out in Appendix C.

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Capital expenditure has been contained within available resources in 2014/15.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	A number of improvement schemes undertaken in 2014/15 were completed.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes were undertaken in 2014/15 on the grounds of health and safety.

Other Options

There are no options in this report.

Consultation

N/A

Reasons for Recommendation

To ensure that key information on the Capital Investment Programme is noted by the Executive.

Finance Officer Clearance*GB*.....

Legal Officer Clearance*JLF*.....

CORPORATE DIRECTOR'S SIGNATURE

APPENDIX A

CAPITAL OUTTURN 2014/15

The Council spent £26.5m on capital schemes last year. A summary analysis of this by service area is shown below, together with further detail on re-profiling, acceleration, overspending and savings.

Service Area	Budget 2014/15 £'000	Outturn 2014/15 £'000	Variance £'000	← Variance Explained By →			
				Re- Profiling £'000	Accel. £'000	Add'n Expend £'000	Saving £'000
Children, Families & Wellbeing	23,341	16,196	(7,145)	(7,732)	476	244	(133)
Economic Growth, Environment & Infrastructure	15,275	9,540	(5,735)	(6,983)	879	546	(177)
Transformation and Resources	4,290	743	(3,547)	(3,547)			
Total	42,906	26,479	(16,427)	(18,262)	1,355	790	(310)

APPENDIX B

Explanation of Major Variances

Re-Profiling £18.3m	£000	Explanation
CFW – £7.7m		
School Places Programme	1,901	During the year work has been undertaken on 21 schools to provide additional places with a budget of £13.5m. 16 are now complete, with a number having final payments due in 2015/16. There is also £0.8m of un-allocated balance that will be used to support the 2015/16 programme of works.
School Places Programme : Brentwood School	1,012	Following initial inclusion a feasibility study was undertaken and decision was made to rebuild the school on a new site. This decision has resulted in increased costs and the expected completion date being pushed back 12 months to September 2016.
School Places Programme : Bowdon CoE Primary School	1,408	Delays in planning approval being granted and the need for a Protected Open Space consultation and report have delayed the start of the project.
St.Ambrose College, Altrincham	294	Scheme completed and new school opened in September 2013 – however there are still retentions / costs in dispute to be paid and budget requires re-phasing.
Schools Maintenance Schemes	1,209	24 projects were undertaken during the year and budgets need re-phasing to take into account the timing of works with school holidays and to cover retentions due in 2015/16. £600k of this relates to the Brentwood School scheme (see above).
Devolved Formula Capital	122	Each school allocated annual budgets to be spent within 3 years as they require. Council has no control over when budgets are spent
Capital Innovation Fund – U5s Service Provision	85	Phase 2 of the grants awards will be undertaken in 2015, which is expected to leave an underspend. This will need to go back to the Executive for re-allocation.
Adult Social Care – Community Capacity Grant	520	A revised capital programme is being developed for Adults Social Care. This will be aligned to our transformation work and ensuring capital expenditure supports development of the new organizational model. Proposed capital programme will be presented to Executive in July 2015 and as a result £0.5m has been re-phased.

Liquid Logic – Adult Social Care System	452	The system is now live but the financial integrations are still to be completed which has resulted in £0.4m being re-phased to 2015/16
LDD Assessment Unit – Upgrade (Shawe View, Flixton)	100	The building work was then put on hold due to wider review of buildings within the service. The design is now underway with works due to commence in July 2015.
Disabled Facilities Grants	401	There have been a number of challenges within this service that have led to delays in delivering major adaptations. A fundamental review of the service is underway and we expect the remaining budget of £0.4m to be required to meet demand and therefore is to be re-phased to 2015/16.
EGEI - £7.0m		
Corporate Landlord Schemes	754	A programme of schemes has only recently been agreed, the majority have commenced with the intention that they will complete early in 2015/16. Minor savings on a number of schemes have been identified and it is intended to use these to support the cremator replacement project at Altrincham Crematorium.
Community Asset Transfer	483	See above
Broadheath Community Centre	420	The council is to utilise S.106 contributions to support the new facility. Continuing legal negotiations between the interested parties has delayed the expected start of the development.
Long Term Accommodation	122	Required to cover outstanding retention payment.
Altair Development, Altrincham	236	Relates to outstanding land compensation issues on the site.
Bringing Town Centres Alive	131	Budget provides loans to new businesses in town centres. 11 loans were advanced in the year, with a new applications being assessed.
Town Centres – Public Realm Improvements	387	A number of town centre improvement projects are now underway. Extended consultation and design works has resulted in the budget being rephrased 2015/16.
Altrincham Interchange Improvements	348	Scheme lead by TfGM. Budget is Trafford's contribution toward the scheme. TfGM have yet to claim the contribution.
Cycle City Ambition Grant	1,105	Protracted legal negotiations mean that the scheme has not progressed as expected. TfGM agreed in January 2015 to an extension until September 2015.

Better Bus Imps – Barton Dock Road, Trafford Park	252	A hiatus of the works over the Christmas period has resulted in the need to re-profile the un-spent budget to complete the work in 2015/16.
Bridgewater Way Improvements	140	The continuation of the project comprises 4 phases along different stretches of the canal, progressing at different rates. Phase 5 has reached practical completion, with final payments due in 2015/16. (See also Acceleration section below)
Integrated Transport Plan Works	171	A range of projects (including Schools Safety and Area Parking) have commenced providing £0.6m of investment. Formal consultation requirements can lead to delays in starting schemes meaning that some re-profiling is required.
A56 / West Timperley : Junction Improvements	666	Ongoing land assembly negotiations have meant that the scheme has not progressed as expected.
Highways Structural Maintenance Works	186	£3.4m of schemes has been delivered in 2014/15. Minor re-phasing is required to cover final works on small number of schemes due to complete in 2015/16.
Pay & Display Equipment	161	The pay and display upgrade is to be procured alongside a cashless payment option. The new pay and display machines will be ordered early in 2015/16, with delivery and fitting time being 12 weeks from order placement.
Parks & Greenspace Schemes	229	A range of parks and open space schemes have been undertaken, including £150k worth of projects accelerated from 2015/16. A number have completed ahead of schedule, whilst some are still ongoing. (see Acceleration section below)
Additional Burial Land	371	The purchase of additional burial land in Altrincham has been delayed due to the ongoing negotiations with the land owner which has now been successfully resolved. Work has also been undertaken to identify the required infrastructure works at an additional costs of £68k.
Altrincham Crematorium – Cremators replacement	200	The estimated cost of the work has increased by £95k to £450k, as a result of the tender evaluations and identifying savings to cover the additional costs the work will be carried out in 2015/16.
Housing Standards & CPO	353	A number of vacant properties have been identified where the Council's compulsory

		purchase order (CPO) powers can be used. In addition we are to recommence an initiative for the renovation of long term empty properties.
T&R - £3.6m		
LAA Reward Grant – Strategic Sports Framework	108	A plan has now been agreed to allocate this through a grants scheme to sports clubs. This will take place in 2015/16
CRM Upgrade	2,182	The initial scoping phase for CRM was completed in year by the selected supplier. As a result of this the scope of the scheme has been reassessed and also the capital cost estimates have also been updated. Implementation will take place in 2015/16.
Electronic Data Records System (EDRMS)	627	See above
Web / Customer Strategy Project	348	See above
Other ICT Projects	282	A number of schemes were added to the Capital Programme in the second half of the year, as a result they have not completed and require the balance of the budget to be re-profiled.

Acceleration £(1.4)m	£000	Explanation
CFW - £(0.5)m		
School Places Programme	(439)	Work at Broadheath Primary Schools and The Firs Primary School have progressed better than originally planned.
YOS – Case Management	(34)	Originally budget to start in 2015/16. Work has commenced early and is now expected to complete in September 2015.
EGEI - £(0.9)m		
Altrincham – Library/Community Facility	(218)	Payment of deposit to developer for facility to be built once development site has been cleared. Scheme expected to complete within the next 18 months, when balance of the £2.0m will be due.
Bridgewater Way Improvements	(213)	See Re-profiling section above. Phase 6 has completed ahead of the original schedule and budget has been accelerated from 2015/16.
Parks & Greenspace Schemes	(354)	A range of parks and open space schemes have been undertaken, including £150k worth of projects accelerated from 2015/16. A number have completed ahead of schedule, whilst some are still ongoing. (see Re-profiling section above)

Additional Expenditure £0.8m	£000	Explanation
CFW - £0.2m		
Schools Maintenance Project – Templemoor Primary School	127	Capital maintenance work undertaken directly by the school – financed by school.
School Places Programme	73	Minor overspends on 3 projects – savings identified on other projects (see below)
Free School Meals – Kitchen works	32	Minor overspends across works to improve facilities in 36 primary schools – savings identified in capital maintenance programme to cover (see below)
EGEI - £0.6m		
Sale Waterside – Lifecycle Costs	37	Costs relating to the maintenance of Sale Waterside – Costs have been financed by a prepayment in earlier years as part of the unitary payments made to Cofatech and do not impact on capital resources.
Altrincham Market – Fire damage	76	Fire damage to Market Hall at Christmas has been repaired and costs are covered by Fire Reserve contribution.
Corporate Landlord – Bowdon Assembly Rooms	39	Capital works, not originally budgeted for, had been incorrectly charged to revenue. Savings on other Corporate Landlord budgets have been identified to cover.
Altrincham Crematorium – Replace cremators	95	This follows a recent tendering exercise and whilst options have been considered to reduce the cost of the scheme no further adjustments can be made to the specification.
Section 278 agreements	263	Relates to highway works on residential and commercial developments undertaken by the Council and funded by the developer.
Highways Related Projects	43	Minor overspends have been incurred – savings in the same area have been identified.

Savings £(0.3)m	£000	Explanation
CFW - £(0.1)m		
School Places Programme	(73)	Saving on scheme at Worthington Primary now all costs have been incurred.
Schools Maintenance Programme	(32)	Savings identified on a number of completed schemes to cover additional cost of Universal Free School Meals works.
EGEI - £(0.2)m		
Corporate Landlord Schemes	(134)	Savings on a number schemes have been identified to cover overspends on other schemes.

		(see Bowdon Assembly Rooms and Altrincham Crematorium above)
Highways Related Projects	(43)	Minor savings on schemes have been identified to cover overspends on other schemes (see Overspends section above)

APPENDIX C

Prudential Indicators – Actual 2014/15

The figures below show the Council's actual prudential indicators for 2014/15 compared to estimate.

Indicator 1: CAPITAL EXPENDITURE	2013/14 Actual £'000	2014/15 Original Estimate £'000	2014/15 Revised Estimate £'000	2014/15 Actual £'000
Total Expenditure	33,499	40,938	42,906	26,479

Explanation of variances are given in the Appendices A & B

Indicator 2: CAPITAL FINANCING REQUIREMENT	31/3/14 Actual £'000	31/3/15 Original Estimate £'000	31/3/15 Revised Estimate £'000	31/3/15 Actual £'000
General Fund	143,242	140,013	139,721	138,239

This is the Council's underlying need to borrow for a capital purpose. The table above reflects the estimated need to borrow for capital investment i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts.

Indicator 3: FINANCING COSTS TO NET REVENUE STREAM	2013/14 Actual %	2014/15 Original Estimate %	2014/15 Revised Estimate %	2014/15 Actual %
General Fund	6.7	6.9	7.0	7.0

This indicator shows the net borrowing costs and minimum revenue provision as a percentage of the Council's net revenue budget.

Indicator 4: Incremental impact on Band D council tax and housing rents	2013/14 Actual £	2014/15 Original Estimate £	2014/15 Revised Estimate £	2014/15 Actual £
Council Tax – Band D	12.43	0.00	0.00	0.0

The in-year borrowing requirement was less than the amount set aside to repay debt therefore there is no change to this indicator in year.

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TRAFFORD BOROUGH COUNCIL

Report to: Executive 29 June 2015
Accounts & Audit Committee 30 June 2015
Council Meeting 15 July 2015

Report for: Information

Report of: The Executive Member for Finance and the Director of Finance

Treasury Management Annual Performance 2014/15 Report

Summary

This report has been prepared in accordance with the CIPFA Code of Practice, as adopted by the Council to review treasury activities for the past financial year and during which:

- all legislative and regulatory requirements, including compliance with all treasury management prudential indicators were complied with;
- the average level of external debt for 2014/15 was £96.1m with the average rate being 6.07% reflecting the full year effect of a market loan switching from fixed to variable rates of interest and low rated debt maturing. This position compares to 2013/14 when the respective figures were £99.7m & 5.22%. Interest payable for 2014/15 was in line with budget;
- the average level of investments for 2014/15 was £79.3m with a rate of return of 0.70%, for 2013/14 this was £71.5m and 0.74% respectively. Interest received in 2014/15 was £(0.1)m above budget.

Recommendations

That the Accounts & Audit Committee and Executive advise the Council:

1. of the Treasury Management activities undertaken in 2014/15;
2. that no prudential limits were breached during 2014/15;
3. that both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance were fully complied with.

Contact person for background papers:
Graham Perkins – Technical Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	In 2014/15 the Council paid loan interest of £5.8m which was in line with that budgeted for and received £(0.5)m from money market investments, which was £(0.1)m above budget.
Legal Implications:	All actions undertaken during the year were in accordance with legislation, CLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Resources Implications e.g. Staffing/ICT/Assets	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

1. INTRODUCTION AND BACKGROUND

- 1.1 The Council is required by regulations issued under the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2014/15. This report meets these requirements.
- 1.2 During 2014/15, the minimum reporting requirements were that the Accounts & Audit Committee together with the Executive and Full Council should receive the following reports:
- annual treasury strategy for the year ahead (issued February 2014);
 - mid-year update report (issued November / December 2014);
 - annual outturn report describing the activity undertaken compared to the strategy (June 2015 i.e. this report).
- 1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 1.4 The figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.5 The report comprises of the following sections:
- Economic background & impact on 2014/15 Strategy (Section 2);
 - Treasury Position (Section 3);
 - Borrowing Position (Section 4);
 - Investment Position (Section 5);
 - Related Treasury Issues (Section 6);
 - Prudential and Performance indicators (Section 7);
 - Appendices.

2. ECONOMIC BACKGROUND & IMPACT ON 2014/15 STRATEGY

- 2.1 The financial year continued the challenging investment environment encountered since the latter part of 2008, namely low investment returns, although levels of counterparty risk did subside. A brief summary of the main events which occurred during the year are highlighted below;

General: -

- financial markets were caught out by a halving in the price of oil and the problems encountered between the Swiss franc and the euro;
- increased concerns that the European Central Bank was going to do too little too late to ward off the threat of deflation and recession in the Eurozone;
- strong growth in the US caused an increase in confidence, suggesting that it was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central interest rate, probably by the end of 2015;
- by the end of 2014, it was clear that inflation (Consumer Price Index) in the UK was heading towards zero in 2015 and could possibly even turn

negative making it difficult for the Monetary Policy Committee to start raising Bank Rate.

UK: -

- market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 in response to the unemployment rate falling much faster than expected. This did not materialise as a result of factors mentioned above and market expectations are now for the first increase to occur around quarter 3 of 2016.
- economic growth (Gross Domestic Product) registered positive growth for 2014 at 3.2%;
- no additional quantitative easing was undertaken by the Bank of England;
- Bank Rate ended the year unchanged for the sixth successive year at 0.5%;
- Consumer Price Index inflation fell from 1.8% in April 2014 to 0.0% by March 2015;
- unemployment rate fell from 6.9% in April 2014 to 5.6% in February 2015;
- the Funding for Lending Scheme, introduced by the Bank of England in July 2012, continues to provide cheap credit to the banks resulting in low money market investment rates being available;

EU:-

- Fears of a Greek exit from the euro increased after the anti-austerity party won power in January 2015;
- While the UK and its banking system has little direct exposure to Greece, it is difficult to quantify what the effects would be if Greece were to exit from the euro;
- European Central Bank announced in January 2015 that it would start a major programme of quantitative easing, purchasing Eurozone government and other debt in March 2015.

2.2 The actual movement in interest rates when compared to the expectations in the strategy are shown below and a more detailed analysis detailing how investment rates moved during the course of the year is provided at Appendix A;

	2014/15	1 April 2014	31 March 2015	2014/15
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
UK Bank Rate	0.50	0.50	0.50	0.50
Investment Rates				
3 month	0.50	0.40	0.44	0.43
1 Year	0.80	0.78	0.84	0.87
Loan Rates				
5 Year	2.90	2.85	2.08	2.56
25 Year	4.75	4.49	3.31	3.93

For reference, the 2014/15 budget assumed an average investment rate of 0.84% and that no new borrowing would be undertaken.

3. TREASURY POSITION

- 3.1 The Council's debt and investment position is controlled by the Council's Treasury Management team to ensure that security of funds and adequate liquidity for revenue and capital activities are maintained at all times. Procedures and controls to achieve these objectives are well established both through Member reporting and officer activity.
- 3.2 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR) and is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 3.3 At the beginning and end of 2014/15 the Council's treasury position was as follows:

	31 March 2015			31 March 2014		
	Principal	Total	Interest Rate	Principal	Total	Interest Rate
DEBT						
Fixed rate:						
-PWLB	£39.0m			£41.4m		
-Market	£5.0m	£44.0m	6.67%	£5.0m	£46.4m	6.83%
Variable rate:						
-PWLB	£0m			£0m		
-Market	£51.0m	£51.0m	5.50%	£51.0m	£51.0m	5.14%
Total debt		£95.0m	6.05%		£97.4m	5.95%
Capital Financing Requirement (to finance past capital expenditure)		£138.2m			£143.2m	
Over/ (under) borrowing		(£43.2m)			(£45.8m)	
INVESTMENTS						
- Fixed rate	£39.9m			£26.9m		
- Variable rate	£37.7m			£24.0m		
Total investments		£77.6m	0.71%		£50.9m	0.79%

Note - The above interest rates reflect the actual position as at 31 March.

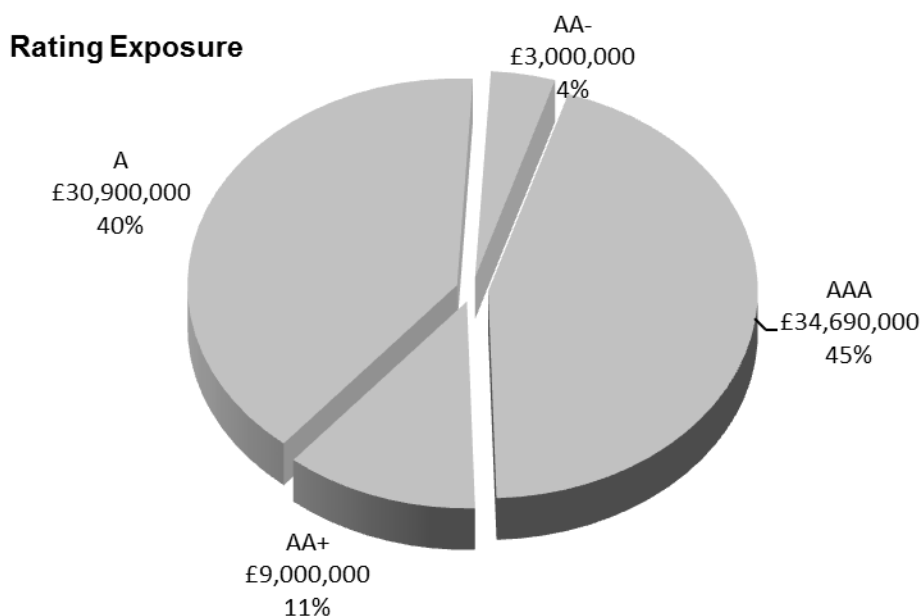
4. BORROWING POSITION

- 4.1 During the year the Council's external debt levels reduced by £2.4m to £95m, following repayments made to the Public Works Loan Board for annual and maturing debt. Of the debt outstanding of £95m, £1.0m is administered on behalf of Greater Manchester Probation Service which leaves £94m in respect of the Council's own long term requirement.

- 4.2 A maturity profile of the Council's debt can be found at Appendix B & C for reference.
- 4.3 During 2014/15 and in response to the continuing interest rate differential between the cost of long term debt (3.9%) compared to the levels of return available from short term investments (under 1%), together with investment counterparty risk, the Council continued with its the strategy adopted since 2010, of borrowing internally (using cash backed reserves) to fund its long term borrowing requirement and maturing debt. This course of action continues to be widely followed by Councils nationally and was undertaken in conjunction with advice obtained from the Council's external advisers Capita.
- 4.4 Due to the high breakage costs (premium) payable no rescheduling on any of the Council's loans was undertaken in the year.

5. INVESTMENT POSITION

- 5.1 The Council's investment policy is governed by CLG guidance issued in March 2010 and which was implemented in the annual investment strategy approved by Council on 19 February 2014. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The table below provides a breakdown of the Council's investments placed as at 31 March 2015 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



- 5.2 The in-house treasury management team manages the investments using the institutions listed in the Council's approved lending list and funds can be invested for a range of periods from overnight to 3 years dependant on cash flow requirements, duration and counterparty limits set out in the approved investment strategy, its interest rate view and the interest rates on offer. Investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 5.3 The in-house team also continually monitors the markets and during the year there was very little movement in both credit ratings and interest rates highlighting the continuing movement by financial institutions to realign their balance sheets following the economic downturn.

- 5.4 The Council's main bank account, which successfully transferred from The Co-operative to Barclays on 1st February 2015, is non-interest bearing and consequently if no investments were undertaken by the Council's in house treasury management team, the Council would miss the opportunity to generate a substantial amount of income.
- 5.5 Bank Rate remained throughout 2014/15 at its historic low level since March 2008, of 0.5% with market expectations as to when the first increase in rates will now occur being set for quarter 3 2016 from that originally forecasted at quarter 1 2015. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.
- 5.6 The Council maintained an average balance of £79.3m during 2014/15 with an investment rate of return of 0.70% being achieved through proactive investment management, generating £(0.5m) of interest.
- 5.7 Whilst the level of return achieved in 2014/15 of 0.70% was slightly below that originally budgeted for of 0.84%, it was 0.36% or £(0.3m) above the comparable performance indicator of the average 7-day London Interbank BID (LIBID) rate, of 0.35% and £(0.1)m above budget.
- 5.8 The amount of interest earned was above that originally budgeted due to the level of balances invested being higher than originally forecasted due to external grants / contributions / monies being received ahead of spend requirement.
- 5.9 A maturity profile of the Council's temporary investments can be found at Appendix C together with a further breakdown at Appendix D which details the historic risk of default.

6. RELATED TREASURY ISSUES

- 6.1 In response to The Co-operative bank's announcement in 2013 that it was withdrawing from the Local Authority banking market, an AGMA procurement exercise was undertaken in 2014 seeking a replacement bank to provide the Council's day to day transactional banking requirements. As a result of this exercise Barclays bank were duly appointed to provide this service and with effect from 1st February 2015. The Council successfully transferred its banking requirements across from The Co-operative to Barclays without any disruption to its customers being incurred. As a further consequence of this transition across to Barclays bank, forecasted annualised revenue savings of £23.5k are to be generated during the initial 5 year period of this contract.
- 6.2 Local Authority Mortgage Scheme – the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank by advancing £2m in 2012/13 at an interest rate of 4.41% and due to the success of this scheme, a further £1m was also advanced in 2013/14 at an interest rate of 2.7%, both for periods of 5 years. These are classified as being service investments, rather than a treasury management investment, and are therefore outside of the specified / non specified investment categories.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

- 7.1 Within the Treasury Management Strategy for 2014/15, approval was given to the treasury management prudential & performance indicators for the period 2014/15 – 2017/18. All indicators and benchmarks set for 2014/15 were complied with and details of these are shown in Appendix E.

Other Options

This report has been produced in order to comply with Finance Procedure Rules and relevant legislation and provides an overview of the treasury management transactions undertaken during 2014/15.

Consultation

Advice has been obtained from Capita, the Council's external advisors.

Reasons for Recommendation

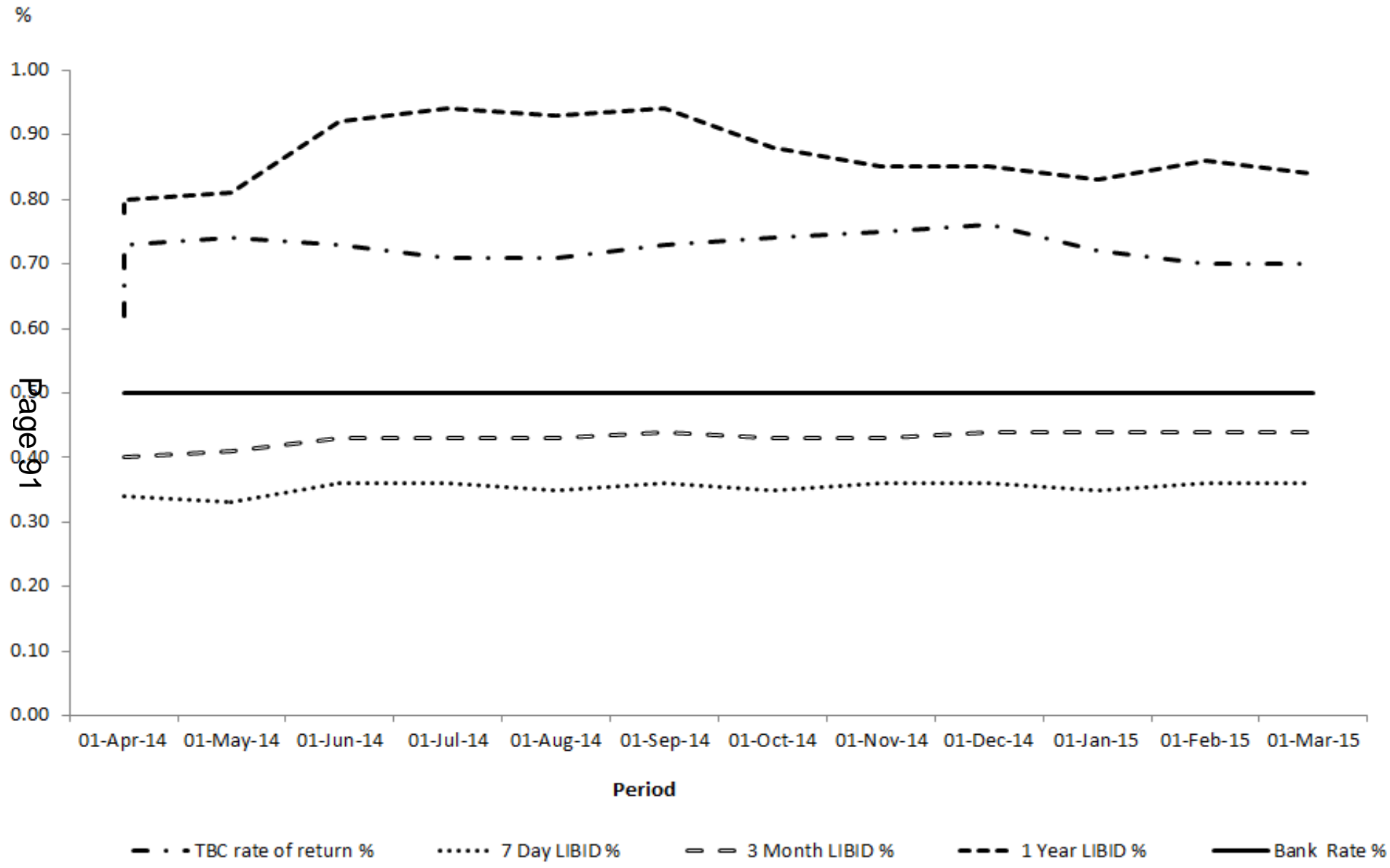
The report has been produced in order to meet the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Finance Officer Clearance ...GB...

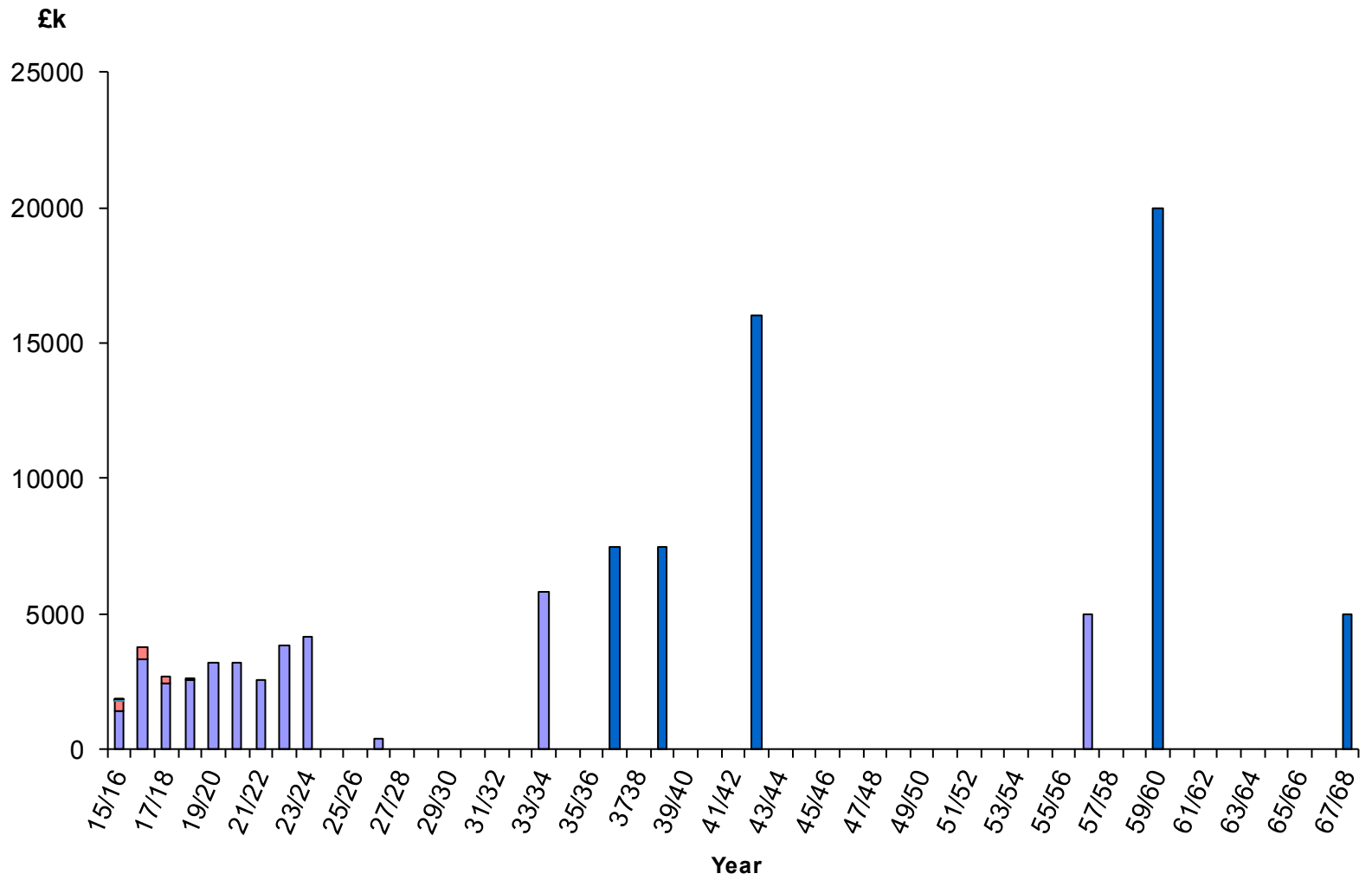
Legal Officer Clearance ...JL.....

Director of Finance Signature

Investment Interest rate movements in 2014-15



Profile of debt outstanding as at 31.03.2015



Maturity Profile

Debt portfolio:

	31 March 2015 Actual	31 March 2014 Actual
Under 12 months	£1.8m	£2.4m
12 months and within 24 months	£3.7m	£1.8m
24 months and within 5 years	£8.5m	£9.0m
5 years and within 10 years	£13.9m	£17.1m
10 years and above	£67.1m	£67.1m
Total	£95.0m	£97.4m

Investment portfolio:

	31 March 2015 Actual	31 March 2014 Actual
Instant Access	£37.7m	£24.0m
Up to 3 Months	£4.0m	£3.5m
3 to 6 Months	£9.5m	£2.3m
6 to 9 Months	£0.0m	£2.2m
9 to 12 months	£21.4m	£13.9m
Over 1 year	£5.0m	£5.0m
Total	£77.6m	£50.9m

Breakdown of Investments as at 31 March 2015

Counterparty	Amount £	Interest rate	Lowest Long Term Credit Rating*
Barclays Bank	5,000,000	0.89%	A
Birmingham City Council	2,000,000	0.60%	AA+
Birmingham City Council	2,000,000	0.50%	AA+
Greater Manchester Waste Disposal Authority	5,000,000	1.60%	AA+
Federated Investors – Money Market Fund	14,840,000	0.46%	AAA
Ignis – Money Market fund	18,390,000	0.47%	AAA
Legal & General – Money Market Fund	1,460,000	0.43%	AAA
Lloyds Bank	2,500,000	1.00%	A
Lloyds Bank	2,000,000	1.00%	A
Lloyds Bank	2,600,000	0.80%	A
Lloyds Bank	1,600,000	1.00%	A
Lloyds Bank	2,700,000	1.00%	A
Lloyds Bank	1,500,000	0.80%	A
Lloyds Bank	5,000,000	1.00%	A
Nationwide BS	2,200,000	0.66%	A
Nationwide BS	2,800,000	0.66%	A
Total UK	71,590,000	0.71%	
National Bank of Abu Dhabi	2,000,000	0.82%	A
National Bank of Abu Dhabi	1,000,000	0.88%	A
Svenska Handelbanken – call account	3,000,000	0.45%	AA-
Total Non UK	6,000,000	0.61%	
Grand Total	77,590,000	0.71%	

* The minimum Long term credit rating required by the Council is A- unless the bank is part nationalised.

Prudential Indicators for 2014/15

Figures are for the financial year	2014/15 Forecast	2014/15 Actual
<p>Authorised Borrowing Limit</p> <p>Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.</p>	£127m	£101m
<p>Operational Boundary</p> <p>Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.</p>	£107m	£101m
<p>Upper limits on fixed interest rates</p> <p>(Maximum limit of net fixed interest rate exposure - debt less investment)</p>	£3.2m	£2.8m
<p>Upper limits on variable interest rates</p> <p>(Maximum limit of net variable interest rate exposure – debt less investment)</p>	£3.1m	£2.8m
<p>Gross debt and Capital Financing Requirement</p> <p>(This highlights all gross external borrowing, including other long term liabilities, is prudent, for capital purposes only and does not exceed the capital financing requirement – figures reflect amount capital financing requirement exceeds gross external borrowing).</p>	£33m	£37m
<p>Maturity structure of fixed rate borrowing</p> <p>(These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper, as shown and lower limits which were set at 0%).</p>		
Under 1 year (this includes the next call date for Market loans)	70%	55.6%
1 year to 2 years	25%	3.9%
2 years to 5 years	25%	14.2%
5 years to 10 years	25%	14.6%
10 years to 20 years	25%	0.4%
20 years to 30 years	25%	6.1%
30 years to 40 years	25%	0.0%
40 years and above	25%	5.3%
<p>Maximum principal funds invested exceeding 364 days (including Manchester International Airport shares) - (These limits are set to reduce the need for early sale of an investment)</p>	£50m	£46m

Performance Indicators for 2014/15

Indicator	Target	Actual
Security – potential default rate of the Council’s investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.09%	Max 0.03%
Liquidity – investments available within 1 week notice	£15m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	4.4 months at 31 March 2015
Yield – Investment interest return to exceed 7 day London Interbank BID rate	0.36% (Avg. 7 day LIBID)	0.71%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 61% Max 39%

TRAFFORD BOROUGH COUNCIL

Report to: Executive 29 June 2015
Accounts & Audit Committee 30 June 2015
Council Meeting 15 July 2015

Report for: Decision

Report of: The Executive Member for Finance and the Director of Finance

Treasury Management Strategy: The Local Authority Property Investment Fund

Summary

This report outlines the request for a new investment instrument to be added to those currently permitted to be used as outlined in the Council's Treasury Management Strategy approved 18 February 2015.

The Local Authority Property Investment fund which is managed by the Church Commissioners Local Authority is only available to Local Authorities and the objective of it is to generate long-term growth in the original amount invested whilst generating returns in the form of annual dividends by investing in commercial property throughout the UK.

The inclusion of this instrument would involve the Council placing a proportion of its monies into this fund for a minimum period of 5 years, to improve the potential for an increase in investment income to be generated.

Recommendations

That the Accounts & Audit Committee and Executive recommend to Council the following elements for approval:-

- inclusion of the Local Authorities Property Investment fund into the current Investment strategy,
- maximum duration funds can be placed in an investment instrument be extended from 3 years to 10 years however this extension only applies to monies placed in this fund,
- maximum level of funds to be placed into this fund be set at **£10m**,
- the Prudential indicator for Upper limit for sums invested over 364 days be amended from £60m 2015/16, £60m 2016/17 & £50m 2017/18 to £70m 2015/16, £70m 2016/17 & £60m 2017/18 and a new category be incorporated under the existing Investment criteria as detailed at Appendix A.

Contact person for background papers:
Graham Perkins – Technical Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	The inclusion of this investment instrument to the Investment strategy will aim to increase investment interest generated.
Legal Implications:	Approval is required for the inclusion of this instrument into the current treasury management investment strategy.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Resources Implications e.g. Staffing/ICT/Assets	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times. This type of instrument is a long term investment so the value of the fund may fall below that invested in adverse market conditions.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

1. BACKGROUND

- 1.1 The Treasury Management Strategy report approved in February 2015 outlined the investment criteria to be adopted in the forthcoming year. This criteria had been prepared in compliance with regard to the CLG's Guidance on Local Government Investments and the revised CIPFA Treasury Management in Public Services Code of Practice.
- 1.2 This investment criteria remains as that of previous years i.e. security of capital first, liquidity of its investments and then yield.
- 1.3 Whilst investment risk cannot entirely be eliminated it can be minimised and in order to ensure that investments are only placed with strong creditworthy institutions, the Council creates a counterparty list based on credit ratings issued by all three of the main rating agencies (Fitch, Moody's and Standard and Poor's).
- 1.4 Institutions which make up this counterparty list include Banks (UK based & Worldwide), UK Building Societies, UK Local Authorities & UK Money Market Funds.
- 1.5 Investments are placed into three categories as follows;
 - Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
 - Medium-term – cash required to manage the annual seasonal cash flow cycle covering the next 12 months.
 - Long-term – cash not required to meet any forthcoming cash flow requirements which can be used primarily to generate investment income after taking into consideration the forecasted interest rate yield curve.
- 1.6 The use of longer term instruments (greater than one year from inception to repayment) are classified as being Non-specified and funds placed in instruments for this duration will only be undertaken where the Council's liquidity requirements are safeguarded.
- 1.7 Prudential Indicators limit the amount of funds permissible to be placed in this category is currently set at a maximum level of £60m for investments placed maturing in 1 or 2 years and £50m for 3 years. The Manchester Airport Shares valuation of £36.7m at 31 March 2014 is included within these figures.
- 1.8 All Investments must be undertaken in Sterling and can be placed in any of the following instruments; however it is only the first two of these which are currently used:
 - Term Deposits
 - Money Market Funds
 - Treasury Bills
 - Gilts
 - Certificates of Deposits
 - Supranational bonds
 - Multilateral development bank bonds
 - Government bonds
 - Share capital or loan capital
- 1.9 Currently the Council has £99.4m invested with 13 institutions attracting an average rate of return of 0.70% (as at 18 May 2015) and of which £94.4m will mature at various times throughout the next 12 months and £5m in August 2016.

2 LOCAL AUTHORITY PROPERTY FUND

- 2.1 This fund is aimed solely for use by public sector organisations (Parish Councils through to County Councils) wishing to invest in the property market whilst at the same time generating a favourable rate of return than that achieved from cash deposits.
- 2.2 The fund currently has approximately 109 clients and has grown from £75m to £387m since 2013 and a breakdown of authorities is shown below for reference;

Value of original investment	Type of Investor
Under £1m	48 Councils – 1 London Borough, 1 Borough Council, 2 District Councils, 25 Town Councils & 16 Parish Councils, 2 Association of Local Councils & 1 Community Council.
£1m to £5m	30 Councils – 2 County Councils, 1 London Borough, 10 Borough Councils, 4 City Council, 11 District Councils, 1 Fire Authority & 1 Police Authority.
£5m+	31 Councils – 8 County Councils, 3 London Borough, 12 Borough Councils, 4 City Council & 4 District Councils.

- 2.3 A major advantage of the Fund is that, unlike other property investments, it does not need to be accounted for in the capital programme. If it was treated as capital expenditure this would require the use of capital receipts or other resources to be matched against the investment. This distinction is permitted by Statutory Instrument (SI 2010 No. 454 paragraph 25(3)d) and the trustee of the fund is LAMIT (The Local Authorities Mutual Investment Trust).
- 2.4 The Local Authorities Mutual Investment Trust is a company incorporated under the Companies Act 1948 which is controlled by representatives of the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers Superannuation Committee and investors in the Fund and its responsibilities include the approval of the property investment strategy, monitoring the diversification, suitability and risk profile of the Fund's investments, reviewing the performance and expenditure of the Fund and approving the payment of dividends.
- 2.5 Whilst LAMIT are the appointed trustees of the fund, Church Commissioners Local Authority, CCLA, are the appointed fund managers and they provide administrative and registrar services for the fund as well as company secretarial services to the trustees. CCLA has over 50 years of investment management experience and manage assets of more than £5.0 billion on behalf of its charity, church and public sector clients.
- 2.6 The fund operates on a monthly dealing basis enabling clients to invest and withdraw funds on a specific date each month, typically being the last working day. As property is an illiquid asset, a minimum lead in time of approximately 2 to 6 months is ideally required to enable the fund managers to acquire / dispose of a property or another Local Authority is found which wishes to sell / purchase a stake in the fund. During this lead in time however, the price of the fund will continue to be subject to market movements which will affect the eventual purchase and selling prices.

- 2.7 Once funds have been placed in the fund (minimum amount required is £25k – no maximum stipulated) this can be topped up at any time with future investments (minimum amount required is £10k).
- 2.8 As with any money market transaction, the fund operates on an Offer price (purchase) and Bid price (selling) basis and this reflects the costs of dealing in the fund i.e. stamp duty, Agents fees, Legal fees etc. On any day the Offer price will always be higher than the Bid price and therefore any potential investment in the fund will immediately appear to be a loss. For reference purposes, as at 31 May 2015, the Offer price was 296.35p per unit with the Bid price being 275.90p per unit giving a spread in prices of 7.4%. If, as expected, the fund grows the Offer price will also grow and over a period of time its value should exceed that of originally paid thereby generating a favourable return. Hence the reason for this type of transaction to be regarded as a long term investment.
- 2.9 Currently the fund's portfolio is made up of Shopping units (9%), Retail warehouses (21%), Offices (41%) and Industrial units (29%) and these are located throughout the country.
- 2.10 Interest earned on this fund is variable and is currently 4.5% net of fees (0.65%) and is received quarterly net of admin fees; as a comparison, current market interest rates for a 5 yr cash deposit is approximately 2%.
- 2.11 Capital growth of the fund did suffer in 2008 & 2009 seeing valuations fall by -25% & -3% respectively, however since then it has seen a resurgence in performance achieving over the last 5 years growth, for the year ending 31 March respectively of, 12.1% (2011), 6.0% (2012), 3.7% (2013), 14.3% (2014) & 17.8% (2015). Throughout all of this time however annual dividend returns of approximately 4.5% - 5.0% (net of fees) has been achieved.
- 2.12 Like with any investment there are no guarantees that the original amount of investment placed will be repaid in full and whilst the fund could generate a more favourable return when sold, it could also produce a loss if the property market encounters difficulties and the selling price goes below the original purchase price.

3 ACCOUNTING

- 3.1 The International Accounting Standards Board has completed the final element of its comprehensive response to the financial crisis with the publication of the International Financial Reporting Standards, IFRS, 9 on Financial Instruments with an effective date of 1 January 2018. The implementation of this could impact on Local Authorities holding investments that are classified within the Available for Sale category which this type of investment would be. It is currently proposed that any variation in prices in the value of the fund will have to be taken in full to the Council's Income and Expenditure account as they arise and whilst there may be exemptions to this, it is currently not clear what these will include. CIPFA /LASAAC are currently working with HM Treasury to consider the impact of implementation of this standard will have on Local Authorities.

4. CONCLUSION

- 4.1 The need to look at alternative investment instruments to that traditionally used has arisen due to the number of high quality banks actively seeking cash is reducing and interest rates are expected to remain low for the foreseeable future.

- 4.2 Whilst one option to overcome this scenario would be to reduce the Council's minimum credit rating criteria thereby enabling funds to be placed in institutions paying better rates of interest, this course of action however would lead to an exposure to higher levels of credit risk.
- 4.3 Another option would be to increase the total amount which is permissible to be placed with any institution but this again would generate an increase in credit risk exposure at a time when Governments throughout the world are withdrawing support for banks.
- 4.4 It is proposed, subject to Member approving the addition of this instrument to those currently permitted to be used as outlined at paragraph 1.8, that £5m would initially be placed into this fund. This would permit the performance of the fund to be monitored before committing to any further investments being placed into it.
- 4.5 By adopting this course of action it would;
- ease the pressure of having to find suitable institutions contained on the Council's approved list who would take its cash and which was not already up to its maximum limit of funds able to be placed with it and
 - anticipate a boost to its income generated from investments.

5 RECOMMENDATIONS

- 5.1 That the Accounts & Audit Committee and Executive recommend to Council the following elements for approval;-
- inclusion of the Local Authority Property Investment fund into the current Investment strategy,
 - maximum duration funds can be placed in an investment instrument be extended from 3 years to 10 years however this extension only applies to funds placed in this fund,
 - maximum level of funds to be placed into this fund be set at **£10m**, Prudential indicator for Upper limit for sums invested over 364 days be amended from £60m 2015/16, £60m 2016/17 & £50m 2017/18 to £70m 2015/16, £70m 2016/17 & £60m 2017/18 and a new category be incorporated under the existing Investment criteria as detailed at Appendix A.

Other Options

This report has been produced in order to comply with Financial Regulations and relevant legislation.

Consultation

Advice has been obtained from Capita, the Council's external advisors.

Reasons for Recommendation

The report has been produced in order to meet the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Finance Officer Clearance ...GB...

Legal Officer Clearance JL.....

Director of Finance Signature

PRUDENTIAL LIMITS & INVESTMENT CRITERIA

In accordance with CLG Guidance, the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management each council is required to set, before the commencement of each financial year, Treasury Management Prudential Indicators and limits, a Minimum Revenue Provision Statement and Investment criteria. For 2015/16 these were approved by Council at its meeting on 18 February 2015 however in response to this request the following Prudential Indicators and Investment criteria have been revised.

The Accounts and Audit Committee and Executive are requested to recommend that Council approve these amendments to these limits and criteria for the period 2015/16 – 2017/18 as detailed below.

Prudential Limits

Upper Limit for Sums invested for over 364 days

	2015/16	2016/17	2017/18
Current limit	£60m	£60m	£50m
Revised Limits	£70m	£70m	£60m
– these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment.			

Investment Criteria

Counterparty Selection

The current minimum criteria for providing a list of high quality investment counterparties is highlighted in the categories below and this is applied to all the Council's investments, a new category, (5) is now requested to be included incorporating the Local Authority Property Investment fund as highlighted below;

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 1 – All UK or Non UK banks and building societies domiciled in a non-UK country which has a minimum Sovereign long term rating of AA and individual credit rating issued by Fitch, Moody's and Standard and Poor's of: <ul style="list-style-type: none"> • Short Term – Fitch F1 or equivalent • Long Term – Fitch A- or 	AA- To AAA A- to A+	£20m £5m	3yrs 1yr

equivalent			
Category 2 – UK Banks part nationalised - Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in category1 above.	-	£20m	1yr
Category 3 – The Council's own banker if the bank falls below the above criteria for transactional purposes only.	-	n/a	1day
Category 4 – <ul style="list-style-type: none"> • Money Market Funds – must be AAA credit rated • Enhanced Money Market Funds – must be AAA credit rated • UK Government (including treasury bills, gilts and the DMO) • Local Authorities • Supranational Institutions • Corporate bonds (Manchester International Airport only) 	-	£20m	3yrs
NEW Category 5 – Local Authority Property Investment fund	-	£10m	10yrs

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee

Date: 30 June 2015

Report for: Information

Report of: Director of Finance

Report Title

Insurance Performance Report 2014/15

Summary

This report provides a summary of insurance performance for 2014/15.

The gross cost of the insurance activity (excluding schools) for 2014/15 was £0.752m (£1.437m in 2013/14); comprising £0.397m of premium costs and £0.355m provision for claims. The main reason for the reduction was the reassessment that took place of the provision for outstanding liability claims and the success in repudiating a number of large claims during the year.

The provision for outstanding liability claims was £3.624m as at 31 March 2015, compared to £3.759m at 31 March 2014.

Overall liability claim numbers saw a slight decrease in 2014/15 with 305 new claims compared to 321 in 2013/14; the number of liability claims paid saw an increase with 102 claims paid in 2014/15 compared to 93 in 2013/14. There has been a reduction in the overall repudiation rates on settled claims in year from 78% in 2013/14 to 62% in 2014/15, albeit the underlying repudiation rates across insurance policy years remains consistently high (**See Annex 2**).

Recommendations

That the report be noted.

Contact person for access to background papers and further information:

Name: Graeme Bentley

Extension: 4336

Background Papers: None

1 Introduction

1.1 This report provides an update to the Committee on the Council's non-schools insurance activities for 2014/15 and the purpose is to update Members on:

- Performance in respect of the major classes of insurance;
- The current budget position;
- Insurance profile after the Joint Venture.

1.2 A full insurance service is provided to a number of schools under a service level agreement. The cost of insurance support, all insurance premiums and provisions for liability claims and buildings cover are recovered through charges to those schools who buy-back the service.

2 Performance Update

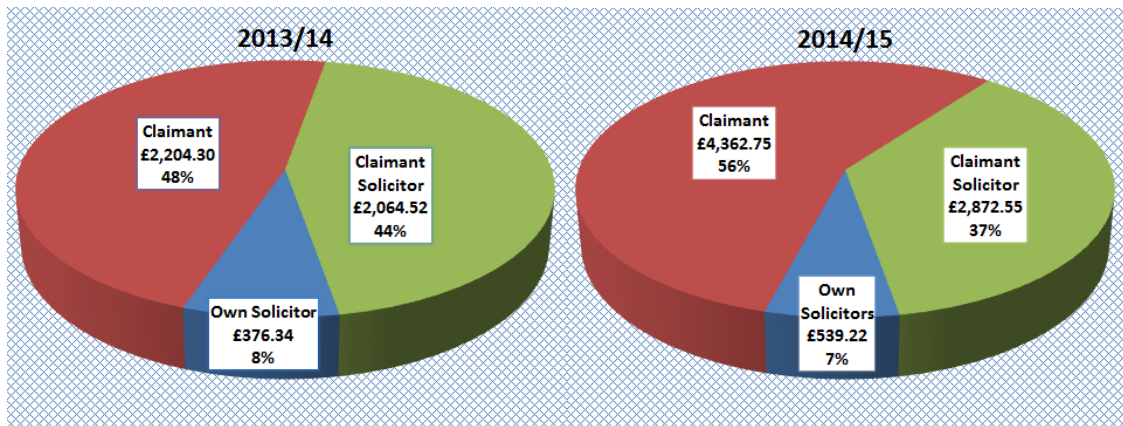
2.1 In 2014/15 the Council received 305 new liability claims compared to 321 in 2013/14, a decrease of 5%. The majority of these, 77%, were highway related claims. **Annex 1** provides information on the level of activity in 2014/15 compared to the previous year across the major insurance areas. It also provides information on the cost of claims settled in the year regardless of policy year.

2.2 Live claim numbers have seen an increase of 12% as at the end of 2014/15 and a provision is included in the Council's accounts to cover the anticipated cost of all outstanding claims (See Section 7).

	2014/2015	2013/2014
Live Claims at the Beginning of Year	336	430
New Claims Received in Year	305	321
Settled Claims in Year	265	415
Live Claims at the End of Year	376	336

2.3 The average claimant and third party legal costs have seen an increase in 2014/15. The reason for this:

- 2013/14 saw a large number of settled car damage claims which do not incur legal costs, thereby bringing the average down;
- 2014/15 saw settlement of three large claims, for details of these claims see section **3.7**, **4.5** and **5.3**.



2.4 **Repudiation rates** for claims settled have seen a decrease from 78% in 2013/14 to 62% in 2014/15. The main factors for this are:

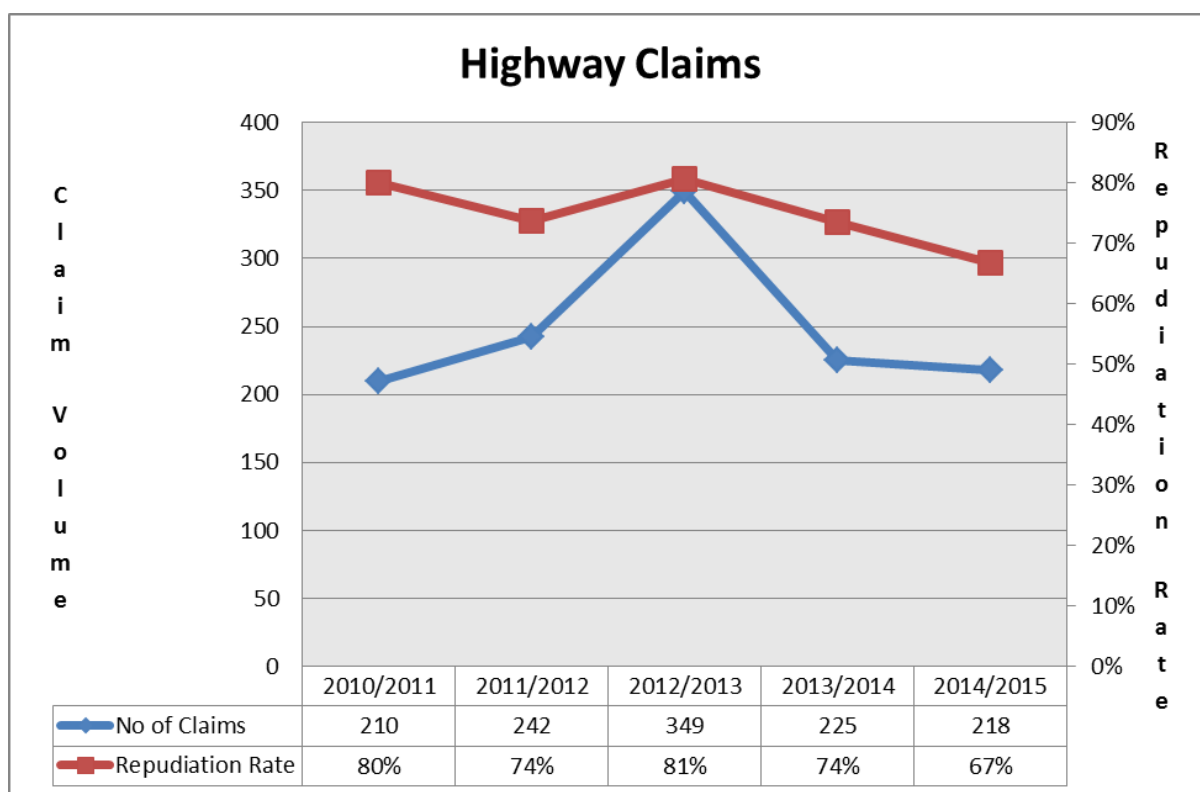
- The new insurers, ZM, adopt a different approach to closing repudiated claims than that of our previous insurer. ZM keep the claim open for 6 months following a repudiation to allow sufficient time for the claimant or their Solicitors to challenge this decision. This has an impact on the current repudiation rate, which will improve once closure is achieved.
- During the year, more claims have been settled on the basis of missed inspection or failure to repair a defect, see para 3.11 below. The contributory factors were operational. There were temporary staffing issues in the Highway Inspection team and these issues were addressed during the course of the year and have now been resolved.

The overall trend on repudiation remains good when viewed across policy years, although the reduction in respect of claims settled in 2014/15 is a concern and will be monitored with Amey and the Council's insurers.

2.5 **High value claims** are claims which carry a reserve of £50,000 and above. As at 31 March 2015 the Council had 9 outstanding high value claims with an estimated total value of £854,259 this is reflected within the current insurance provision. This compares to a similar number of outstanding claims as at 31 March 2014 with an estimated total value of £918,459. In the last 12 months four of those claims have been settled at a cost of £149,119.73, two claims with a total reserve of £479,966 have been successfully defended, see section 3.5 and 4.4 for further details. High value claims which have been received in year are summarised in the commentaries below, see section 3.7, 4.5 and 5.3. The claims range across a number of policy years and are managed by specialist claim handlers / solicitors and monitored by the insurance team.

2.6 Detailed within **Annex 2** is the claims information relating to policy years for the main classes of insurance for the last five years which show the trends in claim costs and claim numbers. The following paragraphs provide a commentary for the major insurance classes.

3 Public Liability – Highway Claims



- 3.1 Highway claims have been relatively consistent for the last five years apart from a spike in 2012/13 caused by a bad winter. Repudiation rates average at 77% over the five years, 2014/15 is still an immature year and we wait for more claims to be settled for this year.
- 3.2 Highway claims continue to represent the largest risk to the Council both in terms of cost and volume. Over the five year period to 2014/15 the average annual cost of claims was £547,706. This figure is inflated due to 2013/14 and 2014/15 being immature years due to the number of outstanding claims which all carry a reserve.
- 3.3 We are continuing to work closely with our insurers to ensure the majority of these claims will be repudiated and our repudiation rates remain at a continually high level, which currently stands at 77% for all claims settled in the last five years.
- 3.4 There are 6 outstanding claims for 2010/11 and 2011/12 with a reserve of £123,208; these claims have been litigated and are with the Council's appointed solicitors. As a result of our robust inspection systems this has enabled our solicitors to have two of the claims discontinued; this will reduce the provision required by £75,108.
- 3.5 We successfully defended a highway tripping claim which carried a reserve of £230,019, investigations carried out by the Insurance Team proved that the incident did not occur on a stretch of highway which is under the Council's responsibility.

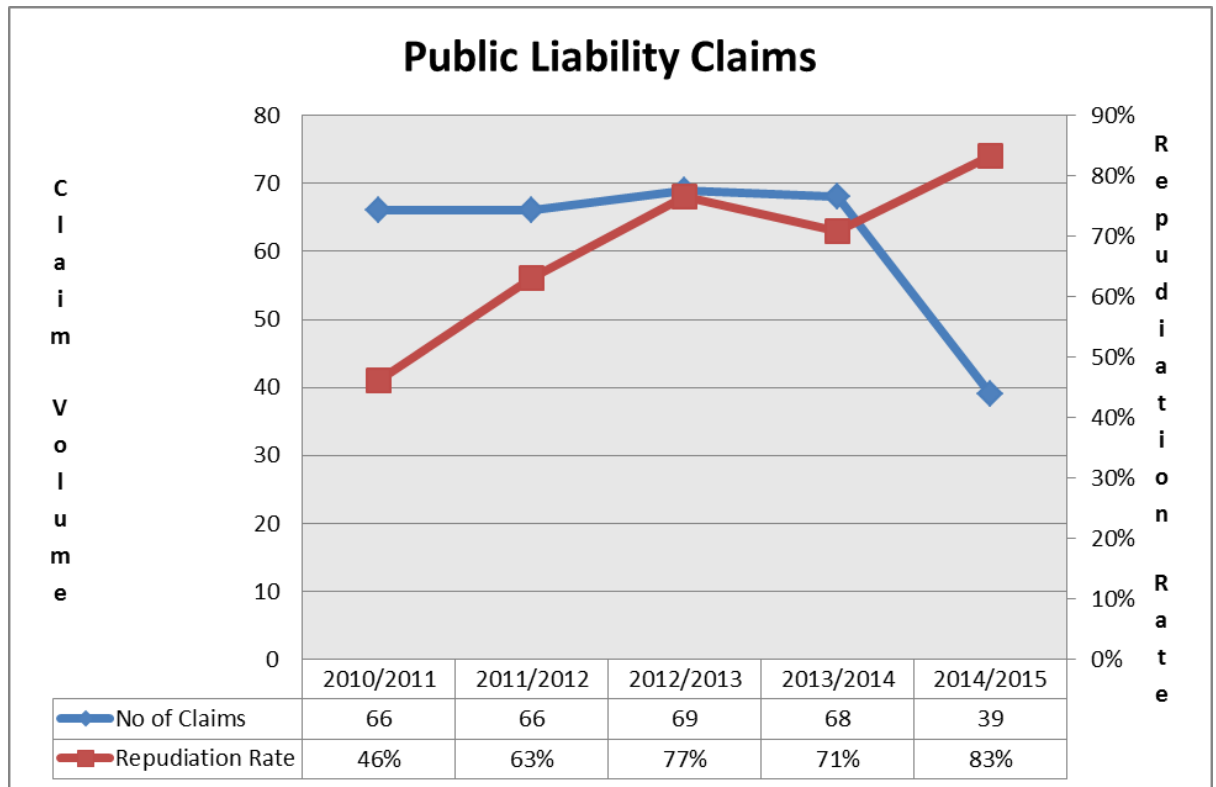
- 3.6 There is an outstanding claim in 2012/13 with a reserve of £173,400, this is due to serious injuries sustained by the claimant and our insurers are seeking expert opinion on the injuries before making any offer.
- 3.7 In 2014/15 a claim was settled for £126,000 relating to a tripping incident involving an employee at a school on the public highway in 2007.
- 3.8 The insurance team work closely with the highway officers to make certain that stringent defences are issued to protect the Council. This is evident in the repudiation rates that have been maintained over recent years.
- 3.9 The Law relating to highway maintenance is governed by the Highways Act 1980. In particular, Section 41 of this Act imposes a duty on the Council as Highway Authority to maintain the highway network for which it has responsibility for. For there to be a breach of Section 41 of the Act, there must have been a failure to maintain or a failure to repair.
- 3.10 A defence to claims against the Council is provided by Section 58 of the Act. This may be used to defend Highways claims where the Council can demonstrate that it took all reasonable steps to ensure the highway was safe, for example by means of a scheduled inspection and repair system. Therefore, if the Council can prove that it had in place adequate policies and procedures to maintain the highway, that these were being performed, a claim can be repudiated.
- 3.11 The table below shows the reasons why claims were settled in 2014/15 compared to 2013/14.

Reason for Settlement	Number of Claims 2014/15	Number of Claims 2013/14
Defect not picked up in carriageway	8	3
Defect not picked up in footway	7	8
Failure to repair carriageway	22	36
Failure to repair footway	3	1
No inspection of carriageway	15	9
No inspection of footway	4	5
Tree damage	10	6

- 3.12 Failures to repair/inspect the carriageway remain the primary reason why claims are settled, which reflects that approximately 60% of claims received are for damaged vehicles.
- 3.13 In 2014/15 we received grant funding of £0.417m (£0.235m in 2013/14) to repair potholes and other carriageway defects; this funding has assisted in the fall in number of carriageway settlements.
- 3.14 The Highway Damage Claim form introduced by the Insurance Team in the summer of 2013 continues to be a success. The form seeks full documentation in support of a claim. It also sets Page 11 Council's claims procedures and our legal duty in maintaining the highway under the Highways Act 1980. In

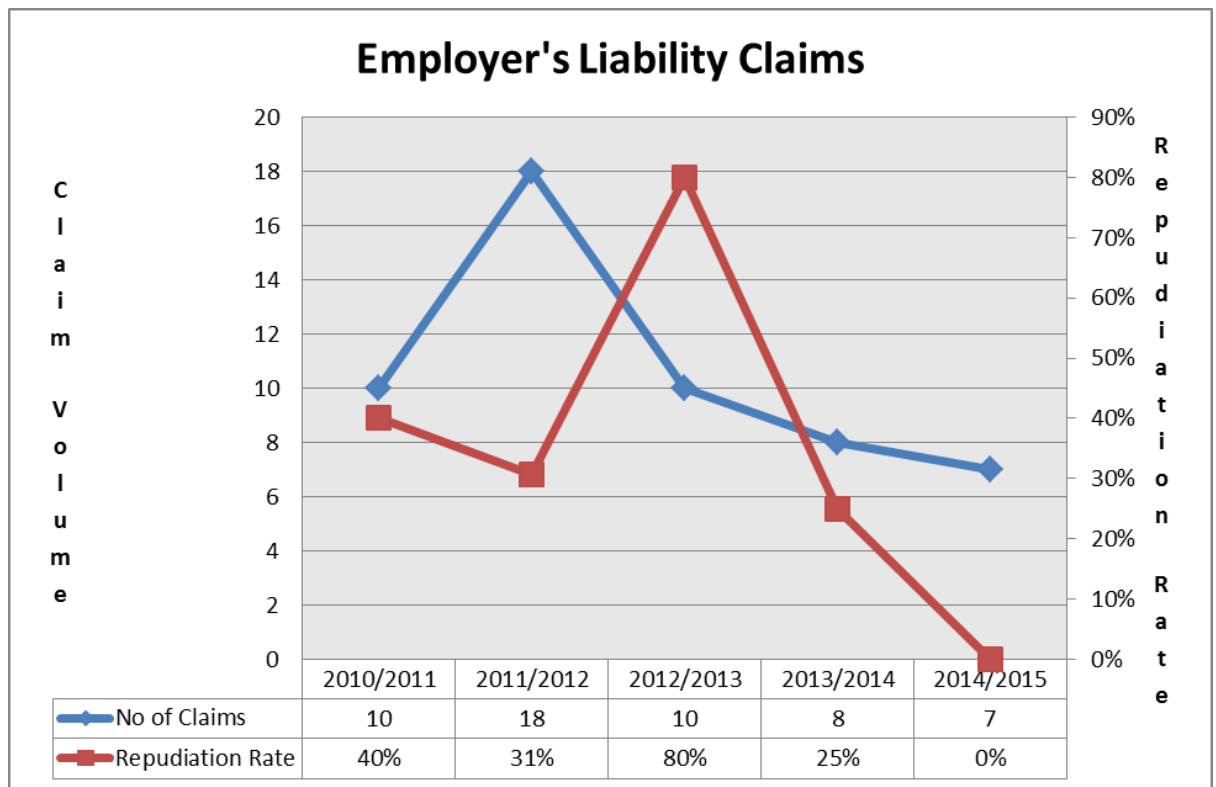
2014/15, 171 forms were sent out and 82 have been returned. This reflects a “drop-out” rate of 52% and compares to 40% since the last report in February 2014. From the figures detailed, it can be seen that the form serves as a defence against potential spurious claims.

4 Public Liability – Other Claims



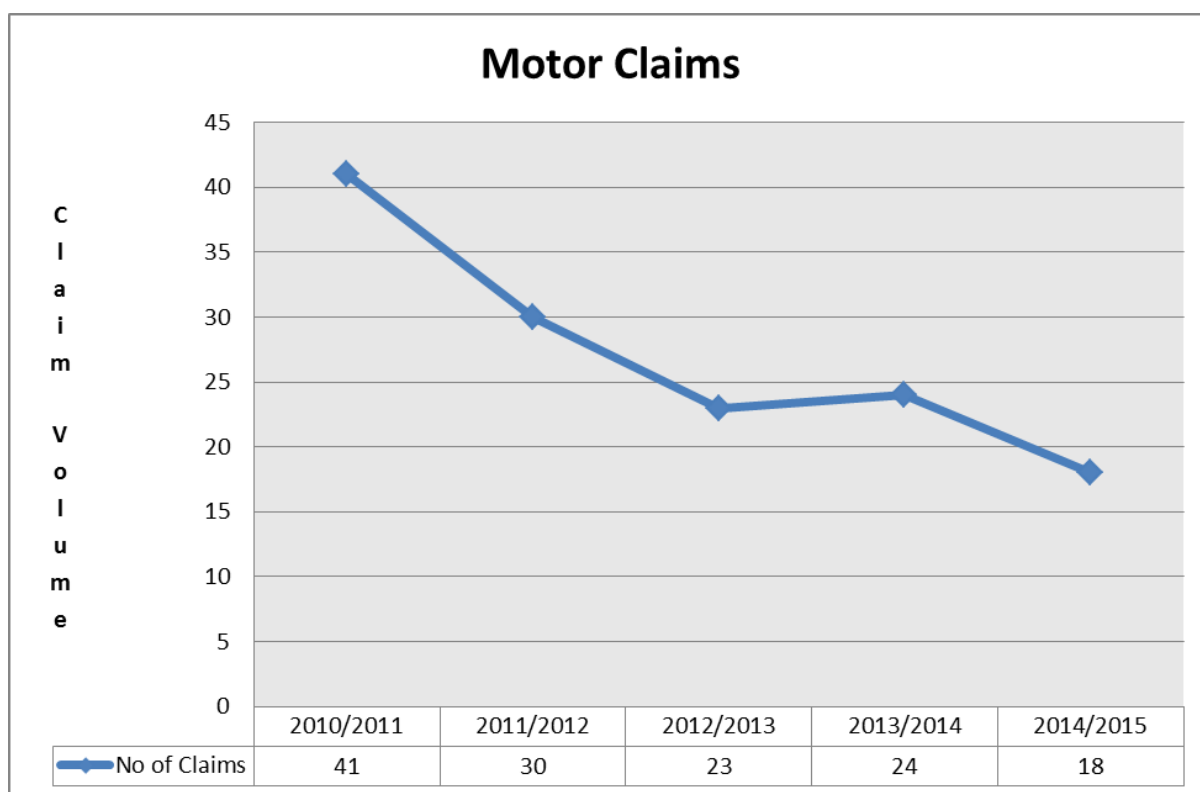
- 4.1 Public liability claims remain relatively consistent, again 2014/15 is an immature year and further claims which have been incurred but not yet reported may arrive. Repudiation rates for these claims have seen a steady climb since 2010/11.
- 4.2 Public liability claims come from across all other services in the Council and whilst not as numerous as highway claims they represent a significant cost. Examples of these claims are incidents in parks, libraries and other community buildings or involving social services.
- 4.3 A high value claim with an initial reserve of £150,000 was received in 2014/15. It relates to allegations made against social services back in the 1990's and is being handled by appointed solicitors.
- 4.4 In 2014/15 another claim relating to social services was successfully repudiated by the co-ordinated efforts of the Insurance Team, staff in Children Families and Wellbeing and our appointed solicitors acting on behalf of the Council. This claim had an extensive reserve of £249,948 and our work resulted in protecting the Council against this large loss.
- 4.5 In 2014/15 a claim was settled for £81,000 relating to a tripping incident involving a member of the public at Stretford Public Hall in 2011.

5 Employer's Liability Claims



- 5.1 Employer's Liability claims represent the smallest claims in terms of volume but represent a significant cost to the Council. These claims are usually more complex than public liability claims and can take many years to resolve.
- 5.2 There has been an increase in historical claims, often resulting from injuries sustained, sometimes over 25 years ago. These claims are usually high in value, such as abuse, asbestos or noise induced hearing loss. A factor in the increase of these claims is the introduction of fixed costs on low value claims; these long tail claims are more complex and therefore potentially more profitable for third party solicitors.
- 5.3 In 2014/15 a claim was settled for £95,000 relating to a tripping incident involving an employee in 2007 at Trafford Town Hall.

6 Motor Vehicle (Fleet) Claims



- 6.1 The fleet is insured on a comprehensive policy. For damage to fleet vehicles there is an excess of £5,000, with the first £1,000 being met by the relevant service department. Third party damage is paid in full by the insurers.
- 6.2 Motor claims numbers have remained relatively consistent with 18 claims in 2014/15 compared with 24 claims in 2013/14.
- 6.3 Although claims numbers have remained consistent we have seen an improvement in our claims experience which is attributable to lower value claims being received. Refer to **Annex 2** for current loss ratios. (Loss ratio is the claims cost against premium cost).

7 Insurance Budget

- 7.1 The cost of non-schools insurance in 2014/15 is £0.752m, compared to a revised budget of £1.122m, comprising premiums of £0.397m and provision for the cost of liability claims of £0.355m. The decrease in insurance costs compared to budget of £(0.370)m is explained by:
- Net decrease in provision for claims £(0.394)m. The provision amount set aside to cover liability claims is reassessed on an annual basis. The majority of the reduction (£(0.380)m) represents savings on the assessed cost of claims relating to previous policy years and a number of large valued claims that have been successfully defended. This in-year saving has been transferred to the insurance reserve.
 - Additional Professional Indemnity cover was purchased this year at a cost of £0.024m to cover the services carried out by the STaR

procurement service. This cover provides protection for claims of financial loss due to negligent advice or services. The premium cost of this cover has been recharged to the three participating Authorities.

	2013/14 Actual £000	2014/15 Projected £000	2014/15 Actual £000	2014/15 Variance £000
Premiums:	380	373	397	24
Casualty	172	175	190	15
Property	74	45	50	5
Fleet	125	135	142	7
Money, Fraud	9	18	15	(3)
Provision:	1,057	749	355	(394)
Liability Highway	790	554	528	(26)
Liability Other	267	195	207	12
Year End Reassessment			(380)	(380)
Gross Expenditure:	1,437	1,122	752	(370)
Less Income (Non Schools DSG and DSO)	(239)	(239)	(239)	0
Contribution (from)/to reserve Rebates	(381)	(108)	262	370
	(32)			
Net Expenditure	785	775	775	0

7.2 The Council maintains both an insurance provision to cover the cost of outstanding liability claims and a fire reserve. The balances on each are reassessed each year to ensure the balances are at a reasonable level.

Provision £000:		Fire Reserve £000:	
Balance as at 01/04/2014	(3,759)	Balance as at 01/04/2014	(3,408)
Additional Contribution from Revenue(*)	(992)	Transfer to the Employment Rationalisation Reserve	530
Less Claims Paid	747	Altrincham Market Fire	75
Reassessed Provision	380	Contribution from Insurance Budget	(262)
Balance as at 31/03/2015	(3,624)	Balance as at 31/03/2015	(3,065)

(*) Includes provision for school claims

7.3 Provision – The extensive data we hold on historical claims has allowed us to assess the provision internally this year, rather than by an independent actuary. This has produced a saving £10,000. We have also reviewed our process in line with our peers via the North West Insurance Officers Group and have decided that the provision will continue to be assessed bi-annually going forward.

- 7.4 Reserve - A transfer of £0.530m was made to the Employment Rationalisation Reserve as part of the 2015/16 budget process; £0.076m was paid for costs relating to the Altrincham Market fire and £0.262m came from the insurance budget. A balance of £3.065m is required to pay future property claims and serve as a buffer should the volatile insurance market move against us.
- 7.5 The Altrincham Market fire was met from the fire reserve which is there to meet the costs of such incidents.

8 Ministry of Justice Reforms

- 8.1 The Ministry of Justice reforms introduced to control third party legal costs for fast track claims (claims under the value of £25,000) came into effect on 1st August 2013. Although it is still early days, we are beginning to see the potential savings they will have for the Council.
- 8.2 To date we have paid 9 claims under these fixed costs rules. The average third party legal costs for these claims were £2,302. This compares with an average third party legal cost of £7,917 for fast track claims which occurred and were settled in a three year period prior to the reforms.
- 8.3 Whilst the reforms are still in their infancy the above comparison provides an indication of costs we are likely to see going forward.

9 Joint Venture

- 9.1 The contract with Amey LG represents a change to the current Insurance programme. Amey have been appointed to carry out the Highways inspections, repair and maintenance functions but the Council remain responsible for agreeing the Highways Maintenance Policy.
- 9.2 Whilst Amey will assume responsibility for these functions, responsibility for handling and funding insurance claims will remain within the Council and therefore the process and procedures for defending claims will remain as present in order to safeguard the insurance provision. Amey are contractually required to provide information on inspections and repairs in the same way as currently provided by the Highways Team.
- 9.3 The Insurance Team's role, working with the Councils Contract Management Team, is an important element in ensuring the smooth operating of this contract. The Council have appointed Amey to carry out our Highways operations, but in Law, the Council cannot delegate our Duty of Care in respect of any resultant Highways claims. Therefore, the Insurance Team will continue to represent the first line of Defence for any claim made against the Council.
- 9.4 The management of highways claims is vital, since this area has the largest proportion of claims and cost to the provision. The Insurance Team will work closely with Amey to establish defensibility for any resulting claims and ensure that current repudiation rates and claims experience is maintained and where possible improved, mitigating the risk of an increase in cost to our insurance programme.

- 9.5 The contract will be managed by a series of Key Performance Indicators and we will continue to strengthen our working relationship with the appointed Highway Officers to ensure that we gain access to the appropriate systems and documentation required to handle and ultimately defend claims.
- 9.6 The contract contains a penalty mechanism, if the agreed KPI's are not met by Amey. The annual fee will be adjusted if the claims experience deteriorates.
- 9.7 Staff members represent another significant change brought about by the Joint Venture, with an anticipated 250 staff transferring to Amey under TUPE conditions. From the Insurance programme perspective, this means that our payroll, used as a rating tool on our Employers Liability policy will also reduce. This represents a change in risk from an insurance perspective, however, it does not automatically mean that we should expect a return premium from our insurers as Employers Liability cover is rated on a number of factors, with claims experience being a fundamental one.
- 9.8 The Joint Venture will also have an effect on the Motor Insurance policy. Our fleet is currently made up of approximately 124 vehicles. It is expected that post transfer, this number will be reduced significantly to approximately 26 vehicles. We will continue to cover vehicles that fall outside the scope of the services that are being outsourced eg. Mayoral vehicles, school mini-buses, Library services.

10 Market Overview

- 10.1 Growth in the number and cost of personal injury claims within the market is putting pressure on liability and motor rates. Insurers are also experiencing new and emerging risks such as child sexual exploitation and Deprivation of Liberty Safeguards (DOLS) and are assessing whether they need to factor this into their pricing.
- 10.2 Insurers have sought increased rates on casualty renewals as a consequence, even within existing long-term agreements. Despite the difficult conditions experienced within the market, Trafford managed to secure renewal with our existing Insurers with no increase in rates and therefore no increases in premium cost.
- 10.3 We continue to liaise closely with internal departments, Insurers and our appointed claims handlers to ensure that we continue to manage our risk and protect our claims experience going forward. Insurers will always favour a well-managed risk.

11 Initiatives

- 11.1 The Insurance Team continue to be focused on the insurance budget and costs. We have negotiated a number of cost savings during 2014/15 which total £258,808 and include:

- £247,508 saving by direct investigation and challenging third party claims.
- £10,000 saving by changing the frequency of the actuarial report;
- £1,300 by reviewing cover and seeking alternative quotations for the marine cover;

11.2 We have continued our support to schools which unfortunately remain vulnerable to various risks affecting students, staff and property. In particular IT thefts of iPads and laptops which can result in high value losses and interrupt the school curriculum. We have produced an internal handbook which provides detailed information on policy cover and advice on mitigating their potential risks.

11.3 We recognised a training need within schools in respect of fire and security. As a result, we co-ordinated a two day training course for Head Teachers and Site Managers with our Health and Safety Team and Insurers.

11.4 On New Year's Eve a large fire at Altrincham Market caused extensive damage to the Market Hall which is a listed building. The combined efforts of the Insurance Team, Asset Management and Loss Adjustors appointed by the Insurance Team resulted in the market being repaired and re-opened just five weeks after the fire.

11.5 As part of our Risk Management Initiative, we instructed our Insurers to carry out a sample review of our buildings sums insured. This is recommended good practice to ensure that our cover and premium level is correct. We are awaiting the findings of the final report.

11.6 The Town Hall represents Trafford's largest property risk, therefore, following the extensive refurbishment, we invited Insurers to carry out a risk survey. This is a comprehensive report designed to give Insurers an insight into the construction, use, security and running of the building. As a result of the report, the surveyor gave feedback on only a few minor risk issues such as storage. The required changes have been made and as a result we were able to negotiate favourable terms and continue cover.

12 Future Issues and Plan

12.1 A number of initiatives planned for the current financial year are set out below.

12.2 We will carry out a Programme Structure Review, which consists of:

- Self-retention levels;
- Limits of Indemnity;
- Sums Insured.

This will be achieved by benchmarking against our Peers and seeking the advice of our Insurance Broker.

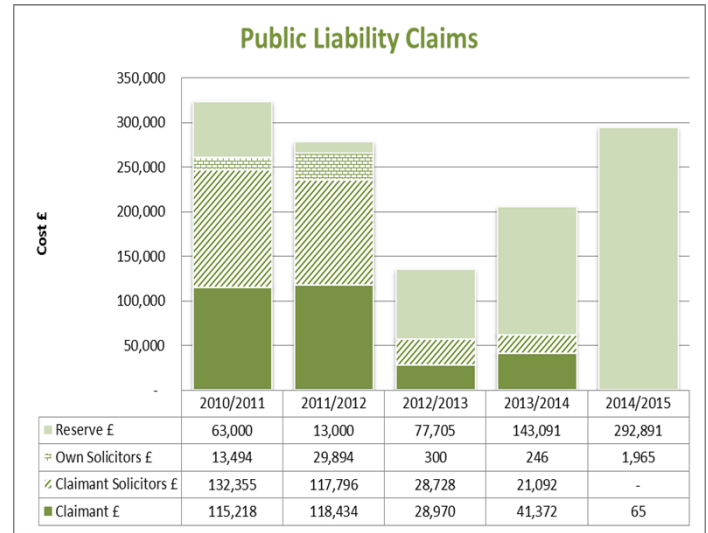
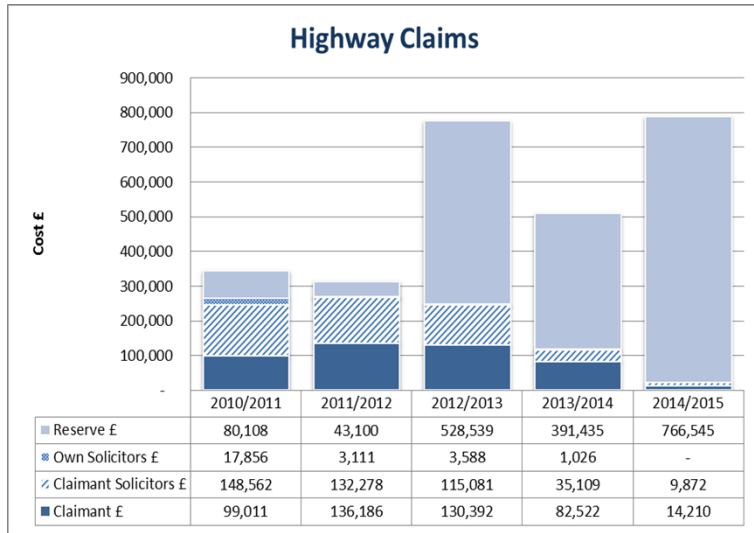
- 12.3 Property Portfolio - we will be carrying out an internal review of our current property portfolio against the asset register to ensure that the insured values are correct.
- 12.4 Risk management fund - as part of the insurance package, we have a fund of £10,000 per annum available to improve our risk. This year the fund will be used to reduce our total cost of risk. We want to attack our current claims costs and numbers of claims by asking Insurers to carry out a claims audit. We need to carry out this review to ensure that the results become visible in our claims experience before our next tender exercise.
- 12.5 Redraft and update an insurance handbook for all Trafford managers, the purpose being to assist managers in the same way the handbook to schools has assisted head teachers.

Claims Activity Report

	2014/2015						2013/2014					
	Highway	PL	EL	Liability Total	Motor	Total	Highway	PL	EL	Liability Total	Motor	Total
Claim Numbers												
Live Claims b/f	229	73	34	336	68	404	326	75	29	430	53	483
New Claims Received	234	53	18	305	27	332	233	74	14	321	24	345
Settled Claims	193	62	10	265	12	277	330	76	9	415	9	424
Claims c/f	270	64	42	376	83	459	229	73	34	336	68	404
Net Change in Claim Numbers	41	(9)	8	40	15	55	(97)	(2)	5	(94)	15	(79)
Cost of Settled Claims	£000	£000	£000	£000			£0	£0	£0	£0		
Claimant Costs £	216	129	100	445			99	89	17	205		
Claimant Solicitor Costs £	119	123	51	293			97	65	30	192		
Own Solicitor Costs £	6	45	4	55			9	26		35		
Total £	341	297	155	793			205	180	47	432		
No of Claims Settled at Nil	124	36	3	163			262	56	4	322		
Repudiation Rate of Settled Claims	64%	58%	30%	62%			79%	74%	44%	78%		
Average Cost of Settled Claims	4,942.03	11,423.08	22,142.86	7,774.51			3,014.71	9,000.00	9,400.00	4,645.16		

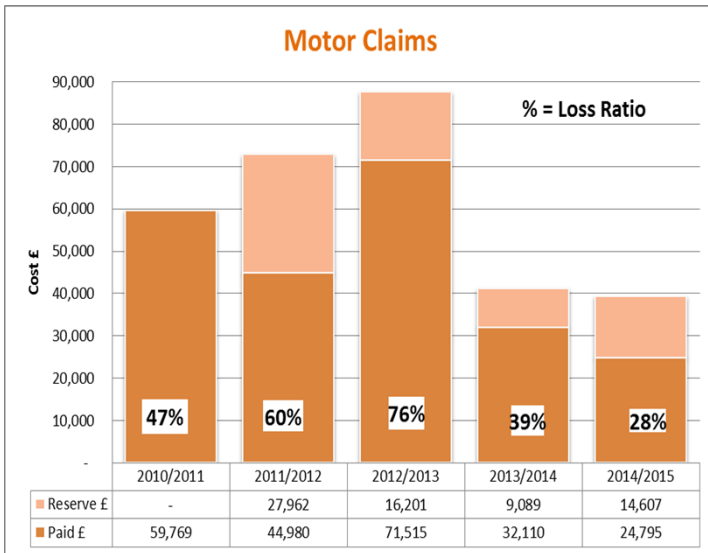
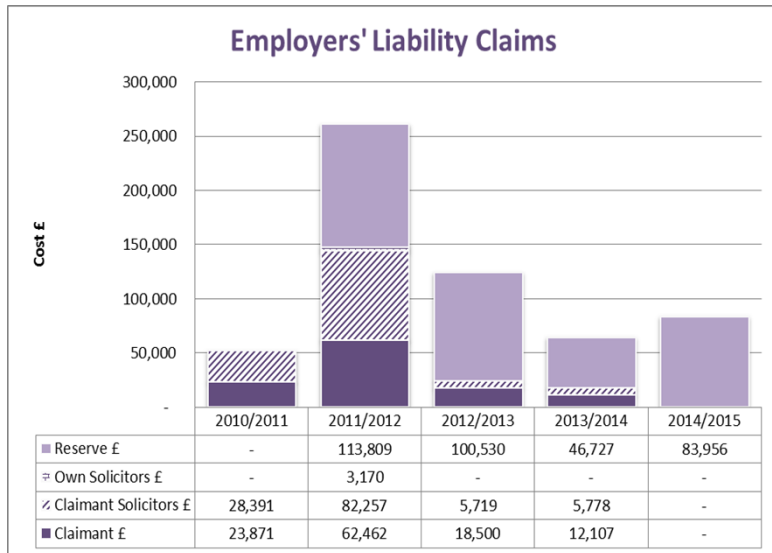
- This table represents the on-going claims activity carried out within the year, irrespective of when the claim occurred.
- The costs and key statistics relate only to claims settled within the relevant financial year.
- Does not include for a small number of property and other claims.

Claims Activity Report by Policy Year



Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Repudiation Rate
2010/2011	210	4	206	165	41	80%
2011/2012	242	2	240	177	63	74%
2012/2013	349	29	320	258	62	81%
2013/2014	225	36	189	139	50	74%
2014/2015	218	185	33	22	11	67%

Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Repudiation Rate
2010/2011	66	1	65	30	35	46%
2011/2012	66	1	65	41	24	63%
2012/2013	69	5	64	49	15	77%
2013/2014	68	13	55	39	16	71%
2014/2015	39	33	6	5	1	83%



Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Repudiation Rate
2010/2011	10	0	10	4	6	40%
2011/2012	18	5	13	4	9	31%
2012/2013	10	5	5	4	1	80%
2013/2014	8	4	4	1	3	25%
2014/2015	7	7	0	0	0	0%

Policy Year	No of Claims	Paid £	Reserve £	Total Incurred £
2010/2011	41	59,769	-	59,769
2011/2012	30	44,980	27,962	72,942
2012/2013	23	71,515	16,201	87,717
2013/2014	24	32,110	9,089	41,199
2014/2015	18	24,795	14,607	39,402

Accounts and Audit Committee progress report and emerging issues & developments for Trafford Council

Year end 31 March 2015

June 2015

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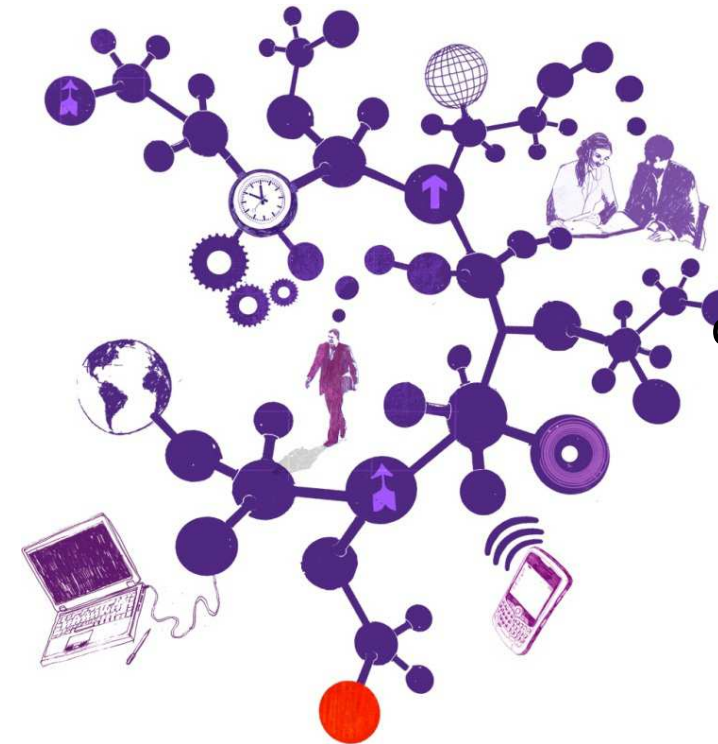
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Agenda Item 10

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Accounts and Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at June 2015

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	March 2015	Yes	<p>We presented our audit plan to the March 2015 meeting of the Accounts & Audit Committee.</p>
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Initial Value for Money planning and risk assessment. 	From January 2015	Yes	<p>We updated members with progress on the interim audit at the March Accounts and Audit Committee.</p> <p>There are no matters to bring to your attention</p>
<p>2014-15 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	June to September 2015	On Track	<p>Our work will start with the receipt of the draft final accounts in June 2015. We will prepare an Audit Findings Report and present this to the Committee prior to issuing our audit report.</p> <p>We will complete our work on Whole of Government accounts (WGA) in line with the submission deadline in early October.</p>

Progress at June 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion We will give our statutory VfM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Audit Commission, related to the Council's arrangements for:</p> <ul style="list-style-type: none"> • securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future • challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency. 	September 2015	On Track	We will report our overall conclusions on VfM in our Audit Findings report.
<p>Annual Audit Letter Our Annual Audit Letter will summarise the findings from our 2014-15 audit.</p>	October 2015	Not yet due	We will issue our report summarising our work and circulate this to members as required.

Earlier closure and audit of accounts

Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.

Welfare Reform Review: Easing the burden

Grant Thornton market insight

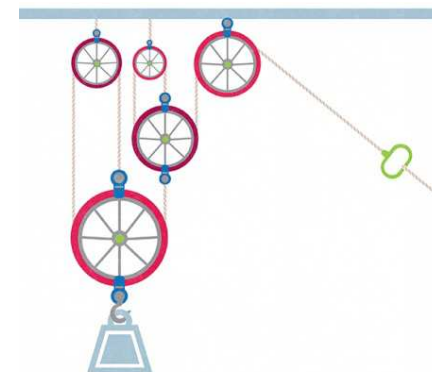
Our second welfare reform report, 'Easing the burden', followed on from 'Reaping the benefits?' to provide insight into the impact of welfare reform on English local authority and social housing organisations over the past two years.

It focused on the governance and management arrangements being put in place in England across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

Key messages:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed had seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There had been limited movement to smaller properties as a result of the spare room subsidy (also known as the bedroom tax) and benefit cap reforms, with generally less than 10% of those affected having moved according to our survey. The shortage of smaller properties for people to move into played a key role in this
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay. Ninety-five per cent of local authorities surveyed think that recipients of DHP allocations are either wholly or partly dependent on DHP to avoid homelessness in the longer-term. Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP and hardship funding, in addition to general funding reductions will inhibit the ability of local authorities and housing associations to pursue early intervention policies that avoid people falling into long-term benefit dependency. This will have cost implications for the medium- to long-term.
- The cost of administering housing benefit has risen as a result of welfare reform and now 47% of local authorities and 51% of housing associations surveyed said housing benefit is becoming significantly more costly to administer. This is partly due to the increased complexity of cases

The report 'Easing the burden: The impacts of welfare reform on local government and social housing sector' can be found [on our website](#)



Spreading their wings: Building a successful local authority trading company

Grant Thornton market insight

'Spreading your wings' is the first in a series on alternative delivery models in local government. This report focuses on how to set up a local authority trading company and, importantly, how to make it successful.

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with





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Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2014/15

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 30 June 2015
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Internal Audit Report 2014/15

Summary

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2014/15
- To provide a summary of the work of the Audit and Assurance Service during 2014/15.

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

None



TRAFFORD
COUNCIL

Audit & Assurance Service

Annual Internal Audit Report 2014/15

June 2015

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2. Internal Audit Opinion for 2014/15
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5. Detailed Analysis of Work Completed
6. Annual Governance Statement
7. Management Response to Internal Audit Work
8. Performance against Audit Plan
9. Conformance with the Public Sector Internal Audit Standards

Appendices

- A : 2014/15 Audit and Assurance Service Structure
- B : 2014/15 Internal Audit Plan (Planned Work and Actual Days Spent)
- C : Audit Reports Issued in 2014/15 (where audit opinions given)
- D : Client Survey Responses 2014/15

Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Internal Audit Report sets out details of the work of the Audit and Assurance Service during 2014/15. The most important aspect of the Annual Audit Report is to give an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2014/15, which encompasses internal control, risk management and governance.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2014/15 in general conformance with the Public Sector Internal Audit Standards.

Through its work, the Audit and Assurance Service aims to provide support to the organisation in its aim to maintain effective governance arrangements and a sound control environment. Ongoing financial pressures for local authorities to achieve savings highlight the need for organisations to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised.

Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage remains broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2014/15.

It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2015. Any further issues relating to work undertaken after that time are covered in future updates including quarterly reports to the Corporate Management Team and the Accounts and Audit Committee.

Based on internal audit work undertaken for 2014/15, the Internal Audit Opinion is that for the majority of areas reviewed, the control environment is operating to a satisfactory standard. There were, however, a number of areas where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Follow up work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Areas identified for improvement will be further followed up in 2015/16.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Internal Audit Report is to detail the work of the Audit and Assurance Service during 2014/15. The Annual Audit Report provides an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2014/15.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013. PSIAS replaced the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom'. It is a requirement of PSIAS that an Annual Internal Audit Report is written and presented to the organisation.
- 1.3 The Audit and Assurance Service is within Financial Services in the Transformation and Resources Directorate. The Audit and Assurance Manager reports to the Director of Finance.
- 1.4 The establishment of the Audit and Assurance Service comprised 8.65 full time equivalent (FTE) staff at the start of 2014/15. During the year three officers left the Service, with one of these posts subsequently being deleted. Actual staff actually in post by the end of 2014/15 was 5.83FTE. The total establishment at year-end is 7.83FTE with a recruitment process in progress to fill the two vacancies.
- 1.5 In addition to in house resources, as in previous years, Salford Audit Services provided support in respect of elements of the ICT Internal Audit Plan.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.
- 1.7 The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2014/15. The Annual Governance Statement provides an assessment of governance arrangements across all areas of the Council, and identifies strengths and areas for development in those arrangements.

2. INTERNAL AUDIT OPINION FOR 2014/15

2.1 Internal Audit is required to give an annual Opinion on the adequacy and effectiveness of the Council's internal control environment which encompasses internal control, risk management and governance. The opinion supports the Annual Governance Statement. The Opinion for 2014/15 is as follows.

Based on internal audit work undertaken for 2014/15, the Internal Audit Opinion is that for the majority of areas reviewed, the control environment is operating to a satisfactory standard. There were, however, a number of areas where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Follow up work of areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Areas identified for improvement will be further followed up in 2015/16.

2.2 Factors determining the opinion are as follows

- Audit Opinion reports were issued through the year covering a range of services, functions, systems and processes including financial system audits, ICT Audits, Schools and establishment reviews, service reviews and contract monitoring (See Section 5 and Appendix C) . Of the 37 opinion reports issued during the year, 65 % of opinions stated that at least an adequate level of control was in place. 35% (13 reviews) highlighted a less than adequate opinion. (See Section 4.6).
- For all final reports issued, an action plan has been agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (94%) have been agreed by management (See 3.3 and 7.3).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2014/15 and significant progress had been made in implementing recommendations. Where further significant progress is required, this has been reported and will be further followed up in 2015/16. (See 3.4, 7.4 and 7.5).
- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register through the year which has been reported to the Corporate Management Team and the Accounts and Audit Committee (See 5.2).
- The Audit and Assurance Service continues to co-ordinate the production of the Council's Annual Governance Statement and has liaised with managers to ensure that there has been reporting of progress through 2014/15 in addressing significant governance issues highlighted in the previous Annual Governance Statement (See 5.1.4).

- The Audit and Assurance Service has continued to investigate suspected cases of fraud, theft and misuse of ICT facilities. Where applicable, associated review work has included reporting on recommended control improvements. (See 5.6).

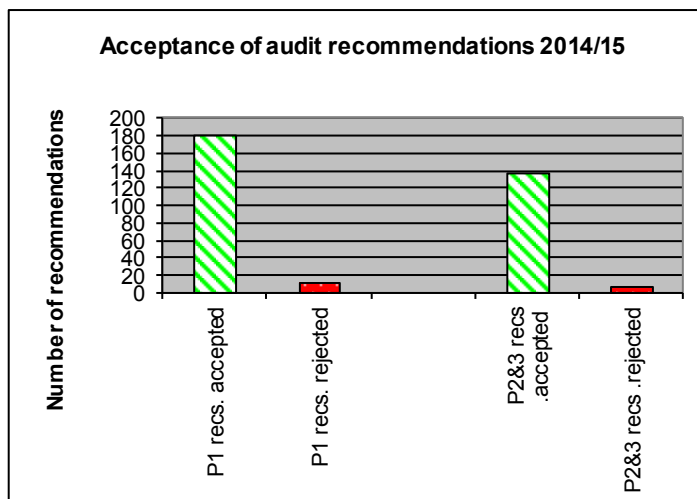
2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2014/15 is provided in this report.

3. IMPACT OF INTERNAL AUDIT WORK ON THE CONTROL ENVIRONMENT

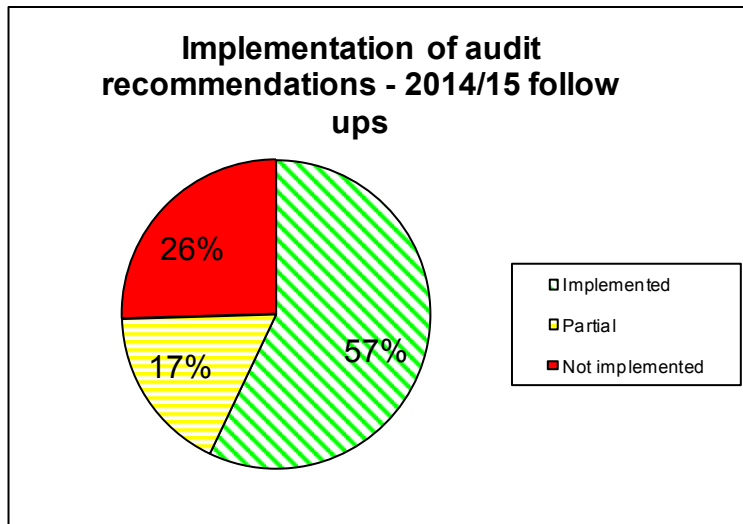
3.1 Through its work, the Audit and Assurance Service aims to support the organisation in ensuring good governance and a sound control environment, assisting in shaping ethics and standards across the council. In doing this, it assists in the achievement of corporate and council priorities and objectives, delivering value for money and ensuring a positive impact on service delivery and outcomes for local people.

Coverage and Improvements in the Control Environment

- 3.2 Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage is broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.
- 3.3 Impact is reviewed through both the acceptance and implementation of recommendations. **94% of the recommendations made during the year were accepted** (as indicated in the chart below showing acceptance of recommendations – further details are shown in 7.1 to 7.3).



- 3.4 Follow-up work during the year has confirmed that, of the areas reviewed, **74% of recommendations have either been fully or partially implemented** (compared to 96% in the previous year - See 7.4 and 7.5 for further details). For areas followed up where significant improvement is still required, further follow up work will be undertaken. Revised opinions were given where appropriate after each follow-up review had been completed.



Development and Assurance Provided Across the Council

- 3.5 In addition to undertaking internal audit reviews, the Audit and Assurance Service has promoted good practice and raised awareness of good governance through awareness raising activities such as through:
- Providing support to Governor Services in delivering two training presentations to Headteachers and two others to School Governors in respect of planning the scheduling of documents / policies to be reviewed by Governing Bodies through the year.
 - Undertaking a school healthcheck visit to one school to provide guidance in addition to the standard audit process.
 - Arranging for a reminder to be publicised to Council staff in respect of rules on responding to offers of Gifts and Hospitality.
 - Updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance.

Other Assurance Work

- 3.6. A significant proportion of time spent does not result in the issue of formal internal audit reports. This is because the Audit and Assurance Service takes a lead in a number of

activities such as risk management and anti-fraud and corruption. Time is also spent in the compilation of the Council's Annual Governance Statement; financially appraising firms wishing to do business with the Council, and contributing to project and working groups across the Council. Other work has included reviewing a number of grant claims through the year as required. The Service has also provided corporate support by undertaking email searches as part of responding to Data Subject Access Requests (although this role was transferred to the newly formed Information Governance team at the end of the year).

Breadth of Stakeholders

3.7 The Audit and Assurance Service liaises and shares internal audit reports with a wide group of stakeholders within the organisation including the Accounts and Audit Committee, Corporate Management Team, managers across the Authority and External Audit.

4. WORK PLANNED AND COMPLETED

4.1 Total time allocated to carry out the Operational Plan was originally set at 1225 days for 2014/15. This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2014/15 Annual Audit Plan was 1060. Details of planned work against actual are discussed further in section 8.

4.2 Details of the internal audit reports issued in each quarter of 2014/15 are shown in Appendix C, providing a description of the review, audit opinion given and comments on the respective findings. The relevant Corporate Directorate for each audit review is also shown.

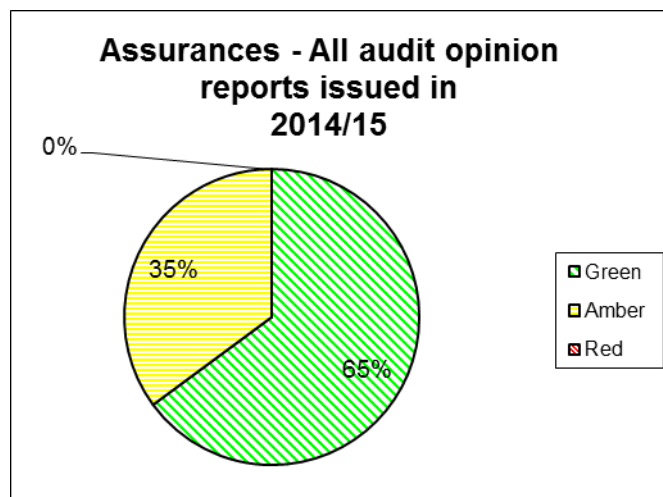
4.3 For each audit report issued, one of five possible Opinions is given as shown in the following table. The five opinions are also denoted as Red/Amber/Green:

High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.
Medium / High (Good)	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.
Medium Level of Assurance (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.
Low Level of Assurance (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.

Analysis of Audit Opinions

4.4 The chart below provides an analysis of audit opinions in respect of internal audit reports issued in 2014/15.

All Reports issued in 2014/15 – (33 final and 4 draft reports)



4.5 Overall, the above shows that in 2014/15, an adequate or above (“Green”) level of control was found to be in place for 65% of the 37 reviews that took place where an opinion was given. (This compares to 80% of opinions in 2013/14).

4.6 35% of opinions were deemed as ‘Amber’ i.e. Low/Medium opinions (consisting of 13 reviews). These were as follows:

- Business Continuity Review (At the time of reporting, this report is at draft stage awaiting a management response). The Low/Medium opinion reflects the need to ensure that business continuity management is fully aligned with ICT Disaster Recovery Planning and respective plans are up to date. A final audit report will be produced to confirm findings and the agreed management response (see 5.9.3 and Appendix C).
- Six primary school audits where Low/Medium opinions were issued (See 5.4) and one primary school audit in relation to arrangements for collecting income from match-day parking. (See 5.8.3).
- A report was issued summarising themes arising in respect of ICT governance and security following visits to a number of schools. Required improvements at some schools

related to system back up arrangements and the secure transmission of data. Recommendations were made for the Council to consider in terms of the provision of guidance and support for schools to make improvements. (See 5.7.4 and Appendix C).

- A review was undertaken covering processes operated by the Schools Catering Service, including monitoring of expenditure, income and stocks. A number of recommendations made are being considered by management and will be incorporated in a final report to be issued in 2015/16. (See 5.9.3 and Appendix C).
- Taxi Licensing audit: Whilst adequate controls were in place for some aspects, a number of areas for improvement have been identified to reduce risks. This includes the need to ensure adequate checks and divisions of duties are in place in respect of processing applications and administering income received and banked. Further work is required to ensure adequate documented procedural guidance is in place for license applications, renewals and inspections. (See 5.9.3 and Appendix C).
- A follow up audit review was completed to assess controls in place for the administration of Section 17 monies, used to support children in need and their families. It was noted that some progress has been made in implementing previous audit recommendations made but a number of recommendations remained outstanding. This included ensuring the necessary approval is obtained and evidenced prior to making Section 17 payments. In addition, full reconciliations of the petty cash imprest accounts should take place on a regular basis to account for all monies held and spent. (See 5.9.3 and Appendix C).
- A Low/Medium Opinion was given for a review of the Softbox system used for billing and payment transactions for Adult Social Care. At the time of the audit, the software was in the process of being de-commissioned with the implementation of the replacement Liquid Logic adult social care system in December 2014, and its partner software, the ContrOCC financial package to be fully implemented during 2015. A number of recommendations made were intended to be taken into account in respect of implementation of the new systems. Areas for required improvement included debt monitoring processes. (See 5.3.5).

4.7 All the above reviews are included in the 2015/16 Internal Audit Plan either for completion of management action plans or for further follow up to assess progress in implementing recommendations.

4.8. It should be noted that there will be further follow up of other areas in addition to above where improvements have been identified. This includes ongoing input by Audit to the monitoring of progress in relation to the Budget Monitoring Action Plan and also review of cash handling controls further to investigations that were completed during the year related to this area.

Risk Levels

4.9 In terms of estimates of the levels of risk associated with respective opinion levels, the table below provides a framework for analysis of risk levels for audits undertaken based on the opinion given and the breadth of coverage of the review based on the following:

<u>Breadth of coverage of review (Levels 1 to 4)</u>	<u>Level of Risk Associated with Opinion Level and Breadth of Coverage</u>
<p>Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:</p> <ul style="list-style-type: none"> • Level 4 : Key strategic risk or significant corporate / authority wide issue - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity. • Level 3 : Directorate wide - Area under review has a significant impact within a given Directorate. • Level 2 : Service wide - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments. • Level 1 : Establishment / function specific - Area under review relates to a single area within the Council such as an individual establishment. 	<p>This provides an estimate of the level of risk given the audit opinion provided and breadth of coverage of the review.</p> <p>High Risk (H) – Amber or Red Opinion / Level 4 or Red Opinion / Level 3</p> <p>Medium Risk (M) – Amber Opinion / Level 3 or Amber or Red Opinion / Level 2</p> <p>Low Risk (L) – Green Opinion or Amber Opinion / Level 1.</p>

Based on the above, of the 37 reports issued, the following risk levels are given:

Risk Levels – Reports Issued 2014/15

Risk Level	Number of Audit Reviews (%)
High	1 review (3%)
Medium	5 reviews (13%)
Low	31 reviews (84%)

4.10 The table shows that **for the majority of reviews undertaken (84%) overall risks are considered low (compared to 90% in 2013/14)**. For these reviews, however, it is still important that agreed recommendations are implemented to ensure identified risks are addressed.

- 4.11 The High and Medium Risk reviews reflect some of the reviews listed in 4.6. In particular, given its Authority-wide context and Low/Medium opinion level, risks in relation to business continuity management are considered High. It is noted that an agreed Action Plan is to be produced and details will be reported in the quarterly Audit and Assurance updates in 2015/16.
- 4.12 Medium Risk areas reflect Service/Directorate wide audits where a Low/Medium opinion has been given (Taxi Licensing, IT Governance and Security in Schools, Schools Catering, Section 17 Payments (Children's Services) and the Softbox System review (Adult Services)).

Part Two – Detailed Findings

5. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2014/15, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

5.1 Governance

- 5.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of corporate governance in the Authority.
- 5.1.2 The Service co-ordinated the production of the 2013/14 Annual Governance Statement in liaison with Officers and Members as set out in the approach / timetable agreed by the Accounts and Audit Committee. In order to complete this, the Service reviewed Corporate Governance arrangements with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. The review includes identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of six principles relating to the Council's purpose/vision, the defining of functions and responsibilities, standards of conduct, management of risk, capacity and capability of members and officers, and engagement with the community and other stakeholders.
- 5.1.3 The 2013/14 Annual Governance Statement was approved in September 2014. In addition, as part of the corporate governance review work, the Service reviewed and updated the Council's Corporate Governance Code in accordance with the CIPFA / SOLACE guidance. The Code was approved by the Accounts and Audit Committee in June 2014.
- 5.1.4 Through 2014/15, the Audit and Assurance Service has liaised with relevant managers to ensure the Accounts and Audit Committee have been provided with updates on progress through the year on significant governance issues highlighted in the 2013/14 Annual Governance Statement. These include developments in relation to the Budget Monitoring Action Plan, Locality Partnerships, Information Governance, the Reshaping Trafford programme and Public Service Reform. Audit and Assurance is currently co-ordinating the production of the 2014/15 Annual Governance Statement (the final version to be approved by September 2015).
- 5.1.5 As referred to in the 2015/16 Internal Audit Plan, in respect of partnership governance, audit work previously planned in relation to Section 75 partnership agreements has since been

reviewed and rescheduled in agreement with the Corporate Director, CFW. The Service will liaise with the CFW Directorate in 2015/16 to agree any work in this area.

5.2 **Risk Management**

5.2.1 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with the Transformation, Performance and Resources Group (TPR) and the Corporate Management Team (CMT). This ensures that the Council identifies and monitors the key risks to the achievement of Council objectives.

5.2.2 Reports detailing the risk register and key developments in the management of risks have been submitted to TPR and CMT. The Accounts and Audit Committee were provided with updates in November 2014 and March 2015.

5.3 **Fundamental Financial Systems**

5.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems.

5.3.2 The systems reviewed are shown under the category 'Financial System' in Appendix C which lists all reports actually issued during 2014/15.

5.3.3 High Opinion Levels were given in respect of reports issued during 2014/15 for the following systems: Council Tax, Treasury Management, Non Domestic Rates, and Accounts Receivable/Debt Recovery.

5.3.4 A Medium audit opinion was given for a review of the Accounts Payable processes. For the latter, it is acknowledged that there are developments being progressed to improve processes to ensure the EBP system is used effectively and efficiently across services.

5.3.5 A Low/Medium Opinion was given for a review of the Softbox system used for billing and payment transactions for Adult Social Care. The software was in the process of being de-commissioned with the implementation of the replacement Liquid Logic adult social care system in December 2014, and its partner software, the ContrOCC financial package to be fully implemented during 2015. A number of recommendations made were intended to be taken into account in respect of implementation of the new systems. Areas for required improvement included debt monitoring processes. Report recommendations have been accepted by management in an agreed action plan and issues will be followed up as part of internal audit reviews of the new systems in place in 2015/16.

5.3.6 At the year-end, work was in progress in respect of a number of reviews including Payroll, Income Control, Works Management and Let Estates. Work in respect of a review of the Benefits System will commence in quarter two of 2015/16. Reports issued through 2015 will

be detailed in the quarterly Audit update reports to go to CMT and the Accounts and Audit Committee. Key findings from this work in addition to External Audit review work in respect of the 2014/15 financial statements will, where applicable, be reflected in the final version of the Council's 2014/15 Annual Governance Statement.

5.3.7 As reported in other updates to CMT and the Accounts and Audit Committee, Audit and Assurance has provided input during the year to the Council's Budget Monitoring Investigation and subsequent monitoring of the Action Plan. The review findings resulted in a number of recommendations for improvement in accountability, procedures and reporting arrangements both specifically within Adult Services and also across the Council. Reports have been issued through 2014/15 to highlight Action Plan progress being made. Details of developments on this will also be reflected in the Council's Annual Governance Statement.

5.4 **Schools**

5.4.1 Summary details of each school audit are in Appendix C, indicated by the "Schools" Category. Areas covered in audit reviews include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; school fund and ICT security.

5.4.2 Within the Internal Audit Plan it was planned that at least 14 school audit opinion reports would be issued. Thirteen final school audit reports were issued in 2014/15 (eight primary schools, four secondary schools and one special school). Of the 13 final reports, eight were at least adequate opinions (Medium or above). For the other five reports issued, these were allocated opinions of Low/Medium. All five reviews have been included in the 2015/16 Internal Audit Plan to undertake further follow up work to assess progress in implementing recommendations made. One draft report was also issued (in respect of a primary school) where a Low/Medium opinion was allocated. The final report will be issued in 2015/16 to confirm the opinion and include the management response to the recommendations.

5.4.3 As part of the Schools Financial Value Standard, schools are required to submit evidence to support adherence to the Standard on an annual basis. It is noted at the time of reporting that the Council is working to ensure SFVS requirements are being met for 2014/15. Most schools have submitted a self- assessment for the year as required and any outstanding responses are currently being followed up. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking future school audits.

5.4.4 Audit and Assurance continued to liaise with the Schools Finance team and the Children, Families and Wellbeing Directorate to identify and provide advice on areas for development for schools to address. The Service provided support to Governor Services in delivering two training presentations to Headteachers and two others to School Governors in respect of planning the scheduling of documents / policies to be reviewed by Governing Bodies during the year.

5.4.5 In addition to the work above, reference is also made in section 5.7 to further schools related audit work completed in relation to reviews of ICT controls.

5.5 **Establishments**

5.5.1 A number of Council establishments are included in the Annual Audit Plan to ensure there is broad coverage of controls, at an operational level, across the Council. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas specific to the establishments under review.

5.5.2 Given service changes, which included the closure of a number of establishments across the Council, plans in relation to establishment audits were reviewed and amended. Planned reviews of Children's centres did not take place given the changes in this area.

5.5.3 An audit review was undertaken of Pathways Day Centre, services which include the provision of support for people with learning disabilities. Overall controls in place were found to be adequate and effective. Some recommendations were made in the draft report including ensuring up to date business continuity arrangements are in place. A final report with an agreed management response will be issued in 2015.

5.5.4 Follow- up progress updates were received in respect of two audits completed in the previous year. These were for Old Hall Road Residential Unit (CFW – Children) and Ascot House Assessment Centre (CFW – Adults). In respect of these reviews the majority of recommendations had been implemented with a small number in progress.

5.5.5 An audit of Sale Waterside Theatre was in progress at the time of reporting and findings will be reported as part of 2015/16 Audit and Assurance Service updates.

5.6 **Anti Fraud and Corruption**

5.6.1 Audit work in this area relates to undertaking investigative work; reviewing measures in place to reduce the risk of fraud and corruption and raising awareness across the Council. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

Investigations

5.6.2 During 2014/15, Audit and Assurance staff have contributed to work in relation to eight new investigations.

- 5.6.3 Three of these investigations involved Audit providing support reviewing allegations of misconduct, two including the misuse of ICT:
- For one of these investigations, no evidence was found of ICT misuse within the period under review.
 - In the other instance in respect of ICT, findings were shared with management to support a wider investigation. In this instance, the outcome of the subsequent disciplinary process was the dismissal of one officer.
 - For the third case, this involved supporting management in reviewing an instance of non-adherence to required record keeping and monitoring procedures which resulted in a final written warning.
- 5.6.4 Two investigations involved providing support in reviewing discrepancies in relation to cash handling. For the first, this included discussions with staff, reviewing security procedures and supporting records in relation to income collected and cash banked. Audit reported to management to confirm areas of control weakness in relation to cash security with a number of recommendations made. Procedures and responsibilities within the relevant service area have been reviewed with revised arrangements put in place.
- 5.6.5 The second instance relates to concerns raised in relation to discrepancies between till records to actual cash collected and amounts banked. In order to support an on-going investigation, Audit reviewed relevant records and subsequently reported a list of recommended improvements in relation to cash handling. Audit also provided support to investigating officers in confirming reported discrepancies as part of the associated disciplinary investigation process which resulted in the dismissal of an employee.
- 5.6.6 Audit provided support during 2014 to the Council's Budget Monitoring investigation and has contributed to the monitoring of the subsequent Budget Monitoring Action Plan in 2014/15, details of which have been reported to the Accounts and Audit Committee.

National Fraud Initiative

- 5.6.7 The Audit and Assurance Service continues to co-ordinate activity relating to the National Fraud Initiative (NFI). NFI is a nationwide data matching exercise, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse.
- 5.6.8 Data for the 2014/15 NFI exercise was submitted to the Audit Commission during October and November 2014. The Commission released all the dataset matches by the end of January 2015. (From April 2015, following the closure of the Audit

Commission, the Cabinet Office assumed responsibility for managing the NFI process).

- 5.6.9 Audit and Assurance is liaising with relevant services to ensure high priority matches are followed up through the year. Details of progress will be reported in future updates to the Accounts and Audit Committee. It should be noted that total overpayments being recovered as a result of the previous NFI exercise which commenced in 2012/13 amounted to £208,204. There is also an ongoing weekly reduction in payments of £1,219, approximately £63,388 per annum. All fraudulent overpayments identified from the exercise related to benefit fraud (15 in total).

Awareness Raising

- 5.6.10 In terms of work in relation to existing Council policies, in December 2014 the Audit and Assurance Service published a reminder on the intranet of guidance on the Council's policies on registering offers of gifts and hospitality.
- 5.6.11 The Service has drafted updates to the Council's Whistleblowing Policy and is liaising with Legal Services to agree any proposed amendments. An updated version will be issued in due course.

5.7 ICT Audit / Information Governance

- 5.7.1 In this area, work has included audit reviews and investigations into the misuse of ICT facilities to ensure high standards of conduct are in place.
- 5.7.2 A review was completed which found that the IT control aspects of the General Ledger were operating satisfactorily to secure the correct posting of transactions. A High opinion was given but with some recommendations made including the need to ensure access rights belonging to leavers is removed promptly.
- 5.7.3 A corporate review of Information Governance arrangements was undertaken in 2014/15 with particular emphasis on meeting national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. A Low/Medium audit opinion was given in the previous review of this area reflecting the work remaining to be completed in order to gain the necessary accreditations. This was followed up in 2014/15 during which time PSN accreditation had been gained and a revised opinion of Medium/High was given.
- 5.7.4 A review was originally undertaken in 2013/14 to provide assurance on the arrangements for ICT Security in schools. Five schools of various types and with different models of service provision were reviewed and an individual report was issued to each school. A corporate report combining the findings and drawing out common themes was issued in 2014/15 with a Low/Medium audit opinion. This reflected common findings such as insecure transmission of data and poor environmental controls in some schools server rooms. An Action Plan was co-ordinated by IT Services and this review is to be followed up in 2015/16.

- 5.7.5 A follow up of ICT related controls in respect of the electronic children's care and case recording systems, ICS and e-CAF was followed up again during the year. Good progress continues to be made and all recommendations are either implemented or ongoing.
- 5.7.6 There were two investigations into the suspected misuse of ICT facilities which are referred to in section 5.6.3.
- 5.7.7 A number of planned pieces of work have been deferred until 2015/16 at the request of ICT. A follow up review of the Data Centre audit will be undertaken in 2015 and a review of Change Management processes later in the year.

5.8 Procurement / Contracts

- 5.8.1 During the course of the year, the Council's Strategic Procurement Service underwent transition to become a shared service with Stockport and Rochdale Councils, (STaR). During the year, the Audit and Assurance Service liaised with the Director of STaR and Internal Audit sections of the partner authorities to discuss the role of Audit and start to agree future work plans. A programme of work for 2015/16 relating to the shared service was agreed by each of the three Authorities and work completed in 2015 will be reported in the quarterly updates.
- 5.8.2 As part of developments in relation to STaR, Audit provided input to the review of the Contract Procedure rules (Harmonised Contract Procedure Rules for the three Authorities are to be issued in 2015/16).
- 5.8.3 As part of following up previous review work, a number of visits have been made to individual schools to review contract arrangements in respect of services provided to manage parking at the schools for major local sporting events in Old Trafford. Three out of four schools were found to have satisfactory arrangements in place to monitor their contract but the fourth was given a Low/Medium Audit Opinion. This related to the need to ensure prompt invoicing of amounts due from the contractor and ensuring clearly established arrangements are in place, agreed by the Governing Body, for approving any variations to the contract. All recommendations made have been accepted and will be followed up in 2015/16.
- 5.8.4 In respect of Public Health, last year's audit review of the Sexual Health contract was finalised early in the year with a High Level audit opinion.
- 5.8.5 The service continued to carry out the financial vetting of contractors. Given the significant amount of time spent on this activity, it is shown separately in the analysis of time spent in the Audit Plan in Appendix B.

5.9 **Business Risk Reviews**

5.9.1 This comprises work that does not fall into one of the categories referred to above but represents areas of business risk. These include reviews of specific areas within individual Directorates.

5.9.2 There were eight audit reports issued in this category (six of which were final reports with two drafts as at 31 March 2015). A summary of findings for each review is shown in Appendix C denoted by Business Risks. As shown below, adequate or above opinions (Medium or Medium/High) were given for four of the eight reports issued and less than adequate opinions (Low/Medium) were given for four reports. The reviews completed to final or draft report stage as at 31st March 2015 were:

Final reports:

- Section 106 Planning Agreements (EGEI &T&R) : Medium Opinion
- Street trading (EGEI): Medium opinion.
- Taxi Licensing (EGEI) : Low/Medium Opinion
- Energy Management (EGEI) : Medium Opinion
- Section 17 Payments (Children's Act 1989) (CFW – Children) : Low/Medium Opinion
- Music Service (CFW – Children) : Medium/High Opinion

Draft report:

- Business Continuity (T&R / Authority-wide) : Low/Medium Opinion
- Schools Catering (EGEI): Low/Medium Opinion.

5.9.3 In respect of the four reviews where a less than adequate opinion was given:

- For the two final reports issued (Taxi Licensing and Section 17 Payments), an agreed action plan is in place to implement the audit recommendations and follow- up audit reviews are included in the 2015/16 Internal Audit Plan.

- For the two draft reports issued (Business Continuity and Schools Catering) an action plan is being considered and agreed actions will be included in final audit reports to be issued in 2015/16.

5.9.4 Review work was also undertaken and guidance provided in respect of financial procedures in relation to catering at Trafford Town Hall. Findings and recommendations made will be followed up as part of further work in 2015/16.

5.9.5 At the time of the issue of this Annual Report, a planned review of Planning Control was in progress and a report will be issued which will be reflected in future quarterly Audit and Assurance updates.

5.9.6 As stated in the 2015/16 Annual Internal Audit Plan report issued in March 2015, a number of reviews originally planned for 2014/15 were rescheduled due to Audit resource capacity. These are as follows:

- Building Control (EGEI)
- Trafford Youth Service barge project (CFW - Children)
- Registrar's Income (T&R).

5.10 Project Groups

5.10.1 The Audit and Assurance Service has contributed to a number of project / working groups across the Authority.

5.10.2 This has included providing input to the Project Board for the implementation of the Adult Social Care software package 'Liquid Logic' and 'ContrOCC' its partner financial package.

5.10.3 Internal Audit has continued to be represented at the Information Security and Governance Board.

5.10.4 Audit has also supported the development of an AGMA wide shared audit programme for the Troubled Families (Stronger Families) government initiative. Audit has an ongoing role in reviewing funding claims made as part of the initiative.

6. ANNUAL GOVERNANCE STATEMENT

6.1 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations (The 2015 Regulations replacing the previous 2011 Regulations with effect from 1 April 2015). Councils are required to publish, accompanying the annual accounts, a statement on the standard of governance, including internal controls in operation at the Council. The Statement has to be signed by the Leader and the Chief Executive.

6.2 Audit and Assurance work in the year included co-ordinating the compilation of the Authority's Annual Governance Statement for the previous year, i.e. 2013/14, and preparation for the production of the 2014/15 Annual Governance Statement. The Annual Governance Statement draws on evidence from various sources including:

- The work of Internal Audit including the Internal Audit Opinion in the Annual Audit Report.
- The work of External Audit.
- Assurance from Directors and senior managers.
- A corporate review of governance arrangements in the Council.
- Risk management arrangements.

7. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

7.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :

- Acceptance of recommendations
- Implementation of them.

7.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

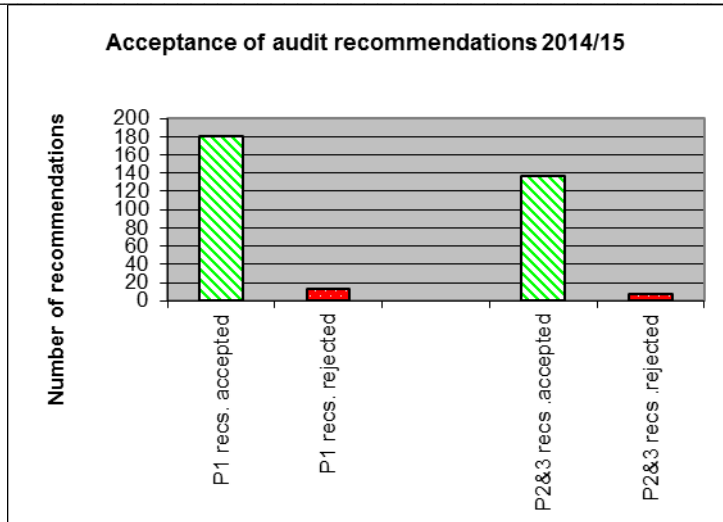
Priority 1 These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

Priority 2 These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

Priority 3 These are recommendations to either address a low risk or provide guidance or advice to further enhance existing practice.

Acceptance of Recommendations

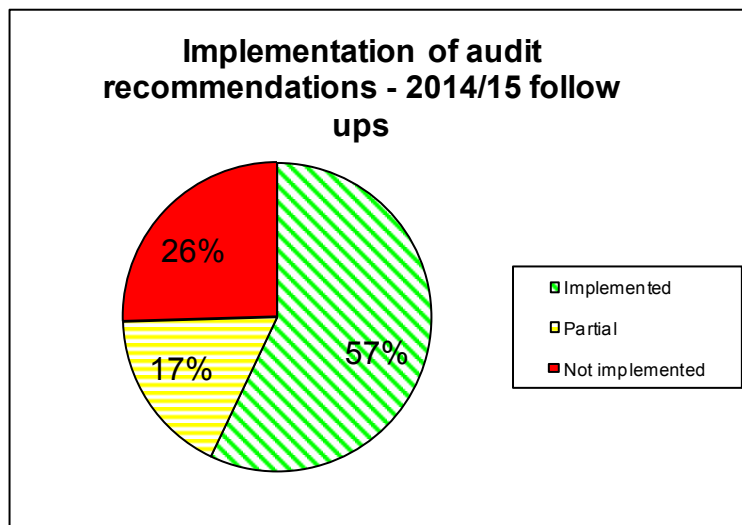
7.3 The table below shows levels of acceptance of recommendations made during 2014/15.



The majority of audit recommendations made during the year were accepted. Of the 194 Priority 1 recommendations made, 181 (93%) were accepted (service target is 95%). The acceptance rate for priority 2 or 3 recommendations was 95%, i.e. 137 of the 144 made. Overall, 94% of all recommendations were accepted (compared to 96% in 2013/14).

Implementation of audit recommendations

7.4 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self- assessment. An analysis of the percentage of recommendations implemented at the time of the respective follow up audit reviews is shown in the chart below.



7.5 Of a total of 212 recommendations followed-up during 2014/15, it was reported that 121 (57%) had been implemented at the time of the follow up audit reviews (this compares to

79% reported in the previous year). A further 37 (17%) have been partially implemented or are in progress (17% also reported in the previous year). A higher percentage of recommendations have not been implemented (54 recommendations - 26%) compared to the previous year (4%). Of the 54 recommendations not implemented, 32 relate to follow up reviews at three schools where Low/Medium Opinions have been given and will be subject to further follow up. In Appendix C, * denotes against the Audit opinion that the review is specifically a follow up audit.

Client feedback

- 7.6 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.
- 7.7 **The overall rating was good or very good for 96% of the responses (93% in 2013/14) against a service target of 80%.** An analysis of the responses is shown in Appendix D.
- 7.8 The analyses of recommendations, follow-ups and client responses demonstrates that there continues to be a positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

8. PERFORMANCE AGAINST AUDIT PLAN

- 8.1 There continues to be a broad coverage of audit work across the Internal Audit Plan to ensure the service makes an effective contribution in providing assurance and promoting high standards of governance, control and risk management.
- 8.2 An analysis of planned time against actual work in 2014/15 is shown in appendix B. This shows that a total of 1225 days were allocated to complete the 2013/14 Annual Plan (with a further 100 days contingency). Actual time spent delivering the Plan was 1060 days.
- 8.3 Fewer days were completed than planned, largely due to the loss of audit days following the departure of Audit staff during the course of the year. Three staff left the Service during the course of the year. In respect of the posts, one was deleted to contribute to Council savings following the departure of one officer in September 2014. Two vacancies remained at the year-end and a recruitment process commenced in early 2015/16 which is in progress.
- 8.4 In addition to the loss of operational audit days relating to individual staff, these officers also provided other support to the Service including Business Support, development of audit systems and corporate duties such as conducting email searches to fulfil Data Subject Access Requests, issuing of controlled stationery etc. In turn, remaining audit staff fulfilled these roles following the staff departures which also resulted in the loss of audit days. A further update on staffing resources will be provided in the 2015/16 quarterly updates

8.5 The majority of reviews have been completed as planned or are in progress at the year-end providing coverage across all the different areas set out in the Audit Plan. As indicated in Section 5, the commencement of some reviews has been delayed until 2015/16 either due to capacity (see 5.9.6) or delayed in agreement with the respective Services (see 5.1.5 and 5.7.7). Some reviews were also cancelled following changes to Council services in light of budget savings made (See 5.5.2). The 2015/16 Internal Audit Plan reported to CMT and the Accounts and Audit Committee in March 2015 took account of reviews carried forward from 2014/15.

9. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

9.1 It is a requirement that the Annual Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013.

9.2. The Standards incorporate a number of aspects including:

- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
- Purpose, authority and responsibility of Internal Audit.
- Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).

9.3 During the year, the Service completed a self- assessment exercise to review processes in place against details set out in PSIAS. The Service undertakes its work, generally in conformance with the Standards. One of the key actions currently outstanding is the requirement for an external assessment of Internal Audit to be undertaken, at least every five years which came into effect from April 2013. Audit and Assurance is working with other Internal Audit functions within the North West Heads of Internal Audit Group (and also in consultation with CIPFA) to agree a standard assessment process which will involve peer review. The aim is for an external assessment to be undertaken by 2016 which would meet the requirements of PSIAS.

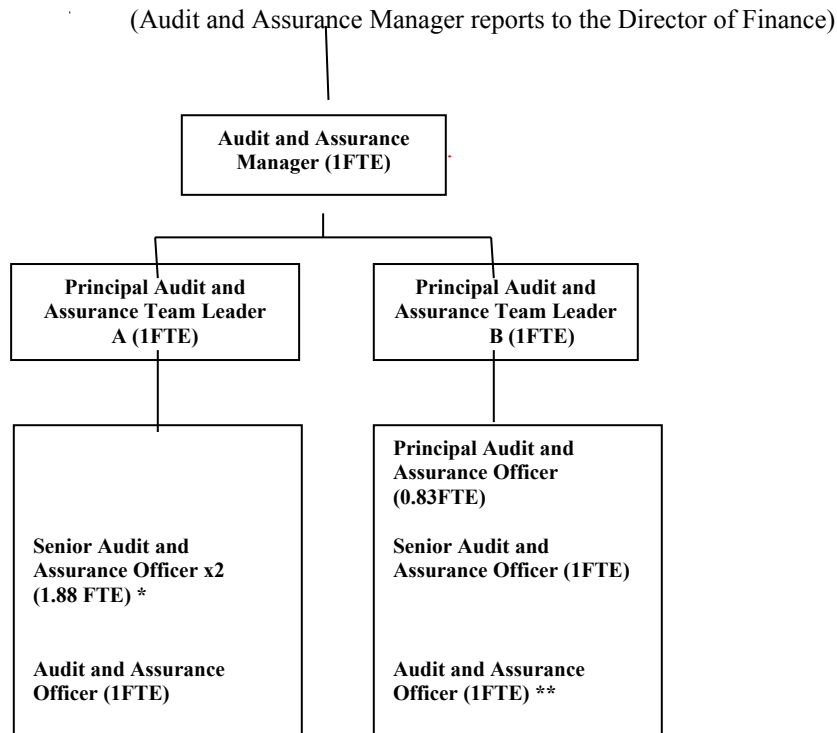
9.4 Based on the self-assessment undertaken by Audit and Assurance, a number of actions are planned including further updating of the Internal Audit Manual of Procedures and supporting planning documentation.

9.5 It is also noted that there are a number of standards where Local Authorities have commonly found it impractical to achieve full compliance given existing structures and reporting arrangements e.g. arrangements for performance appraisal in terms of particular Officer / Member roles in this process. Further review of such areas will be considered in liaison with other Local Authorities and further considered as part of the External Assessment process.

2014/15 STRUCTURE

APPENDIX A

AUDIT AND ASSURANCE SERVICE



Note: There is a significant overlap of responsibilities between the 2 teams. There are, however, some specialist areas of Audit that individual teams lead on, as follows:

- A - ICT; Fundamental Financial Systems
- B - Governance; Risk Management, Schools Audit

Principal Audit and Assurance Team Leader (A) has responsibility for liaising with the external IT Audit specialists, Salford Audit Services, in completing elements of the ICT Audit Plan.

* Note: One Senior Audit and Assurance Officer left the Council at the end of September 2014 and the post was subsequently deleted as part of savings made for the 2015/16 budget. The other Senior Audit and Assurance Officer left the Council at the end of January 2015. A recruitment process is in progress with the aim of filling the vacancy in 2015.

** Note: the Audit and Assurance Officer left the Service at the end of February 2015. A recruitment process is in progress with the aim of filling the vacancy in 2015.

APPENDIX B

2014/15 OPERATIONAL PLAN: PLANNED WORK AND ACTUAL DAYS SPENT

	<u>Days Planned</u>	<u>Actual Days</u>
Fundamental Financial Systems Completion of fundamental financial systems reviews.	230	263
Governance / Annual Governance Statement (AGS) Corporate / partnership governance review work and collation of supporting evidence and production of the 2013/14 AGS. Preparation for production of the 2014/15 AGS.	80	40
Risk Management Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy.	30	21
Anti-Fraud and Corruption Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	163
Procurement / Value for Money Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money.	70	31
ICT Audit Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	90	70
Schools School Audit reviews. Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	150
Establishments Reviewing governance and control arrangements across a range of establishments.	70	41
Other Key Business Risks Selected on the basis of risk from a number of sources including risk registers, senior managers' recommendations and internal audit risk assessments. This will include reviews relating to individual Directorates and Authority-wide reviews.	170	150

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	<u>Days Planned</u>	<u>Actual Days</u>
Service Advice / Projects General advice across all services. Support / advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	100	76
Financial Appraisals Financial Assessments of contractors and potential providers.	35	55
Total Allocated Days	1225 *	1060

* Note : A further 100 days was allocated in the Plan as a contingency.

ALL AUDIT REPORTS ISSUED IN 2014/15 WHERE AN OPINION LEVEL IS GIVEN **APPENDIX C**

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green (G)
Medium / High – Good	Green (G)
Medium – Adequate	Green (G)
Low / Medium - Marginal	Amber (A)
Low – Unsatisfactory	Red (R)

*Indicates this is a revised opinion given following a review of progress made in implementing recommendations made in the previous audit review. This opinion is based only on the areas tested and assumes the controls reviewed as part of the previous audit, that were not covered as part of this follow up audit, have been maintained.

Report Status:

Draft reports:

are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

incorporate management comments and responses to audit recommendations, including planned improvement actions.

An opinion is stated in each audit report / assessment to assess the standard of the control environment.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation’s governance and control environment it relates to. Levels are as follows:

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area within the council such as an individual establishment.

REPORT NAME (DIRECTORATE) / (PORTFOLIO)	OPINION (R/A/G) (Issued)/ Category	COMMENTS
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**Final Reports –
Quarter 1**

Level 2 Reports:

Street Trading (EGEI) / Environment and Operations	Medium (GREEN) (23/4/14) <i>Business Risks</i>	Testing revealed an adequate level of compliance with controls covering many, but not all business risks. All recommendations made have been accepted and an agreed action plan is in place. Recommendations included ensuring all relevant information and guidance available on the Council website for street traders is up to date.
Public Health : Sexual Health contract (CFW) /	High (GREEN) (11/4/14)	The review identified a high level of compliance and assurance within the tender process. At the time of the main audit review work, the contract had been operational for less than six months. Arrangements around transferring

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Adult Social Services and Community Wellbeing	Procurement/VFM	staff and other action points were taking place.
Level 1 Reports :		
St. Antony's Catholic College (CFW) / (Children's Services)	Medium/High (GREEN) (9/4/14) <i>School</i>	Overall, a good standard of control was found to be in place. Some recommendations were made including the Governing Body approval of a number of school policies. All recommendations made have been accepted and an agreed action plan in place.
Kingsway Primary School (CFW) / (Children's Services)	Medium (GREEN) (30/4/14) <i>School</i>	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. There is a need to improve the procedures and controls in relation to some aspects including inventory maintenance and the maintenance of the school fund records, reflected in a number of agreed recommendations.
Holy Family Catholic Primary School (CFW) / (Children's Services)	Medium (GREEN) (20/6/14) <i>School</i>	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. A number of recommendations were agreed including those relating to procedures for the ordering and payment for goods and services, and procedures in respect of the collection and banking of income to ensure adequate audit trails are in place.
Stretford Grammar School (CFW) / (Children's Services)	Medium/High (GREEN) (20/6/14) <i>School</i>	Overall, a good standard of control was found to be in place. A small number of recommendations were made, including the need to ensure an up to date inventory of equipment is in place which is subject to a regular independent check.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) / (Issued) / Category	COMMENTS
Final Reports – Quarter 2		
Level 4 Reports :		
Accounts Payable 2013/14 (T&R) / (Finance)	Medium (GREEN) (1/8/14) <i>Financial System</i>	The majority of central controls reviewed surrounding the accounts payable process have continued to be maintained. There are a number of developments being progressed to improve processes to ensure the EBP system is used effectively and efficiently across services.
Accounts Receivable and Debt Recovery 2013/14 (T&R) / (Finance)	High (GREEN) (23/9/14) <i>Financial System</i>	Key controls surrounding the Accounts Receivable and Debt Recovery process have continued to be maintained. The Revenues and Benefits Service are developing a plan to enhance existing processes through support to Services across the Council in respect of guidance and management information provided.
Level 2 Reports:		
Match day parking at Schools (CFW) / (Children's Services)	(3 x GREEN) (3 schools - 18/7/14) <i>Procurement/</i>	Satisfactory controls were found to be in place relating to contract management arrangements, including the monitoring of income received from contractors, in respect of match day parking at three of the four schools reviewed - Victoria Park Junior School, Stretford High School and Gorse Hill Primary School. (See

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<i>Contracts/ /VFM</i>	Quarter 3 final reports section in respect of the audit review of St. Ann's RC Primary School).	
Level 1 Reports:		
St. Michael's C of E Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) (21/8/14) <i>School</i>	Recommendations have been made across a number of areas including the administration of lettings arrangements, collection and banking of income and the administration of the school fund. It is noted that the school has completed an action plan to address recommendations made. A follow up audit will take place in 2015/16.
Lostock College (CFW) / (Children's Services)	Medium (GREEN) (1/9/14) <i>School</i>	Records were generally maintained to a good standard although a number of areas for control improvement were identified. These included recommendations relating to asset security and also in introducing a division of duties within certain processes including income collection and banking.
St. Anne's C of E Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) (1/9/14) <i>School</i>	The audit found some areas of good practice, but there is a need to improve controls for a number of areas to ensure associated risks are managed effectively. The remits of a number of Governing Body Committees need to be approved. A number of recommendations were made in relation to the administration of the School Fund. A follow up audit will take place in 2015/16.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) / (Issued) / Category	COMMENTS
Final Reports – Quarter 3		
Level 4 Reports :		
Treasury Management 2013/14 (T&R) / (Finance)	High (GREEN) (9/12/14) <i>Financial System</i>	A high level of assurance has been maintained with ongoing compliance with the established controls in place.
Non-Domestic Rates 2013/14 (T&R) / (Finance)	High (GREEN) (17/12/14) <i>Financial System</i>	A high level of assurance has been maintained with ongoing compliance with the established controls in place.
Section 106 Planning Agreements (EGEI & T&R) / (Economic Growth and Planning)	Medium (GREEN) (23/12/14) * <i>Business Risks</i>	The majority of recommendations made in the previous review reported in October 2013 have been implemented and the opinion has been revised to "Medium" having previously been "Low". The report issued highlighted there was some further work required to implement a number of remaining recommendations. There is a need to increase activity in relation to undertaking site visits to monitor progress of relevant developments. The new IDOX system recently introduced will help to facilitate improved monitoring of planning developments to identify relevant trigger points. The agreed report action plan also states that revised financial reporting processes are to be introduced.

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Level 2 Reports :		
Taxi licensing (EGEI) / (Environment and Operations)	Low/Medium (AMBER) (12/11/14) <i>Business Risks</i>	An overall opinion of Low / Medium assurance is given reflecting the findings that, whilst a number of adequate procedures and controls are in place, a number of areas for improvement have been identified to reduce risks. This includes the need to ensure adequate checks and divisions of duties are in place in respect of processing applications and administering income received and banked. Further work is required to ensure adequate documented procedural guidance is in place for license applications, renewals and inspections. A follow up audit will be undertaken in 2015/16 to assess progress against the agreed action plan.
Section 17 payments – Children Act 1989 (CFW) / (Children’s Services)	Low/Medium (AMBER) (23/10/14)* <i>Business Risks</i>	The objective of the review was to assess controls in place for the administration of Section 17 monies, used to support children in need and their families. It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. In particular, it is important that there are adequate procedures to ensure the necessary approval is obtained and evidenced prior to making Section 17 payments. In addition, full reconciliations of the imprest accounts should take place on a regular basis to account for all monies held and spent. An action plan has been agreed to address all recommendations made.
Music Service (CFW) / (Children’s Services)	Medium/High (GREEN) (22/12/14) <i>Business Risks</i>	Overall, a good standard of control was found to be in place. It is noted that health and safety processes are being reviewed following the recent move to different premises.
Level 1 Reports:		
Match day parking at Schools – St. Ann’s RC Primary School (CFW) / (Children’s Services)	Low/Medium (1 x AMBER) (1 school - (7/11/14) <i>Procurement /Contracts/ /VFM</i>	In respect of the review of contract management arrangements, including the monitoring of income received from contractors for match day parking at four schools reviewed, areas for improvement were identified at one school (St. Ann’s RC Primary School). This related to the need to ensure prompt invoicing of amounts due from the contractor and ensuring clearly established arrangements are in place, agreed by the Governing Body, for approving any variations to the contract. All recommendations made have been accepted and will be followed up in 2015/16.
St. Monica’s RC Primary School (CFW) / (Children’s Services)	Medium (GREEN) (11/11/14) <i>School</i>	Records were generally maintained to a good standard. Some recommendations were made to make improvements in a number of areas. These include recommendations for the management of assets including the need to bring the inventory of equipment up to date, greater use of security-marking and maintaining a register of equipment taken off site.
St. Hilda’s C of E Primary School (CFW) / (Children’s Services)	Low/Medium (AMBER) (27/11/14) * <i>School</i>	It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. These include recommendations in relation to ordering and payment processes, and ensuring an adequate division of duties in respect of income collection and banking. Further follow up of progress will be undertaken in 2015/16.
Oldfield Brow Primary School (CFW) / (Children’s Services)	Low/Medium (AMBER) * (22/12/14) <i>School</i>	It is noted that some progress has been made in implementing previous audit recommendations made and an action plan was agreed to implement a number of areas outstanding. There are a number of recommendations that remain outstanding. These include recommendations in relation to ensuring an adequate division of duties in the ordering, delivery and payment process

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plus introducing adequate independent checks in the banking of income.
Further follow up of progress will be undertaken in 2015/16.

REPORT NAME (DIRECTORATE)	OPINION (R/A/S) (Issued)	COMMENTS
Final Reports – Quarter 4		
Level 4 Reports :		
General Ledger ICT review (T&R)/ (T&R & Finance)	High (GREEN) (26/2/15) <i>ICT Audit</i>	Overall, a good level of control was found to be in place. In general, satisfactory controls are in place for the management of access to the Council's General Ledger SAP system although it was identified that some improvements were required to ensure that leavers have their SAP access removed promptly.
Council tax 2013/14 (T&R) / (Finance)	High (GREEN) (27/2/15) <i>Financial System</i>	A high level of assurance has been maintained based on the controls reviewed. A small number of recommendations were made in relation to maintaining sufficient audit trails to support decisions being made.
Information Governance (including Public Sector Network) (T&R) / (Transformation & Resources)	Medium/High (GREEN) (30/3/15) <i>ICT Audit</i>	A Low/Medium opinion was previously given reflecting the position in respect of work needed to meet national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. All high risk areas that may have resulted in PSN service withdrawal and N3 accreditation failure were addressed. The PSN and N3 accreditations were achieved and the improvements to the information governance framework, strategy and policies in progress.
Energy Management (EGEI) / (Economic Growth and Planning)	Medium (GREEN) (3/2/15) <i>Business Risks</i>	The majority of controls surrounding the energy management function have been maintained to a satisfactory standard in the areas reviewed. Recommendations have been made to raise awareness and provide further guidance to ensure that staff can support Council objectives in reducing energy costs.
Level 3 Reports:		
Softbox system (Adult Social Care) (CFW) / (Adult Social Services and Community Wellbeing)	Low/Medium (AMBER) (5/3/15) <i>Financial System</i>	The Softbox system is used within Adult Social Care to record financial assessments and calculate and invoice for any contributions due from clients. The software is also used to calculate and verify the accuracy of provider payments, which are then processed through SAP Accounts Payable. The Softbox system is being replaced during the year through the implementation of the Liquid Logic software and supporting ContrOCC module. A number of recommendations made were intended to be taken into account in respect of implementation of the new systems. Areas for required improvement included debt monitoring processes. Report recommendations have been accepted by management in an agreed action plan and issues will be followed up as part of internal audit reviews of the new systems in place in 2015/16.
Level 2 Reports:		
IT Governance and	Low/Medium	The review findings were based on reviews of five schools. The review found

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Security in Schools (CFW and T&R) / (Children's Services and Transformation and Resources)	(AMBER) (13/2/15) <i>ICT Audit</i>	there are some effective controls in place to mitigate key risks; however, there are areas where the introduction of new controls or improvement to existing controls is required. These include required improvements identified at some schools in respect of system back up arrangements and in the secure transmission of data. Recommendations were made for the Council to consider in terms of the provision of guidance and support for schools to make improvements. It is noted that an Information Governance service has recently been made available to schools by the Council to purchase a range of support. Recommendations made are being taken into account in respect of future advice provided to schools which will be followed up by Audit in 2015/16.
<u>Level 1 Reports:</u>		
Cloverlea Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) (23/1/15) <i>School</i>	Records across a number of areas were generally maintained to a good standard. There are, however, a number of areas identified for improving controls particularly to ensure adequate internal checks and divisions of duties are in place. Progress against the agreed action plan will be followed up by Internal Audit in 2015/16.
Stretford High School (CFW) / (Children's Services)	Medium * (GREEN) (27/1/15) <i>School</i>	The majority of previous recommendations made were found to have been implemented and an action plan was agreed to complete outstanding recommendations. The previous "Low/Medium" opinion was revised to "Medium".
Longford Park School (CFW) / (Children's Services)	Medium/High (GREEN) (13/3/15) <i>School</i>	Overall, a good standard of control was found to be in place. Some recommendations were made, some of which related to introducing internal checks to improve existing controls such as spot checks of the petty cash records and a periodic independent check of the inventory.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
<u>Draft Reports</u>		
<u>Level 4 Reports:</u>		
Business Continuity (T&R & Authority-wide) (Transformation and Resources)	Low/Medium (AMBER) (11/3/15) * <i>Business Risks</i>	The overall opinion level has remaining unchanged from the previous review. It is acknowledged that some progress has been made for the majority of recommendations with most of these implemented in part. Further work is required, however, to ensure corporate business continuity management is fully aligned with ICT Disaster Recovery Planning and respective plans are maintained up to date. There should be adequate testing of business continuity plans. A final audit report will be produced to confirm findings and include an agreed action plan.
<u>Level 2 Reports:</u>		
Schools Catering (EGEI) / (Environment and Operations)	Low/Medium (AMBER) (23/12/14) <i>Business Risks</i>	The review covered processes operated by the Schools Catering Service, including monitoring of expenditure, income and stocks. A number of recommendations made are being considered by management and will be incorporated in a final report to be issued in 2015/16.

Level 1 Reports :

Pathways Day Centre (CFW) / (Adult Social Services and Community Wellbeing)	Medium/High (GREEN) (16/3/15) <i>Establishment</i>	Overall, adequate and effective controls were found to be in place for most areas reviewed. A small number of recommendations were made in the draft report. This included the need to ensure an up to date business continuity plan was in place.
Springfield Primary School (CFW) / (Children’s Services)	Low/Medium (AMBER) (16/3/15) * <i>School</i>	Based on the draft report issued, a Low/Medium Opinion was given but this will be confirmed following the issue of a final report incorporating the management response to the recommendations made.

*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.

CLIENT SURVEY RESPONSES 2014/15

APPENDIX D

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	9	4			
Feedback of findings and liaison during the audit	11	2			
Professionalism of auditors	11	2			
Helpfulness of auditors	12	1			
Timeliness of the review and the draft report	10	2		1	
Clarity of the report	11	2			
Accuracy of the report	9	3	1		
Practicality of the recommendations made	5	5	2		
Usefulness of the audit as an aid to management	9	4			
Total	87	25	3	1	
%	75%	21%	3%	1%	
	Very Significant	Significant	Moderate	Minor	None
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	2	5	1	5	
%	15%	38.5%	8%	38.5%	

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 30 June 2015
Report for: Information / Comments
Report of: Audit and Assurance Manager

Report Title

Draft Annual Governance Statement – 2014/15

Summary

This reports sets out the Draft 2014/15 Annual Governance Statement (AGS) and the updated Corporate Governance Code. The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations 2011 (with updated Regulations to be effective from April 2015).

The content of the Draft AGS and the Corporate Governance Code has been reviewed and agreed by CMT. This has included agreeing significant governance issues detailed in the AGS, progress against which will be monitored through the year.

A sub-group of the Accounts and Audit Committee was given delegated responsibility by the Committee to review the draft AGS which, when finalised in September 2015, will accompany the 2014/15 Statement of Accounts. The Sub- Group met on 17 June 2015, attended by Cllr Mitchell, Cllr Butt and Cllr Ross. They were provided with the draft Annual Governance Statement and the updated Corporate Governance Code for review. The sub-group considered the content of the draft AGS and the process followed in compiling the document. It was noted that the Committee received a number of reports / updates on significant governance issues throughout 2014/15. The Sub-Group provided feedback and it was agreed that any further comments provided by the Committee would be taken into account in producing the final version of the AGS in September 2015.

The updated Corporate Governance Code was also considered by the sub-group. It was noted that some minor additions have been made to update the existing Code which was previously updated in June 2014. (These are highlighted in this report in Section 7 of the Corporate Governance Code).

The final version of the AGS will take into account any further feedback or further developments through June to September 2015 (e.g. External audit and Internal Audit review work) and will be presented to the Accounts and Audit Committee in September 2015 to accompany the Council's Accounts. This final version will be signed by the Chief Executive and Leader.

Recommendation

The Accounts and Audit Committee notes that its Sub group, given delegated responsibility to review the 2014/15 AGS, has reviewed the content of the AGS. It has also reviewed the additional detail added within the Corporate Governance Code.

The final version of the Annual Governance Statement, signed off by the Chief Executive and Leader, will be presented for approval by the Accounts and Audit Committee in September 2015.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager

Extension: 1323

Background Papers: - CIPFA) /SOLACE – “Delivering Good Governance in Local Government” – Framework, Guidance Note, Briefing Note and Addendum (2012).



TRAFFORD COUNCIL

ANNUAL GOVERNANCE STATEMENT 2014/15 (DRAFT)

Trafford Council – 2014/15 Annual Governance Statement

Contents

1. Scope of Responsibility
2. The Purpose of the Governance Framework
3. The Governance Framework
4. Review of Effectiveness
5. Significant Governance Issues

1. Scope of Responsibility

- 1.1 Trafford Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Trafford Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regards to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Trafford Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Trafford Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Authority's code is on our website at: <http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/downloadable-documents.aspx>. This statement explains how Trafford Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4 (3), which requires all relevant bodies to prepare an annual governance statement. (Note: Accounts and Audit Regulations 2015 are effective from 1 April 2015).

2. Purpose of the Governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trafford Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Trafford Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. The Governance Framework

- 3.1 The Authority has adopted a local governance framework which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. It is reviewed and updated periodically to ensure it remains fit for purpose. The Trafford Council Corporate Governance Code sets out in detail how the Authority meets the requirements of the framework. The Framework is based on 6 principles of good governance as follows:



- 3.2 The key elements of the system and processes that comprise the Authority's governance framework are outlined in this Annual Governance Statement, describing how the Authority can demonstrate the effectiveness of governance arrangements during 2014/15 with reference to each of the six governance principles.

CIPFA SOLACE Principle 1.	Key Elements of Trafford Framework
Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area:	<ul style="list-style-type: none"> • Sustainable Community Strategy (Trafford Vision 2021: A Blueprint) • Reshaping Trafford 2014-17: Blueprint • Annual Delivery Plan • Transformation Programme • Revenue Budget Monitoring • Capital Programme

How we have delivered against the Principle in 2014/15

The Reshaping Trafford programme has been established to deliver a new operating model for the Council by 2017/18 in the context of delivering services with increasing demand for complex care and support with reduced government support. The programme will allow the Council to maximise opportunities for revenue generation and innovative solutions whilst making the commitment to preserve quality. The Reshaping Trafford 2014-17: a Blueprint published in 2014 sets out the strategic vision of the programme to.

- Have a greater understanding of our communities.
- Be more effectively managing demand and customer expectations.
- Be keeping things simple for customers, providers and staff.
- Be working as one team in Trafford, for Trafford.
- Have supported residents to take more responsibility for themselves and their communities.

Given the strategic importance of the Reshaping Trafford programme, an independent assurance review was undertaken by Local Partnerships in July 2014. Their comprehensive report and findings have been incorporated into the programme, strengthening it, and ensuring that best practice from both the public and private sectors is utilised at all times.

Initially the 2014/15 portfolio consisted of 67 projects with 22 projects aimed at delivering a budget saving through a transformational approach. An additional 16 projects were identified in year. In 2014/15 it was planned that the Transformation Portfolio would yield savings of £5.484m of the scheduled £13.776m savings for 2014/15. As at the 2014/15 financial year end a total of £12.647m, or 91.8%, of savings have been delivered in cash terms. Of the overall figure, Transformation savings are £4.988m, which is a 91.0% achievement. There are five Transformation savings which have not delivered their in-year savings targets and one over achievement, resulting in the year end shortfall of £0.496m. Further detail of the work to date and planned developments within the Reshaping Trafford programme are set out in Section 5 of this report.

The Council has balanced and approved the 2015/16 net revenue budget of £148.914m which represents a £5.638m (3.6%) reduction on 2014/15 and a gross deficit of £21.5m. Of this, 44% (£9.5m) is to be met through efficiencies and additional income streams and 56% (£12m) through policy choice savings. Alongside this the annual review of the Capital Programme 2015-18 and Prudential Indicators was approved by the Executive in February 2015.

This has included making some difficult decisions, including the closing of some libraries, children's centres and reducing the number of school crossing patrols. A full schedule of public consultation regarding these proposals was conducted, allowing the Council to fully understand the public's concerns surrounding these changes and helping to shape policy and the final outcomes.

The Council has entered into an agreement for a joint venture contract with Amey LG to manage a range of in house services delivered through the Economic Growth, Environment and Infrastructure (EGEI) Directorate and also to take on the previously outsourced domestic and commercial waste contract, which will deliver a minimum £2.25m efficiency savings in 2015/16. The contract was awarded in March 2015 following a 12-month competitive tender process and is due to go live on 4th July 2015. Around 250 staff from the existing in-house services will move over to Amey under the same terms and conditions.

Programme ambitions have been further cemented with commitment from Trafford Clinical Commissioning Group (TCCG) and Pennine Care Foundation Trust, in partnership, to develop an integrated all age locality based health & social care service and further strengthen commissioning arrangements through development of an all age education, health & social care team. Work is also underway with TCCG to respond to the opportunities provided through the recently agreed Devolution Deal for Greater Manchester, which will see £6bn of the health economy devolved to Greater Manchester from April 2016. In responding to these opportunities, the Council and TCCG are taking a broader view and considering how processes can be better aligned to drive better outcomes for Trafford residents.

The Trafford Approach to Trading project will deliver £1.8m in savings in 2015/16 through reviewing and reshaping a range of back-office functions.

With a target to deliver £700,000 savings in 2015/16 which equated to approximately one third of the overall budget, a two stage public consultation on the future delivery of the Trafford Library & Information Service has been undertaken. This has resulted in seven proposals being developed including working with third sector and other local authority partners to retain library services, implementing technology to improve accessibility whilst releasing capital assets through rationalisation. During 2015/16 these changes will be implemented

During 2014/15 serious weaknesses were identified in the arrangements to monitor and manage the Adult Social care budget including misreporting and late identification of a £3.6m deficit. The Council carried out a thorough investigation which was also subject to forensic review by the External Auditor, Grant Thornton. Following the issue of the review findings, an Action Plan was subsequently agreed which included planned improvements in budget monitoring both within Adult Services and also Authority-wide. Action has been taken to implement improvements through 2014/15, details of which have been reported through the year to CMT and the Accounts and Audit Committee. Further detail on the Budget Monitoring work to date and planned improvements are detailed in Section 5.

In recognition of the significant levels of savings to be made by the Children Families and Wellbeing (CFW) Directorate and risks attached, a discrete CFW Transformation Programme has now been established to provide the rigour and governance required to deliver savings and implement the all age integrated delivery model.

The Council continues to lead and support the development of the Trafford Partnership vision for locality working, setting out how through developing robust partnerships it will achieve the best possible outcomes based on the collective resource available. (See Principle 6 for further detail on the role of Locality Partnerships).

Trafford Council has continued to support the delivery of the Public Service Reform (PSR) programme launched in January 2013 and is established as one of the leading change programmes in Trafford. Key advancements have continued to be made around developing and embedding the new delivery models into a multi-agency delivery approach. Over the last 12 months a series of significant milestones have been achieved, and Trafford continues to meet all GM and local requirements. Section 5 of this report includes further detail on the PSR programme and planned improvements.

The Council Leader is the lead for Skills, Employment & Worklessness for Greater Manchester and the Chief Executive is the lead for the same portfolio. Both have been instrumental in driving the Devolution agenda around Work and Skills and continue to play a major role in its delivery across Greater Manchester. Prior to the Devolution Deal, the Chief Executive was the Greater Manchester lead on the Working Well Programme, which focused on getting long-term unemployed back into the workforce. This pilot was the fore-runner for much of the devolution agreements.

The Council continues to host the Association of Greater Manchester (AGMA) Procurement Hub and has established a collaborative Procurement shared service organisation with Rochdale and Stockport Councils (STaR), with the aim to reduce overheads, increase economies of scale and provide collective expertise and resilience.

STaR was established on 1st February 2014 and is now a fully functioning shared service servicing all procurement activity across the three Councils. Whilst the service is hosted and staff are employed by Trafford, the cost of the service and the governance arrangements reflect a wholly shared arrangement between the three Councils. The STaR Board monitors operational performance of STaR and the Director of Procurement on a monthly basis and there is a quarterly Executive group, the Joint Committee where Executive Members from each of the three Councils are equally represented. There is an annual rotational arrangement for the appointment of Chair of the Committee.

The Council agreed its 2014/15 Annual Delivery Plan in March 2014, which set out the key deliverables for the year, supported by individual Corporate Directorate plans, connecting service objectives and associated actions to the community vision and corporate priorities. Progress against this was reported quarterly through CMT and the Executive.

CIPFA SOLACE Principle 2.	Key Elements of Trafford Framework
Members and officers working together to achieve a common purpose with clearly defined functions and roles:	<ul style="list-style-type: none"> • Constitution • Executive Terms of Office • Scheme of Delegation to Officers • Member Officer Relations Protocols • Employment Procedure Rules • Pay Policy Statement • Members Allowance Scheme
How we have delivered against the Principle in 2014/15	
<p>The Council Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is reviewed and updated annually.</p> <p>A full review of the document took place and was reported to Council in June 2014 to reflect recent organisational changes and ensure that working practices are still relevant for the efficient operation of the Council.</p> <p>During 2014/2015 there will be an amendment to the Constitution to incorporate the harmonised Contract Procedure Rules (CPRs) for the three partner Councils involved in the STaR Shared Procurement Service. In order to harmonise processes, deliver an effective and consistent procurement service it is essential that Stockport Trafford and Rochdale have a single set of CPRs. Legal officers from Trafford have led on the development of the new CPRs and they are currently going through Trafford’s governance processes to incorporate them into the Constitution.</p> <p>The Head of Paid Service is the Council’s Chief Executive. The Council’s Director of Legal & Democratic Services is designated as “Monitoring Officer”. It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council’s established policies and procedures.</p> <p>To ensure a fit for purpose structure, aligned to new service delivery models, the Council’s senior management arrangements have been reviewed and restructured during 2014. This has led to merging of the previous Environment, Transport and Operations (ETO) and Economic Growth & Prosperity (EGP) Directorates, to form the Economic Growth & Infrastructure Directorate (EGEI). Remuneration arrangements for the re-designated Corporate Director EGEI role were approved by Employment Committee in June 2014.</p> <p>The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. During 2014/15 the Authority’s financial management arrangements continue to conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A proposal was reported to the Employment Committee and Council in February 2015 to further streamline senior management structures through the realignment of the Corporate Director – Transformation & Resources role to incorporate increased and robust responsibility directly for the Council’s financial management arrangements. The proposal includes aligning the Chief</p>	

Finance Officer Section 151 responsibilities directly to the Corporate Director post or revised Head of Financial Management arrangements and the disestablishment of the Director of Finance post.

The Council's Pay Policy is reviewed annually and was last updated in April 2015. Following the 2013/14 review of Employee Terms and Conditions a number of agreed changes came into effect from 1st April 2014 including the Critical User Car Allowance scheme, changes to the Sickness Allowance scheme and introduction of an additional 3 days mandatory unpaid leave, the latter for a two-year period. This is due to be reviewed during 2015/16.

The Council operates a Members Allowance scheme, last reviewed in 2007. An Independent Remuneration Panel was set up in March 2014 with the purpose to review existing Members allowance payments compared to neighbouring councils and those with similar responsibilities nationally, and ensure payment rates were not a barrier to future aspiring councillors. An independent person was commissioned to provide research and advice, with the recommendations reported to the Chief Executive in Sept 2014. To ensure transparency all Member allowance payments are published on the Council website.

CIPFA SOLACE Principle 3.	Key Elements of Trafford Framework
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:	<ul style="list-style-type: none"> • Employee Code of Conduct • Members Code of Conduct • Disciplinary Policy • ICT Acceptable Use Policy • Anti-Fraud & Corruption Strategy • Whistle blowing Policy • Corporate Complaints Procedure • Standards Committee • Corporate Governance Code
How we have delivered against the Principle in 2014/15	
<p>In response to the Localism Act 2011 requirements, a local Members Code of Conduct is in place, including protocols for disclosing pecuniary interests and personal interests. Training has been made available to both new and existing Councillors. All declarations of interest for Members are recorded online.</p>	
<p>The Council operates a Standards Committee which deals with any complaints against Councillors or co-opted Members. The membership includes five non-voting co-optees, two of whom are parish members and three independent members. During 2014/15 no formal complaints were raised. The Committee met twice during the year (November 2014 and March 2015) and the Director of Legal & Democratic attended both meetings to provide verbal updates on local issues and presentations were made on Social Media and Committee for Standards in Public Life reports.</p>	
<p>All Council employees are required to abide by an Employee Code of Conduct which they are required to sign up to as part of the Corporate Induction Procedure. Responsibility for the regulation of employee conduct is set out in the Council's Disciplinary Policy. Reminders on</p>	

requirements to declare offers of gifts and hospitality were issued during the year.

The Council has in place an Anti-Fraud & Corruption Strategy and Policy and guidance for responding to and reporting suspected fraud. Whistleblowing policy and procedures are currently under review due to be updated in 2015/16.

An e-learning tool: "Fraud Awareness for Local Government" was made available for employees from May 2013. Initially this was targeted at managers across the Council and subsequently became mandatory for all employees with a Trafford Council network account. It is now a requirement for all new employees to complete the training as part of the Corporate Induction process.

During 2014/15 internal capacity has been put in place to address the changes resulting from the creation of the DWP Single Fraud Investigation Service which will result in Benefit Fraud Investigation staff transferring over to the DWP from March 2016. The remit of the new fraud investigation team is initially focussing primarily on revenues related fraud relating to Council tax and Business rates.

The Audit Commission's Protecting Public Purse national benchmarking and reporting survey identified during 2014/15 total fraud losses reported by Trafford Council of £564,333 compared to the average for metropolitan authorities of £869,753.

The Council continues to participate in the National Fraud Initiative (NFI) data matching exercise. The NFI 2012/13 results as at February 2015 identified for the matches reviewed, the detection of 15 fraud cases (benefit related) with 5 prosecutions to date. In relation to this £208,204 overpayments are being recovered and there is also ongoing weekly payments reduction of £63,388 per annum.

To ensure the Authority meets best practice and legislative requirements, an Information Security Governance Board has been established and Senior Information Risk Officer assigned, to oversee and review information governance issues and risk, and to embed standards across the Council.

Users of the Trafford ICT network are required to sign up to the authority's Acceptable Use Policy to confirm acceptance of agreed responsibilities and standards to prevent misuse of equipment or networks.

During 2014/15 work has progressed to develop internal capacity and skills including the establishment of an Information Governance Team and roll out of mandatory Information Governance e learning training for Council employees. See Section 5 for further detail on work to date and planned improvements in 2015/16.

As part of the Reshaping Trafford programme, the Supporting Change to Happen Strategy 2014-17 (see Principle 5) incorporates a set of additional values which will complement the existing Core values. New organisational competencies have been developed to underpin these values and have been incorporated into the refreshed personal development review process. The Council held its 3rd annual Employee Recognition Awards in October 2014 to appreciate the contribution of both individual employees and teams and demonstrates Council values to staff.

CIPFA SOLACE Principle 4.	Key Elements of Trafford Framework
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:	<ul style="list-style-type: none"> • Decision Making Protocols • Access to Information Procedure Rules • Scrutiny Committees and Protocols • Risk Management Strategy & Policy Statement • Strategic Risk Register • Internal Audit Strategy • Accounts & Audit Committee
How we have delivered against the Principle in 2014/15	
<p>The Council has adopted the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations which came into effect during Sept 2012. Details of key decisions must be published at least 28 days before these are due to be taken.</p> <p>The modern.gov system is in place to ensure all relevant information is presented on the Council website. During 2014 Council meetings can now be viewed online through live webcasts or on demand through the Public – i website.</p> <p>To improve compliance with agreed reporting schedules, there has been on-going monitoring and reporting to the Corporate Management Team on the timeliness of committee reports submitted for publication, which has led to improved performance in meeting the required deadlines.</p> <p>The Council previously reviewed and streamlined its Scrutiny arrangements during 2012/13 comprising a Scrutiny Committee and a separate Health Scrutiny Committee. In addition a Joint Health Scrutiny committee is established for the purposes of responding to consultations about significant changes to health services that affect more than one local authority area.</p> <p>Key pieces of work undertaken by Scrutiny during 2014/15 included the annual Budget Scrutiny exercise, and engagement in the joint venture and health integration work streams. In relation to the joint venture project, briefings were held in October 2014 and February 2015, with a report produced by the Scrutiny Committee during March 2015 outlining areas for the Executive to consider, and for which the Committee will continue to monitor progress during 2015/16.</p> <p>The Council operates an Accounts & Audit Committee which operates in accordance with its remit following guidance set out in CIPFA’s “Audit Committees: Practical Guidance for Local Authorities. Throughout 2014/15 the Committee received regular updates in relation to strategic risks and governance issues.</p> <p>The Council continues to review and report on its Strategic Risk Register on a regular basis. The March 2015 report identified 21 strategic risks faced by the Council, each risk being managed by nominated staff / groups within the Council. At this date, overall, it is considered that the strategic risk environment is stable and performance in managing the risks has been stable or shown improvement.</p> <p>The Internal Audit 2014/15 work plan incorporated coverage of key financial systems and other</p>	

business risks. Quarterly updates of work undertaken were provided to the Corporate Management Team and the Accounts and Audit Committee through the year. The Annual Internal Audit Report for 2014/15 states that for the majority of areas reviewed, the control environment is operating to a satisfactory standard. There were, however, a number of areas where significant required improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Internal Audit has also provided input to the corporate review of budget monitoring arrangements which highlighted a number of required actions for improvement. (See Section 5).

The Internal Audit function operates in general conformance with the Public Sector Internal Audit Standards and is working with other North West authorities to agree an approach for an external assessment of the Service against the Standards to take place by 2016/17. The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The External Auditor's Annual Governance Report 2013/14 was presented to Accounts & Audit Committee in September 2014 providing an unqualified opinion on the financial statements and identified that proper arrangements were in place to secure value for money. The External Auditor's Report included a recommendation that there is close monitoring and reporting of actions agreed to address weaknesses in budget monitoring. (See Section 5 re Budget Monitoring).

During 2014/15 the Council received OFSTED inspections of its Youth Offending Service and Children's Service which both received positive outcomes. The Children's Service review published in May 2015 rated Trafford overall 'Good with outstanding features' and rated them joint highest in the country. The Youth Offending Service also maintained high standards receiving a 'Good' rating in November 2014.

CIPFA SOLACE Principle 5.	Key Elements of Trafford Framework
Developing the capacity and capability of members and officers to be effective:	<ul style="list-style-type: none"> • Supporting Change to Happen Strategy 2014-17 • Member Development Strategy • Members' Training Plan • Members' Induction Process • Employee Training & Development Plan • Corporate Induction Procedure • Employees Personal Development Review (PDR) • Absence Management Strategy • Apprenticeship Scheme • Managing Organisational Change Toolkit
How we have delivered against the Principle in 2014/15	
Following on from the 'Are you ready for Change Survey' undertaken last year, the feedback received was used to inform the development of the Reshaping Trafford Programme 'Supporting Change to Happen Strategy 2014-17' which identifies areas of good practice and sets out further improvements required through use of technology, training and leadership support. To deliver	

this during 2014/15, a range of learning & development interventions and engagement activities have been developed to support employees. A further survey will be undertaken in 2015 to assess how we have supported staff to manage through the changes.

An action plan has been implemented to address the findings of the 2012 Employee Survey and 2013 Employee Value Proposition survey (undertaken in partnership with the Local Government Association) and continues to be monitored and actions achieved.

An engagement week with staff took place in June 2014 where road shows were held to promote the Reshaping Trafford programme across a number of sites in the Borough culminating in a Trafford Leaders event in June 2014 and a Working Together for Trafford event in September 2014 hosted by the Corporate Management Team.

A suite of management development sessions were delivered in Autumn 2014 to equip managers with a range of leadership and change management skills and the programme of training and development and e-learning opportunities remains available for all staff. A new competency framework, Personal Development Review (PDR) process and training to support the new process was developed and rolled out in 2014.

A supplementary Member Development Strategy describes how Councillors will be supported to develop in their changing role as community advocates and leaders. A Member Training Plan is in place with a training programme delivered during the year including safeguarding, legislative changes and financial management. A Leadership Development Programme was launched during 2014 that delivered a range of community based leadership interventions. The Council continues to demonstrate compliance with Level 1 of the North West Employers Organisation Members Charter.

Trafford Council is the lead authority on the AGMA training procurement framework and a partner in the AGMA e-learning framework. Training and Development Plans are in place at directorate level and cross council, which are refreshed and updated annually.

A new starter induction guide and checklist is in place which includes a number of mandatory elements such as the employees' code of conduct, fraud awareness and the Acceptable Use Policy.

As at the end of the year, the Council's Internal Apprenticeship scheme launched in 2011 has had over eighty recruits in a broad range of disciplines and thirty-five of these have secured permanent employment with the Council. At the Trafford College Apprentice Awards 2014 the Council won the 'Apprentice of the Year' and 'Advanced Apprentice of the Year' along with the Skills for Business Awards 2014 – 'Apprentice of the Year'.

Trafford in partnership with Pure Innovations, Trafford College and CMFT (Central Manchester Foundation Trust) has implemented a Learning Disability Internship scheme, with the aim to train cohorts of 10 learning disabled young people resulting in City & Guilds qualification and the minimum of one year paid employment with one of the scheme partners. The scheme is now in its second year of operation, having secured seven employment opportunities for young people.

There is an established attendance management policy with supporting procedures and

guidance. Attendance management training for managers was delivered during 2014.

In 2014 the Council entered the North of England Excellence Award for the category of public sector organisation with over 250 employees, having won in 2012 and won a further commendation. The Council was shortlisted for the MJ Awards 2014 - 'Innovation in Social Care' and 'Children's Services', the CIPD Awards 2014 'Best Employee Relations Initiative' and the APSE Service Awards 2014 'Best Employment and Equality Initiative'.

CIPFA SOLACE Principle 6.

Key Elements of Trafford Framework

Engaging with local people and other stakeholders to ensure robust public accountability:

- Customer Strategy
- Trafford Council Website
- Budget Consultation
- Locality Partnerships
- Neighbourhood Forums
- Info Trafford Website
- Corporate Complaints Procedure

How we have delivered against the Principle in 2014/15

A revised Customer Strategy 2013-17 and supporting action plan was launched in October 2013 which sets out the reason and basis for changing how the Council works and sets out the priorities for change with a range of actions to support this.

During 2014/15 developments have focussed on increasing the digital take up with customers across Trafford including launch of the Trafford element of the Get Digital Faster programme in December 2014 (a £15m programme to give 45,000 businesses and residents across Greater Manchester access to superfast broadband by March 2016). Also, the Council, in collaboration with Trafford Housing Trust, provided support to secure funding to provide IT equipment for the digital inclusion project in Partington and Old Trafford.

Events took place as part of Go Online week in addition to the weekly drop-in sessions providing advice on how to use Tablet, Smartphone and E-readers, and Wi-Fi was introduced at all Trafford libraries. In January 2015 a new system Open Access was launched which enables residents and businesses to track Council Tax, Housing Benefits and NDR billing and payments online.

Trafford Council ran a successful tender process for the Customer Relationship Management (CRM) project and a contract was awarded to implement a Customer Contact Platform (CCP). In line with the tender process, the Council will make the decision whether to progress with the implementation. In 2015/16 work will take place as part of the CRM to enable better communication with customers.

The Council has committed to undertake annual public and stakeholder consultation in relation to its budget proposals. Consultation on the 2015/16 budget commenced in October 2014, using a range of methodologies including external consultants, targeted activities including surveys, focus groups, through the neighbourhood forums and web based communications. A summary report was presented to the Executive in February 2015 which provides further detail on the

methodologies and outcomes. Additional consultation exercises in relation to Libraries and the Joint Venture were published in March 2015.

The Council continues to demonstrate compliance with Open Data requirements, publishing a range of financial and performance data on its website. The InfoTrafford website continues to be developed, and through participation in the Greater Manchester Data Synchronisation Programme, the Council is developing a collaborative approach with the objective to overcome the barriers local authorities face in making data available in properly open formats.

The Trafford Partnership Data Innovation and Intelligence Lab was officially launched in October 2014 as a multi-agency, multi-discipline, co-located service which currently has seconded staff time from Trafford Council, Trafford Housing Trust, STaR Procurement, Public Health and access to data from the Leisure Trust, Greater Manchester Fire and Rescue Service and Trafford College. The overarching objectives of the Lab are to support the (re)design of services, reduction and reshaping of demand on services, informing people and organisations in Trafford and attracting investment into the Borough.

The Council has led the response to the Localism Agenda and through its Vision 2015, has set out its commitment to involve residents and devolve services to local communities. Four Locality Partnerships were established in April 2013 with the role to increase engagement and community involvement in local decision making. A review of the Partnerships was undertaken in the middle of 2014 which has led to the development of a more comprehensive locality working programme being rolled out from early summer 2015.

The Trafford Partnership hosts an annual stakeholder engagement event; The 5th annual event 'Shape the Future' was held in April 2014 to introduce asset based community development, review the progress of the Shape the Future projects, launch the "40 faces of Trafford" campaign in celebration of the Borough's anniversary, and refresh the Community Strategy.

During 2014/15 the Locality Partnerships have continued to meet to progress the priorities they set in July 2014 and have overseen the allocation of £120,000 of 2014 Voluntary Sector Grants through participatory budgeting community engagement events. The partnerships have forged links with those organisations awarded funds to network, mentor and monitor their progress.

Pulse Regeneration and Trafford Housing Trust work in partnership to deliver the Trafford Council's Third Sector Infrastructure Development and Support Service, to support the delivery of the Trafford 3rd Sector Strategy. During 2014/15, performance against the delivery plan continues to meet the agreed targets.

The Council is supportive of both the Regular and Reserve Forces and working in partnership with them through the Trafford Armed Forces Community Covenant, a voluntary statement of mutual support between the civilian community and local armed forces community. During 2014/15 the Trafford Community Covenant Partnership Board has developed an action plan which to date has led to the adoption of a Council Reservists Policy in May 2014 and the Council signing a Corporate Armed Forces Covenant. In recognition of this support and commitment towards Defence, the Council was awarded the Silver Award in the Defence Employer Recognition Scheme in November 2014.

The Trafford First World War centenary commemorations launched in August 2014 with the 'Our Heroes' exhibition at Sale Waterside Arts Centre (researched by volunteers at Sale Local Studies Library as part of a Greater Manchester libraries volunteer project) and various other events have taken place included participating in the national 'Lights Out' event where the Council coordinated the participation of Manchester United, Lancashire Cricket Club and the Imperial War Museum North, in dimming their lights to mark the outbreak of the war. Over the next year other events will take place to mark the major battles and events of 1915.

The Trafford Strategic Sporting Partnership Framework was launched in Spring 2013 with the aim to galvanise the major sporting stakeholders in the Borough to develop better working relationships and deliver the strategic aim of getting more people, more active, more often. Investment has been secured through Agreements with Lancashire County Cricket Club, Transport for Greater Manchester and British Cycling with projects underway to support Park runs, cycling etc.

4. Review of effectiveness

- 4.1 Trafford Council's Corporate Governance Code sets out the Authority's responsibility to undertake a review of the effectiveness of its governance framework on an annual basis. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and the results of other reviews / inspections.
- 4.2 The processes applied and sources of assurance obtained in maintaining and reviewing the effectiveness of governance arrangements and, as part of that, the system of internal control include:

Management Controls:

Financial Management

The budget setting process has taken into consideration the assessment by the Director of Finance of the robustness of the budget estimates and adequacy of the general reserve, Executive responses to the scrutiny review, outcome of staff and Trade Union consultation and Equality Impact Assessment in relation to each proposal.

Monthly financial monitoring and reporting, on the revenue budget, to the Corporate Management Team and the Executive has been operating during the year. The Accounts and Audit Committee has also received the budget monitoring reports at its meetings through the year. Quarterly monitoring and reporting arrangements are operating for the capital budget.

Transformation Programme

Programme governance is delivered by the Transformation Board, supported by the Transformation, Performance and Resources Group and the Transformation Team. The Transformation Board and the Executive have monitored the development of the Reshaping Trafford Council Programme business cases and will continue to do so as implementation of these progresses.

There are defined governance arrangements in place: there is an Executive Member assigned to all projects; each project has a Corporate Management Team lead, Senior Responsible Officer (SRO), Project Manager (PM) and steering group/project board. Benefits realisation tracking and a summary of project delivery is reported monthly to the Transformation Board.

Performance Management

There is regular monitoring on the achievement of corporate objectives through the Annual Delivery Plan which is reported quarterly to the Corporate Management Team and the Executive.

Risk Management

The Council has a strategic risk register in place and Directors and the Accounts and Audit Committee have reviewed the associated arrangements in place for improving control and mitigating risks faced by the Council. Quarterly strategic risks monitoring is reported to the Transformation, Performance and Resources Group, Corporate Management Team and the Accounts & Audit Committee.

Legal

The Director of Legal & Democratic Services (the “Monitoring Officer”) has a duty to monitor and review the operation of the constitution to ensure its aims and principles are given full effect, and to recommend amendments to the Council, as necessary, on an ongoing basis.

Internal assurance:

Internal Audit

The Internal Audit function is responsible for monitoring the quality and effectiveness of systems of internal control. The section works to a risk based audit plan which is reviewed and approved by the Corporate Management Team and the Accounts and Audit Committee.

Scrutiny

The Council’s Scrutiny Committees can “call in” decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.

Health and Safety

The Council's Health and Safety Unit provide regular updates to the Corporate Management Team and produce six monthly updates for the Executive.

External assurance:

External Audit

The Council is subject to external audit. The External Auditor's Annual Governance Report and Annual Audit Letter comment on the performance of the Council and the adequacy of financial and governance arrangements.

Other Inspection

There are inspection arrangements within particular service areas / functions e.g. OFSTED inspections.

Sector Led Improvement: Following the reduction in external inspection, the Council has committed to participate in a number of sector led improvement initiatives, for example the North West Employers Organisation Charter for Member Development and in partnership with the Local Government Association, a benchmarking project through the Employee Value Proposition Survey.

- 4.3 These governance functions are described in more detail within the Council's Corporate Governance Code and specific assurances or improvements delivered during 2014/15 are detailed in Sections 3 and 5 of this Statement.
- 4.4 **We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Accounts and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in Section 5.**

5. Significant Governance issues

- 5.1 The Council takes seriously its responsibilities and duties with regard to ensuring continuous improvement in the way its functions are exercised and in consideration of economy, efficiency and effectiveness.
- 5.2 In response to the 2013/14 review of the internal control environment and the identification of a number of control issues, the Council has taken significant action to address those issues and implement appropriate improvement actions through 2014/15. Detailed below are the significant governance issues highlighted in the 2013/14 Annual Governance Statement followed by action taken in 2014/15.

2013/14 Issues and Action Taken 2014/15

1. Reshaping Trafford

2013/14 Annual Governance Statement

“We are immensely proud of our borough and those we serve and support, and we want to continue to provide high quality services to meet local needs and improve quality of life and community well-being. However, we are unable to do this in the way we do things now and must ‘re-shape’ to adapt to the increasing financial pressures and demands on our services.

The Reshaping Trafford Programme consists of four core projects which will deliver new delivery models for our traded services, a Trust for our sports, recreation, leisure, arts, culture, and libraries provision; a joint venture contract for our environmental and technical services and a well-being ‘hub’ for our early intervention and prevention services. Together, this structural remodelling will manage/shape demand, reduce the financial burden on the Council but ensure good quality and local public service provision is retained. We aim to do this in collaboration with partners to provide a common approach and end goal. In addition, a fifth project ‘managing budget pressures’ is reviewing the Council budgets to identify further opportunities for efficiencies.

The Transformation Board and the Executive have very closely monitored the development of the Reshaping Trafford Council Programme business cases and will continue to do so as implementation of these progresses. There are robust governance arrangements in place: there is an Executive Member assigned to all projects; each project has a Corporate Management Team lead, Senior Responsible Officer (SRO), Project Manager (PM) and steering group/project board. The Transformation, Performance & Resources (TPR) group has now extended to include these SROs and PMs and meets monthly to monitor programme delivery. There is also dedicated programme direction and management in place. In July 2014, Local Partnerships will be undertaking an independent assurance review of the Reshaping Trafford Council Programme to ensure it is appropriately structured and supported for success.

2013/14 Issues and Action Taken 2014/15

The Reshaping Trafford Council Programme milestones for all projects are planned into an overall process for 2014/15 which includes the budget planning and consultation process.

Delivery of the 'Supporting Change to Happen' action plan was developed in response to the 'Are you ready for change?' survey in February 2014. This plan includes the launch of a revised PDR process supported by Council wide training for all managers. Staff engagement with the Reshaping Trafford Council Programme will start in earnest by means of a market stall road show in June 2014 with ongoing communications via a responsive website, text alerts, newsletter and other events to encourage engagement/awareness thereafter. The plan also involves the rollout of a leadership development training programme to Members.

In addition, the Transformation Board will continue to closely monitor the delivery of the wider Transformation Programme, in particular the 22 projects responsible for delivering the savings. At 1 April 2014, £1,580k (28.42%) of the £5.59m savings had already been achieved."

Action Taken 2014/15

The Reshaping Trafford Council programme has been a significant venture over the past year. The programme continues to progress and change due to a number of factors, including changes to our financial position, adjustments in priorities, new legislation and new ideas. The programme is exploring and bringing new delivery models to the Council to assist in meeting the rising demand for services.

During the last twelve months we have transformed with most services being restructured and downsized, processes redesigned to reduce waste and spending reviewed. We have introduced smarter technology, more online services, paperless and agile working and we are also trading some of our services, mainly with schools.

We have an on-going programme of modernisation and a review of our Children's Families and Wellbeing directorate has allowed us to meet the increasing financial pressures, coupled with an ageing population and increased demand. Together, this structural remodelling will help to manage the demands on our services, and reduce the financial burden on the Council. It will also ensure that good quality and local public service provision is retained. We aim to do this in collaboration with partners to provide a common approach and end goal, by changing the way we work, and developing new income opportunities. As a result we require help from our partners and want to increase their involvement in Council business, so we can re-shape together.

Reshaping Trafford Council is within the portfolio of projects and programmes under the Transformation Programme umbrella, and governance for this is delivered by the Transformation Board, supported by the Transformation, Performance and Resources Group and the Transformation Team.

The Transformation Board and the Executive have monitored the development of the

2013/14 Issues and Action Taken 2014/15

Reshaping Trafford Council Programme business cases and will continue to do so as implementation of these progresses. There are robust governance arrangements in place: there is an Executive Member assigned to all projects; each project has a Corporate Management Team lead, Senior Responsible Officer (SRO), Project Manager (PM) and steering group/project board.

The Transformation, Performance & Resources (TPR) group has a remit to examine any project, and is there to assist with knowledge and guidance if problems do occur. Given the strategic importance of the Reshaping Trafford programme, an independent assurance review was undertaken by Local Partnerships in July 2014. Their comprehensive report and findings have been incorporated into the programme, strengthening it, and ensuring that best practice from both the public and private sectors is utilised at all times.

Delivery of the 'Supporting Change to Happen' action plan was developed in response to the 'Are you ready for change?' survey conducted in February 2014. This plan included the launch of a revised Personal Development Plan (PDR) process supported by Council wide training for all managers. This programme has been on-going, and in 2015/16 it is planned to conduct a second staff survey to establish the progress of the project to date.

Staff engagement with the Reshaping Trafford Council Programme began in June 2014 with on-going communications to them via a responsive website, text alerts, newsletters and other events to encourage engagement/awareness. Staff have been regularly updated on key projects and decisions, and the Council's need for change.

A supplementary Member Development Strategy describes how Councillors are supported to develop in their changing role as community advocates and leaders and training on asset based community leadership has been rolled out to them in this regard.

2. Information Governance

2013/14 Annual Governance Statement

"An Information Security Governance Action Plan has been developed which will form an annual work programme to ensure that the Council continue to be compliant with Information Governance requirements.

As part of the 2013/14 plan a project was developed to meet the requirements of the NHS Information Governance Toolkit to gain N3 Connection. This connection allows our health staff to access NHS data securely over a secure connection. This project was completed satisfactorily and the N3 connection has now been ordered. This is an annual submission and will be managed throughout the 2014/15 period.

The Electronic Document & Records Management system (EDRMS) project is ongoing

2013/14 Issues and Action Taken 2014/15

with a Project Executive overseeing the plan. Currently, the project is gathering requirements to ensure that any new solution meets the requirements of the business but also the requirements for Information Governance and Security including access to records, transport of records and storage/destruction when records come to the end of their lifecycle. It is planned to go out to tender later in 2014.

A new role of Information Governance Manager is currently being developed to manage the programmes of work and risks to the Council in order to protect the Council's reputation, safeguard citizens records and mitigate against possible fines from the Information Commissioner's Office."

Action taken 2014/15

Following a review of Information Governance requirements across the Council, CMT approved proposals for the establishment of an Information Governance team with the role to deliver Central Government's Information Governance agenda and meet the legal / statutory obligations placed on the Council encompassing Information Security, training and awareness raising, Data Protection, Freedom of Information and Environmental Information Agenda.

An Information Governance Action Plan was developed and formed the annual work programme to ensure the Council remained compliant with Information Governance requirements. A Communications Plan and Mandatory E learning Information Governance training have been rolled out across the Council and incorporated into corporate induction.

The EDRMS project was on-going with a Project Executive overseeing the plan. The project was gathering requirements to ensure that any new solution meets the requirements of the business but also the requirements for Information Governance and Security including access to records, transport of records and storage and destruction when records come to the end of their lifecycle. It was planned to go to tender late in 2014 but this has been delayed whilst a decision is made on the EDRMS system requirements.

3. Locality Partnerships

2013/14 Annual Governance Statement

"Wider engagement with the community is essential for the Locality Partnerships (LP) to be successful. LPs need to engage interested stakeholders in their work to enable increased co-production of innovative solutions and local actions, using engagement to understand the opportunities and challenges which will influence future priorities.

The shift from 'shadow' to open format is underway, however to ensure transparency and openness, further clarity is required on how the LP will communicate, engage and work with local people. During 2014/15 further improvements will be addressed to improve communications and engagement including:

2013/14 Issues and Action Taken 2014/15

- A webpage for each Locality Partnership will be created on the Trafford Partnership website to support communication and upon which 'pen' profiles of LP members, agendas, presentations, actions, updates etc. can be held.
- The agenda will be published in advance allowing wider local contribution via LP members.
- Membership of sub groups will come from a wider audience than just the LP members (which is already the case in some areas).
- Each LP will develop an Engagement Plan and in doing so should consider development of engagement events, social media presence, developing engagement channels between individual LP members, organisations and networks and how to engage all LP members in the work of the LP."

Action Taken 2014/15

The Chair and Community Ambassador of each LP now attend the Strong Communities Board, ensuring a link between the strategic partnership and localities and there is one community representative on the Trafford Partnership Executive. In addition to their identified themes, the Partnerships have considered strategic issues such as the Trafford 2021 Vision, Trafford's Homelessness strategy and the delivery plans for the Third Sector Infrastructure contract.

Locality Partnerships have continued to engage local communities through a variety of events which have included the Spring into Sale town centre family fun and activity day and several Networking events for local community groups and organisations. Over 1000 residents attended the Voluntary Sector Grants Participatory Budgeting events in July 2014.

During the summer 2014 a review was undertaken exploring the roles and responsibilities of Locality Partnerships aligned with the development of a strategic approach to locality working. Through conversations with key stakeholders from across the sectors, the review recognised progress to date and identified challenges and opportunities moving forward.

The positive observations:

- Locality Partnerships provide the bridge between statutory partners and communities and can encourage innovation and co-production.
- Community Ambassadors have benefited from seeing the bigger picture and their contributions ensure different perspectives are fed into what have been traditionally strategic (and often public sector) conversations.
- Strong value placed on the benefits of working in partnership.

2013/14 Issues and Action Taken 2014/15

Issues and Challenges identified with Locality Partnerships:

- There needs to be greater connectivity between the strategic partnerships, the third sector and neighbourhood and community partnerships (and therefore local action on the ground), using Locality Partnerships and Locality Plans as a vehicle to achieve this.
- There is a degree of confusion about the role of the Locality Partnerships with a perception, by some, that their defined membership means they are meetings making significant decisions behind closed doors.
- Elected Members need clearer guidance on the roles and responsibilities of Locality Partnerships and their role within them.

One of the key recommendations from the review was the Development of evidenced-based, outcome focussed locality plans, which have the buy in of all stakeholders across the Trafford Partnership and are owned by the community but are held in trust by the Locality Partnerships. They should not singularly be either top-down or bottom up but a representation of both.

Since the end of 2014 work has begun with the LPs to develop a locality working programme. This includes mapping assets in communities, engagement with key partners and strategic partnerships, a refresh of data and analysis of needs and the production of thematic profiles for each locality to ensure locality plans reflect strategic priorities and projects.

4. Public Service Reform (PSR)

2013/14 Issues

“PSR will be critical in 2014/15. The PSR programme in AGMA is being scaled up and the success achieved with specific cohorts in the current programmes will be widened and deepened post 2015, with two key themes around complex dependency and health and social care already being progressed, linked to a continued focus on sustained economic growth. The planning for this work is happening in 2014, with pilot work proposed around complex dependency. The aim is for investable propositions to be available and operational during 2015-16 on an AGMA wide basis in respect of the programmes already underway.

In Trafford, PSR will be a critical focus of the Reshaping Trafford programme and future partnership service planning for 2015 and beyond. The work of the enabling groups around competencies and skills and behaviour change at both a Greater Manchester and local level, plus sustainable financial proposals and investable propositions will develop further, plus the principles of new working models built on collaborative and sustainable working, with evidence based outcomes on a cost benefit basis will be a strong focus.

2013/14 Issues and Action Taken 2014/15

Sustainability planning is starting in Trafford for those programmes where funding may change post 2015, linked to plans around future priorities and evidence of impact and work on investable propositions. It will be important for Trafford to remain actively involved in the AGMA work programme in order to contribute to the future plans during this time of resource challenge. It will also be important to maximise the use of PSR methodology across all service planning and future change.”

Action taken 2014/15

Public Service Reform has now been in progress in Trafford since January 2013 and is established as one of the leading change programmes in Trafford, fully linked into the Greater Manchester Public Service Reform programme. The work commenced around five key themes:

- The national Troubled Families programme (Stronger Families in Trafford)
- Transforming Justice
- Health and Social Care integration
- Development of work and skills
- Early years assessment and support pathway

The principles of Public Service Reform centre around finding new, collaborative and evaluated methods of service delivery that are effective and productive on a cost benefit analysis basis, in order to create sustainability by the development of investable propositions for future service delivery. Work on this basis has been undertaken in relation to each of the identified work streams including:

1. Interventions chosen on the strength of an evidence base
2. Integrated and bespoke packages of support, with cost benefit analysis work to explain the impact
3. A family based approach where appropriate
4. Options for new investment models and involvement of partners investing across boundaries from mainstream budgets

Key advancements have continued to be made around developing and embedding the new delivery models into a multi-agency delivery approach. Over the last 12 months a series of significant milestones have been achieved, and Trafford continues to meet all GM and local requirements.

In addition to implementing and embedding the final stages of the four PSR work streams, in some cases the remit of the PSR agenda has also been expanded to include additional modules of working, including the widening of the cohorts and adding supplementary objectives.

Most prevalent would be the inclusion of Trafford in the Troubled Families 2 Pilot (Greater Manchester was selected as an Early Starter), the Partington Pledge expanding its remit to become the Trafford Wide Pledge, and the allocation of the ‘Go Faster, Further’ funding, to pump prime the Early Years delivery model.

2013/14 Issues and Action Taken 2014/15

Running parallel to the delivery of the PSR work streams has been the involvement of the Greater Manchester wide Complex Dependency Agenda. Although significant progress has been made to improve the integration and coordination of services via PSR, it has been recognised that many individuals and families do not fit neatly into these work streams and exhibited behaviours and needs that meant they required interventions to address a multiplicity of issues simultaneously; for example, requiring help to address addiction or mental health problems prior to being in a position to address offending behaviour, improve their parenting or embark upon a journey back into work.

Additionally it was recognised that programmes of work demonstrating principles of PSR and engaging high demand or complex groups of people have developed that sit outside the original PSR work streams. These include Phoenix (addressing Child Sexual Exploitation), Challenger (Serious and Organised Crime) and partnership interventions to tackle Domestic Abuse.

The creation of the 'Complex Dependency' cohort was therefore necessary to give greater momentum and clarity to the strategic ambition to re- design public services, to drive forward effective information sharing, joint assessment and integration and coordination of interventions. The purpose of this was to improve outcomes for and reduce dependency of individuals and families but also, importantly, to maximise opportunities to remove waste and duplication of effort within public service organisations and across organisational boundaries. It is this move toward Complex Dependency and how it shall be integrated locally into the Reshaping Trafford Programme that will be the focus of the PSR work programme at Trafford over the next 12 months.

5. Budget Monitoring

2013/14 Annual Governance Statement

"Since the year-end, a review has been carried out to examine existing budgetary control processes across the Council including arrangements for reporting on the budget position through the year. This commenced initially to follow up on issues raised in relation to the effectiveness of processes in respect of the Community, Families and Wellbeing Directorate (Adult Services) which have predominantly demand led budgets. Issues related to the forecasting of year end spend and reporting on this through the year in the budget monitoring reports did not accurately reflect the actual level of care costs.

In respect of some budgets, particularly in relation to spending on care for individuals, demand can be volatile which can lead to difficulties in forecasting demand for services and hence forecasting spend. This leads to the risk that actual spend at year end is significantly greater than originally planned for or forecast during the year which places a pressure on Council resources as a whole. The incorrect assumptions on demand for care made during 2013/14 were also reflected in the process for preparing the

2013/14 Issues and Action Taken 2014/15

budget which was set in February 2014 so a subsequent review of savings has been required to be undertaken in 2014/15.

As part of the subsequent budget monitoring investigation, a review of budget monitoring arrangements is taking place to consider existing practice and, where applicable, identify areas for improvement or development. This covers arrangements both within services and the Council's financial management function. A report detailing findings was presented to the Council's Accounts and Audit Committee on 6th August 2014. Further to that, a number of action plans are being agreed to address the required improvements with details of these and progress against them to be reported to the Accounts and Audit Committee through 2014/15."

Action Taken 2014/15

During 2014 serious weaknesses were identified in the arrangements to monitor and manage the Adult Social care budget including misreporting and late identification of a £3.6m deficit. The Council carried out a thorough investigation of the events and circumstances and this was also subject to forensic review by the external Auditor, Grant Thornton. The forensic review concluded that the conclusions reached from the review and recommendations made were reasonable.

Following the issue of the review findings, an Action Plan was subsequently agreed and presented to Accounts and Audit Committee on 25 Sept 2014. This included recommendations in respect of processes both within Adult Services and Authority-wide. Work was also undertaken to consider the performance management, cultural and training & development actions which should arise and an Organisational Development Recovery Action Plan was compiled.

The Corporate Management Team has received regular progress updates on actions undertaken and planned and details of this were also reported to the Accounts and Audit Committee in November 2014 and February 2015. Progress has been made in relation to each agreed action and the majority of recommendations have been fully completed.

Significant progress has been made in the CFW Directorate (Adult Services) to improve accountability & budget reporting. Budget holders assigned to individual cost centres have been reviewed to ensure clear accountability for individual budgets. Reporting structures have been revised including the creation of a Finance Business Delivery group to ensure adequate resource is provided to monitoring the budgets at Directorate level. A new Adult Social Care system (Liquid Logic / ContrOCC) has been introduced and is in the process of being fully implemented to further improve financial reporting capability.

At corporate level, the existing budget service guidance has been updated and shared with budget holders. Training sessions for budget holders have taken place and further training sessions aimed at budget holders in individual Directorates have commenced in 2015/16.

2013/14 Issues and Action Taken 2014/15

Arrangements in respect of the monthly budget monitoring reporting process have been reviewed and the format of reports has been revised to improve the quality of monitoring information provided.

- 5.3 The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to transform service delivery arrangements, to ensure the Council effectively delivers its objectives and manages its resources to meet the ongoing financial challenges being faced.
- 5.4 Detailed below are significant governance issues and a summary of the actions planned to address these in 2015/16

2014/15 Issues and Action Planned 2015/16

1. Reshaping Trafford

Moving forward into 2015/16, we have several key programmes coming to fruition which are due to deliver savings or strategic change to the business. Our Joint Venture Contract programme is scheduled to 'go-live' in July 2015 with our chosen partner Amey LG. This partnership will deliver savings of approximately £2.25m in 2015/16 – whilst continuing to deliver high quality and value for money services. We are also working with the Greater Manchester Police force to review a shared Human Resources service that will benefit both organisations by sharing best practice, technology and other synergies.

Our key programme for 2015/16 is the review of our Children's Families and Wellbeing Directorate. This programme will need to deliver the majority of the Council's savings target for the year – some £17.6m. Given the strategic importance of this programme, it has its own dedicated project team and a separate programme board, chaired by the Chief Executive, and consisting of senior Council staff, and individual project managers. The Board meets monthly to review progress and ensure strong governance and leadership to ensure that this programme remains on-track and will meet its planned full-year savings target.

Key elements of the Children Families & Wellbeing Programme Plan will include delivery of the agreed 2015/16 saving target and development of savings proposals for 2016/17 and 2017/18; design of the specification and governance arrangements to underpin Pennine Care Foundation Trust delivery of the all age delivery model from 1 Apr 2016 (including integrated commissioning arrangements); and preparation for Greater Manchester health devolution at local level, whilst ensuring delivery of the Greater Manchester Public Service Reform agenda (see Action 4).

As part of the new Early Help Model commitment has been given by the Council and Trafford Partnership to develop a Youth Trust. The vision is: "To develop, with all partners including young people and providers a nationally recognised and innovative youth trust. A body which

2014/15 Issues and Action Planned 2015/16

provides all young people across Trafford access to a diverse range of opportunities and activities which meets their needs and aspirations and which supports them to maximise their full potential and make a positive contribution to their local communities and society.”

A mapping exercise of all current provision for young people has been undertaken alongside an early help needs assessment. A partnership steering group has been set up and a project plan is under development with a view to creating a shadow Trust by September 2015 and the full legal entity by April 2016, ready to commission services from 1st April 2016. The Council will be a significant investor into the Trust and as such will be represented by individuals on the Board of Trustees.

2. Information Governance

The newly established Information Governance team is now in place and have developed a work plan including the following priority areas.

- Annual NHS Information Governance Toolkit accreditation required to gain connection to access NHS records
- Continue to roll out Corporate Information Governance mandatory training to all employees, Members and contractors
- Development of Information Sharing protocols with partners, voluntary organisations and contractors
- Communicate the purpose and aim of the team and the responsibilities of Information Asset Owners (IAO) and other custodians of Trafford Council’s information assets.
- Develop an Information Asset Register to identify all corporate assets and their uses
- Implement the recently developed retention and disposal policy on all historic, current and future records
- To streamline Freedom of Information and Subject Access Request to ensure compliance with the legal framework and improve processes to strengthen current practice
- Introduce Privacy Impact Assessments for all new projects that collect personal / sensitive data initially, and roll out retrospectively to existing projects to ensure personal/ sensitive data has not been collected unnecessarily and that the Council are operating within the guidelines of the Data Protection Act.

Work on these activities is underway and alongside these priorities an annual work plan has been developed to pick up on other work associated with the Information Governance Agenda.

This team will also deliver business as usual including Freedom of information, Subject Access Requests and day to day delivery of the Information Governance service.

3. Locality Working

A Steering Group led by the Executive Member for Partnerships and Communities and the independent Chair of the Strong Communities Board has been leading the project to implement locality working across Trafford, working with Locality Partnerships, Ward Members and key stakeholders. Each Directorate has appointed a senior manager as a lead for Locality Working.

2014/15 Issues and Action Planned 2015/16

As the project has developed, the emphasis has widened from the development of Locality Plans, to focus on Locality Working, a new culture of working together across sectors and with residents and communities that makes the best use of all assets and resources within localities, driving innovative service delivery, shaping demand and enabling resident action. The Locality Plans and Locality Partnerships are tools to coordinate and govern Locality Working. The principles of Locality Working are set out in the refreshed Community Strategy and support delivery against the Reshaping Trafford and PSR agendas.

Engagement of thematic partners and organisations is essential if quality plans are to be produced, and to ensure that strategic partners align services and resources as set out in the plans. All thematic partnerships and key partner organisations have had introductory presentations on locality working, and this is being followed up by more detailed discussions on the strategic mapping and structural changes required to influence and respond to locality working. Senior leaders have been asked to lead, support and challenge their own organisation, middle managers must have the mandate and confidence to work innovatively and creatively with partners and residents, and front-line staff must be able to encourage and enable local people to take action, signposting and connecting to support from agencies. Community Builders (frontline staff working within communities) are being identified across agencies.

From June 2015 Locality Working will 'go-live'. Each Locality Partnership will hold a stakeholder event; inviting representatives from all sectors to an interactive workshop to kick start the community conversation, explore the data and intelligence and the asset mapping and start to shape the key themes for locality plans.

At the same time, a large-scale borough-wide campaign, "Be Bold, Be the Difference", will also be launched. This will encourage residents to get involved in their local community, take action and make a difference, and highlight the support that is available to them from agencies. Front-line staff will have a key role in this campaign, acting as 'Community Builders', on the ground signposting and connecting local people.

Community Builders are being identified across agencies. Training will be commissioned for LP members, Ward Councillors and identified community builders on community engagement and the role of a community builder.

During the summer of 2015 LPs will lead more community engagement activities to help shape and consult on the emerging locality plans.

Once drafted, task and finish groups will be established to tackle key outcome focused objectives, bringing together public services, the voluntary and community sector, and residents to co-produce and deliver solutions to local issues.

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4. Public Service Reform

In December 2013, the PSR Leadership group widely shared its vision for the next phase of Public Service Reform accelerating the pace and scale of progress over the next two years. Focus would be on two big ticket items, which are linked – tackling issues of complex dependency, and integration of health and social care.

Complex dependency involves scaling up the Troubled Families ways of working that are now demonstrating evidence of success, to broader and deeper cohorts, and with a sharper focus on employment. This shall be done alongside the existing Greater Manchester (GM) work on growth, with the overall ambition of sustainable economic growth, where all residents contribute to and benefit from sustained prosperity.

A set of core GM standards will act as a 'checklist' for delivery models with local flexibility that allows for innovation and varied needs of residents :

- The delivery model will align to PSR core principles (integration of public services, key worker model, focus on whole family, evidence based interventions)
- Joint design of delivery models with all key partners, communities and service users
- Delivery by a wider range of partners, with existing front-line staff acting as 'key workers' providing specialist interventions, making use of the full range of resources in a place.
- Aligned with existing local integration arrangements and building these into genuine multi-agency approaches

GM has proposed a whole system approach to delivering services for complex dependency, which builds on the existing GM Spine, put local authorities in a position to deliver the significant numbers we have committed to work with under the umbrella of complex dependency and through Troubled Families - 50,000 families over three years across GM with a focus on work and skills and 27,000 over five years under the Troubled Families Programme- and to do so in a manner which supports fundamental transformation of public services.

The purpose of a whole system approach is to improve outcomes for individuals and families, and to re-shape and shrink our organisational structures by removing waste and duplication of effort across departmental and organisational boundaries. In order to improve outcomes and reduce demand it is essential that our approach to complex dependency encompasses those that already exhibit complex need but also those who are at risk of doing so.

The overarching principle is that regardless of the point at which a service user enters the system, consideration will be made in every instance as to whether further assessment and triage should take place to determine whether a coordinated multi-agency response is required to address underlying causes of problems, where appropriate with a whole family approach. The adoption of the above model is currently being considered by the PSR Leads groups.

As part of Manchester's recent Devolution Agreement, it has been proposed that during the transition period i.e. over the next 2 years, that the Greater Manchester Combined Authority will receive additional powers for certain parts of public service reform, specifically on business support, skills, complex dependency and health and social care. The GM Agreement includes

2014/15 Issues and Action Planned 2015/16

a range of reforms across the work and skills landscape, enabling GM to directly control or influence over £500m of funding. These are:

- The staged expansion of the “Working Well” programme from summer 2015. By the time it is fully rolled out, the programme will cover 50,000 individuals and have a £100m budget.
- A one-off pilot supporting older workers with long-term health conditions back to work.
- Reshaping and restructuring Further Education (post 19 skills) provision worth £150m (including Apprenticeships) within GM and aligning to £170m of EFA spend.
- Government designing the Work Programme in a way that allows GM to be a joint commissioner. Work Programme contracts across GM are worth around £100m.

As Trafford is an exemplar Local Authority within Greater Manchester, under the current Public Service arrangements, we are keen to play a pivotal role in the transition toward full Devolution within Greater Manchester in 2017. Public Service Reform and in particular the integration of Complex Dependency within the local All Age Front Door model, will be pivotal in assisting in this process, and ensuring Trafford remains a GM trailblazer.

5. Devolution

This area has a clear link with Public Service Reform and the Devolution Agreement for Greater Manchester (GM) focuses on the two strands of the GM Strategy (Stronger Together) of Growth and Reform.

The Devolution Agreement signed in November 2014 devolves powers and opportunities in a number of areas including; Housing, Skills, Work Programme, Business Support and Health.

The Trafford Leader and Chief Executive are the GM leads for Skills, Employment and Worklessness. Both have been key drivers in the Devolution negotiations on this agenda and continue to play a leading role in the delivery of the Work & Skills agenda for Greater Manchester. The programme includes the redesign of the Further Education System for GM; the co-design and co-commissioning of the Work Programme to be renewed in 2017; up-scaling of the Working Well Pilot from 5,000 to 50,000 and devolution of responsibility for the Apprenticeship Grant for Employers.

Other elements of the Devolution Agreement include devolving the total health economy of £6bn to GM from April 2016. The Council has been, and will continue to work with the Trafford Clinical Commissioning Group to ensure we are aligned to benefit from the advantages and opportunities to be gained from the new place based health economy and plans are underway to develop a collective Place Based Plan for Trafford to be completed in July this year.

Trafford Council have been working with Greater Manchester’s regeneration team to maximise the benefits from the devolved £300m housing fund, designed to get stalled housing developments moving through providing low cost loans to developers.

6. Budget Monitoring

Work is continuing in 2015/16 to ensure that revised budget monitoring arrangements introduced as part of the Action Plan produced in 2014/15 are maintained and there continues to be ongoing improvements both within arrangements in Adult Services and on a Council-wide

2014/15 Issues and Action Planned 2015/16

basis. Within the Children, Families and Wellbeing Directorate, work is ongoing in fully implementing the new Adult Social Care system (Liquid Logic/ContrOCC). The system includes functionality for financial commitments, monitoring and reporting, which is currently in the process of going-live through a phased approach.

Across the Council, a package of measures has been introduced to support budget holders, including an updated budget holder guide and the roll out in 2015/16 of a comprehensive training programme. To complement the training programmes a new Council intranet page is to be finalised which consolidates a number of useful resources that will assist budget holders. These measures will improve the strength of the financial management discipline across the organisation.

Supporting the above, actions will continue to be progressed to provide further support to managers through actions identified in the agreed Organisational Development Recovery Action Plan. Management Guidance has been developed that sets out the key roles and responsibilities expected of a Trafford Manager, including the financial responsibilities where managers are budget holders and it is anticipated that this will be launched in 2015. A mandatory e-learning module for budget holders regarding their financial management responsibilities is being developed to support and compliment the financial management training being rolled out by Finance specialists.

- 5.5 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



TRAFFORD COUNCIL

CORPORATE GOVERNANCE CODE

June 2015

Trafford Council Corporate Governance Code

1. What do we mean by governance?

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

2. Trafford's commitment

Trafford Council, as a public organisation, is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities:

1. To engage in effective partnerships and provide leadership for and with the community.
2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
3. To perform a stewardship role which protects the interests of local people and makes the best use of resources.
4. To develop citizenship and local democracy.

Openness, inclusion, integrity and accountability are fundamental principles by which the Council operates.

3. The Governance Framework

In order to ensure the fulfilment of its commitment, the Council operates a governance framework which provides a structure to support the Council's approach to governance.

Trafford Council has based its governance framework on the guidance produced in the publication 'Delivering Good Governance in Local Government' produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives & Senior Managers (SOLACE). In addition, further related guidance documents issued by CIPFA such as "the Role of the Chief Financial Officer" and the "Role of the Head of Internal Audit" are also applied.

The CIPFA / SOLACE framework sets out 6 core principles for good governance.

- Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

Section 7 of the Code sets out in detail how the Authority is committed to meet the requirements of this framework.

4. How we will ensure that we deliver on these principles of good governance

Maintain a local code of corporate governance

In accordance with best practice requirements Trafford Council maintains a local code of corporate governance which sets out the key systems, policies and procedures that comprise the Authority's governance framework. This document will be reviewed and updated regularly as required, and approved by the Corporate Management Team and Accounts and Audit Committee, to reflect any changes in governance arrangements.

Undertake an annual review of governance arrangements

The Audit and Assurance Service is responsible for undertaking an annual review to evaluate the position against the commitments set out in the Council's Corporate Governance Code, the effectiveness of governance arrangements and to ensure continuing compliance with best practice.

Where appropriate, action plans will be produced to ensure any significant weaknesses identified are addressed and there is continuous improvement in the system of corporate governance.

Findings and recommendations from this exercise will be reported via the Corporate Management Team. This will be used to inform the production of the Annual Governance Statement, with significant issues reported publicly through this process.

Report publicly on compliance with governance arrangements in the Annual Governance Statement

The Authority will produce an Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations 2011 (Accounts and Audit Regulations 2015 effective from 1 April 2015). This will be published and will accompany the Council's Annual Statement of Accounts. It will state what arrangements the Council has in place to ensure the effectiveness of its governance framework and how the Council has followed its stated governance principles. It will also highlight any areas the Council considers to require significant improvement; and outline the actions planned to address them.

The Accounts and Audit Committee (through an appointed working group) will review the robustness of the AGS. The Chief Executive and the Leader are required to sign off the AGS.

5. Responsibilities

Every Council officer and member has a responsibility to ensure their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The Chief Executive and Leader will ensure that an annual review is completed of corporate governance arrangements and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Corporate Management Team will ensure that the Corporate Governance Code is reviewed regularly to reflect ongoing developments and planned improvements to the framework; and authorise any amendments. Significant changes will be referred to the Council's Executive for approval.

6. Communication

The Corporate Governance Code and Annual Governance Statement will be reported publicly with a copy available on the Authority's website.

7. Trafford Council's Governance Framework

Principle 1 Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area.	
Supporting Principle	How the Council meets the requirements
<p><i>1.1 Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users</i></p>	<p>The Council, as the lead partner in the Trafford Partnership, has supported the development of the long term vision for Trafford as set out in the Sustainable Community Strategy "Vision 2021: a blueprint. This document describes the key objectives which underpin the work of the partnership.</p> <p>The Council reviews its priorities and implications for its governance arrangements on a regular basis. In response to the Localism Agenda, the Council has updated its Vision 2015 aligning it to the changing way services will be delivered in localities and through partnership working.</p> <p>Reshaping Trafford 2014-17: a Blueprint sets out the Council's vision and aims to have a new operating model by 2017 to enable the delivery of minimum statutory requirements, ensure directly funded services are monitored for quality and performance whilst continuing to provide a place shaping role for the borough.</p> <p>The Council's corporate priorities are reviewed annually and incorporated within the Annual Delivery Plan.</p> <p>The Council publishes details of its strategy, financial position and performance on its website trafford.gov.uk. Information in relation to partnership activity and performance is reported through the Trafford Partnership website traffordpartnership.org.uk</p>

1.2 Ensuring that users receive a high quality of service whether directly, in partnership, or by commissioning.

The Authority has put arrangements in place to measure and review the quality of service for users including mechanisms to identify and deal with failure in service delivery. Robust management information is available to enable monitoring of service quality effectively and regularly.

The Council operates a defined **Performance Management Framework**. The **Annual Delivery Plan** sets out the key deliverables for the coming year supported by individual Directorate and Service business plans, which connect service objectives and associated actions to the community vision and corporate priorities.

The **Corporate Management Team (CMT)** and **Executive** receive regular monitoring and exception reports on the achievement of corporate objectives. In addition, a monthly performance report is issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit.

The **Transformation, Performance & Resources Group** is responsible for driving the Transformation Programme, and to ensure successful realisation of all savings, the performance of the programme is monitored by the **Transformation Board** on a monthly basis; this board also receives regular monitoring and exception reports relating to the achievement of project deliverables and benefits.

The Council has implemented a **Customer Strategy 2013-17** which describes its approach to delivering customer services, sets out the reasons and basis for change and proposes how current and future needs will be managed. The Council has an approved **Corporate Complaints Policy** and guidance.

The Council's **Contract Procedure Rules** set out the agreed protocols for procurement and tendering for contracts including post contract arrangements.

1.3 Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

Low Council Tax and Value For Money is one of the Council's Corporate priorities. Trafford was one of the first councils to introduce a **Medium Term Financial Plan** and Strategy, highlighted by CIPFA as good practice. The Authority consults annually on its budget proposals and these are subject to scrutiny review.

The Council has implemented a **Transformation Programme** which is supporting the organisation to review and re-design existing functions and service areas to improve service delivery, achieve savings and establish the infrastructure required to manage the future financial challenges.

The Council has a defined **Procurement Strategy** and in addition to hosting the AGMA Procurement Hub, has implemented a collaborative **Procurement Shared Service (STaR)** with Rochdale and Stockport Councils, with the aim to reduce overheads, increase economies of scale and provide collective expertise and resilience.

The Authority has defined **Budgetary Control Procedures** in place. **Revenue Budget Monitoring** reports are reported to the Corporate Management Team and the Executive on a monthly basis to enable monitoring of income and expenditure levels, to ensure that commitments are within available resource levels and corrective action is taken when necessary.

The Council's financial framework keeps its commitments in balance with available resources. There are arrangements in place to ensure compliance with **CIPFA's Prudential Code for Capital Finance in Local Authorities** and **CIPFA's Treasury Management Code**. The Council has a clearly defined **Capital Programme** and **Treasury Management Strategy**. The capital budget is monitored and reported to the CMT and Executive each quarter.

Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles.	
Supporting Principle	How the Council meets the requirements
<i>2.1 Ensuring effective leadership throughout the authority and being clear about the executive and non-executive functions and the roles and responsibilities of the scrutiny function.</i>	<p>The Council has adopted a Constitution which provides a clear statement of how it operates, defining the respective roles and responsibilities of the Executive and non-Executive members.</p> <p>Article 15 of this document sets out the protocols and the role of the Monitoring Officer to monitor and review the operation of the constitution. The Council reviews elements of the Constitution each year at its annual meeting.</p>
<i>2.2 Ensuring a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard.</i>	<p>Part 3 of the Constitution sets out responsibility for carrying out the Council's functions, at committee level and delegation to individual executive members. Part 4 sets out the Scheme of Delegation to Officers. The sections on delegated authority are reviewed and approved annually.</p> <p>The Council has appointed a Chief Executive responsible and accountable to the Authority for all aspects of operational management. The functions of the Head of Paid Service, Monitoring Officer and Chief Financial Officer are set out in Article 12 of the Constitution.</p> <p>The Council has designated the Director of Finance as Chief Finance Officer, in accordance with Section 151 of the Local Government Act 1972. Periodic assessment is undertaken to ensure compliance with the governance standards as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).</p> <p>The Council's Director of Legal & Democratic Services is designated as "Monitoring Officer". It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council's established policies and procedures.</p>

2.3 Ensuring relationships between the authority and its partners and the public are clear so that each know what to expect of each other.

The Authority has adopted **Member Officer Relations Protocols** which provide guidance to help build good working relations between members and officers.

The **Officer Employment Procedure Rules** set out the terms and conditions for remuneration of employees. A **Pay Policy Statement** has been published which provides transparency regarding the Council's approach to setting pay for its employees.

The Council has agreed a **Members Allowance Scheme** setting out the level of financial allowance that members may receive.

When working in partnership, members are clear about their roles and responsibilities individually and collectively in relation to the partnership and the authority. The Council Leader is the Chair of the **Trafford Partnership Executive** which has defined Terms of Reference in place.

Four **Locality Partnerships** have been set up, core membership of which includes Councillors, Partner Agencies and Community Ambassadors. Representation on the Trafford Partnership **Stronger Communities Board** ensures a link between the strategic partnership and localities. Each partnership has its own terms of reference, setting out their vision, purpose, roles and values.

In accordance with the requirements of the Health & Social Care Act 2012, a **Health & Wellbeing Board** has been established. Supporting this, the Council has in place a number of strategic partnership arrangements governed through **Section 75 Partnership Agreements**.

Principle 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	
Supporting Principle	How the Council meets the requirements
<p><i>3.1 Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</i></p>	<p>In accordance with requirements of the Localism Act 2011, the Council has reviewed and adopted its Members Code of Conduct incorporating procedures for notification of disclosable pecuniary interests and hearing procedures. Protocols set out the arrangements for dealing with complaints about the code of conduct for members.</p> <p>All staff are required to abide by an Employee Code of Conduct. It is a requirement for all new employees to read and sign up to this as part of the staff induction procedure.</p> <p>Responsibility for the regulation of employee conduct is set out in the Council's Disciplinary Policy. A range of Human Resource policies in place are designed to help ensure the proper conduct of staff and to ensure the workforce is appropriately skilled to deliver the Council's aims and objectives.</p> <p>Arrangements are in place requiring members and employees of the Authority to not be influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.</p> <p>The authority has an Anti-Fraud & Corruption Strategy and procedures for the reporting of suspected fraudulent activities.</p> <p>To ensure the Authority meets best practice and legislative requirements, an Information Security Governance Board has been established. A Senior Risk Information Officer is assigned to oversee and review information governance issues and risk.</p> <p>Users of the Trafford ICT network are required to sign up to the authority's Acceptable Use Policy to confirm acceptance of agreed responsibilities and standards to prevent misuse of equipment or networks.</p>

	<p>To ensure compliance with Data Protection and Freedom of Information legislation, the Council has adopted a policy, procedures and a dedicated Corporate Information Officer to provide support and guidance to employees.</p>
<p><i>3.2 Ensuring that organisational values are put into practice and are effective.</i></p>	<p>The Council has adopted a set of Corporate Values embedded within its policies, procedures and strategies. The Council's competency framework outlines the organisation's values and the behaviours expected of employees when fulfilling their roles.</p> <p>The organisation's shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority.</p> <p>The Authority has implemented arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and for monitoring their continuing effectiveness in practice.</p> <p>The Council has adopted a "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE framework for Corporate Governance. The Council undertakes an annual review of the Code of Corporate Governance and associated arrangements.</p> <p>The Standards Committee, with an independent Chairman, has within its role, the promotion and maintenance of high standards of conduct of members and the responsibility to oversee the effective operation of the Code of Conduct for Members.</p> <p>The financial management of the Council is conducted in accordance with the Financial Procedure Rules and Contract Procedure Rules incorporated within Part 4 of the Constitution.</p> <p>Systems and processes for financial administration, financial control and protection of the Authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.</p>

Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.	
Supporting Principle	How the Council meets the requirements
<i>4.1 Being rigorous and transparent about how decisions are taken and acting on the outcome of constructive scrutiny.</i>	<p>The Council has developed detailed procedures for political decision making. There are clear processes for recording and monitoring executive decisions in order to ensure compliance with legislation, internal policies and procedures, and that expenditure is lawful. The Executive has to make decisions in line with the Council's overall policies and budget. Any decisions to be made outside this framework must be referred to full Council.</p> <p>The Scrutiny Committees provide the scrutiny of decisions made, policy development and implementation and can "call in" decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.</p> <p>The Council has an Internal Audit function which is required to operate in conformance with the Public Sector Internal Audit Standards. The Internal Audit function is responsible for monitoring the quality and effectiveness of systems of internal control.</p> <p>The Council has an Accounts and Audit Committee whose terms of reference require it to monitor and evaluate the Council's corporate governance and internal control arrangements. The Committee operates in accordance with CIPFA guidance for Audit Committees.</p>
<i>4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants</i>	<p>Part 4 of the Constitution sets out the Access to Information Procedure Rules including the rights to attend meetings and access summons, agenda and reports. Where major 'key' decisions are to be discussed or made, these are set out in a notice published at least 28 days before a decision is made.</p>

<p><i>/ needs.</i></p>	<p>Those making decisions, whether for the Authority or in partnership, are provided with information that is fit for purpose – clear, timely, relevant, accurate and complete and gives clear explanations of issues and implications on both a financial and non-financial basis.</p> <p>The Authority seeks timely professional advice on matters that have legal or financial implications, which is recorded in advance of decision making and used appropriately.</p>
<p><i>4.3 Ensuring that an effective risk management system is in place.</i></p>	<p>Risk management is embedded into the culture of the organisation. The Council has a Risk Management Policy Statement, Strategy and protocol for monitoring and reporting risk. These explain the methodology which provides a comprehensive framework for the management of risk throughout the Council.</p> <p>The Council's Strategic Risk Register sets out the key risks the Council is likely to face in achieving its high level corporate objectives. In accordance with the Council's Risk Management Policy Statement, the Corporate Management Team (CMT) provides regular quarterly updates on the strategic risk environment and, in particular, performance in managing the specific risks.</p> <p>The Council has adopted a Confidential Reporting Code and supporting guidance, which sets out the whistle blowing protocols for reporting, responding to and monitoring of issues of concern.</p>

4.4 Using their legal powers to the full benefit of the citizens and communities in their area.

The **Constitution** sets out how the Council will operate to deliver services and perform its functions within the wider legal framework. Part 3 sets out Responsibility for Functions at committee and executive portfolio level. It also sets out the proper officer arrangements for delivering specific legislative requirements.

The Authority actively recognises the limits of lawful activity placed on it but also strives to utilise powers to the full benefit of communities. It recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on authorities by public law.

The **Monitoring Officer** will, after consulting with the Head of Paid Service and the Chief Finance Officer, report to the full Council or to the Executive, in relation to an Executive function, if she considers that any proposal, decision or omission would give rise to unlawfulness or has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Director of Finance, as the **Council's Chief Finance Officer**, has responsibility for the legality of the Council's financial transactions.

Directors and Heads of Service are responsible for ensuring that they establish and maintain effective standards of governance, complying with legislation, the Council's Constitution, Standing Orders and Financial Procedure Rules.

Principle 5 Developing the capacity and capability of members and officers to be effective.	
Supporting Principle	How the Council meets the requirements
<p><i>5.1 Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their role.</i></p>	<p>The Authority provides induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.</p> <p>Member Induction Training is undertaken each year. Member training needs are regularly reviewed and a Training & Development Plan for Members is in place. The Council has committed to the re-assessment of the North West Level 1 Charter for Elected Member Development.</p> <p>The Supporting Change to Happen Strategy 2014-17 sets out the additional set of values to support the Reshaping Trafford programme underpinned by a set of competencies to enable change to be delivered, and to complement and strengthen the Council's Core values. It is supported by a programme of learning & development interventions for Members and staff so that they can adapt successfully to new ways of working and changed delivery models.</p> <p>All new employees are required to complete a Corporate Induction Module. The Council has developed Directorate and cross-council Training & Development Plans supported by a suite of e-learning solutions available to meet the organisational skills development needs.</p> <p>The Authority puts arrangements in place to ensure that statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.</p> <p>The ongoing Transformation Programme is also taking into account consideration of training and development needs across the Council and individual service areas for change management and adopts a skills transfer approach to support colleagues to develop project management and business analysis skills.</p>

<p><i>5.2 Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group.</i></p>	<p>The Authority assesses the skills required by members and officers and makes the commitment to develop these skills to enable roles to be carried out effectively. Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</p> <p>There is a behavioural based competency framework and staff appraisal process in place which supports the cascade of corporate objectives and values through to individual employee targets. All staff are required to complete a Personal Development Review annually.</p> <p>Members are requested to complete a Personal Development Review which is used to inform the development of their training plan.</p> <p>The Council has taken a strategic approach to Absence Management. Ongoing performance is monitored as part of the Authority's Annual Delivery Plan.</p>
<p><i>5.3 Encouraging new talent for membership of the authority so that best use can be made of the individual's skills and resources in balancing continuity and renewal.</i></p>	<p>The Council operates an Internal Apprenticeship Scheme providing training and mentoring opportunities for Trafford residents.</p> <p>There are effective arrangements in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority including recruitment of a number of Community Ambassadors with a role in identifying and prioritising local needs and representing residents on Locality Boards.</p>

Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability.	
Supporting Principle	How the Council meets the requirements
<i>6.1 Exercising leadership through a robust scrutiny function which effectively engages local people and local institutional stakeholders, including partnerships and developing constructive accountability relationships.</i>	<p>The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The public have a number of rights in their dealings with the Council. These are set out in more detail in Article 3.</p> <p>The Council has implemented detailed guidance and procedures for staff to ensure that an Equality Impact Assessment is undertaken in relation to all proposed changes in policy, strategy, functions and internal structures.</p> <p>Scrutiny Function – See supporting principle 4.1</p>
<i>6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.</i>	<p>The Authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, subject only to those specific circumstances where it is proper and appropriate to do so.</p> <p>Council decisions are based on public consultation including annual review of the budget proposals. Meetings where key decisions are made and scrutinised are open to the public, except where exempt information is disclosed.</p> <p>There are clear channels of communication in place with all sections of the community and other stakeholders e.g. through the Council website, social media channels and publications distributed to each household in the borough. The Council has a corporate Marketing & Communications function in place to oversee internal and external communication and ensure these arrangements are operating effectively.</p> <p>The Council's Neighbourhood Forums provide a public forum to discuss local issues and understand how the Council is working to tackle them.</p>

The Council is the lead organisation of the **Trafford Partnership**, which provides a key role engaging with residents and the community to ensure that priorities and actions at strategic level reflect the needs of local people.

Four **Locality Partnerships** have been established, with membership including Councillors, partner agency representation and **Community Ambassadors**. These will build upon existing forums and networks to encourage effective engagement of local communities in decision making, provide a coordinated approach to identify and address local priorities, increasing community ownership of issues and developing innovative solutions.

The **3rd Sector Strategy** sets out how the Council and its partners support the sector through capacity building and funding support.

The Council is compliant with the Freedom of Information Act 2000 requirements and has a **Publication Scheme** in place. In accordance with the government's **Open Data** requirements, details of all invoice payments to suppliers, senior officer salaries and details of members' expense claims are published online.

The **InfoTrafford** website provides free public access to view statistical data about the borough with the aim to provide a tool for community empowerment, decision making and policy development.

6.3 Making best use of human resources by taking an active and planned approach to meet responsibilities to staff.

The Council has in place **Joint Consultative Committee** arrangements to establish a regular method of consultation between the Council and the Trade Unions enabling input into human resource issues including proposed organisational and policy changes.

The Council operates an **Employment Committee** responsible for determining collective and corporate terms and conditions of employment and approving any changes in human resources policies.

As part of the Reshaping Programme, the **Supporting Change to Happen Strategy 2014-17** sets out how the Council will support employees to understand, adapt and successfully move to the new operating arrangements. The Authority has produced a toolkit for employees and managers in **Managing Organisational Change**, which provides guidance for restructuring and review in accordance with statutory requirements and current best practice.

There are a range of consultation mechanism in place for Council employees including an online forum, network events, focus group and surveys.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 30 June 2015
Report for: Information
Report of: Cllr Whetton and Cllr Mrs Evans – Chair and Vice - Chair
Accounts & Audit Committee (2014/15)

Report Title

Accounts and Audit Committee Annual Report to Council 2014/15.

Summary

The report sets out the 2014/15 Annual Report of the Accounts and Audit Committee to be submitted to Council.

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

2014/15 Accounts and Audit Committee minutes

Accounts & Audit Committee
Annual Report
To Council

2014-2015



TRAFFORD
COUNCIL

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FOREWORD BY THE CHAIR AND VICE-CHAIR OF THE ACCOUNTS & AUDIT COMMITTEE

Financial pressures faced by local authorities highlight the need for the Council to ensure that there are effective governance, risk management and internal control arrangements in place in order that resources are managed effectively. The Committee is independent of the Executive and has a key role in providing challenge across the organisation. It provides independent assurance to the Council and the public on how effectively the Council is being managed. We believe that the Accounts and Audit Committee should be and is central to the provision of effective corporate governance.

In addition to coverage of its work plan which was agreed at the start of the year, the Committee has sought assurance through the year as issues arise. A particular focus for the Committee in 2014/15 was the monitoring of issues identified and actions undertaken in respect of improvements to budget monitoring arrangements across the Council. In undertaking this role, the Committee sought assurance from both management and the External Auditors. In addition to the planned timetable of meetings, a further Committee meeting was arranged to focus on this issue and through the year assurance was obtained in respect of improvement actions being undertaken. The Committee requested and received information and providing constructive challenge, contributing to the on-going developments being made.



Councillor Michael Whetton
Chairman, Accounts & Audit Committee 2014-15



Councillor Mrs. Laura Evans
Vice-Chair, Accounts & Audit Committee 2014-15

INTRODUCTION

Role of the Committee

The role of the Accounts and Audit Committee is to:

- provide independent assurance on the adequacy of the risk management framework and the associated control environment,
- undertake independent scrutiny of the Authority’s financial and non financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and
- oversee the financial reporting process.

Assurance is gathered by the Committee largely from the work of Finance Services (including the Audit and Assurance Service and Financial Management), and External Audit (provided by Grant Thornton in 2014/15). Relevant officers within these areas attended meetings through the year. This was supplemented by assurance from other sources where this was considered appropriate, for example direct from the Council’s managers.

Purpose of the Report

The purpose of this report to Council is to:

- Summarise the work undertaken by the Accounts & Audit Committee during 2014/15 and the impact it has had.
- Provide assurance to the Council on the fulfilment of the Committee’s responsibilities.

Membership of the Committee

The Accounts & Audit Committee’s terms of reference state that its membership shall comprise seven Members, be politically balanced within the Council’s current system, and shall not include any Members of the Executive.

Accounts & Audit Committee Membership	
2014/15	2015/16
Cllr Michael Whetton (Chair)	Cllr Alan Mitchell (Chair)
Cllr Laura Evans (Vice Chair)	Cllr Dylan Butt (Vice Chair)
Cllr Tom Ross	Cllr Tom Ross
Cllr Barry Brotherton	Cllr Barry Brotherton
Cllr Jane Baugh	Cllr Jane Baugh
Cllr Chris Boyes	Cllr Chris Boyes
Cllr Dylan Butt	Cllr Nathan Evans

ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

The Committee derives its independent assurance from a number of sources including the work of External Audit, Finance (including Internal Audit and Financial Management) and managers across the Council.

During the year, these sources of assurance were reported to the Committee on a regular basis across a wide spectrum of the work of the Council encompassing all the themes identified in the Committee's Terms of Reference. The Committee was able to both receive information and provide challenge and feedback to officers and external auditors. The Committee has therefore effectively fulfilled its responsibilities during 2014/15.

The members of the Accounts & Audit Committee are very aware of the important role they have as the Council's Members charged with responsibility for governance. Ongoing financial pressures for local authorities to achieve savings highlight the need for organisations to ensure effective governance arrangements, systems and controls are in place. Areas covered by the Committee during the year included:

- Internal and External Audit;
- Risk Management;
- Corporate Governance, Internal Control and the Annual Governance Statement;
- Anti-Fraud and Corruption, and
- The production of the Statement of Accounts.

A work programme was agreed by the Committee at the start of the year to ensure it met its responsibilities. This included reviewing regular updates on the work of internal audit, external audit, approval of draft and final accounts, updates of the Council's strategic risk register, review of anti-fraud and corruption arrangements, and updates on treasury management and insurance activity.

Further to the establishment of the agreed meeting timetable and work programme at the start of the year, the Committee agreed to add an additional meeting in August which was established to include review of the findings made following the internal investigation into the Council's budget monitoring arrangements. The Committee subsequently ensured that further updates on progress against the recommendations made as part of the investigation were provided to it during the year. The Committee noted the significant developments made during 2014/15 in addressing the issues raised.

Assurance in terms of the outcome of the 2014/15 External Audit of the Council's Financial Statements and a conclusion on the Council's Value for Money arrangements will be reported later in 2015 to the Committee in the External Auditor's 2014/15 Annual Audit Letter. In November 2014, the Committee had gained assurance through the 2013/14 Annual Audit Letter that an unqualified opinion was given on the 2013/14 financial statements. The report also concluded that, overall, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014. The report included recommendations including the need to ensure close monitoring to ensure weaknesses identified as part of the budget monitoring investigation were being addressed. As noted above, the Committee contributed to ongoing monitoring of this issue.

Details of the work undertaken by the Committee are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2014/15

Internal Audit

Role of the Committee in relation to Internal Audit:

- Review and approve (but not direct) the Internal Audit Charter, an Internal Audit Strategy and internal audit resourcing.
- Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual audit coverage and whether this provides adequate assurance on the organisation’s main business risks. Review the performance of Internal Audit.
- Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and actions plans.
- Review arrangements for co-operation between Internal Audit, External Audit and other review bodies, and ensure that there are effective relationships which actively promote the value of the audit process.
- Receive the Annual Internal Audit report and opinion.

Work Completed	Outcome/ Impact
<p>The progress of internal audit work conducted by the Audit and Assurance Service continues to be reported to the Committee on a quarterly basis. This includes the results of individual reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in September 2014, November 2014 and February 2015.</p> <p>June 2014 The Annual Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2013/14 based on Internal Audit work undertaken during the period.</p>	<p>The Committee maintained an overview of the control environment reviewed by Internal Audit and also obtained assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p>
<p>March 2015</p> <p>A report was submitted incorporating the 2015/16 Annual Internal Audit Plan.</p>	<p>Assurance that Internal Audit coverage for the coming year covered a wide range of key business risks and plans were in place to make adequate internal audit resources available to complete the planned work.</p>

External Audit

The role of the Committee in relation to External Audit is:

- To review and consider proposed and actual External Audit coverage and its adequacy, and consider the reports of External Audit and other inspection agencies.
- To receive updates from External Audit on findings and opinions, and assurance as to the adequacy of management’s response to External Audit advice, recommendations and action plans.
- To review arrangements made for co-operation between External Audit, Internal Audit and other review bodies.

Work Completed	Outcome/ Impact
<p>June 2014 The Committee received a report from Grant Thornton on the progress made in delivering its responsibilities as the Authority’s external auditor. The report also highlighted key emerging national issues and developments. which could be of interest to members of the Committee. Other such updates were provided at meetings in November 2014, February 2015 and March 2015.</p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p>September 2014 The Committee receive a report on the findings to date from the External Auditor in respect of the audit of the Council’s accounts for the year ended 31 March 2014 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion).</p>	<p>Members were advised that it was anticipated that an unqualified opinion on the financial statements would be provided.</p> <p>Based on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources, an unqualified Value for Money conclusion was proposed.</p> <p>The External Auditors stated there was a serious misreporting and understatement of the projected financial deficit in Adult Social Care during the year which led to a deficit of £3.6m for that service. The deficit was contained, however, within Adult Social Care and the overall Council budget was underspent by £3.7m. The External Auditors also reported that the Council has taken action to address the budget issues going forward.</p>
<p>November 2014 The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2014, summarising the key findings arising from the work of the External Auditor, Grant Thornton.</p>	<p>The Annual Audit Letter confirmed that an unqualified opinion was given on the financial statements.</p> <p>It was also concluded that the Council has put in place proper arrangements to secure economy,</p>

	<p>efficiency and effectiveness in its use of resources for the year ending 31 March 2014. It was concluded that weaknesses were highlighted in budget monitoring arrangements in adult social care services but the Council's overall corporate management arrangements and services' outcomes were sufficiently robust to support an unqualified Value for Money conclusion.</p> <p>The Committee noted the key messages, audit conclusions and key areas for the Council's attention, including close monitoring of additional cost savings measures to address the budget issues referred to above.</p>
<p>February 2015 As part of the February update report, Grant Thornton presented a letter summarising its overall findings from the certification of the Council's 2013/14 Housing Benefits subsidy claim.</p> <p>March 2015</p> <p>The Committee received the External Audit Plan from Grant Thornton which outlined its audit strategy and plan to deliver the audit for the year ended 31 March 2015. The report also set out the External Audit fees and assumptions supporting these.</p>	<p>The Committee questioned the fee charged for certifying the claim and it was noted that this was set independently by the Audit Commission.</p> <p>The report submitted provided the Committee with details of work Grant Thornton is required to undertake as the council's external auditor.</p>

Risk Management

The role of the Committee in relation to risk management:

- Review the adequacy of arrangements for identifying and managing the organisation’s business risks – including the Council’s risk management policy and strategy and their implementation.
- Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- Receive and consider regular reports on the risk environment and associated management action.

Work Completed	Outcome/ Impact
<p>November 2014 The Committee was provided with a report setting out the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment which included details of risks that had been removed, risks added to the register since the previous update as well as changes in risk levels.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks. The Committee provided feedback regarding the detail provided relating to some risks and this was taken into account as part of future updates.</p>
<p>March 2015 The Committee was provided with a further update report on the Strategic Risk Register. The highest risks identified reflected risks relating to the Council’s medium term financial position and risks in relation to managing demand and budgets in Adult Social Care.</p>	<p>The Committee received assurance that there is ongoing monitoring of strategic risks with details provided for each risk of control / monitoring arrangements in place and where applicable further improvements planned.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

The role of the Committee in relation to the above is to:

- Conduct a critical review of the proposed Annual Governance Statement, the procedures followed in its completion and supporting evidence to provide assurance to the Leader of the Council and the Chief Executive of its meaningfulness and robustness.
- Review effectiveness of corporate governance and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.

Work Completed	Outcome/ Impact
<p>June 2014 A report including the 2013/14 draft Annual Governance Statement, details of the Committee’s review of the Statement and also the updated Corporate Governance Code were presented.</p>	<p>The Committee noted that the Members were satisfied with the robustness of the process followed in generating the Annual Governance Statement and were satisfied that the statement itself is robust. The Committee also agreed the amendments to the Council’s Corporate Governance Code.</p>
<p>August 2014 A report was circulated to Members on the internal investigation into the Council’s budget monitoring arrangements. (The public were excluded from this item as recorded in the minutes of the meeting).</p>	<p>Members considered the findings and recommendations detailed in the report and fed back comments to be taken into account in future reporting on this issue.</p>
<p>September 2014 The final version of the Annual Governance Statement, signed by the Chief Executive and Leader, was submitted to the Committee.</p> <p>The Committee was presented with an Action Plan setting out planned actions and responsibilities for addressing recommendations made following the Budget Monitoring investigation.</p> <p>The Committee considered a report on the forensic review carried out by the External Auditor on the internal investigation into the Council’s budget monitoring arrangements.</p>	<p>The Committee approved the 2013/14 Annual Governance Statement.</p> <p>The Committee was able to note progress in addressing recommendations made as part of the Budget Monitoring investigation and gain assurance that the Council was taking appropriate action to address control issues identified.</p>

<p>November 2014 The Committee received an update on progress made against each of the planned actions listed in the Budget Monitoring Action Plan.</p> <p>The Committee received a presentation outlining details of the work of the Transformation team and planned work for 2014/15. Included in the presentation was detail in respect of the “Reshaping Trafford” programme which was identified as one of the significant governance issues for 2014/15 within the 2013/14 Annual Governance Statement.</p>	<p>Assurance was provided that the organisation is taking action to strengthen a key area highlighted for further improvement in the previous year’s Annual Governance Statement.</p> <p>Members were able to gain information to understand arrangements in place and planned developments in respect of the Council’s “Reshaping Trafford” programme.</p>
<p>February 2015 A report setting out a proposed action plan to ensure compliance with the production of an Annual Governance Statement for 2014/15 was presented.</p> <p>A report was submitted to provide an update on the work of the Locality Partnerships which was identified as a significant governance issue for 2014/15 in the 2013/14 Annual Governance Statement.</p> <p>The Committee received a further update on progress made against each of the planned actions listed in the Budget Monitoring Action Plan.</p>	<p>Procedures and responsibilities of Members and officers in the process for producing and approving the 2014/15 Annual Governance Statement were agreed.</p> <p>Assurance was provided that the organisation is taking action to progress areas highlighted for further development in the previous year’s Annual Governance Statement. Members had the opportunity to raise queries and make recommendations.</p>
<p>March 2015 A report was presented in respect of another significant governance issue highlighted in the 2013/14 Annual Governance Statement. This related to the progress made in respect of Information Governance arrangements across the Council, including the establishment of a new integrated team.</p> <p>Further to the meeting, the Committee Members were also sent an update report in respect of developments regarding Public Service Reform which was a significant governance issue listed in the 2013/14 Annual Governance Statement.</p>	<p>Assurance was provided that the organisation is taking action to strengthen areas highlighted for further development in the previous year’s Annual Governance Statement.</p>

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

- Review and ensure the adequacy of the organisation’s Anti - Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

Work Completed	Outcome/ Impact
<p>September 2014 The Fraud Investigation Team 2013/14 Annual Report was presented outlining the Council’s responsibilities towards tackling benefit fraud and detailing the team’s performance during the period and plans for the year ahead.</p>	<p>In respect of benefit fraud, assurance was obtained through the year on the adequacy of the Council’s anti-fraud and corruption arrangements and ongoing developments.</p>
<p>March 2015 The Audit and Assurance Service provided a report on anti-fraud and corruption work undertaken during the year. This included a summary of investigation work undertaken by the Service and an update on other work undertaken including an update on activity to support the National Fraud Initiative.</p> <p>The report also provided an update on developments within the Council in light of the forthcoming transfer in March 2016 of Fraud investigation staff to the Department for Work and Pensions as part of the new Single Fraud Investigation Service. A new counter-fraud investigation team is in the process of being established in the Council utilising monies obtained from a successful grant application.</p>	<p>The Committee was provided with assurance that the Council is working to aim to maintain sufficient fraud investigation capacity going forward.</p>

Accounts / Financial Management

The role of the Committee is to:

- Approve the Council’s Annual Statement of Accounts including subsequent amendments.
- Consider the External Auditor’s report on the audit of the Council’s annual financial statements.
- Be responsible for any matters arising from the audit of the Council’s accounts.

Work Completed	Outcome/ Impact
<p>June 2014</p> <p>The Director of Finance provided an update on the preparation of the pre-audited Statement of Accounts for the year-ended 31 March 2014. The Capital Investment Programme 2013/14 Outturn report was also presented.</p> <p>A report was submitted providing details of the Council’s insurance arrangements and activity in 2013/14. This included details in respect of the major classes of insurance.</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year.</p> <p>(In advance of the June Committee meeting, a training session was arranged for Committee Members on the Council’s Accounts).</p>	<p>The Committee agreed to review the unaudited accounts for 2013/14 and the 2013/14 Revenue Budget Monitoring Outturn report at the next meeting of the Committee (In August 2014).</p> <p>Assurance was obtained that insurance arrangements are monitored and regularly reviewed.</p> <p>Assurance was obtained that treasury management activities adhere to the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.</p>
<p>August 2014</p> <p>The pre-audited Statement of Accounts for 2013/14 was presented along with the 2013/14 Revenue Budget Monitoring Outturn report.</p>	<p>The Committee was able to review the Accounts submitted to the External Auditor.</p>
<p>September 2014</p> <p>The final accounts were presented following the audit of the 2013-14 draft accounts.</p>	<p>The Committee approved the final accounts and stated that the Director of Finance and his team and the External Auditor be commended for their efforts in producing and reviewing the accounts.</p>
<p>November 2014</p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2014/15.</p>	<p>The Committee was able to monitor treasury management performance during the year in line with the CIPFA Code of Practice on</p>

<p>The Committee received a presentation from the Director of STaR Shared Procurement Service The presentation included information on the Governance and Performance Framework, objectives, current activity and delivered savings.</p>	<p>Treasury Management.</p> <p>The Committee was able to gain information on current corporate procurement arrangements.</p>
<p>February 2015 A Treasury Management report was submitted setting out the Council’s strategy for 2015/16 – 2017/18. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p> <p>A report was provided on the position in respect of the Council’s reserves and provisions.</p> <p>All meetings</p> <p>The Accounts and Audit Committee received the most recent available monthly budget monitoring report at each meeting.</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p> <p>The Committee was able to gain information on specific components of the Council’s reserves and was also advised of forecasted reserve and provision balances at March 2017.</p> <p>Following a request by the Committee during the previous year, the Director of Finance agreed to submit the most recent available budget monitoring reports at each Committee meeting. This gave the Committee the opportunity to review information and raise queries on budget monitoring information submitted during the year.</p>

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 30 June 2015
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2015/16

Summary

This report sets out the proposed work plan for the Committee for the 2015/16 municipal year.

It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.

The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Accounts and Audit Committee is asked to approve the 2015/16 work programme.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers: None

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts / Financial Management
30 June 2015	Agree Committee's Work Programme for 2015/16 (including consideration of training and development – Proposed training on procurement/contracts issues to be held during the year).					
	Training & Development/Presentations (June) - Draft accounts (provided outside committee) - School Funding					
Page 246	- 2014/15 Annual Internal Audit Report	- Audit Progress Report		- Review 2014/15 draft Annual Governance Statement - Accounts and Audit Committee 2014/15 Annual Report to Council		- Pre-audited 2014/15 accounts - Treasury Management update (including Annual Performance Report 2014/15) - Insurance Performance Report 2014/15.
	24 September 2015	- Q1 Internal Audit Monitoring Report	- Audit Findings Report	- Strategic Risk Register Monitoring Report	- 2014/15 Annual Governance Statement (final version)	- Benefit Fraud Investigation 2014/15 Annual Report. - Fraud Investigation Team and Single Fraud Investigation Service update.

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (Including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts/Financial Management
25 November 2015	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update		- Consider improvement actions taken in 2015/16 in respect of 2014/15 governance issues.		- Treasury Management : mid-year review - Budget Monitoring Report. - Procurement update (STaR Shared Procurement Service)
9 February 2016	- Q3 Internal Audit monitoring report	- Audit Update (including Grant Claims summary)		- Report on arrangements for 2015/16 Annual Governance Statement - Consider improvement actions taken in 2015/16 in respect of 2014/15 governance issues.		- Treasury Management Strategy - Budget Monitoring Report
22 March 2016	- 2016/17 Internal Audit Plan / Public Sector Internal Audit Standards update	- Audit Update - Audit Plan	- Strategic Risk Register Monitoring Report	- Consider improvement actions taken in 2015/16 in respect of 2014/15 governance issues.	- Anti Fraud & Corruption / National Fraud Initiative update	- Budget Monitoring Report.

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