



**TRAFFORD  
COUNCIL**

**AGENDA PAPERS FOR  
ACCOUNTS AND AUDIT COMMITTEE**

**Date: Tuesday, 22 March 2016**

**Time: 6.30 p.m.**

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

<b>A G E N D A</b>	<b>PART I</b>	<b>Pages</b>
1.	<b>ATTENDANCES</b>  To note attendances, including Officers and any apologies for absence.	
2.	<b>MINUTES</b>  To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 9 February, 2016.	1 - 4
3.	<b>ONE TRAFFORD PARTNERSHIP UPDATE</b>  To receive a presentation of the Contracts Director.	Verbal Report
4.	<b>UPDATE ON SIGNIFICANT GOVERNANCE ISSUE FROM 2014/15 ANNUAL GOVERNANCE STATEMENT : RESHAPING TRAFFORD</b>  To receive a report of the Corporate Director Transformation & Resources.	5 - 10
5.	<b>TRAFFORD COUNCIL AUDIT PLAN</b>  To receive a report from the Council's External Auditor.	11 - 34
6.	<b>INTERNAL AUDIT CHARTER AND STRATEGY</b>  To consider a report of the Audit and Assurance Manager.	35 - 56

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7. **INTERNAL AUDIT OPERATIONAL PLAN 2016/17**  
To consider a report of the Audit and Assurance Manager. 57 - 72
8. **AUDIT AND ASSURANCE SERVICE : ANTI-FRAUD AND CORRUPTION UPDATE**  
To receive a report of the Audit and Assurance Manager. 73 - 78
9. **STRATEGIC RISK REGISTER 2015/16 (MARCH 2016 UPDATE)**  
To receive a report of the Audit and Assurance Manager. 79 - 96
10. **REVENUE BUDGET MONITORING 2015/16 - PERIOD 10 (APRIL 2015 TO JANUARY 2016)**  
To receive a report of the Executive Member for Finance and the Chief Finance Officer. 97 - 144
11. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2015/16**  
To receive a report of the Audit and Assurance Manager. 145 - 148
12. **URGENT BUSINESS (IF ANY)**  
  
Any other item or items which by reason of special circumstances (to be 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

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This agenda was issued on **Monday, 14 March 2016** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

## **Accounts and Audit Committee - Tuesday, 22 March 2016**

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## ACCOUNTS AND AUDIT COMMITTEE

9 FEBRUARY 2016

### PRESENT

Councillor A. Mitchell (in the Chair).

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

#### In attendance

Director of Finance	(I. Duncan)
Head of Partnerships & Communities	(K. Purnell)
Audit and Assurance Manager	(M. Foster)
Information Governance Manager	(P. Fox)
Principal Audit & Assurance Team Leader	(J. Miller)
Democratic & Scrutiny Officer	(C. Gaffey)

#### Also in attendance

M. Heap, Grant Thornton UK LLP

H. Stevenson, Grant Thornton UK LLP

### 36. ACKNOWLEDGEMENTS

The Chairman confirmed that this would be the Director of Finance's final Accounts & Audit Committee meeting. The Committee thanked him for all of his hard work and support and wished him well for the future.

The Committee also welcomed Mark Heap, Grant Thornton LLP's new Engagement Lead for Trafford.

### 37. MINUTES

RESOLVED: That the Minutes of the meeting held on 25 November 2015, be approved as a correct record and signed by the Chairman.

### 38. ANNUAL GOVERNANCE STATEMENT 2014/15 - UPDATE ON SIGNIFICANT GOVERNANCE ISSUE : INFORMATION GOVERNANCE

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

Members discussed the Freedom of Information (FOI) requests received by the Council, which included public requests, commercial requests and journalistic requests. The Information Governance Manager agreed to provide Members with a statistical breakdown of FOI requests broken down by service.

RESOLVED: That the report be noted.

**Accounts and Audit Committee**  
**9 February 2016**

**39. ANNUAL GOVERNANCE STATEMENT 2014/15 - UPDATE ON SIGNIFICANT GOVERNANCE ISSUE : LOCALITY WORKING**

The Committee received a report of the Head of Partnerships and Communities. The report included an extract from the 2014/15 Annual Governance Statement outlining one of the significant governance issues identified for further development through 2014/15 i.e. Locality Working. The report provided an update on work undertaken to date and further work planned in respect of this issue.

The report highlighted the progress made on the Locality Projects as well as the Locality Partnerships and Enabling Groups. Members were advised of the virtual teams of community builders established in the four localities, and discussions were had regarding the training provided for the community builders and connectors. The Committee also discussed the development of the Trafford Service Directory and the Info Trafford site.

RESOLVED: That the report be noted.

**40. TREASURY MANAGEMENT STRATEGY 2016/17 - 2018/19**

The Committee considered a report of the Executive Member for Finance and Director of Finance. The report outlined the strategy to be followed during the period 2016/17 – 2018/19 for investments and borrowing, the outlook for interest rates, the management of associated risks, the policy to be adopted on Minimum Revenue Provision, and the Prudential Indicators.

The Director of Finance provided Members with an additional document detailing some amendments made to the original report reflecting the Council's updated Capital Investment Programme, the draft version of which had now been agreed and published.

Members were advised of the Council's updated borrowing position, with funds expected to be borrowed to support certain projects such as the LED rollout and the possible building of new depot to replace the Carrington site.

RESOLVED: That the Accounts & Audit Committee recommend to Council for approval the:

- (i) policy on debt strategy for 2016/17 to 2018/19 as set out in section 3;
- (ii) investment strategy for 2016/17 to 2018/19 as set out in section 5;
- (iii) Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

**Accounts and Audit Committee  
9 February 2016**

**41. ACCOUNTS AND AUDIT COMMITTEE PROGRESS REPORT AND EMERGING ISSUES AND DEVELOPMENTS FOR TRAFFORD COUNCIL (FEBRUARY 2016)**

The Committee received a report of Grant Thornton UK LLP on the progress at February 2016 in delivering its responsibilities as the Authority's external auditor. The report also highlighted key emerging national issues and developments and a number of challenge questions in respect of the emerging issues.

The report provided details on the Value for Money (VfM) conclusion, as well as the Housing Benefit Subsidiary Claim for 2014/15. It was confirmed that the full audit plan would be brought to the next Committee meeting, and Members discussed how the upcoming changes to the Highways Network Asset would affect the Council. The Director of Finance answered Members' questions on the Council's medium term financial plan.

RESOLVED: That the report be noted.

**42. ANNUAL GOVERNANCE STATEMENT 2015/16 : APPROACH AND TIMETABLE**

The Committee received a report of the Audit and Assurance Manager setting out the action plan and timetable to ensure compliance with the production of an Annual Governance Statement for 2015/16.

RESOLVED:

(i) That the report be noted.

(ii) That the Committee agree to delegate responsibility for reviewing the robustness of the Annual Governance Statement to a working group made up of the Chairman, Vice Chairman and opposition spokesperson.

**43. AUDIT AND ASSURANCE REPORT FOR THE PERIOD OCTOBER TO DECEMBER 2015 (Q3)**

The Committee received a report of the Audit and Assurance Manager providing a summary of the work of Audit and Assurance during the period October to December 2015, as well as providing ongoing assurance to the Council on the adequacy of its control environment.

Audits completed during the period included two reviews relating to the Stockport, Trafford and Rochdale (STAR) Shared Procurement Service which Stockport Council led on. The terms of reference for these reviews had been agreed with Trafford and Rochdale Internal Audit teams.

It was also noted that a number of school follow up audits were completed and good progress was being made by the respective schools in implementing previous recommendations. The report also provided a resources update, as well as an update on the planned work for quarter 4 of 2015/16.

**Accounts and Audit Committee  
9 February 2016**

RESOLVED: That the report be noted.

**44. REVENUE BUDGET MONITORING 2015/16 - PERIOD 8 (APRIL TO NOVEMBER 2015)**

The Committee received a report of The Executive Member for Finance and the Director of Finance detailing the outcomes of the monitoring of the Council's revenue budget for period 8 (April to November 2015).

Members were advised of the release of the unallocated contingency provision for savings of £0.5 million into the general savings, and it was confirmed that the £1.2 million airport dividend would be used to support the current budget proposals. The Committee also discussed the Council's position regarding the Delegated Schools Grant (DSG).

Finally, there was some discussion regarding the format of the Budget Revenue Monitor and whether this could possibly be reviewed in future.

RESOLVED: That the report be noted.

**45. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2015/16**

The Committee received a report of the Audit and Assurance Manager setting out the updated work plan for the Committee for the 2015/16 municipal year.

The Chairman noted that the Committee had not received an update on the One Trafford Partnership for a significant period of time, and requested that an Amey Director be invited to provide a verbal update to the Committee at a future meeting.

RESOLVED:

- (i) That the report be noted.
- (ii) That a verbal update on the One Trafford Partnership by an Amey Director be added to the work programme.

The meeting commenced at 6.30 pm and finished at 7.50 pm



# Agenda Item 4

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 22 March 2016  
**Report for:** Information  
**Report of:** Joanne Hyde, Corporate Director of Transformation & Resources

### Report Title

**Annual Governance Statement 2014/15 – update on significant governance issue : Reshaping Trafford**

### Summary

This report includes an extract from the 2014/15 Annual Governance Statement outlining one of the significant governance issues identified for further development through 2015/16 – Reshaping Trafford. It provides the Committee with an update on developments in this area and further work planned.

### Recommendation

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

### Contact person for access to background papers and further information:

Name: Sarah Maynard  
Extension: x 1222

### **Background Papers:**

2014/15 Annual Governance Statement

## **Annual Governance 2014/15 Statement – Significant Governance Issue: Reshaping Trafford**

### **1. INTRODUCTION**

- 1.1 Detailed below is an extract from the 2014/15 Annual Governance Statement in relation to one of the significant governance issues listed in the Statement i.e. Reshaping Trafford. This is followed by an update on actual progress made to date in respect of this issue.
- 1.2 The following detail (in italics) was included in sections 5.3 and 5.4 of Trafford Council's 2014/15 Annual Governance Statement:

*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.*

*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. 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*

## **2014/15 Issues and Action Planned 2015/16**

*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 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 1<sup>st</sup> 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. UPDATED POSITION (MARCH 2016)**

- 1.3 The Reshaping Trafford Council Programme continues to build on the progress which took place last year. The next stage is to further develop the organisational model to ensure sustainability of Council services. The Core Council will comprise of the following functions: strategy, commissioning, quality assurance and place shaping; and the previous provider and enabling services e.g. transactional, professional functions are then commissioned through alternative business models, some of which may still be provided by the Council.
- 1.4 During the 2015/16 period a number of projects have successfully come to fruition. On 26th March 2015 the Executive Committee selected Amey LG to manage the services for Trafford Council for a range of services across the Economic Growth, Environment and Infrastructure (EGEI) directorate that were identified as being appropriate for delivery through an alternative model. The selection was completed following a 12-month competitive tender process. The mobilisation stage began on 20th April 2015 and continued until the contract went live on 4th July 2015.
- 1.5 Following the mobilisation and transition phases of the contract, the services moved into delivery phase and key achievements are being delivered and continually monitored through the Partnership Board.
- 1.6 Supported by Trafford Council, Greater Manchester Police (GMP) has embarked on a programme to transform its HR function to provide a more streamlined, cost effective and higher quality service to meet the needs of its officers and staff. GMP and Trafford Council have completed the design phase and submitted a full business case for creating a joint HR shared service centre. This will aim to

achieve further economies of scale and yield financial savings, operational efficiencies and a collaborative way of working.

- 1.7 This project is now in the 'construct' phase, staff consultation with all parties is underway and it is planned that the service will begin operation in August 2016. A number of other organisations have expressed interest in joining, and these opportunities will continue to be explored.
- 1.8 A critical programme for Council has been within the Children's Families and Wellbeing (CFW) directorate and significant work has been undertaken in the past year.
- 1.9 The CFW programme was established in November 2014, led by the Chief Executive. Robust programme governance arrangements and a dedicated team were established from the outset to ensure delivery of savings and an objective examination and identification of service delivery efficiency opportunities.
- 1.10 Since its inception, the following has been achieved through the CFW Programme:
  - The final agreed savings target for 15/16 for CFW was £15.612m. As at January 2016, £15.959m has been delivered, which is an overachievement of £347k.
  - Trafford Council and Trafford Clinical Commissioning Group (CCG) have been jointly developing the Trafford Locality Plan in response to the GM health and social care devolution agreement. This is due to be approved on 17 March 2016 by the Health & Wellbeing Board.
  - Trafford Council and Trafford Care Coordination Centre (TCCC) are working very closely to support the TCCC to implement fully and effectively, and to also optimise through colocation and integration where most appropriate; this will support the delivery of the Locality Plan ambition, which are centred around the TCCC offer.
  - The Joint Commissioning Board is now in place, chaired by the Leader of Trafford Council. Trafford Council and Trafford CCG have now agreed upon their integrated commissioning priorities going forward; these are:
    - Learning Disability Services
    - Mental Health
    - Community Equipment
    - Better Care Fund
  - The plans to develop an all age integrated health and social care delivery model with Pennine Care have progressed to the point where a new, jointly appointed senior leadership team is in place and the S75 Partnership Agreement which underpins the new arrangements is due to be approved by the Council's Executive on 21 March 2016 and signed by the Chief Executives from Trafford Council and Pennine Care on 1 April 2016. The

design of the new service model has been developed in partnership with a range of key stakeholders, including staff, GPs, CCG and senior leaders across CFW and Pennine Trafford Division.

- New delivery models are in place for our 'early help' provision, which now operate from 3 hubs across the borough and through a framework of commissioned services.
  - The development of an 'all age front door' for social care concerns has been designed and will be implemented in 2016. This is very much dependent on multi-agency working and will have a critical role in managing demand into the social care system.
- 1.11 A proposal for Trafford Council to establish Trust Youth as a Community Interest Company was agreed by the Council Executive in February 2016 and registration documents are currently with the Regulator. The objectives of the Trust will be:
- **Commissioning:** To establish a partnership commissioning framework against which youth provision for 11-18 year olds (up to 25 years for young people with learning difficulties) will be funded.
  - **Investment:** To grow investment into youth services within Trafford, through innovative approaches to accessing funding and other resources.
  - **Collaboration and Co-operation:** To provide a network for all providers working with or on behalf of young people in Trafford in order to improve co-ordination of services, collaborative working and the development and sharing of knowledge, skills and resources. To strengthen and sustain Third Sector providers, develop volunteering and improve community resilience.
- 1.12 This milestone has followed 9 months of intensive work by a multi-agency steering under the auspices of the Trafford Partnership. To date as well as key statutory partners, 8 VCS partners have been involved, over 35 providers are involved in a provider forum and over 150 young people have been consulted.
- 1.13 A new Board of Directors has been recruited which includes independent experts in the youth sector, fundraising, education and IT, media and community work which meets for the first time in March.
- 1.14 During 2016/17, the Council will be planning the implementation of the new organisational model, as described in the Blueprint (2014) as the means to 'deliver our services in different ways with most being delivered by others rather than the Council directly'. The delivery of the new organisational model will conclude the Council's reshaping programme.

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# The Audit Plan for Trafford Council

# DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2016

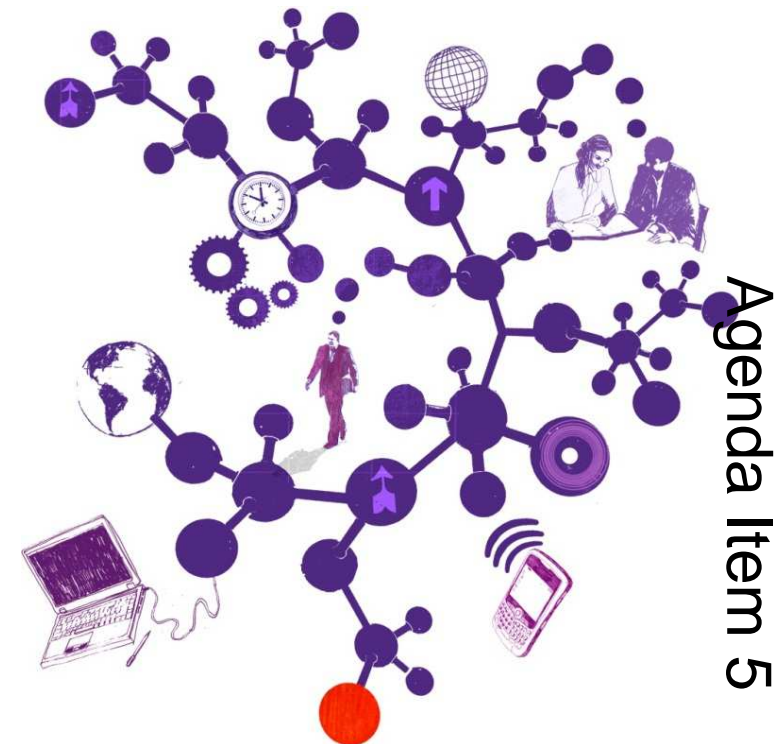
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Agenda Item 5

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 the Council 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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March 2016

Dear Members of the Accounts and Audit Committee

### **Audit Plan for Trafford Council for the year ending 31 March 2016**

This Audit Plan sets out for the benefit of those charged with governance (in the case of Trafford Council, the Accounts and Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Mark Heap  
Engagement Lead

#### **Chartered Accountants**

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## Contents

### **Section**

Understanding your business

Developments and other requirements relevant to the audit

Our audit approach

Significant risks identified

Other risks identified

Value for Money

Results of interim audit work

Key dates

Fees and independence

Communication of audit matters with those charged with governance

### **Appendices**

A. Action plan

## Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

### Challenges/opportunities

#### 1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging

#### 2. GM Devolution

- Greater Manchester (GM) will take on new powers and responsibilities for public spending from April 2016 for health and social care and in 2017 on transport, strategic planning and housing.
- Each locality within GM has now formally signed up to the GM Devolution agreement. Progress is being made on the development of the detailed implementation plans within each area of the agreement.

#### 3. Alternative Delivery Models

- The Council recognises it requires transformational change to manage its budget pressures.
- The Reshaping Trafford programme is exploring and bringing new delivery models to the Council to assist in meeting the rising demand for services.

#### 4. Integration with health sector

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care
- Arrangements around the Better Care Fund (BCF) continue to develop. The Council is implementing its joint plan with the Trafford Clinical Commissioning Group (CCG) on the use of the £15.5 million earmarked within the BCF.

#### 5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

### Our response

- Trafford's proposed 2016/17 budget identified a net funding gap of £12 million which it is planning to address with £5m efficiencies and £7 million policy savings
- We will consider the Council's plans for addressing its financial position as part of our work to reach our VfM conclusion.

- We will consider your plans as part of the local devolution agenda within the context of our work in reaching our VfM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will keep a watching brief and assess progress in developing alternative delivery models and collaborative arrangements as part of your Reshaping Trafford Council Programme

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, as part of our work in reaching our VfM conclusion.
- We will review the Council's treatment of entries relating to the Better Care Fund in its financial statements

- We will work with you to identify areas of your accounts production process where you can learn from good practice in other authorities.

## Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

### Developments and other requirements

#### 1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

#### 2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

#### 3. Highways Network Asset

- Although you are not required to include the Highways Network Asset until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work in preparation for this.

#### 4. Joint arrangements

- Councils are involved in a number of pooled budgets and alternative delivery models which they need to account for in their financial statements.

#### 5. Value for money

- We are required to reach a conclusion on arrangements put in place by the CCG to ensure value for money in its use of resources
- Guidance issued by the National Audit Office (NAO) asks auditors to evaluate whether: 'In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people'.

### Our response

- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

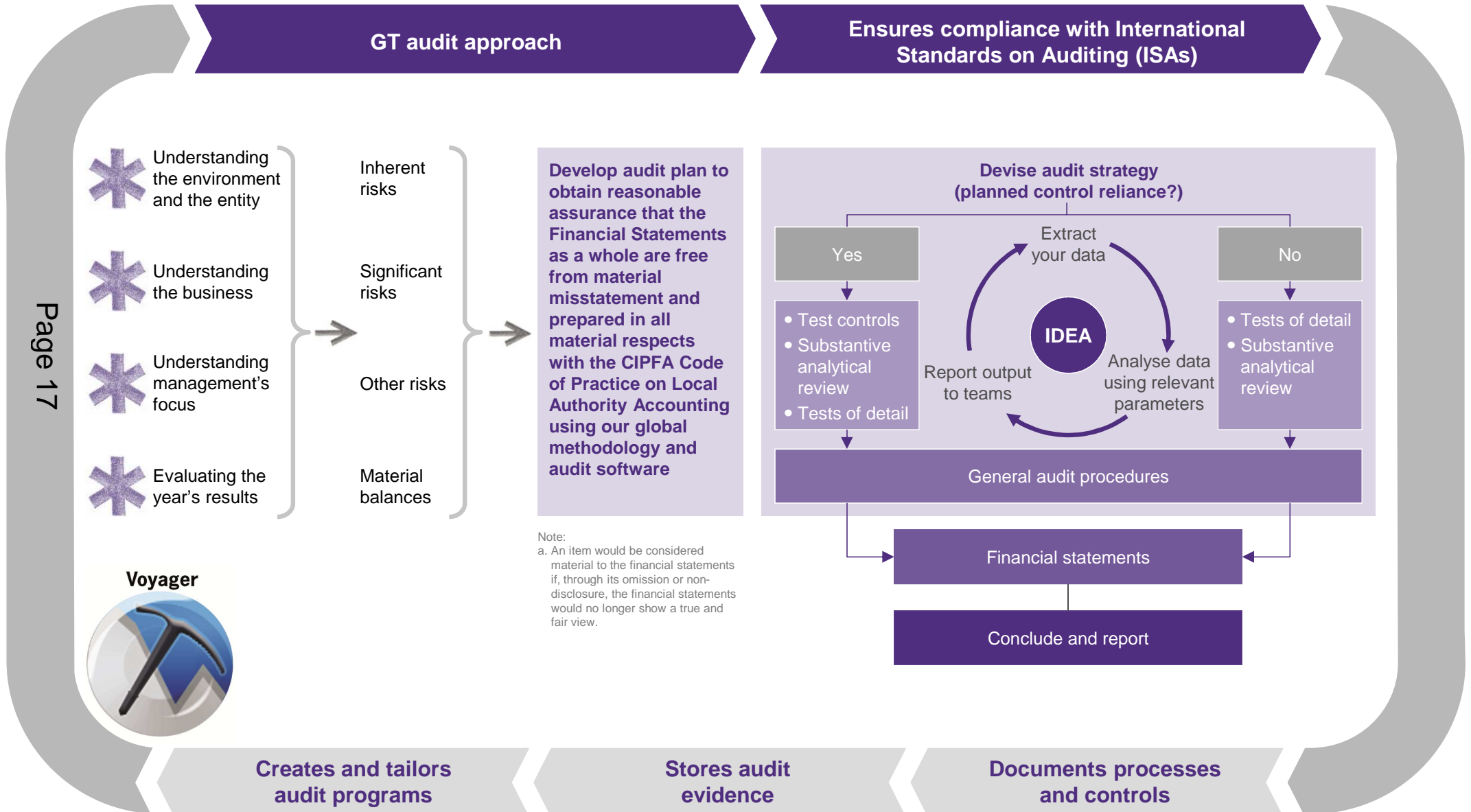
- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will discuss your plans for valuation at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will review your proposals for accounting for these arrangements against the requirements of the CIPFA Code of Practice.

- We will follow the NAO's guidance in undertaking work to reach our VfM conclusion

# Our audit approach



Note:  
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £8,258k (being 2% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £413k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where we audit below materiality as these are key figures that should be correct.

Balance/transaction/disclosure	Explanation
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.

## Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Trafford Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Trafford Council, mean that all forms of fraud are seen as unacceptable</li> </ul>
Management over-ride of controls	<p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work planned</b></p> <ul style="list-style-type: none"> <li>• Assessment of entity level controls, including the role of the Accounts and Audit Committee</li> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> <li>• Review of IT general controls</li> </ul>

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## Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgement, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Documentation and identification of the process and key controls in the operating expenses cycle</li> <li>Walkthrough of a sample item to confirm our understanding</li> </ul> <p><b>Further work planned</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of operating expenses and year-end testing of balances and new-year payments to source documents. This is to ensure valid spend and appropriate categorisation within the net cost of services headings in the comprehensive income and expenditure statement</li> <li>Testing of creditor reconciliations</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Documentation and identification of the process and key controls in the payroll cycle</li> <li>Walkthrough of a sample item to confirm our understanding</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of employee remuneration, to confirm that employees exist, are paid correctly and are recorded in the general ledger. The testing will include enhancements and employer contributions.</li> <li>Testing payroll reconciliations to confirm that payroll totals are accurately and completely recorded in the general ledger.</li> </ul>
Welfare Expenditure	Welfare benefit expenditure is misstated	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Documentation and identification of the process and key controls in the welfare expenditure cycle</li> <li>Walkthrough of a sample item to confirm our understanding</li> <li>Substantive testing of welfare benefits paid in year to ensure these are accurate and reflect eligibility</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Verifying the reconciliation between the financial ledger and the housing benefits system</li> </ul>



## Other risks identified (continued)

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Property, plant and equipment (PPE)
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

### Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

# Value for Money

## Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015 [here](#).

The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> <li>Acting in the public interest, through demonstrating and applying the principles and values of good governance</li> <li>Understanding and using appropriate cost and performance information to support informed decision making and performance management</li> <li>Reliable and timely financial reporting that supports the delivery of strategic priorities</li> <li>Managing risks effectively and maintaining a sound system of internal control.</li> </ul>
Sustainable resource deployment	<ul style="list-style-type: none"> <li>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li> <li>Managing assets effectively to support the delivery of strategic priorities</li> <li>Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>
Working with partners and other third parties	<ul style="list-style-type: none"> <li>Working with third parties effectively to deliver strategic priorities</li> <li>Commissioning services effectively to support the delivery of strategic priorities</li> <li>Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>

## Value for Money (continued)

### Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

*A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

## Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p><b>Medium term financial position</b></p> <p>The Council is facing a continued period of austerity.</p> <p>The latest medium term financial outlook reported in February 2016 indicates that the Council will need to find further savings and efficiencies in excess of £30 million for the 3 years to 2019/20 to address its potential gap in funding.</p> <p>This is in addition to the £22.6 million funding gap falling in the 2016/17 financial period.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• monitor the Council's progress in updating its medium term financial strategy and projected savings and efficiencies requirements</li> <li>• examine financial and budget reporting to Members</li> <li>• assess the out-turn position for 2015/16 and the budget plans for 2016/17 and 2017/18</li> <li>• meet with key officers to discuss key strategic challenges and the Council's proposed response.</li> </ul> <p>In addition we will review the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring its risks.</p>

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### Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

## Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
<b>Internal audit</b>  Page 25	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

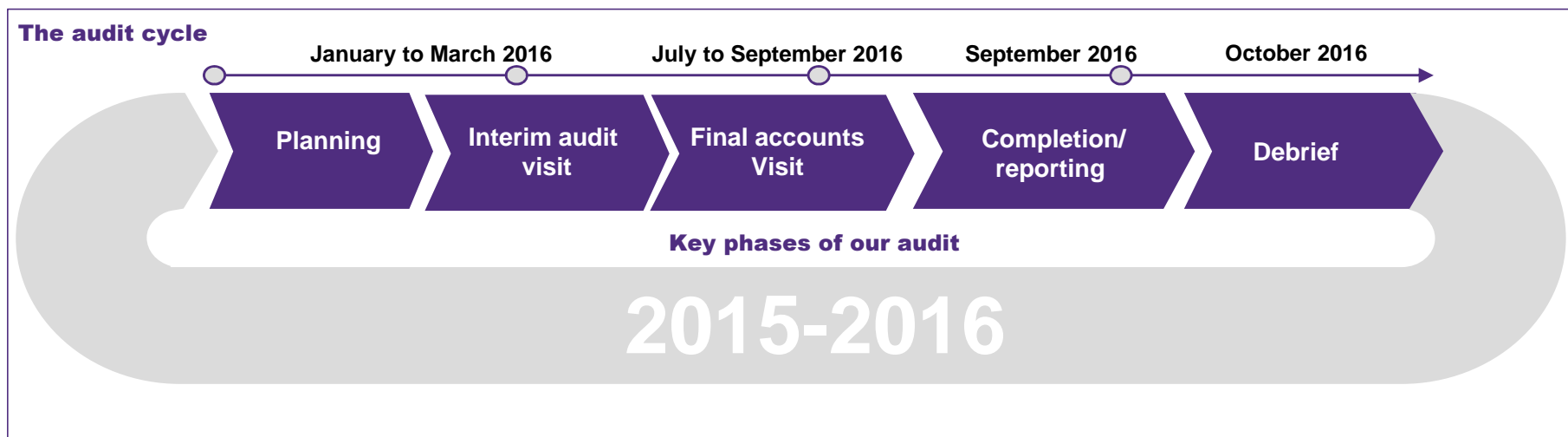
## Results of interim audit work (continued)

	Work performed	Conclusion
<p><b>Review of information technology controls</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 26</p>	<p>Our information systems specialist has completed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>This included revisiting our findings from 2014/15. This identified a number of areas where segregation of duties in financial processes within the SAP system needed further review to ensure these were robust.</p>	<p>Our work on information technology controls identified that there are still weaknesses in controls within SAP for adequate segregation of duties.</p> <p>We have shared the detailed findings with management and recommended that management take steps to examine the extent of all user access segregation conflicts. We await their response.</p> <p>We also understand that Internal Audit have scheduled some follow up work in this area to give further assurance.</p> <p>We will monitor progress in this area leading up to our audit on the financial statements. Although this is a significant area of weakness we do not consider it likely to adversely impact on the Council's financial statements</p>
<p><b>Walkthrough testing</b></p>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. These are:</p> <ul style="list-style-type: none"> <li>• Employee remuneration (Payroll)</li> <li>• Operating Expenses (Payables/ Creditor Payments)</li> <li>• Welfare Benefits (Housing Benefits)</li> </ul> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

## Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We will complete detailed testing on journal transactions throughout the year as part of our work at the year end. Our focus is on large and unusual entries, and in particular those posted around the year end.</p>	We will report any significant findings from our detailed testing of journals to you in our Audit Findings Report.
Early substantive testing	<p>We will complete early testing in the following areas:</p> <ul style="list-style-type: none"> <li>• sample testing of payroll expenditure payments to ensure these are correct and to bona fide employees</li> <li>• agreement of a sample of other operating expenditure payments to invoices</li> <li>• sample testing of welfare benefit payments to ensure correctly calculated</li> <li>• verifying controls around journal entries</li> <li>• physical verification and testing to deeds for a sample of property plant and equipment</li> </ul>	The detailed transaction testing work is in progress and we will report our findings to you as part of our regular reporting.

# Key dates



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Date	Activity
January to February 2016	Planning
January to March 2016	Interim site visit
March 2016	Presentation of audit plan to Accounts and Audit Committee
July to September 2016	Year end fieldwork
September 2016	Audit findings clearance meeting with finance officers
September 2016	Report audit findings to those charged with governance (Accounts and Audit Committee)
September 2016	Sign financial statements opinion



# Fees and independence

## Fees

	£
Council audit	118,192
Grant certification	15,963
<b>Total audit fees (excluding VAT)</b>	<b>134,155</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## Grant certification

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

## Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Teachers pensions return	tbc
• Additional housing benefit assurance work for 2014/15	tbc

## Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<https://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

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# Action plan

**Priority**

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
<p>1 (page 16) Page 32</p>	<p><b>IT controls</b>                      Management should examine the extent of all user access segregation conflicts with the SAP system.                       They should examine whether existing compensating controls are appropriately configured to control the risks posed by the access conflicts                       They should consider a process to prevent further conflicts from being introduced into the SAP role structure and user base.</p>	<p>H</p>		<p>IT Manager                      August 16</p>

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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 22 March 2016  
**Report for:** Approval  
**Report of:** Audit and Assurance Manager

### Report Title

**Audit and Assurance Service – Internal Audit Charter and Strategy**

### Summary

To provide the Accounts and Audit Committee with the Internal Audit Charter and Internal Audit Strategy documents for approval following their recent review. The documents were previously updated in March 2014 in accordance with the Public Sector Internal Audit Standards and have recently been reviewed / updated to reflect a number of changes as outlined in Section 2 of the report.

### Recommendation

The Accounts and Audit Committee is asked to approve the Internal Audit Charter and Strategy.

### Contact person for access to background papers and further information:

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

### **Background Papers:**

Internal Audit Charter and Strategy (March 2014)  
UK Public Sector Internal Audit Standards (PSIAS) (effective from April 2013)  
Local Government Application Note for the UK PSIAS (Chartered Institute of Public Finance and Accountancy in collaboration with the Chartered Institute of Internal Auditors).

## **1. Introduction and Background**

- 1.1 This report sets out the updated Internal Audit Charter and Strategy.
- 1.2 The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service, and 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.
- 1.3 These key documents are subject to regular review and approval by CMT and the Accounts and Audit Committee. They were last reviewed and approved in March 2014 to reflect changes made to ensure conformance with the UK Public Sector Internal Audit Standards (PSIAS).
- 1.4 The Charter and Strategy have been updated further to reflect recent changes in the Council and also to make reference to up to date legislation. In addition, a reference has been added to the Strategy in respect of the Service's "Quality Assurance Improvement Programme". This includes setting out requirements for ongoing internal and external assessment of Internal Audit in accordance with PSIAS and a copy is included as an Appendix to this report.
- 1.5 It is anticipated that there will be further updates to the PSIAS and where applicable the Internal Audit Charter and Strategy will be reviewed and updated further as necessary.
- 1.6 As previously reported, as part of PSIAS, there is a requirement that an external assessment of Internal Audit is undertaken at least every 5 years. The North West Head of Audit Group is developing an agreed approach to ensure a suitable external assessment process is established whereby the Assessment for each Council is carried out by designated officers from at least two other Councils. It is expected that a timetable will be agreed to ensure that all participating Councils have received an assessment by the deadline of 31 March 2018 in accordance with the PSIAS.
- 1.7 Detailed below are the changes / additions made to the Charter and Strategy, compared to the previous versions.

## **2. Internal Audit Charter and Strategy – Changes to previous version (March 2014)**

### **Internal Audit Charter**

Para 1.1 – Reference to Accounts and Audit Regulations 2011 that a relevant body must "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"



**Trafford Council Audit and Assurance Service  
Internal Audit Charter and Strategy**

replaced with reference to the Accounts and Audit Regulations 2015 which states that the relevant authority “ must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Paras. 3.3 & 4.2 – reference to the “Director of Finance” replaced with “Chief Finance Officer”.

Para 7.1 re Anti-Fraud and Corruption– Previously only referred to Audit. Updated to include detail regarding roles in relation to Anti-Fraud and Corruption, given service changes with the establishment of a Counter Fraud Team following the departure of Benefit fraud staff to the Department for Work and Pensions.

Para 8. re Access to systems, records etc. – The following sentence has been added - “In respect of issues where clarity may be required in relation to access rights e.g. in relation to specific partnership arrangements, Audit and Assurance will seek advice, e.g. from relevant service areas such as Legal Services.”

### **Internal Audit Strategy**

Paras. 3.1,3.2 & 7.5 - reference to the “Director of Finance” replaced with “Chief Finance Officer”.

Para. 7.5 – Reference to reporting on resource issues updated to ensure consistency with wording in Para. 10.3 of the Internal Audit Charter with reference to reporting to the Chief Executive.

Para 8.1 – Reference added to the Audit and Assurance Quality Assurance Improvement Programme.



**TRAFFORD**  
**COUNCIL**

# Internal Audit Charter

Audit and Assurance Service (March 2016)

**TRAFFORD COUNCIL**

**AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT CHARTER**

**1. Introduction**

- 1.1 Section 151 of the Local Government Act 1972 requires Councils to “make arrangements for the proper administration of their financial affairs”. More specific requirements are detailed in the Accounts and Audit Regulations 2015 in that the relevant authority must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 1.2 The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function at Trafford which is provided by the Audit and Assurance Service.
- 1.3 The Audit and Assurance Service is required to operate in accordance with the UK Public Sector Internal Audit Standards which came into effect from 1 April 2013. The Standards are mandatory for all internal auditors working in the UK Public Sector.

**2. Definitions**

Internal Audit

- 2.1 “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Public Sector Internal Audit Standards, April 2013).
- 2.2 CIPFA provide further details in their PSIAS Local Government Application Note : “Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

The “Board” and “Senior Management”

- 2.3 The Public Sector Internal Audit Standards (PSIAS) require that the internal audit charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the Council’s Accounts and Audit Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management will be defined on

**Trafford Council Audit and Assurance Service  
Internal Audit Charter and Strategy**

an individual basis according to individual context but will usually refer to the Corporate Management Team (CMT).

**3. Status**

- 3.1 The Audit and Assurance Service forms part of Finance Services within the Transformation and Resources Directorate.
- 3.2 Internal Audit's authority derives directly from its statutory responsibilities and the Procedure Rules established by the Council.
- 3.3 The responsibility for the production and execution of the audit plan and subsequent audit activity rests with the Audit and Assurance Manager. The Audit and Assurance Manager reports to the Chief Finance Officer but will report directly to the Chief Executive where required.

**4 Reporting Lines**

- 4.1 The work of the Audit and Assurance Service is reported directly to the Chief Executive; to Members via the Committee charged with responsibility for audit and governance (The Accounts and Audit Committee, defined by the term "Board" under PSIAS) and to Executive members. The work of the Accounts and Audit Committee is also reported annually to the Council.
- 4.2 Internal audit assignments are the subject of formal reports. These reports are sent to the relevant Corporate Director and Head of Service together with relevant managers. The Executive member with portfolio responsibility, Chief Executive, Corporate Director – Transformation and Resources, Chief Finance Officer and External Audit will receive copies of the internal audit reports. The Monitoring Officer will also receive copies of audit reports at the discretion of the Audit and Assurance Manager. Reports are issued initially as drafts and, following agreement as to contents and responsibility for implementing recommendations, a final report is issued. The Accounts and Audit Committee are provided with a summary on a quarterly basis of each audit opinion report issued.

**5 Independence**

- 5.1 The Audit and Assurance Service will be sufficiently independent of the activities being audited so that auditors are able to make impartial and effective professional judgements and recommendations.
- 5.2 Internal Audit will determine its priorities in consultation with the Accounts and Audit Committee.
- 5.3 The Audit and Assurance Manager will report impartially in his or her own name.

**Trafford Council Audit and Assurance Service  
Internal Audit Charter and Strategy**

- 5.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of work (whether for personal reasons or through undertaking any non-audit duties), this will be managed through the internal audit management and supervisory process. Work will be re-assigned where appropriate. Staff are required to declare any potential conflict of interest and a signed declaration from each member of staff is required on an annual basis.
- 5.5 Adequate budgetary resources will be made available to enable the Internal Audit function to maintain its independence.

**6 Responsibilities**

- 6.1 The principal objective of the Audit and Assurance Service is to provide the Council with an independent and objective opinion on the Council's control environment.
- 6.2 The Audit and Assurance Service should play a key role in shaping the ethics and standards of the Council and where appropriate, act as a catalyst for change and improvement.
- 6.3 The scope of internal audit work will cover all the Council's activities and encompass both the financial and non-financial aspects of the control environment. This includes activities undertaken in partnership with other organisations where assurance will be sought in accordance with agreed protocols including access rights.
- 6.4 Internal audit work comprises an independent and objective review of the control environment. The key elements of the control environment include:
- (a) Establishing and monitoring the achievement of the organisation's objectives
  - (b) The facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the council, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
  - (c) Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness
  - (d) The financial management of the Council and the reporting of financial management
  - (e) The performance management of the Council and the reporting of performance management.
- 6.5 The Council's assurance and performance management framework will be taken into consideration when determining the work of Internal

**Trafford Council Audit and Assurance Service  
Internal Audit Charter and Strategy**

Audit. The key elements of the assurance and performance management framework are:

- Risk management both at the strategic and operational levels
- The monitoring of key Council objectives and targets by the Corporate Management Team
- Business planning - the identification and monitoring of key business targets by individual services
- Self-assessments by managers of the operation of controls for which they are responsible
- Reviews by External Audit
- Reviews by other external agencies
- Scrutiny reviews
- Previous work of Internal Audit and the Accounts and Audit Committee.

- 6.6 Particular attention will be devoted to any aspects of the control environment affected by significant changes within the organisation's risk environment.
- 6.7 The Audit and Assurance Manager will also make a provision, in the scope of Internal Audit's work, to form an opinion where key systems are operated by the Council on behalf of other bodies or other bodies operating key systems on behalf of the Council.
- 6.8 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.
- 6.9 The Audit and Assurance Manager will give an opinion on the operation of the Council's control environment in the annual internal audit report.
- 6.10 The Audit and Assurance Service will also take a lead role in supporting the work of the Accounts and Audit Committee. This will include co-ordinating the Committee's work programme in agreement with Committee Members and supporting the Committee to report on its work undertaken.

## **7 Fraud and Corruption**

- 7.1 The Audit and Assurance Service works with other Services including the Counter Fraud and Enforcement Team, Human Resources and Legal Services to maintain the Council's anti-fraud and corruption policy, strategy and supporting guidance. The Service also works with others to raise awareness of anti-fraud measures across the Council and fraud risks are considered as part of Internal Audit review work.
- 7.2 The Audit and Assurance Manager will be informed of all suspected or detected fraud, corruption or impropriety, so that he or she can consider the adequacy of the relevant controls and evaluate the implication of fraud and corruption for his or her opinion on the internal control environment.

## **8. Access**

- 8.1 The Audit and Assurance Service will have unrestricted direct access to all Members, Council personnel, records (whether manual or computerised), cash, stores, and other assets and may enter Council property or land to obtain such information and explanations considered necessary to fulfil the responsibilities of an internal audit function. Such access shall be granted on demand and not be subject to prior notice and will also extend to partner bodies or external contractors working on behalf of the authority insofar as such access relates to work carried out or services provided on behalf of or in partnership with the authority. In respect of issues where clarity may be required in relation to access rights e.g. in relation to specific partnership arrangements, Audit and Assurance will seek advice, e.g. from relevant service areas such as Legal Services.

## **9 Limitations of Internal Audit Responsibilities**

- 9.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in section 6 above, it should be noted that the Internal Audit function is not responsible for:
- Controlling the risks of the Authority.
  - Establishing and maintaining systems of internal control.
  - Determining operational policies or procedures.

## **10. Resources**

- 10.1 The Audit and Assurance Manager will hold a relevant professional qualification; have wide experience of audit and management and will be responsible for ensuring that the Audit and Assurance Service is appropriately staffed in terms of numbers, grades, qualification levels and experience.
- 10.2 The Audit and Assurance Manager will ensure that appropriate provision is made for maintaining and developing the competence of audit staff. All internal auditors will undertake a programme of continuing professional development to maintain and develop their skills. A record of training and development undertaken and planned will be maintained.
- 10.3 The Audit and Assurance Manager is responsible for ensuring that the resources of the Audit and Assurance Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient this will be formally reported to the Section 151 Officer, Chief Executive and, if the position is not resolved, to Members charged with responsibility for audit and governance (Accounts and Audit Committee).

**11. Consultancy**

- 11.1 Consultancy comprises the range of services, other than assurance services, provided by Internal Audit to assist management in meeting the objectives of the Council. This may include facilitation, process design, training, and advisory services. The Audit and Assurance Manager will be responsible for deciding what level of consultancy support Internal Audit can provide. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the planned annual assurance process. Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

**12. Review**

- 12.1 The Internal Audit Charter will be subject to regular review, the results of which will be reported for approval by the Corporate Management Team and the Accounts and Audit Committee.

**Mark Foster**  
**Audit and Assurance Manager**  
**March 2016**





**TRAFFORD**  
**COUNCIL**

# Internal Audit Strategy

Audit and Assurance Service (March 2016)

## **TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE**

### **INTERNAL AUDIT STRATEGY**

#### **1. Introduction**

- 1.1 The Internal Audit Charter defines the objectives and scope of Internal Audit. The Internal Audit Strategy set out in this document details the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Audit and Assurance Service are met.
- 1.2 The Audit and Assurance Service is required to deliver a risk-based audit plan in a professional independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to improve it.
- 1.3 The Strategy Statement below sets out the key requirements for ensuring the Audit and Assurance Service fulfils its role effectively. The Statement sets out the overarching vision and aims of the Service. Details of how these requirements are to be met are set out in sections 3 to 8 of the Strategy.

#### **2. Strategy Statement**

- 2.1 The Audit and Assurance Service plays a key role in shaping the ethics, values and standards of the Council. The Service should be professional, challenging and innovative, acting as a catalyst for change and improvement by:
  - Ensuring its work adds value, maximises assurances to the Council and its positive impact on the achievement of corporate objectives and service delivery;
  - Having a sound knowledge of the organisation, being forward looking and aware of local, regional and national agendas and their impact on the Council;
  - Ensuring the service is flexible, works in partnership with managers, invests in good working relationships with all stakeholders and responds effectively to the changing needs of the Council;
  - Having sufficient resources, particularly officer resources in quantity, skills mix, knowledge and experience to effectively deliver the vision and uphold professional standards.

#### **3. Service Provision**

- 3.1 The Internal Audit function is provided by the Audit and Assurance Service, which is part of Finance Services within the Transformation and Resources Directorate. Day to day management is the responsibility of the Audit and Assurance Manager who reports to the

**Trafford Council Audit and Assurance Service  
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Chief Finance Officer (Section 151 Officer). The Service maintains independence in its reporting as set out in its Charter and associated procedures.

- 3.2 Internal audit services to the Council are currently provided by in-house resources and are complemented by bought-in resources as follows:
- Specialist ICT audit resources are provided by Salford Internal Audit Services. This arrangement was originally agreed by AGMA as part of a review of joint working whereby Salford provide specialist resources for use by all the Greater Manchester authorities. These specialist resources are used to complement in-house resources.
  - Internal audit resources will be bought-in if the Audit and Assurance Manager, in agreement with the Chief Finance Officer, considers this to be necessary to ensure completion of the audit plan, and if resources permit this approach. The engagement of bought-in internal audit resources will be reported to Members charged with the responsibility for audit and governance. (Recognition will be given to potential conflicts of interest where bought in internal audit resources also provide non internal audit services to the Council).
- 3.3 The Audit and Assurance Manager is responsible for ensuring that all internal audit work complies with the Internal Audit Charter and the Public Sector Internal Audit Standards.

**4. Audit Planning**

- 4.1 A risk based Audit and Assurance Service plan will be produced on an annual basis. This will be derived from the 'Audit Universe' which comprises all auditable areas in the control environment (the internal control environment encompassing internal control, risk management and governance arrangements). Work will be planned to ensure adequate assurance is provided towards the completion of the Council's Annual Governance Statement.
- 4.2 Resources will be allocated taking into account assurance levels required, risks involved and the potential impact of the work. The planned programme of work will be informed by:
- assurance required to be provided as a Council
  - assurance gained from other sources other than internal audit work including external audit and other inspectorates, service self assessments etc.
  - knowledge and understanding of the organisation including future priorities and potential impacts
  - detailed consultation with key stakeholders.
- 4.3 Factors to be taken into account when undertaking a risk assessment of auditable areas will take account of the council's assurance and performance management framework including:
- Risk management both at the strategic and operational levels

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- Monitoring of key Council objectives and targets by the Corporate Management Team
- Directorate and Service Business Planning arrangements
- Governance and control self assessments by managers of the operation of controls for which they are responsible
- Reviews by External Audit and other external agencies
- Other internal reviews including scrutiny work
- Previous internal audit and Accounts and Audit Committee findings.

4.4 The Annual Audit Plan lists the areas to be audited and the resources required. Audit reviews and other programmes of work will focus both on strategic and operational issues. To ensure adequate flexibility, audit work will involve a number of different methods of delivery i.e. traditional internal audit reviews; provision of guidance; awareness raising; advice to project / working groups etc. The plan will be prepared to ensure:

- Fundamental financial systems are reviewed on a cyclical basis.
- Adequate resources are set aside for anti-fraud and corruption work including investigating suspected cases and raising awareness across the Council.
- Adequate resources are included to enable reviews of the Council's corporate governance and risk management arrangements.
- The Council's ICT systems are subject to adequate internal audit coverage.
- Procurement and contracts arrangements across the council are reviewed.
- Internal Audit fulfils its role in auditing schools, supporting the process by which schools are required to meet the Schools Financial Value Standard.
- Adequate coverage of other key business risks including individual coverage of authority-wide issues, individual services, establishments, partnerships, programmes and projects.

4.5 Provision is made to follow up work completed in previous periods. The plan also contains a contingency for unforeseen changes which may necessitate a change in priorities.

4.6 The Audit Plan is flexible and will be kept under review and will be revised to take account of changes in the risk environment. Significant changes in the audit plan will be reported to the Corporate Management Team and to the Accounts and Audit Committee.

## 5. **Service Delivery**

5.1 There will be close working with management in agreeing the scope of individual audit assignments. The planning and scoping process takes into account any significant factors, developments and key risks to

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ensure the internal audit review of that area will add value for the Council.

- 5.2 The ongoing development of the Audit and Assurance Service's knowledge base will provide an effective source of information as part of the planning process. Knowledge will be developed by various means including ongoing liaison and discussion with managers and other key stakeholders.
- 5.3 Individual Audit and Assurance projects will have, within the overall project time allocation, planned time to allow the Audit and Assurance Officer(s) to research and build their knowledge of the area (proportionate to the nature/complexity of the review).
- 5.4 The Audit and Assurance Manager will ensure that there are documented protocols and procedures for planning and conducting audits, setting out the standards for the service. The Audit and Assurance Manager will monitor performance against the standards set out in the audit manual and other relevant documents.

**6. Reporting**

- 6.1 Reporting arrangements for the Audit and Assurance Service are set out in protocols which form an integral part of the Service's internal audit manual.
- 6.2 The approach to reporting, delivering opinions and supporting conclusions, and developing associated improvement actions will be flexible. This will be to ensure that officer resources are effectively utilised, the needs of recipient managers/stakeholders are met, the necessary assurance is provided and the form of reporting maximises ownership and impact of resulting improvement actions / organisational change.
- 6.3 For individual audit assignments, where internal audit recommendations are made, these will be discussed with management prior to the issue of audit reports. The findings from the audit will be reported, clearly identifying and explaining the key risks and control weaknesses, with the relative priority of recommendations clearly communicated. Following each audit, the client manager will have the opportunity to provide feedback via the client satisfaction survey.
- 6.4 Progress against the annual audit plan will be monitored by the Audit and Assurance Manager and reported to the Corporate Management Team and to the Accounts and Audit Committee on a regular basis.
- 6.5 The Audit and Assurance Service will give an overall opinion each year on the Council's risk management, control and governance arrangements to support the Annual Governance Statement. The Internal Audit opinion on the control environment will be given in the

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Annual Internal Audit Report, which will be presented to the Corporate Management Team and the Accounts and Audit Committee.

**7. Staffing / Resources**

- 7.1 In order to deliver the Internal Audit Strategy and comply with professional standards, it is important that the Audit and Assurance Service comprises staff with the appropriate skills and experience.
- 7.2 Audit and Assurance officers are expected to undertake continuing professional development as appropriate and undertake training / development activities, both for personal development and to ensure there is an effective skills balance within the Service.
- 7.3 The Service operates personal development and review processes in line with the Council's policy as well as professional good practice. Ongoing training and development needs are identified as part of this process. In addition to internal training, such as through e-learning, shadowing the work of colleagues etc, available training provided by key providers such as CIPFA and IIA is considered and where appropriate included within the ongoing programme of training. Training and development needs are reviewed regularly.
- 7.4 The Service has a clearly defined code for staff encompassing ethics, conduct and values in accordance with the Public Sector Internal Audit Standards. Staff are required to complete and sign a declaration statement in line with the PSIAS Code of Ethics.
- 7.5 If resources, including staffing, are insufficient for the Audit and Assurance Service to provide an opinion on the control environment, the Audit and Assurance Manager will report this to the Chief Finance Officer, Chief Executive and to the Accounts and Audit Committee.

**8. Ongoing Development Actions**

- 8.1 The Service reviews its procedures, systems and working methods on a regular basis. This includes a review, at least annually, against the Public Sector Internal Audit Standards through either an internal or external assessment. Details are reported to the Accounts and Audit Committee within the Annual Internal Audit Report. The Service has a Quality Assurance Improvement Programme setting out its quality review processes in place which includes details in respect of both internal and external assessments.
- 8.2 There are a number of areas that are subject to ongoing or periodic review to ensure standards are maintained and where possible improvements made. The following will continue to be considered as part of ongoing service planning and monitoring of performance:

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- Consider the ongoing appropriateness / application of audit procedures and protocols both in ensuring these continue to meet the organisation's requirements and remain in accordance with the Public Sector Internal Audit Standards.
- Continue to consider and where appropriate, adopt, various approaches to audit reporting taking into account client feedback.
- Continue to consider training and development needs of staff to ensure there remains adequate knowledge and expertise in specific areas of audit activity.
- As part of ongoing audit planning, continue to consider the approach to gathering assurance including collaboration with other Internal Audit providers e.g. in respect of audit reviews of partnerships and other arrangements where there is collaboration between organisations.
- Continue to consider appropriate means of raising awareness of key governance and control issues. Ensure content on the Audit and Assurance Intranet site is regularly reviewed to ensure it is up to date and provides effective guidance.
- Ensure methods of working take into account any changes in the organisational structure, accommodation issues, technology, agile working protocols etc.

**9. Review**

- 9.1 The Internal Audit Strategy will be subject to regular review, the results of which will be reported to the Accounts and Audit Committee and the Corporate Management Team.

**Mark Foster**  
**Audit and Assurance Manager**  
**March 2016**



**TRAFFORD**  
**COUNCIL**

# **Quality Assurance Improvement Programme - Audit and Assurance Service**



## **TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE**

### **Quality Assurance Improvement Programme**

#### **1. Introduction**

1.1 The Audit and Assurance Service Quality Assurance and Improvement Programme (QAIP) is in place to provide reasonable assurance to the various stakeholders of the Internal Audit activity that the Service:

- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

1.2 The QAIP covers Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (Standard 1300);
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (Standard 1300);
- Helping the Internal Audit activity add value and improve organisational operations (Standard 1300);
- Undertaking both periodic and on-going internal assessments (Standard 1311); and
- Commissioning an external assessment at least once every five years, the results of which to be are communicated to the Accounts and Audit Committee in accordance with Standard 1312 and 1320.

#### **2. Internal Assessments**

2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

##### **On-going Reviews**

2.2 Continual assessments are conducted through:

- Management supervision of each audit review;
- Audit Policies and Procedures used as set out in in the Internal Audit Strategy and Audit Manual for each assignment in order to comply with appropriate planning, fieldwork and reporting standards;
- Feedback from audit clients obtained through a client survey issued following each internal audit review. A summary analysis of responses received is included in the Annual Internal Audit report.

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- Monitoring of internal performance to feed into regular reporting to the Corporate Management Team and Accounts and Audit Committee.
- Review and approval of all final reports including recommendations and levels of assurance by the Audit and Assurance Manager.

**Periodic Review**

- 2.3 Periodic assessments/reviews are conducted through:
- Quarterly and Annual Reporting to the Corporate Management Team and the Accounts and Audit Committee on the work of Internal Audit.
  - Annual self-assessment against the Public Sector Internal Audit Standards with a summary of the outcome of this exercise reported in the Annual Internal Audit Report, including any key improvement actions planned.
  - Performance review of individual audit staff through the Council's Performance Development Review (PDR) process.

**3. External Assessments**

- 3.1 External assessments will appraise and express an opinion about Internal Audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

**Frequency of External Assessment**

- 3.2 An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be agreed with the Section 151 Officer and Chair of the Accounts and Audit Committee.

**Scope of External Assessment**

- 3.3 The scope of the external assessment will consist of the following elements of Internal Audit activity:
- Conformance with the *Standards*, Definition of Internal Auditing, the Code of Ethics, and Internal Audit's Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements;
  - Integration of the Internal Audit activity into the Council's governance and reporting framework;
  - Processes undertaken by Internal Audit;
  - The mix of knowledge, experiences, and disciplines within the staffing structure;

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- A determination whether Internal Audit adds value to governance, risk management and internal control within the Council.
- 3.4 Results of external assessments will be provided to the Accounts and Audit Committee. The external assessment report will be accompanied by a written action plan in response to recommendations identified. Any significant areas of non-compliance will be reported in the Annual Internal Audit Report and where applicable, considered for inclusion in the Annual Governance Statement.
- 4. Review of the QAIP**
- 4.1 This document will be appropriately updated following any changes to the PSIAS or Internal Audit's operating environment and will be reviewed on a regular basis.

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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 22 March 2016  
**Report for:** Approval  
**Report of:** Audit and Assurance Manager

### Report Title

**Audit and Assurance Service – Internal Audit Operational Plan 2016/17**

### Summary

**The purpose of the report is to provide, at a high level, the proposed Internal Audit Operational Plan for 2016/17.**

### Recommendation

**The Accounts and Audit Committee is asked to approve the 2016/17 Internal Audit Plan.**

### Contact person for access to background papers and further information:

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

### **Background Papers:**

None

# **Internal Audit Operational Plan 2016/17 – Audit and Assurance Service**

## **1. Introduction**

- 1.1 The 2016/17 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2016/17 Plan for approval.

## **2. Background**

- 2.1 Each year the Audit and Assurance Service produces a report setting out its annual plan for approval by CMT and the Accounts and Audit Committee. Subsequent updates are then provided to CMT and the Accounts and Audit Committee through the year highlighting work undertaken and progress against key areas of the Plan. Actual work undertaken during the year against work planned is set out in the Annual Internal Audit Report.
- 2.2 In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards which have been in place since April 2013.
- 2.3 The Service’s approach to undertaking internal audit work is set out in the Internal Audit Charter and Strategy documents. These were previously approved by CMT and the Accounts and Audit Committee in March 2014 and revised versions have been provided for approval in March 2016.

## **3. Compilation of the Plan**

- 3.1 The Operational Plan is produced to take into account coverage of risks and associated controls in place. An important consideration is that the Operational Plan should include good coverage across Council services and systems. Ongoing financial challenges faced by the Council highlight the need to ensure that effective governance and internal control arrangements are in place, risks are managed and value for money is sought.
- 3.2 A number of factors are taken into account in compiling the Operational Plan based on both statutory obligations, the objectives of the Council and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account.

- 3.3 New developments such as changes in legislation and council responsibilities are considered in planning work. Current developments across the Council are taken into account in planning and scheduling work. For 2016/17 for instance, time has been set aside for the audit review of governance and monitoring arrangements established for the Council's One Trafford Partnership with Amey. Time will also be set aside for liaison with other Audit teams within Greater Manchester Councils to consider respective roles in respect of GM wide issues.
- 3.4 Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year and through information provided such as through risk registers, action plans, self-assessments and control / governance issues raised.
- 3.5 The Service has a number of obligations to take into account in producing the Plan. This includes the need to set aside time to meet the requirements of the Accounts and Audit Regulations by facilitating the production of the Authority's Annual Governance Statement. The Service also co-ordinates the update of the Council's Strategic Risk Register.
- 3.6. Plans take into account other audit, assurance or development work being undertaken in particular areas. This includes for instance work by the External Auditor and other developments across the Council. Time is also allocated to follow up on control issues previously raised in 2015/16, including previous audit review work, to assess progress in implementing action plans, particularly where significant areas for improvement in controls have been identified. In 2016/17 for example, Audit review work in relation to budgetary control will include following up on issues previously raised and reported on in respect of the Budget Monitoring Action Plan.
- 3.7 A specific category of audit time is also included to reflect the requirement for internal audit checks of information supporting particular grant claims.
- 3.8 The amount of time available to undertake the annual plan is identified, and individual areas of work selected on the basis of risk until available time has been utilised. A contingency is also held to allow for unforeseen circumstances.
- 3.9 For reporting and monitoring purposes the plan is divided into a number of categories. Whilst the plan is divided into these categories it should be noted that there are significant areas of overlap between them and assurance gathered from one source could apply to another. For instance, whilst there is a block of time allocated to procurement and value for money, such issues will also be covered to some degree within other areas of the plan such as reviews of fundamental systems; anti-fraud and corruption work and reviews of schools and other establishments.

- 3.10 Assumptions in respect of available audit days are considered to provide the total planned days. For 2016/17, there are 1080 available days (compared to 960 in 2015/16 which was less than 2016/17 given vacancies at the time). Total staffing amounts to 7.83 Full time equivalent staff. In the last quarter of 2015/16, there were 6.83 staff actually in post. The post which was vacant during the period is to be filled from April 2016 following a recent appointment having been made. Two other staff in the team, however, are to retire in March and April 2016 respectively (with a recruitment process currently underway in respect of one of these posts). The Plan has been produced on the assumption that two new audit staff will be in place by Quarter two of 2016/17. Available days will be further reviewed at the end of June 2016 taking into account resources actually available.
- 3.11 There are a variety of activities undertaken to fulfil the Audit Plan and in addition to conducting internal audit reviews which result in the issuing of audit opinion reports, work may also include providing input to project / working groups, providing guidance and advice, and developing or providing input to council policies and procedures. The Service also facilitates the production of a number of corporate reports presented to the Accounts and Audit Committee.
- 3.12 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risks are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Quarterly updates to CMT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The Operational Plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report are programmes of work for the individual categories listed in section 5, plus further plans detailing work allocated to individual staff.
- 3.13 It should be noted that there are a number of other activities undertaken that are not reflected in the analysis of planned days as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Grant Thornton), development of audit systems, procedures and guidance, networking with other North West Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate additional time allocations are given to individual staff to undertake these activities.
- 3.14 Finally, time is set aside for the completion of reviews originally planned for 2015/16. Work completed or in progress in 2015/16 and work carried



forward to 2016/17 will be reflected in the Annual Internal Audit Report to be issued in June 2016.

#### **4. Reporting / Performance Monitoring**

4.1 Through the year, progress updates will be provided to CMT and the Accounts and Audit Committee (through quarterly updates and the Annual Internal Audit Report) which will refer to details of performance, impact of audit and progress against the Plan. This will include details of:

- Actual Chargeable audit days against planned days allocated reported on a quarterly and annual basis.
- Percentage of audit recommendations accepted reported on a quarterly and annual basis (against an annual target of 95%).
- Summary of feedback from managers in respect of client surveys, to be detailed in the 2016/17 Annual Internal Audit Report.
- Number of audit opinion reports issued against that planned for the year (Target of 35 audit opinion reports to be issued in 2016/17).

4.2 Where reviews or other key areas identified in the Plan are not undertaken as scheduled, this will be reported in subsequent updates including the 2016/17 Annual Internal Audit Report.

4.3 Updates through the year will also include commentary on Audit resources available and where applicable any issues that may impact on completion of the Audit Plan.

4.4 Updates will also be provided in respect of the impact of audit work in terms of the outcomes of follow up audit work including analyses of the percentage of recommendations implemented in full or in part.

#### **5. Operational Plan Coverage 2016/17**

5.1 The Operational Plan is compiled to ensure coverage across a wide and diverse range of services, systems and thematic areas of coverage. Each of the main categories of work is described in the paragraphs below. In the appendix is a summary of the planned work and an estimated time is allocated to each category. This includes an estimate of time profiled by quarter.

#### **5.2 Fundamental Systems**

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Previous assurance obtained in earlier audits will be taken into account in planning the level of audit coverage within individual reviews.

Coverage will include review of the following systems during the year:

Payroll system, Treasury Management, Accounts Payable, Accounts Receivable and Debt Recovery, Council Tax, Business Rates, Housing Benefit / Council Tax Reduction and Income Control.

An audit of budgetary control processes will also be undertaken to include coverage of issues previously reported within the Council's Budget Monitoring Action Plan.

Audit will also be liaising with Finance Services to review processes supporting the production of balance sheet values in relation to valuation of the highways network given changes in accounting requirements from 2016/17.

Audit will also liaise with the Economic Growth, Environment and Infrastructure Directorate (EGEI) to follow up progress made in relation to the agreed action plan following the Audit of Let Estates in 2015.

Time will also be allocated, where required, to complete current work in progress at the end of 2015/16. This is expected to include the audit of Insurance and also reviews in relation to the Community, Families and Wellbeing Directorate (Adult Social Care Liquid Logic / Controcc System and the audit of direct payments). Work completed in 2015/16 and work carried forward will be reflected in the 2015/16 Annual Internal Audit Report.

### 5.3 **Governance**

Audit and Assurance will lead on reviewing and collating supporting evidence and assurances for the completion of the Council's 2015/16 Annual Governance Statement (AGS). This will be completed using the CIPFA/SOLACE Governance framework and guidance. This identifies particular aspects of governance arrangements to review across the Council such as clarity of responsibilities and reporting arrangements, procedural issues, standards of conduct, management of risks, community engagement, workforce planning, partnership governance etc. Work includes reporting on progress by the Council in progressing significant governance issues previously raised in the AGS which includes the Reshaping Trafford programme, Budget Monitoring processes, Information Governance and Devolution issues.

CIPFA/SOLACE are issuing an updated framework and guidance around April 2016 which is required to be used to support the production of the 2016/17 Annual Governance Statement. Audit will review the updated framework and take this into account in work supporting the production of the 2016/17 Annual Governance Statement, which will commence in the final quarter of the year.

Time will be set aside in the Plan to provide Internal Audit input to governance issues across the Council. This may take the form of sharing

guidance or providing comment / advice in respect of ongoing developments which may also inform future planned audit work. This will include Audit liaising with the Children, Families and Wellbeing Directorate in respect of significant developments relating to partnership governance arrangements, including the Section 75 Agreement coming into effect from April 2016 in relation to health and social care integration.

Audit will also liaise with other Greater Manchester (GM) Councils and will set time aside for any assurance required to be provided in relation to GM wide issues.

#### **5.4 Risk Management**

Time is allocated to review existing risk management arrangements across the Council and ensuring processes are evidenced. This will include continuing to facilitate the ongoing update of the strategic risk register. This provides assurance in respect of the highest strategic risks faced by the Authority in terms of the management and ongoing monitoring of those risks. As part of this, there will also be ongoing liaison with individual Corporate Directorates to share good practice and gather assurance regarding risks at a Directorate level.

The Service maintains corporate risk management guidance, available on the Council's intranet, which where applicable will continue to be updated. In 2016/17, The Service will also review the existing Council Risk Management Policy Statement and Strategy for review and approval by the CMT and the Accounts and Audit Committee.

#### **5.5 Anti-Fraud & Corruption**

From March 2016, the Council will no longer have a benefit fraud investigation team following its transfer to the DWP as part of the Single Fraud Investigation Service. Audit will liaise through the year with the Council's Counter-fraud team, established within Exchequer Services, to consider the Council's anti-fraud and corruption arrangements with reference to the CIPFA Code of Practice on Managing the Risks of Fraud and Corruption. This will include liaison with the new team and other relevant services to review and update the Council's Anti-Fraud and Corruption Policy and Strategy to take account of the changes.

Cases of suspected internal fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year.

The Service will also continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2016/17 exercise.

## 5.6 Procurement / Contracts / Value for Money

Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.

As part of internal audit planning, the Service continues to liaise with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport and Rochdale Councils). Audit plans continue to be co-ordinated with relevant findings shared to ensure an efficient audit process. In 2016/17, it has been provisionally agreed that the three authorities will co-ordinate review work to include:

- A follow up review of progress in relation to implementing recommendations set out in the contracts register audit completed in 2015/16 by Stockport Council.
- A review assessing adherence to the Contract Procedure rules which were newly established in 2015 across the three Councils which is planned to be led by Rochdale Council.
- A review of how STAR and the respective Councils consider and monitor Social Value aspects in relation to Procurement in accordance with the Public Services (Social Value) Act 2012. This audit is planned to be led by Trafford Council Audit and Assurance Service.

Details in respect of the above reviews and possible further review work will be confirmed during the early part of the year.

With the formation of the One Trafford Partnership in 2015/16, it has been agreed that Audit will review governance / performance monitoring arrangements established by the Council with its partnership with Amey.

It has also been agreed with the EGEI Directorate that further work will be undertaken in respect of the arrangements between the Council and the current operator of Altrincham Market in respect of the lease agreement.

Where applicable, time will also be set aside to cover any planned reviews carried forward from 2015/16 which will be detailed in the Annual Internal Audit Report.

## 5.7 Information, Communications and Technology (ICT)

The audit of ICT covers the review of procedures, processes and controls across a range of computer systems and technical solutions. Salford Internal Audit Services undertake a significant part of this work and also contribute to audit planning in respect of this area. The following work has been planned to date:

- Follow up of progress by the Council in relation to findings previously raised by the External Auditors in respect of access controls to the SAP financial system.
- A review of the Council's ICT Change Management arrangements has been rescheduled to take place within the first quarter of 2016/17.
- Work to validate the Council's annual Public Services Network (PSN) submission to ensure compliance with the Cabinet Office's IT security requirements.
- Work to assess progress in managing risks relating to Disaster Recovery and Business Continuity which are currently being reviewed by ICT.
- An audit review of the Council's Cyber Security arrangements has been recently completed and will be followed up towards the end of 2016/17.

The Council has agreed for a review to take place at a future date by the Information Commissioner's Office (ICO). With other services, Audit and Assurance will contribute where appropriate to activities required to support this exercise.

It is expected that there will be coverage of other areas relating to ICT and Information Governance during the course of the year, with any further planned areas to be agreed in liaison with ICT and other relevant services. Any other planned work will be reported in the regular Audit and Assurance update reports through the year.

Where applicable, other time will be allocated to follow up reviews conducted in 2015/16.

This block of work may also cover, in liaison with Human Resources and other services, investigating cases of misuse of the Council's ICT facilities, ensuring Members and staff are aware of responsibilities such as in adhering to the council's Acceptable Use Policy.

## 5.8 Schools

The Schools Financial Value Standard was introduced in 2011/12 and since then, schools are required to submit a declaration to show adherence to the Standard by 31 March each year. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking school audits.

Based on a risk assessment, taking into account the information above and from previous work undertaken at each school and liaison with the CFW Directorate and Finance Services, it is planned that at least 15

school audits will be undertaken. This will include the follow up of any school audits where a less than adequate audit opinion was issued in 2015/16.

## 5.9 Assurance – Other Key Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the Plan, including Directors / senior managers' recommendations, risk registers and areas identified by Internal Audit. Reviews may cover individual services, establishments, functions and authority wide issues and risks to ensure a broad coverage of audit work across the Council. For service/establishment related reviews, risks reviewed may encompass a number of areas of control such as procedures and responsibilities, adherence to legislation, 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 service under review.

Audit reviews are included in the Plan as follows:

- Corporate Health and Safety (T&R/Authority-wide)
- Two Libraries (T&R)
- Planning Enforcement (EGEI)
- Housing Options Service (EGEI)
- Out of Borough Placements (CFW)
- One Children's Centre (CFW)

For the above reviews, Audit and Assurance will contact individual services to discuss and agree the detailed scope of the reviews prior to any work being undertaken.

Follow up work in respect of previous audit work undertaken in 2015/16 will be undertaken. This will include follow up audit reviews of:

- Business Continuity (T&R / Authority- wide)
- Taxi licensing (EGEI)
- Schools catering (T&R Directorate from April 2016)
- Sale Waterside Arts Centre (T&R)

In agreement with respective Directorates, some reviews have been rescheduled from 2015/16 to be included in the 2016/17 Plan. These are as follows:

- Section 106 and the Community Infrastructure Levy (EGEI Directorate).
- Home To School Transport (CFW)
- Aids and Adaptations (CFW)

There will also be time allocated for the completion of any other review work in progress as at the end of March 2016 (which will be highlighted in the 2015/16 Annual Internal Audit Report).

There will also be time set aside to review other potential risk areas as raised through 2016/17.

#### **5.10 Data Quality/Grant Claims**

In recent years, Internal Audit has been required to review an increasing number of grant claims. This includes the Service providing a role in providing verification checks on claims made as part of the Council's Stronger Families programme and that will continue in 2016/17. A separate block of time is included in the Plan to accommodate this and other grant claims and data quality checks made through the year where Internal Audit is required as part of the review / sign off process.

#### **5.11 Service Advice / Projects**

The Audit and Assurance Service provides advice across the Council on governance and control issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, and liaison with other services.

The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption.

Audit may contribute to project/working groups involved in the development of new systems or review of processes, providing advice and assurance where appropriate. Audit will continue, subject to available resources, to set some planned time aside to contribute to projects to provide input in terms of consideration of internal control issues.

2016/17 Operational Audit Plan – Allocation in Days

Appendix

<b>Category</b>	<b>Details</b>	<b><u>Impact of Audit and Assurance's work</u></b>	<b><u>Planned Days</u></b> (Profiled by each quarter of year – Q1/Q2/Q3/Q4)
<b>Fundamental Systems</b>	<b>Audits of fundamental financial systems reviews.</b>	<b>Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council's position in respect of its external audit review.</b>	<b>230</b> (40/50/75/65)
<b>Governance</b>	<b>Corporate Governance review work / collation of supporting evidence and production of the 2015/16 Annual Governance Statement.</b>  <b>Advice / assurance in respect of governance issues including partnership governance issues.</b>	<b>Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities.</b>  <b>The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.</b>  <b>Provision of assurance on the effectiveness of partnership governance arrangements. Supporting the achievement of Council and Trafford Partnership priority outcomes.</b>	<b>50</b> (20/15/7/8)
<b>Corporate Risk Management</b>	<b>Facilitating the updating of the Council's strategic risk register.</b>  <b>Progression of actions to support the Council's Risk Management Strategy including review of risk management</b>	<b>Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the allocation of resources. The work also supports the Council in evidencing good practice undertaken when subject to inspection and review.</b>	<b>30</b> (6/8/7/9)



	processes and provision of guidance.		
<b>Anti Fraud &amp; Corruption</b>	<p>Work in co-ordinating the reporting of the Council's NFI data matching exercise.</p> <p>Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative (NFI).</p> <p>Work to review the existing Anti- Fraud and Corruption Strategy and Policy, including where applicable, raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption.</p>	<p>Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption.</p> <p>Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.</p>	<p><b>140</b> (25/38/35/42)</p>
<b>Procurement / Contracts / Value for money</b>	<p>Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money. (This will include liaison with the STAR Procurement Service and partner authority auditors).</p>	<p>Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.</p>	<p><b>70</b> (10/15/20/25)</p>
<b>ICT Audit</b>	<p>Audit reviews to be completed in line with the ICT audit plan.</p> <p>Investigation of misuse of ICT.</p>	<p>Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems.</p> <p>Assurance to managers who place significant reliance on ICT systems for the delivery of services.</p>	<p><b>60</b> (9/15/18/18)</p>

<b>Schools</b>	<p><b>Audit reviews of individual schools and service wide review work.</b></p> <p><b>Supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</b></p>	<b>Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by DfE.</b>	<b>170</b> (40/30/50/50)
<b>Assurance – Other Key Business Risks</b>	<b>Selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews will include authority wide issues and areas relating to individual services, establishments and functions</b>	<b>This work enables Internal Audit to provide a breadth of assurance across the Council that there are adequate governance and control arrangements in place, that policies and procedures are being implemented, that risks are being managed, and outcomes delivered.</b>	<b>180</b> (30/33/57/60)
<b>Grant claims checks / Data Quality</b>	<b>Internal audit checks of grant claims / statutory returns as required. This includes verification checks of data submitted by the Council as part of its Stronger Families programme.</b>	<b>Ensuring the Council adheres to requirements in submitting relevant grant claims where Internal Audit input is required, providing assurance regarding the accuracy of data and supporting information reviewed.</b>	<b>30</b> (4/8/8/10)
<b>Service Advice / Projects</b>	<p><b>General advice across all services.</b></p> <p><b>Support and advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.</b></p>	<p><b>Support to services around the relevance and application of corporate policies, procedure rules and good governance arrangements.</b></p> <p><b>Contributing to the delivery of effective project outcomes including input to the consideration of key risks and appropriate controls considered in the development of new systems, functions and procedures.</b></p>	<b>60</b> (10/12/19/19)
		<b>Total Allocated Days</b>	<b>1020</b> (194/224/296/306)

		<b>Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).</b>	<b>60</b>
		<b>Total Planned Days</b>	<b>1080</b>
		<b>Available Days</b>	<b>1080</b>
		<b>Surplus/Deficit for Year</b>	<b>0</b>

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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 22 March 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Audit and Assurance Service - Anti-Fraud and Corruption Update**

### Summary

**To update the Accounts and Audit Committee on Audit and Assurance Service work undertaken in relation to anti-fraud and corruption activity through the year which has been briefly referred to in previous quarterly updates on the work of the Service.**

### 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

Name: John Miller – Principal Audit and Assurance Team Leader  
1326

### **Background Papers:**

Trafford Council Anti-Fraud and Corruption Strategy

## **Audit and Assurance Service – Anti-Fraud and Corruption work update (March 2016)**

### **1. Introduction**

- 1.1 As part of the internal audit plan, the Audit and Assurance Service conducts work relating to anti-fraud and corruption. As well as undertaking investigative activities, work also involves reviewing measures in place to reduce the risk of fraud and raising awareness across the Council.
- 1.2 This report summarises work undertaken by Audit and Assurance in 2015/16 and planned actions to support the Council's Anti-Fraud and Corruption Strategy. It also provides a brief update in Section 2 below on wider counter fraud developments in the Council. A separate report on the outcomes of the Council's Benefit Fraud investigation work, and the work of the new Counter Fraud and Enforcement Team, will be presented to the Accounts and Audit Committee later in 2016.

### **2. Counter Fraud Developments**

- 2.1 In respect of benefit fraud investigation, the formation of a Single Fraud Investigation Service (SFIS), covering all welfare benefit fraud, was previously announced by the Government in December 2013. As previously reported to the Accounts and Audit Committee, the SFIS brings together welfare benefit fraud investigations currently undertaken by DWP, local authorities and HMRC. Staff in Trafford Council's Benefit Fraud Investigation Team transferred to the SFIS on 1<sup>st</sup> March 2016.
- 2.2 Ahead of the transfer, the Council established its own internal dedicated fraud investigation function. The new Counter Fraud and Enforcement Team forms part of Exchequer Services, initially using monies obtained from a successful grant application submitted to the DCLG for the purposes of counter fraud activity. The grant provided funding up to the end of 2015/16.
- 2.3 The aim of the new team was to initially focus primarily on revenues related fraud which the Council would continue to be responsible for after the SFIS transfer, particularly in relation to fraud related to Council Tax and Business Rates.
- 2.4 The Accounts and Audit Committee will receive a report later in 2016 setting out outcomes from the work of the Benefit Fraud Team during 2015/16. The report will also detail outcomes from the work of the new Counter Fraud and Enforcement Team, including its work in relation to Council Tax Single Person Discount Fraud.

### **3. Audit and Assurance Service**

#### Investigations

- 3.1 During 2015/16, Audit and Assurance staff have contributed to work in relation to four new investigations.
- 3.2 Two of these investigations involved Audit providing support reviewing allegations of misconduct in connection with the misuse of ICT.
  - For one of these investigations relating to a potential IT security breach, advice was provided to HR following a search of email records in liaison with ICT. Results proved inconclusive with a lack of evidence to identify a specific breach.
  - In the other instance in respect of ICT, allegations were received of misuse of ICT facilities by a service volunteer. The incident was followed up further by ICT staff in liaison with the relevant service and the volunteer is no longer engaged by Trafford Council.
- 3.3 One investigation involved providing support in reviewing discrepancies in relation to stock. This included discussions with staff, reviewing stock recording, monitoring and security procedures, and supporting records in relation to sales, income collected and cash banked. Audit reported to management to confirm areas of control weakness in relation to stock with a number of recommendations made. Procedures and responsibilities within the relevant service area have been reviewed with revised arrangements put in place around all areas reviewed.
- 3.4 Another instance relates to concerns raised in relation to loss of cash. Audit had previously advised the service involved to strengthen controls around security of cash. The improved controls introduced by the service subsequently resulted in two instances of cash loss being identified. Investigating officers were appointed and a disciplinary investigation undertaken. One Officer was dismissed following a disciplinary hearing.
- 3.5 Audit also concluded two other investigations which were ongoing from 2014/15. The first was in relation to non-payment of statutory pay deductions as a result of a community school making direct payments to staff outside of payroll. The second was in relation to discrepancies in a Service cash imprest account. In the first case Audit liaised with HR in calculating the unpaid deductions. These were communicated to the staff involved and arrangements were made to repay the deductions in full. In the second case recommendations were made to the relevant service in respect of security of cash holding and regular reconciliation of imprest records.

- 3.6 Audit continue to liaise with other services as issues arise and any further work undertaken will be reported in the Annual Internal Audit Report.

#### Other Work Undertaken

- 3.7 As part of on-going internal audit reviews, coverage and assessment of internal controls to reduce the risks of fraud or error is included in individual reviews. Details of Internal audit reports issued during the year have been reported on a quarterly basis and the Annual Internal Audit Report is due to be issued in June 2016.
- 3.8 The Audit and Assurance Service has co-ordinated the submission of annual data to CIPFA to inform the Institute's annual exercise which replaces the "Protecting the Public Purse" reports previously undertaken by the Audit Commission. This new annual survey is entitled the "CIPFA Fraud and Corruption Tracker" (CFaCT).
- 3.9 Details of fraud identified during financial year 2014/15 were reported to the Institute in June 2015. That data was used to inform the national annual summary report published later in 2015. Nationally, fraud amounting to £192m was reported by local authorities in 2014/15 with around 40% of this relating to Housing Tenancy fraud, 30% to Housing Benefits, and 7% to Council tax support and discounts.
- 3.10 However, this is the first year of the CFaCT report and results may be somewhat skewed by the variable response rate received from the various tiers of respondents. 100% of London Authorities responded to the questionnaire, 70% of Counties, 64% of Metropolitan Unitaries, 54% of other Unitaries, and 23% of Districts. It is hoped that response rates will improve as the survey becomes more established.
- 3.11 Total fraud reported to CFaCT by Trafford Council in June 2015 for 2014/15 relating to Housing Benefit, Council Tax Reduction, Single Person Discount and other internal fraud amounted to approximately £614k.
- 3.12 The CFaCT report highlights the need for Councils to consider fraud investigation capability following the introduction of SFIS which, as stated earlier, Trafford Council has addressed by way of establishing its own counter fraud team. Audit and Assurance will liaise with the new Counter Fraud team in 2016/17 to consider existing anti-fraud policies, particularly with reference to the Code of Practice issued by CIPFA "Managing the Risks of Fraud and Corruption".
- 3.13 In terms of work in relation to existing Council policies, in December 2015, 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. The Service has also liaised with Human Resources and Legal Services during the year in respect of the



Council's Whistleblowing Policy, providing input to be taken into account in future updating of the Policy and guidance."

#### **4. National Fraud Initiative (NFI)**

- 4.1 The Audit and Assurance Service continues to co-ordinate the Council's participation in the National Fraud Initiative.
- 4.2 As Members will be aware through previous reports to the Committee, the NFI is a nationwide data matching exercise. It is 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. It is carried out once every two years at minimal cost to the organisations involved and is firmly established as the United Kingdom's premier public sector fraud detection exercise.
- 4.3 In respect of the latest 2014/15 NFI exercise, the Audit and Assurance Service co-ordinated the submission of Council data to the Audit Commission in October 2014 and the subsequent matches were received in January 2015. To the 17<sup>th</sup> February 2016 a total of 4,638 matches have been reviewed which has resulted in the identification and correction of 28 errors and the detection of 1 fraud totalling £76,961, with £74,394 in the process of recovery. The fraud related to social care payments and resulted in a prosecution and conviction. As indicated in 2.4 detailed reporting of the outcomes from benefit fraud and other investigations will be reported to the Committee later in 2016.
- 4.4 Total benefit overpayments being recovered as a result of the 2014/2015 NFI exercise amounted to £23,008. There is also an on-going weekly reduction in payments of £475, approximately £24,700 per annum.
- 4.5 The other main source of error identified as part of the current exercise is in connection with creditor overpayments, primarily duplicate payments. Investigations have revealed 15 instances of duplicate payments between October 2011 and October 2014 not previously identified, and £42,183 is in the process of being recovered as a result.
- 4.6 The "No Purchase Order, no pay" policy in respect of creditor invoice payments was introduced from 1<sup>st</sup> December 2015. The policy requires all creditor invoices to quote a valid Council purchase order number. Failure to raise, or quote, purchase order numbers is one of the causes of duplicate invoice payments. Further steps are being taken in this area to reduce risks and Audit will continue to liaise with Finance staff on this issue.

## **5. Future Work**

5.1 A dedicated block of time will be set aside in the 2016/17 Internal Audit plan to include:

- Continued support in investigations across the Council as and when required/appropriate.
- Continued review of latest NFI data matches in liaison with other services.
- Inclusion of a number of audit reviews in the Audit Plan following up on control issues / risks previously identified in relation to investigations undertaken.
- On-going liaison with the Counter Fraud team and other services in reviewing existing anti-fraud policies and procedures.

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 22 March 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Strategic Risk Register 2015/16 (March 2016 update)**

### Summary

The Accounts and Audit Committee is asked to consider this report which contains an update on the strategic risk environment. This includes arrangements in place to manage each of the strategic risks.

### Recommendation

The Accounts and Audit Committee reviews this report.

### Contact person for access to background papers and further information:

**Name:** Mark Foster – Audit & Assurance Manager.                      **Extension:** 1323  
Susan Price – Senior Audit & Assurance Officer                      **Extension:** 1325

### **Background Papers:**

None

## 1. **INTRODUCTION**

- 1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.
- 1.2 In accordance with the Council's Risk Management Policy, the Corporate Management Team (CMT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.
- 1.3 This report is based on information provided by risk owners through February 2016.

## 2. **THE STRATEGIC RISK ENVIRONMENT – RISK EXPOSURE AND PERFORMANCE MANAGEMENT**

- 2.1 The Council continues to review and monitor its strategic risks. Given the challenges faced by the Council going forward, it is acknowledged that it will need to continue to review its approach to risk and risk management as risks change and potentially higher risks arise. Progress has continued to be made in addressing the strategic risks as detailed in this report.
- 2.2 The Audit & Assurance Service requested current strategic risk owners to provide an update on the strategic risks that are under their remit including progress in managing these risks. Section 3 of this report contains an update on the strategic risks identified.
- 2.3 Since the previous strategic risk report update to CMT in December 2015, the risk exposure scores have been revised for four existing risks:
  - SR4 - *Continuing uncertainty regarding the Council's medium term financial position* reduced from a high risk of 25 to a high risk of 20.
  - SR8 - *The failure or delay to implement new Adult Social Care System (Liquid Logic)* reduced from a high risk of 20 to a low risk of 8.
  - SR13 - *The risk of a major event leading to inability to deliver critical services to vulnerable people* reduced from a high risk of 16 to a medium risk of 12.
  - SR16 (Formerly SR17) - *Inability to meet Trafford residents' requests to have burials within the local area due to insufficient land* changed from a low 8 to a medium risk of 12.
- 2.4 Since the last update, two risks have been removed from the strategic risk register:
  - Risk 15: *The implementation of the Special Education Needs and Disabilities (SEND) reforms set out in the Children and Families Act 2014.*
  - Risk 16: *Adult Social Care Budget 2015/16: Ability to implement approved savings proposals in the current economic conditions.*

- 2.5 Two new risks (risk 17 & new risk 15) have been added to the strategic risk register. These are:
- *That a successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the Councils computing services or severe degradation or loss of control of those services.*
  - *Children and Mental Health Adolescent Services (CAMHS) - higher number of children and young people waiting at Tier 3 level to receive intervention.*

The two new risks will continue to be managed at a Directorate level within the T&R and CFW Directorates respectively.

- 2.6 The risk chart on page 4 shows an analysis of the current strategic risks. The chart analyses the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are 17 strategic risks (two of which are considered high level). The highest risks relate to the Council's medium term financial position (SR4) and the loss/absence and retention of senior managers to the organisation (SR5).

**Comparison of Risk Levels September 2015 and March 2016**

**IMPACT**                      **Risk Levels – September 2015**

Very High(5)		2	5	2	1
High (4)		3	2	1	
Medium (3)				1	
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

**LIKELIHOOD**

**IMPACT**                      **Risk Levels – March 2016**



Very High(5)		2	5	2	
High (4)		3	3		
Medium (3)				2	
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

**LIKELIHOOD**

<b>High Risk</b>
<b>Medium Risk</b>
<b>Low Risk</b>

3. Summary Table –Strategic Risks (March 2016)


<b>Red</b>	<b>Amber</b>	<b>Green</b>
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<b>Risk</b>	<b>Strategic Risk Title / (Directorate) / (Portfolio)</b>	<b>Risk Level</b>	<b>Management of Risk - Direction of Travel *</b>	<b>Comments</b>
1	Major regeneration projects, including Altair, Altrincham Strategic Framework delivery, Old Trafford Master Plan (OTMP) and Carrington development do not proceed due to economic and financial constraints.  (EGEI)/(Economic Growth and Planning)	<b>8 Low</b>		<p>All project risks contained and detailed within individual project plans. Overall, all projects are within tolerance.</p> <ul style="list-style-type: none"> <li>• Altair outline planning consent granted. Revised Development Agreement complete (April 2015). Detailed planning application for phase 1 in progress, with start on site late 2016.</li> <li>• Funding has been approved for the OTMP, and Land Pooling Agreement signed.</li> <li>• Altrincham public realm strategy agreed phase 1 complete and work commencing on Phase 2.</li> <li>• Proposals for new Altrincham Library approved at Executive. Agreement for lease in place, and planning application received, and due to go to Planning Committee in early 2016.</li> <li>• New operator for Altrincham market appointed and Operating Agreement and Agreement for lease completed (November 2013).</li> <li>• Stretford Masterplan approved (January 2014). Advisers for Lacy Street in place and report produced. Public realm study and consultation complete, with detailed design proposals due mid 2016.</li> <li>• Altrincham Strategy approved.</li> <li>• Sale of Carrington by Shell to Langtree completed, with further transfer to Himor also completed. Project governance structure reviewed and proposals for support by the Growth Team agreed. Phase 1 planning application for up to 1,000 residential units and 90 acres of employment land due first half 2016.</li> </ul>
2	That vulnerable children are not safeguarded from harm and the Council does not fulfil its statutory duties in terms of children in need, child protection and Looked After Children (CFW)/(Children's	<b>12 Medium</b>		<p>The OFSTED Inspection Report published in May 2015 judged our services to be Good with Outstanding areas. The TSCB was also rated as Good. However Safeguarding children is an area of Council responsibility that requires constant high levels of vigilance to guard against the risk of harm or abuse to children that could have been prevented through early help, identification, assessment and support of services. It is therefore imperative that the Local Authority maintains high</p>

	Services)			<p>levels of compliance with legislation, procedures and follows good practice principles in its delivery of statutory services to children and that compliance is consistently monitored and quality assured.</p> <p>Measures:</p> <ul style="list-style-type: none"> <li>• Monthly meetings of the Director of Children’s Services Safeguarding Group.</li> <li>• Rigorous Performance management and Quality Assurance</li> <li>• Experienced Independent Chair of TSCB in place with Safeguarding Development Manager supporting a rigorous TSCB Business Planning and monitoring process.</li> </ul> <p>An Action Plan was developed following the Inspection. As of February 2016 this is all RAG rated as Green.</p>
3	<p>Demand for school places under-estimated and/ or additional school places are not delivered to satisfy increased demand.</p> <p>(CFW)/(Children’s Services)</p>	15 Medium	← →	<ul style="list-style-type: none"> <li>• All children have been allocated places for the 2015/16 academic year.</li> <li>• The demand for primary and secondary school places continues to be monitored and capital resources allocated to ensure sufficient places are provided to meet our statutory duty.</li> <li>• A two year resource allocation has now been received from Department for Education (DfE) and a Capital Programme is planned in line with projections.</li> <li>• A secondary sufficiency review to plan for 2017 and beyond has been completed with schools and academies to manage the projected increases working through from the primary sector. An implementation plan is being developed following approval of the outcomes by the Council Executive and Secondary Schools.</li> <li>• Capital implications of the SEN review are also being implemented to meet additional demand for places.</li> </ul>
4	<p>Continuing uncertainty regarding the Council’s medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes in the administration of Business Rates</p>	20 High	← →	<ul style="list-style-type: none"> <li>• Government announced grant settlement 2016/17 and gave indications for level of settlement for the following 3 years up to 2019/20.</li> <li>• The Local Government Financial Settlement was finalised on 8 February and this provided the level of Settlement Funding for the Council for 2016/17 of £56.3m, a reduction of £7.4m or 11.6% on 2015/16. The Settlement also provided indicative allocations for a further three years until 2019/20 and Authorities have until October 2016 to decide whether to accept this future funding</li> </ul>







	<p>resulting in a greater risk being transferred to local government.</p> <p>(T&amp;R)/(Finance)</p>		<p>offer.</p> <ul style="list-style-type: none"> <li>• The Council agreed the budget for 2016/17 on 17 February 2016 in the sum of £147.320m which included from savings and additional income of £22.6m.</li> <li>• The medium term outlook demonstrates that the Council will still need to make savings in excess of £30m over the following three years up to 2019/20.</li> <li>• As part of the delivery of 100% Business Rates retention the Government is to carry out a needs review which will take account of the cost of providing services locally. The Council intends to play a full part in this review.</li> <li>• The Council's reserves have been revised and a budget support reserve has been created which will be available to support the budget in 2017/18 as nearly two thirds of the future years budget gap of £30m needs to be found in that year.</li> </ul>
5	<p>Loss / absence and retention of senior managers to the organisation.</p> <p>(T&amp;R)/(Finance)</p>	<p><b>20 High</b></p>	<ul style="list-style-type: none"> <li>• Two Council permanent appointments have been made to Joint Director posts in the Integrated 'Provider Services' structure and Health.</li> <li>• A number of interim senior posts and an acting up arrangement in the Adults Neighbourhood structure have been put in place to assist with senior capacity and professional leadership to Social Workers whilst the CFW Directorate transforms. An internal candidate has been appointed into one of the posts and an internal act-up will secure additional succession planning and aided retention of key senior Officers.</li> <li>• Proposals on revised and strengthened Corporate Management Team arrangements were approved at Council on 18<sup>th</sup> February 2015; the realignment of the post of Corporate Director – Resources to incorporate increased and robust responsibility directly for the Council's financial management arrangements and the formal appointment of a deputy for the Chief Executive, together with the Directors of Legal and HR attending CMT meetings.</li> <li>• An internal candidate is acting up into the Corporate Director post in the CFW Directorate, shadowing the current post holder prior to his exit, to ensure a robust handover and succession plan.</li> <li>• A number of interim internal 'act-up' arrangements are in place, again aiding succession planning, pending permanent appointments.</li> <li>• A leadership development programme is in place</li> </ul>

				<p>for all managers/senior managers across the organisation, to support them in leading and engaging their staff through transformational change.</p> <ul style="list-style-type: none"> <li>• A new linear pay structure was implemented in April 2015 that introduced a new grade to span the gap at the former top of the NJC pay spine and the Senior Manager pay structure. This will enable posts to be created in recognition of increased levels of responsibility as the organisation reshapes.</li> <li>• A succession planning strategy had been developed that formalises an approach to ensure that key skills are not lost to the Council, whilst up-skilling staff to take on higher graded roles. Successors will be identified at senior manager level and targeted development initiatives provided to ensure that we are equipped to flex our workforce to react to resource and skills gaps.</li> <li>• Further to a recent recruitment exercise, an external candidate has been appointed to the post of Chief Finance Officer.</li> <li>• An internal candidate has been appointed to the permanent post of Corporate Director – Resources.</li> </ul>
6	<p>Trafford Council must ensure that information held about citizens, employees, partners, contractors, members and organisations in Trafford is safe in their hands. To be able to assure its partners and the public that this is the case they need to demonstrate that they are handling personal/ sensitive and commercial data securely both in technology and physical terms. They also need to ensure that 3<sup>rd</sup> parties acting on their behalf are handling their data sets in accordance with Trafford Council's policies and procedures. This is a corporate risk and the</p>	<p><b>15</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• Citizens and businesses have a right to expect data held about them to be treated in a secure manner and only shared on a need to know basis.</li> <li>• Employees, Partners, Contractors and members have the right to expect data held about them to be treated in a secure manner.</li> <li>• Trafford Council have a responsibility to protect their data and information.</li> <li>• A dedicated Corporate Information Governance (IG) Team has been established comprised of an IG Manager, 2 x IG Officers.</li> <li>• Work is ongoing to ensure that the annual work plan is delivered.</li> <li>• The Information Security Governance Board (ISGB) which is made up of senior officers across the council who will lead on IG matters within their Directorates has been re-established and will take the corporate lead on all IG-related matters and in progressing the embedding of information governance in the Council's day to day activities.</li> <li>• The Council has agreed to take part in a voluntary audit by the ICO of its practices and procedures around Data Protection. The audit is likely to take place in the third or fourth quarter of</li> </ul>

	<p>risk to the Council is reputational, financial, adverse publicity and could ultimately be a breach of the Data Protection Act.</p> <p>(T&amp;R)/ (Transformation and Resources).</p>			<p>this year.</p>
7	<p>The Reshaping Trafford Council Programme doesn't progress to plan and/or deliver its expected outcomes.</p> <p>(T&amp;R) /(Transformation and Resources)</p>	<p><b>15</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• The governance arrangements in place are mature and effective with appropriate senior level representation and authority to provide the support, challenge, advice and decision making required.</li> <li>• From April 2015, the Transformation Programme became the 'Reshaping Trafford Council Programme' and the budget consultation process and proposals for 2016/18 are being built around the Reshaping Trafford Council Blueprint.</li> <li>• The lessons learnt from the previous budget process have been incorporated into the process for 2016/18.</li> <li>• Business cases have been completed by the relevant services for all 2016/18 budget proposals.</li> <li>• Workshops with CMT and Members took place throughout May to October 2015 to finalise these proposals.</li> <li>• A specialist company was selected in August 2015 to assist with the public consultation events Phase one of the public consultation took place during September with feedback informing the specific proposals consulted on during November and December.</li> <li>• Briefings were completed with the Executive, Conservative Group, Labour Group and Liberal Democrat Group prior to the public consultation events going live and prior to the release of the budget report. In addition, media and Trade Union briefings were also carried out.</li> <li>• The budget report was released on 5<sup>th</sup> November; Executive met on the 16<sup>th</sup> and Scrutiny on 18<sup>th</sup> November on the final budget proposals.</li> <li>• The Trafford Business breakfast meeting took place on 19<sup>th</sup> November 2015.</li> <li>• The public and staff consultation (terms and conditions) ran from the 24<sup>th</sup> November to the 16<sup>th</sup> December 2015.</li> <li>• The online survey, brochure and updated video were ready for the first public meeting on the 24<sup>th</sup> November 2015.</li> </ul>

				<ul style="list-style-type: none"> <li>• The All Age Travel Assistance policy was included in the main budget consultation questions as well as being a separate consultation exercise. The responses gathered will be analysed by the specialist company and included in a separate report to the Executive in March 2016.</li> <li>• Following a review of the reporting arrangements for both the Transformation and CFW programmes, it was decided to merge the two separate reporting lines into one cohesive structure to reduce the administrative and managerial burden. At this Board the RAG status of each project is reviewed. This has been in place since September 2015.</li> <li>• A regular review of the Transformation resourcing programme is undertaken to monitor how the team are deployed. This ensures that the programme resource is utilised effectively on the high priority activities to ensure the outcomes of the Reshaping Trafford programme are delivered.</li> <li>• The contract was awarded to Amey for the delivery of environmental and highways services in April 2015.</li> <li>• AS75 partnership agreement will be established between Trafford Council and Pennine care from April 2016, which will transfer the management responsibilities to Pennine Care for all age, integrated health and social care services, to March 2018.</li> <li>• Trafford Leisure Trust, a CIC owned by Trafford went live on 1<sup>st</sup> October 2015.</li> <li>• A shared HR/payroll service for transactional services with GMP will be implemented in August 2016.</li> <li>• The Star shared procurement service continues to embed its new delivery model.</li> <li>• Commercial trading activity is increasing with the launch of weddings at Trafford Town Hall and use of the restaurant for public events.</li> <li>• Trafford is working closely with GM on devolution agendas to ensure all opportunities available are unitised. Our reshaping programme entirely aligns with the GM strategic aims and priorities.</li> </ul>
8	Failure or delay to implement new Adult Social Care System (Liquid Logic).  (CFW)/(Adult Social	8 <b>Low</b>	← →	<ul style="list-style-type: none"> <li>• Business continuity plan in place, including ICT failures.</li> <li>• Monitoring is in place and a range of weekly, monthly and quarterly reports are overseen by Liquid Logic Programme Board and the Business Delivery Finance Board to ensure that the roll out</li> </ul>


	Services and Community Wellbeing)			<p>of the new operating model/ integration of health and social care continues to address key personalisation/ integration performance indicators.</p> <ul style="list-style-type: none"> <li>• ContrOCC Action Plan implemented to mitigate risks identified.</li> <li>• Planning commenced and project groups developed for the all age and children's developments, children's ContrOCC, single view, ICS upgrade (children), new releases for information and advice, social care and financial self-assessment processes etc.</li> </ul>
9	<p>Failure of the Adult Safeguarding Service.</p> <p>(CFW)/(Adult Social Services and Community Wellbeing)</p>	<p><b>12</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• Refresh of the Safeguarding Policy and procedures reviewed and out in draft for consultation in place.</li> <li>• Adult Safeguarding Board has been refreshed and a revised governance process in place, introducing a strategic and operational board which is jointly chaired.</li> <li>• An Independent Chair has been appointed.</li> <li>• Joint Children's and Adult safeguarding committee now in place.</li> <li>• Senior Learning and Development post was filled in October 15. Impact on sustaining competency in relation to implementation of practice both internal and external agencies.</li> <li>• The Clinical Safeguarding Nurse is currently not in work, this is being covered two days a week by the CCG. We are working closely with the Lead Safeguarding Nurse from Pennine Care.</li> <li>• Serious Case Review Panel reviewed and in place.</li> <li>• Recent court judgements lowering the threshold for Deprivation of Liberty Orders. Increased resources agreed.</li> <li>• Additional Capacity agreed and a new Senior Practitioner has been appointed.</li> <li>• Annual Safeguarding Plan completed. Serious Case Review Plan is in place. Annual Report completed.</li> <li>• New Safeguarding Development Manager in post.</li> <li>• Policy &amp; procedure reviews completed. Form templates reviewed to dovetail the changes in procedure – these are agreed and awaiting Liquid Logic planned changes/updates.</li> <li>• Safeguarding Adults Return (SAR) working group is in place and operational. Learning Action Plan pending.</li> </ul> <p>Recent SAR Held – learning action plan pending.</p>



10	<p>Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations.</p> <p>(T&amp;R)/(Transformation and Resources)</p>	<p><b>10</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• Current Health &amp; Safety Policy and comprehensive arrangements in place. Subject to periodic review as required and available to the workforce via the intranet.</li> <li>• Health and Safety Audit programme in place across all Directorates and schools. This programme includes proactive monitoring of compliance with health &amp; safety law and internal H&amp;S management arrangements.</li> <li>• Policy, arrangements, protocols and guidance for Directorates and schools updated to reflect legislative or organisational changes and any new or emerging risks (in addition, a three year rolling programme is ongoing).</li> <li>• HSU support in the comprehensive assessment and investigation, where required, of health and safety issues or incidents. Facilitates the effective management of risk and statutory compliance.</li> <li>• HSU support in responding to occupational health and workforce referrals to ensure the health, safety and welfare of staff.</li> <li>• Staff consultation processes in place to report and liaise on Health and Safety performance issues.</li> <li>• Competent HSU advisory service with advisors subject to continuing professional development requirements.</li> <li>• Training calendar in place and online training available to support managers and schools in ensuring staff are competent to undertake tasks/role.</li> </ul>
11	<p>New Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</p> <p>(EGEI)/(Environment and Operations)</p>	<p><b>8</b> <b>Low</b></p>		<ul style="list-style-type: none"> <li>• First 7 months of contract operated successfully across all services. No service standards issues.</li> <li>• Operational controls and governance arrangements are now in place and working effectively.</li> <li>• 2015/16 budget savings are on target for full delivery.</li> </ul>
12	<p>The Transformation Programme savings will not be delivered in full.</p> <p>(T&amp;R)/ (Transformation and Resources)</p>	<p><b>15</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• The governance arrangements in place are mature and effective with appropriate senior level representation and authority to provide the support, challenge, advice and decision making required.</li> <li>• The Transformation Portfolio savings target are reviewed and monitored monthly and the savings are being monitored via the usual monthly monitored arrangements.</li> <li>• Unlike previous years, savings have not been categorised into Transformation or Other</li> </ul>

				<p>Business as the achievement of the entire savings programme is crucial to the financial base of the Council.</p> <ul style="list-style-type: none"> <li>• The largest risk is with the extent of CFW savings. In recognition of this a team was assembled to ensure delivery of the savings programme and to identify further opportunities as part the Council's MTFP. Progress on the achievement of savings is reported regularly to the CFW Programme Board which is chaired by the CFW Corporate Director with a review then provided monthly to the Transformation Board.</li> <li>• From September 2015 the Transformation and CFW Programme Boards will merge so that the entire savings programme involves all of CMT.</li> <li>• The total value of savings included in the 2015/16 is £(21.584) million, which is the largest amount to be achieved in a single year in the Council's history.</li> <li>• The current forecast, as at Dec 2015 is that £(21.817) million, which is 101% of target, will be achieved in the year. Actual savings to date total £(20.994)m (97.3%) of target, leaving a balance of £0.590m (2.7%) to be achieved in the remainder of the year.</li> <li>• There are a number of shortfalls against certain savings schemes and reporting is in place to explain how these will be managed with the budget.</li> </ul>
13	<p>Major event leading to inability to deliver critical services to vulnerable people.</p> <p>(CFW)/(Adult Social Services and Community Wellbeing)</p>	<p><b>12</b> <b>Medium</b></p>	<p>↑</p>	<ul style="list-style-type: none"> <li>• Consideration has been given to events could stretch the capacity of the service. This has included plans for monitoring and responding to winter pressures. All CFW Services have Business Continuity Plans in place within the Directorate with supporting action plans actively monitored. These are due to be reviewed further.</li> <li>• Contractual requirements on external providers to have business continuity plans in place.</li> <li>• Business continuity review (Adult Social Care) undertaken following integration of ASC with Pennine Care.</li> <li>• Two events dealt with effectively.</li> </ul>
14	<p>Failure to complete the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption.</p>	<p><b>10</b> <b>Medium</b></p>	<p>← →</p>	<ul style="list-style-type: none"> <li>• The Council's Audit and Assurance Service completed an audit of the Business Continuity function in March 2015. An action plan was developed and a report was submitted to CMT in May 2015. The report was referred to the TPR meeting in late May and the Emergency Planning Manager now provides a quarterly update to TPR as to progress. Also approved was a new Corporate Business Continuity Policy and a draft Corporate Business Continuity plan. (The Plan</li> </ul>

	(T&R)/(Transformation and Resources)		<p>can be finalised when all Services identify their priorities.)</p> <ul style="list-style-type: none"> <li>• In the summer of 2013 the Business Impact Analysis (BIA) and the Business Continuity Plan (BCP) templates were completely revised; and have since been issued with other guidance, as a <i>BC Toolkit</i> hosted on the Council's Intranet site.</li> <li>• The Emergency Planning Manager, the Principal Audit and Assurance Officer and the Head of ICT have met to discuss a review of the BIA in order to obtain further details about the service ICT requirements and how the service would be affected by a business interruption. A revised BIA has been prepared and placed on the Council's intranet pages.</li> <li>• Over the past few months all BIAs, and where necessary BC plans, have been under review. This is complete across a large proportion of the Council, but some services are waiting until their structural changes embed and others are yet to engage. (This all forms part of the action plan referred to above.) Once the BIA has been amended in line with ICT requirements, services will need to undertake a further review of their BIAs.</li> <li>• A workshop is being planned for appropriate representatives from each service area to foster understanding of the new BIA template particularly in relation to further details required by ICT. The workshop will take place before the end of March 2016.</li> <li>• The Council's web and intranet pages are kept up to date with further information and guidance and continue to comply with the Civil Contingencies Act in regard to providing advice to the public and businesses and to inform staff.</li> <li>• The Emergency Planning Manager has through HR and AGMA, gained agreement to use an on-line learning package developed by Risk and Resilience at Manchester City Council. This is now on the AGMA Virtual College E-Learning Platform. This is to be promoted.</li> <li>• Under the Reshaping Trafford banner the Council will need to ensure that outsourced Council Services have robust BCPs. As part of the JVC, Amey have provided the Council with their 'Contingency and Back-Up arrangements.</li> <li>• CFW are seeking formal agreement from TPR in order to adopt the Pennine Care Trust format for Business Continuity Planning to more closely align Health and Social Care. CFW Directors are</li> </ul>
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				<p>in favour of this and it features in the quarterly Business Continuity update to TPR, 23 February 2016.</p> <ul style="list-style-type: none"> <li>• A spread sheet outlining the structure of the Council highlights the current status of business continuity planning across the Authority, using the Red, Amber and Green (RAG) system.</li> <li>• Trafford and Manchester City Council are working in collaboration to determine a future strategy for ICT Disaster Recovery (DR) based on either Pooling of Resources (both people and physical assets) ideally with the addition of at least one other AGMA Authority or utilising a procured managed service for Data Centre services that would move both Authorities to a more Cloud based Service incorporating DR with the option for other AGMA Authorities to utilise the service.</li> <li>• In addition Trafford are exploring an option to exploit Davyhulme library as an alternative backup site to the existing Sale Waterside location for Data and potentially services.</li> </ul>
<b>New 15</b>	<p>CAMHS - higher number of children and young people waiting at Tier 3 level to receive intervention.</p> <p>(CFW)/(Children's Services)</p>	<b>12 Medium</b>		<p>Recruitment, ICT issues and implementation of Service Review resulted in skills loss (Cognitive Behavioural Therapy (CBT) and individual therapeutic skills) and impact on waiting times which could have significant consequences/ serious harm to vulnerable children and young people and/ or reputational damage.</p> <p>Actions put in place to mitigate risks include:</p> <ul style="list-style-type: none"> <li>• Establishment of CAMHS Waiting List Monitoring Group</li> <li>• Analysis of children and young people currently on CAMHS waiting list</li> <li>• Skills shortage/ recruitment of permanent staff – 2 staff appointed and one vacancy re-advertised to replace loss of expertise. Use of agency staff as temporary backfill and covering on-call/ skills match (CBT/ Anxiety/ DBT)</li> <li>• Review of current waiting list/ assessment of all children/ young people who have been waiting over 18 weeks. Communication to all waiting 18+ weeks on progress</li> <li>• Transfer all cases from existing access data base to Share Point in preparation for migration/ roll out of EMIS</li> <li>• Consult with CAMHS staff on re-design of service</li> </ul>

				<ul style="list-style-type: none"> <li>• Implement recommendations from CAHMS Review (from April 2016)</li> <li>• Updates are received by Trafford (and Pennine Care) and Health Information Governance Groups.</li> </ul>
16	<p>Inability to meet Trafford residents' requests to have burials within the local area due to insufficient land.</p> <p>(EGEI)/(Environment and Operations)</p>	<p><b>12</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• Terms agreed to purchase additional land from the National Trust at Whitehouse Lane Dunham Massey.</li> <li>• Executive Member decision taken on 05 May 2015.</li> <li>• Legal are instructed and are in contact with the National Trust solicitors.</li> <li>• The planning application was submitted in October 2015.</li> <li>• Following a request for more information from the Environment Agency (EA) relating to the water table in two of the five plots, the planning application was withdrawn.</li> <li>• A hydro-geotechnical survey has been commissioned with a view to resubmitting the application as soon as possible.</li> <li>• The survey will commence on the 23<sup>rd</sup> February with work expected to be completed by 4<sup>th</sup> April 2016.</li> <li>• Once recommendations from EA have been received a new landscape scheme will be devised to maximise the land available for burials and looking at other options to meet the needs of bereavement services and residents.</li> <li>• It is anticipated that the planning application will be submitted in June 2016.</li> </ul>
17	<p>A successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the councils computing services or severe degradation or loss of control of those services.</p> <p>T&amp;R)/(Transformation and Resources)</p>	<p><b>15</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• Trafford will continue to operate in an assumed state of compromise in that there should always be a presumption that our network boundaries both internal and external are vulnerable.</li> <li>• All information sources and systems within the Council should have an identified owner.</li> <li>• The Council will continually address issues that may affect our ability to detect and respond to threatening cyber activity e.g. continually review our ISP Providers and their effectiveness; currently JANET</li> <li>• Trafford will create a culture in which the security of technology, information and business process is assessed and verified from the point of inception through to delivery use and disposal.</li> <li>• We will not restrict innovation in the council by managing rather than avoiding all risk.</li> <li>• We will seek expert guidance when appropriate and collaborate with central and local government bodies to benefit from tried and</li> </ul>

				<p>tested approaches, knowledge, wisdom and learned experience.</p> <ul style="list-style-type: none"> <li>• Investment has been submitted in the 2016/17 Capital Plan to maintain and update the Councils Firewall defences. Work will commence immediately in February 2016.</li> <li>• The Council will seek via Procurement an established Security Partner to help manage, monitor and develop Trafford's Security defences as well as ensuring Trafford maintains its compliance with PSN.</li> </ul>
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\* Note: This indicates the direction of travel in respect of performance in managing the risk and not direction of travel of the risk level.

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**Report to: Executive**  
**Date: 21 March 2016**  
**Report for: Information**  
**Report of: The Executive Member for Finance and the Chief Finance Officer**

**Report Title:**

Revenue Budget Monitoring 2015/16 – Period 10 (April 2015 to January 2016).

**Summary:**

The approved revenue budget for the year is £148.914m. The forecast for the end of the year, as projected following ten months of activity, is £144.467m being a net underspend of £(4.447)m, (3.0)% of the budget, a favourable movement of £(0.624)m since the last report.

The main areas of budget variance are summarised as follows:

<b>Activity</b>	<b>Forecast £m</b>	<b>Movement £m</b>
Children’s client care packages	1.6	0.2
Adults client care packages	(0.8)	(0.3)
Rephased base budget savings	0.5	0.2
Vacancy management	(2.5)	(0.2)
Running costs	(1.4)	(0.5)
Treasury Management (incl. Airport dividend and MRP saving)	(3.2)	-
Manchester Airport Group (MAG) interim dividend - transfer to Earmarked Reserve	1.2	-
Minimum Revenue Provision (MRP) saving - transfer to Budget Support Reserve	1.2	-
Business Rates (Council-wide budget)	(0.3)	-
Income	0.0	-
Grants	(0.2)	-
Release of the unallocated general savings contingency budget (Council-wide)	(0.5)	-
<b>Forecasted outturn</b>	<b>(4.4)</b>	<b>(0.6)</b>

**MTFP Savings and increased income**

Total Savings delivered or in progress of £(21.863)m are projected against a target of £(21.584)m, an overachievement of £(0.279)m.

**Reserves**

The opening balance of the General Reserve was £(7.871)m, and after taking into account approved use and commitments, and the Council-wide budget projected outturn, the forecasted closing balance as at 31 March 2016 is £(8.538)m, which is £(2.538)m above the Council established minimum level of £(6.0)m. The MAG interim dividend of £(1.245)m received in December 2015 has been transferred to an

Earmarked Reserve for use in supporting the 2016/17 budget and the MRP saving of £(1.151)m transferred to the Budget Support Reserve. Planned base budget support of £1.850m was also agreed by Council on 17 February 2016 as part of the 2016/17 Budget Report. (see Table 4 below).

In addition, the net service carry forward reserves at the beginning of the year were £(3.642)m, and after taking into account planned use and commitments together with the service Directorates' projected outturn, the forecasted closing balance as at 31 March 2016 is £(3.748)m in surplus.

### **Council Tax**

The surplus brought forward of £(0.773)m, will be increased by an in-year forecast surplus of £(1.392)m. After taking account of the planned use of £0.357m to support the base budget and another £0.100m for backdated valuation and discount appeals, the total surplus forecasted to be carried forward is £(1.708)m. The Council's share of this surplus is £(1.435)m, and is planned to support future budgets in the MTFP.

### **Business Rates**

The latest projection as at 31 January 2016 shows an overall minor reduction in retained business rates for 2015/16 of £0.015m, representing a favourable movement since last month of £(0.110)m. This includes an in-year deficit of £0.285m against the business rate growth forecast made in February 2015, which cannot be brought into the accounts until 2016/17, as well as an increase in income in-year within the Council-wide budget of £(0.270)m (see paragraph 8 below).

### **Recommendation(s)**

**It is recommended that:**

- a) Executive notes the latest forecast and planned actions as set out in this report.

### **Contact person for access to background papers and further information:**

David Muggeridge, Finance Manager, Financial Accounting                      Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue expenditure to be contained within available resources in 2015/16.
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	Not applicable
Risk Management Implications	Not applicable
Health and Safety Implications	Not applicable

Chief Finance Officer .....NB.....

Legal Officer .....HAK.....

DIRECTOR'S SIGNATURE  .....

## Budget Monitoring - Financial Results

1. The budget as approved at the 18 February 2015 Council meeting is £148.914m. Based on the budget monitoring for the first 10 months of the year, the overall forecast for the year is £144.467m, being an underspend of £(4.447)m, (3.0)%, a favourable movement of £(0.624)m since the last report.
2. The details of service variances can be found in Annexes 1 to 3, and for Council-wide, Annex 4:

<b>Table 1: Budget Monitoring results by Directorate</b>	<b>Year end Forecast (£000's)</b>	<b>Percentage %</b>	<b>Period Movement (£000's)</b>	<b>Annex</b>
CFW – Children's Services	1,162	4.1%	9	1
CFW – Adult Social Services	(2,457)	(5.0)%	(215)	1
CFW – Public Health	191	22.0%	191	1
Economic Growth, Environment & Infrastructure	(715)	(2.2)%	(157)	2
Transformation & Resources	(761)	(4.5)%	(113)	3
<b>Total Service Variances</b>	<b>(2,580)</b>	<b>(2.1)%</b>	<b>(285)</b>	
Council-wide budgets	(4,263)	(18.0)%	(339)	4
MAG interim dividend - transferred to MAG Dividend Reserve	1,245	-	0	4
MRP saving – transferred to Budget Support Reserve	1,151	-	0	4
<b>Estimated outturn variance (period 10)</b>	<b>(4,447)</b>	<b>(3.0)%</b>	<b>(624)</b>	

*CFW – Children, Families & Wellbeing*

<b>Table 2: Budget Monitoring results by Executive Portfolio Holder</b>	<b>Year end Forecast (£000's)</b>	<b>Percentage %</b>	<b>Period Movement (£000's)</b>
Children's Services	1,162	4.1%	9
Adult Social Services	(2,457)	(5.0)%	(215)
Community Health & Wellbeing	191	22.0%	191
Environment & Operations	(348)	(1.3)%	(64)
Economic Growth & Planning	(367)	(8.0)%	(93)
Communities & Partnerships	44	1.7%	8
Transformation & Resources	(508)	(5.1)%	(115)
Finance	(4,560)	(16.2)%	(345)
MAG interim dividend - transferred to MAG Dividend Reserve	1,245	-	0
MRP saving – transferred to Budget Support Reserve	1,151	-	0
<b>Estimated outturn variance (period 10)</b>	<b>(4,447)</b>	<b>(3.0)%</b>	<b>(624)</b>

### Key month on month variations

3. The key variances contributing to the period movement of a favourable £(0.624)m are:
- Children's Services - additional client costs of £0.152m, including an increase in placements in external Children's homes.
  - Children's Services – favourable movement of £(0.193)m relating to staffing costs, particularly within Children's Social care;
  - Children's Services - other net movements across all services relating to income, £0.108m and running costs, £(0.058);
  - Adult Services – favourable movement of £(0.281)m relating to client cost and activity changes in Long-term clients;
  - Adult Services – adverse movement of £0.098 on staffing costs, partly offset by a reduction in running costs of £(0.044)m across a number of services;
  - Public Health – savings of £0.191m associated with the in-year reduction in Public Health grant of £0.772m will not be achieved (see paragraph 9 below);
  - Economic Growth, Environment & Infrastructure Directorate – a net favourable movement of £(0.157)m across income, staffing and running costs;
  - Transformation & Resources Directorate - favourable movement of £(0.113)m, including the generation of additional income and a reduction in staffing and running costs;
  - Housing and Council Tax Benefits overpayment recovery favourable movement of £(0.306)m;
  - Treasury Management - £(0.063)m additional investment interest;
  - A minor adverse movement of £0.033m relating to the element of Business Rates income retained within the Council-wide budget (see paragraph 8 below);
  - Other minor movements £0.009m.

### MTFP Savings and increased income

4. The 2015/16 budget was based on the achievement of permanent base budget savings and increased income of £(21.584)m, and full details have been included in previous monitoring reports.
5. The latest forecast indicates that total savings of £(21.863)m have been or are projected to be delivered by 31 March 2016. This represents an overachievement against target of £(0.279)m and is an improvement of £(0.043)m since the last report. The favourable movement relates to an increase in the savings against the LD Care Package Review / Reshaping Trafford project.



## Council Tax

6. The 2015/16 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%). The 2015/16 total surplus brought forward was £(0.773)m.
7. As at 31 January 2016 the total in-year surplus is forecasted at £(1.392)m. After taking account of the planned application to support the 2015/16 budget of £0.357m and reductions as a consequence of back-dated valuations and awards of discounts or exemptions of £0.100m, the end of year total balance is forecasted to be £(1.708)m. The Council's share of this is £(1.435)m, being a minor favourable improvement of £(0.005)m since last month.

## Business Rates

8. The Business Rate Retention Scheme and the financial impact on the Council has been shown in detail in previous monthly reports. The latest projection as at 31 January 2016 shows an overall minor reduction in retained business rates for 2015/16 of £0.015m compared to budget and is made up of:
  - the retained element of in-year business rate growth of £(1.526)m which is £0.285m below estimate, a favourable movement of £(0.143)m since last month, due to an increase in the projected net yield. This element will be carried forward within the Collection Fund at the end of the year.
  - the net effect of Section 31 grant (after the deduction of the levy) is £(0.270)m, an adverse movement of £0.033m on last month, and is included in the Council-wide budget monitoring projection in Annex 4.

## Public Health

9. The Government announced on 4 June 2015 that it was seeking in-year public expenditure reductions of £3.1 billion and this included an amount of £200 million in respect of Public Health. Trafford's share of this reduction is £0.772m. After a detailed review scope to manage £0.581m of this reduction has been identified within the Public Health budget on a one-off basis for the 2015/16 financial year, the remaining £0.191m will be met from within the overall CFW budget underspend. The in-year reduction is recurrent, and a plan to reduce expenditure by £0.772m has been incorporated into the 2016/17 budget planning cycle.
10. Funding of £1.642m was transferred to the Council on 1<sup>st</sup> October 2015 relating to the national transfer of responsibilities relating to 0-5 year old Health Visiting and Family Nurse Partnership services. This has increased the gross funding for Public Health to £11.699m in 2015/16.

## Reserves

11. The General Reserve balance brought forward is £(7.9)m, against which there are planned commitments up to the end of 2015/16 of £1.2m. The addition of the Council-wide underspend of £(1.8)m provides for a projected balance as at 31 March 2016 of £(8.5)m, being £(2.5)m above the approved minimum level of £(6.0)m. The interim dividend of £(1.245)m has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget and the MRP saving of £(1.151)m transferred to the Budget Support Reserve:

<b>Table 4 : General Reserve Movements</b>	<b>(£000's)</b>
<b>Balance 31 March 2015</b>	<b>(7,871)</b>
<b>Commitments in 2015/16:</b>	
- Planned use for 2015/16 Budget	1,000
- Planned use for one-off projects 2015/16	200
- Council-wide budgets underspend	(1,867)
- Interim MAG Dividend 2015/16	(1,245)
- Transfer to MAG Dividend Reserve	1,245
- Minimum Revenue Provision (MRP) saving	(1,151)
- Transfer to Budget Support Reserve	1,151
<b>Balance 31 March 2016</b>	<b>(8,538)</b>

12. The planned base budget support from the General Reserve in 2016/17 of £1.850m was also agreed by Council on 17 February 2016 as part of the 2016/17 Budget Report.
13. Service balances brought forward from 2014/15 were a net £(3.642)m. After planned use to support one-off projects and adjusting for the estimated outturn, there is a projected net surplus of £(3.748)m to be carried forward to 2016/17 (Table 5).

	<b>b/f 1 April 2015 (£000's)</b>	<b>Forecast Movement in-year (£000's)</b>	<b>Forecast Balance as at 31 March 2016 (£000's)</b>
<b>Table 5: Service balances</b>			
Communities, Families & Wellbeing	(403)	(1,062)	(1,465) *
Economic Growth, Environment & Infrastructure	(1,738)	1,221	(517)
Transformation & Resources	(1,501)	(265)	(1,766)
<b>Total (Surplus)/Deficit</b>	<b>(3,642)</b>	<b>(106)</b>	<b>(3,748)</b>

\* It is proposed that £0.6m of this balance is earmarked for the funding of the CFW Programme Resources Team in 2016/17.

## Recommendations

14. It is recommended that the Executive notes the latest forecast and planned actions as set out in this report.

## TRAFFORD COUNCIL

Report to: CFW Senior Leadership Team  
 Date: 18<sup>th</sup> February 2016  
 Report for: Discussion  
 Report author: CFW Finance Manager

Report Title:

**Revenue Budget Monitoring 2015/16 – Period 10 (April 2015 to January 2016).**

**1. Forecast Outturn for the Year**

- 1.1 The approved revenue budget for the year is £76.041m and the projected outturn is currently forecast to be £74.937m, which is less than the budget by £(1.104)m, (1.5)%. The current projected underspend includes an overspend of £1.162m on Children's Services and an underspend of £(2.266)m on Adults.
- 1.2 The forecast variance for Period 9 was £(1.089)m and this represents a favourable movement of £(0.015)m since last reported.
- 1.3 The savings target for CFW in 2015/16 is £(15.612)m. The latest forecasts anticipate savings of £(16.148)m to be achieved. This will be a major achievement to overachieve against the target of £(15.612)m and provides a high level of assurance about the robustness of financial planning and effective delivery of transformation projects within the Directorate.

**2 Summary of Variances**

- 2.1 The main forecast outturn variances (over £100k) are summarised below with more detail provided in Appendix 1.
- 2.2 **CHILDREN'S SERVICES**  
**The overall variance for Children's Services is an adverse £1.162m and the main areas (over £100k) are analysed below:-**

**(a) Children's Social Services (including Children with Complex Needs) - £1.615m adverse variance**

- There is a forecast overspend of £1.621m on client care packages as analysed in Appendix 2. The main variances relate to an adverse variance of £1.378m relating to external children's homes, even though this is as a result of only 7.25 additional placements over the year, indicating the volatility of this particular budget and £0.230m for welfare secure places which relates to 0.71 additional places. The increase in both these costs is due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. There is also an adverse variance of £0.211m on agency foster placements which equates to 4.71 placements. Also included in the £1.621m above is a favourable variance of £(0.180)m in relation to the low numbers of Trafford children in need of adoptive placements.

However, this is counterbalanced by a projected shortfall in adoption income of £0.385m. It has now become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption.

- Robust management action is in place to scrutinise each individual placement to ensure it is appropriate to meet needs. We are also exploring collaborative ways of managing the external market as costs have increased substantially due to the increased demand for places. We have implemented an 'Edge of Care Strategy' that supports children and young people to remain at home and developing that into a broader project as part of the CFW transformation programme.
- The actions as outlined in previous monitoring reports continue to take place in managing Children in Care placements.
- Favourable variance in staffing costs of £(0.190)m due to staff turnover and vacancies across this service area.

**(b) Education Early Years - favourable variance £(0.169)m**

Favourable variance due mainly to staffing underspends and additional income.

**(c) Commissioning running costs - favourable variance £(0.207)m**

Forecast underspend due to personalisation and supporting people contracts.

### **Movement from previous period**

The period 10 variance compared to that last reported is £0.009m adverse. The main reasons for the change (over £20k) are:-

- Children's Social Services – adverse movement of £0.086m due to increase in projected overspend on client care packages £0.180m, reduction in staffing costs £(0.055) and other minor variances £(0.039m).
- Children with Complex and additional needs – favourable movement of £(0.081)m due to reduction in staffing costs £(0.036m) and other minor variances £(0.045)m.
- Early Help Delivery Model – adverse movement of £0.029m due to a reduction in income.

### 2.3 ADULTS' SERVICES

The overall variance for Adults' Services is £(2.266)m favourable and the main variances (over £100k) are analysed below:

- Long Term Support – client costs favourable variance £(0.720)m. The forecast is based on those clients who have received packages of care in the year to date which may have closed and those currently open within the Liquid Logic system projected for the remainder of the year. An adjustment has been made of £(0.089)m for savings which are expected to be made against client costs for the remainder of the year based on Transformation projections.
- Social Support (Carers and Adult Placement) – favourable variance £(0.440)m following renegotiation of a contract and funding from the Care Act grant.
- Social Care Activities – Care Management - favourable variance £(0.861)m. £(0.389)m is as a result of over achievement of staff savings within the reablement transformation project. The remainder is generated by the use of Care Act grant, staff turnover and vacancies across a wide range of care management services (see CFW 8 in appendix 1).
- Information and Early Intervention - favourable variance £(0.371)m due to an underspend in Extra Care as a result of a delay in implementation of the Old Trafford scheme to 2017 of £(0.279)m, vacancies within the benefits advice team of £(0.082)m and other minor variances £(0.010)m.
- Commissioning and Service Delivery – favourable variance £(0.296)m arising from vacancies in the service following the Commissioning restructure.
- Department of Health funding and unallocated savings – adverse variance £0.260m due to the underachievement of the Integrated Health & Social Care saving. This savings proposal is now subsumed within the wider discussion with Pennine Care about their integration of a wide range of services. The savings in the current year will be £(0.240)m against an original target of £(0.500)m.
- Public Health – adverse variance of £0.191m, after a detailed review the level of in year reduction achievable is £0.581m against the Government reduction of £0.772m (see 2.4).

An analysis of all variances is included in Appendix 1.

#### **Movement from previous period**

The period 10 variance compared to that last reported is £(0.024)m favourable. The main reasons for the change (over £20k) are:-

- Long- term client costs – favourable movement of £(0.281)m as a result of client cost and activity changes. This projection is based on the current portfolio of long term clients recorded on the Liquid Logic system plus clients, who have received services in the earlier part of the year, though are no longer receiving services. The projection allows for expected Transition costs

in year of £0.916m and that costs will be offset by further savings of £(0.089)m to be made against client costs over the remainder of the year based on Transformation projections. Further detail on the variance is included in Appendix 4.

- Assistive Equipment & Technology – net favourable movement £(0.046)m due to an anticipated underspend on lift repairs & maintenance £(0.021)m and community alarms £(0.033)m and other minor variations £0.008m
- Social Care Activities (Care Management teams) – adverse movement of £0.091m following a review of vacancies across all teams.
- Public Health – adverse variance of £0.191m, after a detailed review the level of in year reduction achievable is £0.581m against the Government reduction of £0.772m (see 2.4).

## **2.4 PUBLIC HEALTH**

The Public Health budget is financed by a ring-fenced grant. Under the terms and conditions of the grant this must be used for defined Public Health purposes and the current projection is spend will be in line with budget. Any underspend on the grant, should it arise, would be carried forward to 2016/17 for use on Public Health related services.

An announcement of the in-year budget reduction for Public Health was made by the Government in November 2015. Nationally this is £200m and the impact for Trafford Council is a reduction of £0.772m.

After a detailed review scope to manage £0.581m of this reduction has been identified within the Public Health budget on a one-off basis for the 2015/16 financial year, the remaining £0.191m being met from within the overall CFW budget underspend. The in-year reduction is recurrent, and a plan to reduce expenditure by £0.772m has been incorporated into the 2016/17 budget planning cycle.

Funding of £1.642m has been transferred to the Council on 1<sup>st</sup> October 2015 relating to the national transfer of responsibilities relating to 0-5 year old Health Visiting and Family Nurse Partnership services. This will increase the gross funding for Public Health to £11.699m in 2015/16.

## **3. Forecasting, Assumptions and Risk**

### **3.1 2015/16 Base Budget Savings**

The Council's overall budget for 2015/16 includes £(21.584)m of savings of which £(15.612)m relates to CFW. The table in Appendix 2 shows the current assumptions made regarding the delivery of in-year savings targets within the forecasts set out in this report.

The current projection is that against the target of £(15.612)m, savings of £(16.148)m will be made, which is an increase of £(0.043)m on the previous forecast at month 9.

Within the gross shortfall of £0.187m for the Early Help model, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which has been met from a temporary budget virement from the general savings contingency in Council-wide. The remaining amount of £0.114m will be met via one-off funding from

Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings. The on-going cost of the Sale West and Old Trafford Youth Centres has now been included in the 2016/17 Budget. The full breakdown of the projections for individual initiatives is included in Appendix 3.

Included within the overall forecast are savings yet to be realised of £(0.089)m in respect of the 'Reshaping Trafford Care' projects.

This will be a major achievement to overachieve against the target of £(15.612)m and provides a high level of assurance about the robustness of financial planning and effective delivery of transformation projects within the Directorate.

### **3.2 Good Practice Examples**

In relation to the savings programme, there are a number of examples of management interventions that are having a substantial impact on the financial position of the Directorate. These include;

**3.2.1 Reshaping Social Care:** The Directorate has successfully driven down commitments against care packages in line with the reshaping social care policy change agreed by the Council since April 2015. The implementation of reshaping principles is being applied as each new case is presented and as all cases go through their reassessment during the year. The reshaping programme is supporting the directorate to review the commissioning requirements going forward, as we drive the promotion of independence and self-care. The work is underpinning the development of 2016/17 savings options and we are already seeing a significant impact since the new policy was implemented in April 2015.

Each individual situation is different and an assessment of need always occurs before any changes are made and the service assures involvement of the individual and their family, representatives or advocates. The panel processes are fully embedded as core business. The new robust timely debt recovery process ensures an individual's contributions to their care are confirmed early in the process and new debt is identified at the earliest stage. Any debt is a key factor in funding panel decisions.

Innovative solutions to meeting need are being used to promote increased independence, support carers and focus social care funding to the appropriate areas. For example, a new application is being used to support families to ensure that they can assure themselves of their elderly family member's whereabouts and reduce worries about wandering. This ultimately prevents an admission to residential care.

**3.2.2 Reshaping Social Care (Learning Disabilities):** The Directorate has built upon the principles of the Reshaping Social Care approach for people with learning disabilities. This is because there are very few new cases, people with learning disabilities receive packages of care for in excess of 60 years and the care packages are more costly. The key principles underpinning the LD approach include best value, promoting and increasing independence and providing services based upon need rather than diagnosis. In this context best value means maximising the use of shared hours in group living situations and considering increasing care provision short-term to maximise skill development, leading to a reduction in care package costs. Promoting independence means developing an enabling risk management approach with providers and supporting the long term development of skills. Providing services based upon need rather than diagnosis particularly refers to frail older people with learning disabilities whose needs are predominantly those of an older person and who may be better placed in older peoples' services rather than an enhanced learning disability service. These changes are extremely complex to implement as they need to

be negotiated with families and service providers and have also been subject to challenge through the complaints and appeals systems. However the approach has the potential to deliver substantial savings whilst maintaining care and often increasing the quality of life of the service user.

**3.2.3 Reshaping Children in Care:** A Children in Care placement review has been established to address the placement budget pressures and to determine improved decision making and commissioning processes. The governance and reporting arrangements are in place through the Senior Reporting Officer (SRO) and the acting Joint Director of Children's Social Care. The commissioning team are leading the work and have already completed some initial analysis and comparative review with near statistical neighbours. The work to date identifies areas of spend that could be controlled through different contracting arrangements and placement identification which will feed into the overall project recommendations.

### **3.3 Adult Care Packages**

A new basis of financial reporting has been introduced from April 2015 following the implementation of the Liquid Logic client record system and the associated financial modules under ContrOCC. A considerable amount of effort has been made to bring the system into service and it is a major change for budget holders and other staff involved in the budget monitoring process. There are already benefits arising from the system.

The total budget for Long Term and Short Term client costs is £39.3m which represents 82% of the total CFW Adults budget of £47.9m. The average number of service users over the 10 months is 2,555 though this will fluctuate on a monthly basis going forward. Details of these are shown in Appendix 4.

The Liquid Logic/ContrOCC system gives speedier and more flexible reporting and its potential is continuing to be developed.

### **3.4 Continuing Health Care (CHC)**

Where a client becomes eligible for Continuing Health Care a robust process is in place to ensure the relevant actions are completed. A number of retrospective claims have been made in respect of CHC and the impact of these have been reflected in the monitoring position, which gives a one-off financial benefit for the backdated period. The CCG are revising the terms of reference and financial approval process as the retrospective claims are starting to be addressed.

### **3.5 Homecare packages**

The cost of homecare packages, like other care line items, is calculated by reference to the number of clients in receipt of that service at the time of producing the monitoring report. However, experience shows that in a number of cases, the planned package will not be required for the full year and as a result a reduction in costs of 2% is allowed for.

### **3.6 Care Act**

The first phase of changes under the Care Act was introduced in April 2015. A Care Act implementation grant was made available to all upper tier authorities and the Council's grant was £(1.227)m. The use of funding is being monitored and the current assumption for Period 10 is that the funding will be fully utilised in 2015/16.



### 3.7 Better Care Fund

Under the terms of the Better Care Fund agreement with the CCG, the Council secured £(2.0)m for the protection of social care services. A national condition of the funding allocated for the Better Care Fund is that collectively the CCG and Council should achieve targeted reductions of at least 3.5% in non-elective admissions. Should these reductions not be achieved, then funding allocated in respect of performance would not be released by NHS England and the CCG would be obliged to transfer this to the acute sector. The amount of BCF funding in the BCF agreement relating to performance is £(1.319)m and the Council carries the risk of 30% of funding based on the agreed risk share of 70/30 between the CCG and the Council; this equates to circa £0.400m in 2015/16.

Information on non-elective admissions for quarters 1, 2 and 3 have confirmed that planned reductions have not been met, which if this continues for the remainder of the year, means that there is a risk to BCF funding of £0.400m. This potential shortfall has been set aside as an earmarked reserve, therefore the full £2.0m transfer of funding to the Council is reflected in the forecast.

## 4 Learning Disabilities (LD) Pooled Fund

4.1 The LD Pooled fund deficit was written down at the end of 2014/15. The fund is therefore in balance at the start of the year and is expected to underspend by £(0.512)m in 2015/16. This balance is being retained by the Council to offset the costs of the previous deficit. It is therefore included in the forecast outturn figures included in this report.

## 5 Reserves

5.1 At the beginning of April 2015 the Children, Families and Wellbeing Directorate has accumulated balances of £(1.729)m carried forward from previous financial years.

5.2 The carry-forward balances and expected end of the year position is as follows:

	<b>DSG (£000's)</b>	<b>CFW (£000's)</b>
Balance b/f 1 April 2015	(1,326)	(403)
Reserves used to balance budget	163	
Stronger Families Grant		(468)
Stronger Families Commitments 15/16		345
Specific commitments in 15/16		165
P10 Forecast Outturn 15/16	514	(1,104)
<b>Balance c/f 31 March 2016</b>	<b>(649)</b>	<b>(1,465)</b>
<b><u>Commitments 16/17</u></b>		
Stronger Families		123
Transformation Programme		600
<b>Total</b>		<b>723</b>

The forecast position as at the 31<sup>st</sup> March 2016 for CFW is a balance of £(1.465)m of which £0.123 is committed for stronger families in 2016/17 and it is proposed that £0.600m is earmarked for the funding of the CFW Programme Resources Team in 2016/17.

### Period 10 Projected Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted 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)	P10 Forecast Outturn (£000's)	P10 Outturn variance (£000's)	P9 Outturn variance (£000's)	Period Movement (£000's)	Ref
<b>Children's Services Portfolio – DSG Element</b>						
Dedicated Schools Grant	0	514	514	856	(342)	CFW1
Transfer to Dedicated Schools Grant Reserve	0	(514)	(514)	(856)	342	CFW1
<b>Sub-total – DSG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Children's Services Portfolio – Non DSG Element</b>						
Education Early Years' Service	4,923	4,754	(169)	(161)	(8)	CFW3
Children's Social Services	17,221	19,111	1,890	1,804	86	CFW2
Children with Complex & Additional Needs	1,288	1,013	(275)	(194)	(81)	CFW2
Commissioning	1,784	1,577	(207)	(209)	2	CFW3
Multi Agency Referral & Assessment Service (MARAS)	1,649	1,626	(23)	(4)	(19)	CFW3
Youth Offending Service	271	271	0	0	0	CFW3
Early Help Delivery Model	959	905	(54)	(83)	29	CFW3
						CFW3
<b>Sub-total – Non DSG</b>	<b>28,095</b>	<b>29,257</b>	<b>1,162</b>	<b>1,153</b>	<b>9</b>	
<b>CFW Children's Total</b>	<b>28,095</b>	<b>29,257</b>	<b>1,162</b>	<b>1,153</b>	<b>9</b>	

<b>Budget Book Format (Objective analysis)</b>	<b>Full Year Revised Budget (£000's)</b>	<b>P10 Forecast Outturn (£000's)</b>	<b>P10 Outturn variance (£000's)</b>	<b>P9 Outturn variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Adult Social Services Portfolio</b>						
Long Term Support – client costs	38,757	38,037	(720)	(439)	(281)	CFW4
Short Term Support – client costs	557	521	(36)	(48)	12	CFW5
Social Support – Adult Placement / Carers Commissioned services	849	409	(440)	(438)	(2)	CFW6
Assistive Equipment & Technology	1,473	1,480	7	53	(46)	CFW7
Social Care Activities – Care Management	11,804	10,943	(861)	(952)	91	CFW8
Information and Early Intervention – Preventative Services	934	563	(371)	(367)	(4)	CFW9
Commissioning and Service Delivery	767	471	(296)	(311)	15	CFW10
Non-Adult Social Care – Supporting People	0	0	0	0	0	CFW11
PH Funding and un-allocated savings (Note 1)	(6,328)	(6,068)	260	260	0	CFW12
<b>CFW Adults Total</b>	<b>48,813</b>	<b>46,356</b>	<b>(2,457)</b>	<b>(2,242)</b>	<b>(215)</b>	
<b>Community Health &amp; Wellbeing Portfolio</b>						
Public Health	(867)	(676)	191	0	191	CFW13
<b>CFW Public Health Total</b>	<b>(867)</b>	<b>(676)</b>	<b>191</b>	<b>0</b>	<b>191</b>	
<b>CFW Total</b>	<b>76,041</b>	<b>74,937</b>	<b>(1,104)</b>	<b>(1,089)</b>	<b>(15)</b>	

<b>Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Children's</b>				
Management of staff budgets	(379)	(186)	(193)	CFW2, CFW3
Transport Costs	74	74	0	CFW3
Client Need	1,621	1,469	152	CFW2
YOS Remand Placements	(63)	(70)	7	CFW2
Income	148	40	108	CFW2
Other running costs	(239)	(174)	(65)	CFW2, CFW3
<b>Total Children's</b>	<b>1,162</b>	<b>1,153</b>	<b>9</b>	
<b>Adults</b>				
Management of staff budgets	(1,158)	(1,256)	98	CFW8, 10
Client Need	(756)	(487)	(269)	CFW4, CFW5
Other running costs	(543)	(499)	(44)	CFW6,7,9,10, CFW11
<b>Total Adults</b>	<b>(2,457)</b>	<b>(2,242)</b>	<b>(215)</b>	
<b>Public Health</b>	<b>191</b>	<b>0</b>	<b>191</b>	
<b>Total CFW</b>	<b>(1,104)</b>	<b>(1,089)</b>	<b>(15)</b>	

## NOTES ON VARIANCES AND PERIOD MOVEMENTS

### CHILDREN'S SERVICES

#### **CFW1 – DSG Reserve b/fwd.**

- The anticipated overspend within DSG is projected to be £0.514m representing a reduction to the overspend reported at period 9 of £(0.342)m due to reduced expenditure within the high needs area. The estimated DSG reserve balance at year-end is now forecast to be £(0.649)m. The greatest pressure on the DSG is increasing numbers in SEN and the High Needs Block of the DSG being frozen. The significant reliance on the DSG reserve has been addressed for 2016/17 by reviewing school allocations and this has been agreed by the schools Funding Forum on 19 January 2015. A consultation on a new funding formula for schools is expected shortly and it is hoped this will address the low funding position of Trafford schools.

#### **CFW2 – Children's Social Services (Including CAN) £1.615m adverse variance**

- There is a projected overspend of £1.621m, on client care packages as analysed in the table in Appendix 2. The main variances are in respect of welfare secure places, external children's homes, agency foster care and adoption places. The increases in cost are due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. £1.378m of the projected variance relates to external children's homes even though this is as a result of only 7.25 additional placements over the year, indicating the volatility of this particular budget. There is an adverse variance of £0.230m for welfare secure places which relates to 0.71 additional places. There is also an adverse variance of £0.211m on agency foster placements which equates to 4.71 placements; this reflects a national trend following high profile reports into major failings such as at Rotherham. There is a favourable variance of £(0.180)m in relation to the low numbers of Trafford children in need of adoptive placements. This significant reduction has had an impact on numbers of children placed for adoption.
- There is a projected shortfall in adoption income of £0.385m, although this is partially offset by the reduction in adoption costs referenced above. It has become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption. We are currently developing an expression of interest with neighbouring LA's to for a Regional Adoption Agency in line with national policy.
- Staffing costs underspend on Children's social care £(0.190)m.
- There is additional income for CAN placements of £(0.089)m as a result of Continuing Health Care assessments that have identified eligible expenditure for children with complex health needs,

- General running costs favourable variance £(0.085)m.
- Other variances - adoption grant £(0.027)m.

### **CFW3 – Various - £(0.453)m favourable**

#### **Education Early Years**

- Favourable variance due mainly to staffing underspends £(0.169)m.

#### **Commissioning running costs**

- Forecast underspend on personalisation and supporting people contracts £(0.207)m.

#### **MARAS**

- Favourable variance due to staffing £(0.023)m.

#### **Early Help Delivery Model**

- Forecast saving £(0.054)m due to increased income.

### **ADULTS' SERVICES**

### **CFW4 – Long term client costs - £(0.720)m favourable**

- The forecast is based on those clients who have received packages of care in the year to date which may have closed and those currently open within the Liquid Logic system projected for the remainder of the year. An adjustment has been made of £(0.089)m for savings which are expected to be made against client costs for the remainder of the year based on Transformation projections. Further details on client costs are included in Appendix 4.

### **CFW5 – Short term client costs - £(0.036)m favourable**

- The forecast is based on those clients who have received packages of care in the year to date which may have closed and those currently open within the Liquid Logic system projected for the remainder of the year.

### **CFW6 – Social Support – Adult Placement / Carers - £(0.440)m favourable**

- Renegotiation of contracts and funding through the Care Act grant £(0.428)m.
- Other minor variances £(0.012)m.

### **CFW7 – Assistive Equipment & Technology - £0.007m adverse**

- High volume of minor adaptations £0.131m.
- Purchase of equipment for the one stop resource centre £0.023m
- The service is taking the opportunity to capitalise expenditure associated with major aids and adaptations £(0.100)m

- Community alarms £(0.033)m
- Lift repair and maintenance £(0.021)m

#### **CFW8 – Social Care Activities – Care Management teams - £(0.861)m favourable**

Vacant posts and other staffing related savings across the following teams:

- Pathways and Network £(0.167)m;
- Ascot House £(0.056)m;
- Community MH Organic team £(0.080)m;
- Community Mental Health team £(0.023)m;
- Community Social Work team £(0.224)m;
- CLDT team £(0.067)m;
- Emergency Duty Team £0.035m;
- Service manager posts £0.051m;
- Reablement £(0.389)m;
- Screening team £0.060m;
- Direct Payments team £(0.011)m;
- Other minor variances £0.010m.

#### **CFW9 – Information and Early Intervention - £(0.371)m favourable**

- Extra Care Housing – underspend as Old Trafford scheme will not be operational until 2017 £(0.279)m.
- Vacancies within the benefits advice team £(0.082)m.
- Other minor variances £(0.010)m.

#### **CFW10 – Commissioning & Service Delivery - £(0.296)m favourable**

- Commissioning Restructure – saving arising from restructure and vacancies in the service £(0.296)m.

#### **CFW11 – Non-Adult Social Care - £Nil**

- Overall projected to be in line with budget.

#### **CFW12- DH Funding and un-allocated savings - £0.260 adverse**

- Due to the underachievement of the Integrated Health & Social Care saving. This savings proposal is now subsumed within the wider discussion with Pennine Care about their integration of a wide range of services. The savings in the current year will be £(0.240)m against an original target of £(0.500)m.

#### **CFW13 – Public Health - £0.191m adverse**

- After a detailed review the level of in year reduction achievable is £0.581m against the Government reduction of £0.772m.

## Client Care Packages Forecast: Month 10

Service	Budget Service Users (No.)	Budget Average weekly cost (£)	Gross Budget (£000's)	Actual Service Users (No.)	Average weekly cost (£)	Actual Gross Forecast (£000's)	Variance Service Users (No.)	Variance Gross Forecast (£000's)
Welfare Secure	0.34	5,081	90	1.05	5,861	320	0.71	230
External Children's Homes	5.86	3,048	929	13.11	3,384	2,307	7.25	1,378
Agency Foster Care	32.89	884	1,513	37.60	882	1,724	4.71	211
In-house Foster Care	94.68	319	1,570	85.98	320	1,432	(8.70)	(138)
Family and Friend Foster Care	112.04	218	1,271	111.95	234	1,360	(0.09)	89
Asylum Seekers	0.00	0	0	0.00	0	0	0.00	0
Special Guardianship	29.00	152	229	29.52	152	234	0.52	5
Assisted Residence Allowances	24.00	107	133	20.44	112	119	(3.56)	(14)
Aftercare	n/a		381	n/a		457	n/a	76
Supported Lodges	n/a		325	n/a		306	n/a	(19)
Youth Homeless	n/a		193	n/a		262	n/a	69
Adoption	13.00		923	10.00		743	(3.00)	(180)
CAN Respite	1.96	1,931	210	1.36	2,771	196	(0.60)	(14)
CAN Long Term Care	4.91	2,436	594	4.85	2,383	601	(0.06)	7
CAN Home from Home	n/a		161	n/a		158	n/a	(3)
CAN Direct Payments/Personalisation	n/a		367	n/a		291	n/a	(76)
<b>Total</b>			<b>8,889</b>			<b>10,510</b>		<b>1,621</b>



## Savings forecast: Month 10

CFW Rebased Savings 2015/16		2015/16 Revised Reduction (£000's)	Forecast Saving (£000's)	Variance (£000's)
Children with Complex Needs – use of personalisation	CS	(200)	(208)	(8)
Children in Care – expansion of in-house Children's home	CS	(50)	0	50
Home to School Transport	CS	(400)	(400)	-
Market Management	CS	(200)	(200)	-
Music Service	CS	(30)	(30)	-
Educational Psychology	CS	(100)	(100)	-
Governor Services	CS	(5)	(5)	-
Commissioning – reduction in multi-agency contracts	CS	(126)	(126)	-
Education Early Years – Early Help	CS	(3,079)	(2,892)	187
Education Early Years – Re-organisation	CS	(377)	(377)	-
Youth Offending Service	CS	(130)	(130)	-
<b>Sub-total Children Services</b>		<b>(4,697)</b>	<b>(4,468)</b>	<b>229</b>
Older People – Reablement	AS	(700)	(1,170)	(470)
LD - Re-negotiation of Contracts	AS	(13)	(13)	-
LD – Supported Living	AS	(203)	(203)	-
LD – Acceleration of Re-tendering	AS	(942)	(942)	-
PD – Telecare	AS	(116)	(116)	-
LD – Void Management	AS	(32)	(51)	(19)
Continuing Health Care	AS	(389)	(389)	-
Better Care Fund	AS	(2,000)	(2,000)	-
Voluntary and Community Sector	AS	(59)	(59)	-
LD – Ordinary Residence	AS	(1,082)	(824)	258
LD – Care Package Review	AS	(411)	(2,043)	(794)
Reshaping Trafford	AS	(838)		
LD – Development Fund	AS	(45)	(45)	-
LD – Review of Building Based Support	AS	(72)	(72)	-
Floating Support Service	AS	(230)	(230)	-
Market Management	AS	(915)	(915)	-
Integrated Health & Social Care	AS	(500)	(240)	260
Commissioning – all age structure	AS	(830)	(830)	-
Commissioning – review of non-mandatory services	AS	(1,538)	(1,538)	-
<b>Sub-total Adult Social Care</b>		<b>(10,915)</b>	<b>(11,680)</b>	<b>(765)</b>
<b>Total</b>		<b>(15,612)</b>	<b>(16,148)</b>	<b>(536)</b>

\* Within the gross shortfall of £0.187m, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which has been met from a temporary budget virement from the general savings contingency in Council-wide. The remaining £0.114m will be met via one-off funding from Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings.

Appendix 4

Client Group	Budgeted Annual Cost (£000's)	Service Users (No.)	Average Service Users (No.)	Average Weekly Cost (£)	Forecast Annual Cost (£000's)	Variance (£000's)
<b>Learning Disability</b>						
Community Services	9,955	234	240	767	9,567	(388)
Direct Payments	4,297	209	202	450	4,731	434
Residential/Nursing	5,028	55	56	861	2,507	(2,521)
<b>Sub-total</b>	<b>19,280</b>	<b>498</b>	<b>498</b>	<b>649</b>	<b>16,805</b>	<b>(2,475)</b>
<b>Mental Health Support</b>						
Community Services	1,209	137	137	201	1,431	222
Direct Payments	599	48	46	255	610	11
Residential/Nursing	3,594	166	182	386	3,657	63
<b>Sub-total</b>	<b>5,402</b>	<b>351</b>	<b>365</b>	<b>300</b>	<b>5,698</b>	<b>296</b>
<b>Physical Support</b>						
Community Services	3,548	885	857	86	3,851	303
Direct Payments	2,861	246	243	244	3,082	221
Residential/Nursing	6,325	398	403	331	6,943	618
<b>Sub-total</b>	<b>12,734</b>	<b>1,529</b>	<b>1,503</b>	<b>178</b>	<b>13,876</b>	<b>1,142</b>
<b>Sensory Support</b>						
Community Services	188	73	69	83	299	111
Direct Payments	168	26	23	186	223	55
Residential/Nursing	469	25	29	347	524	55
<b>Sub-total</b>	<b>825</b>	<b>124</b>	<b>121</b>	<b>166</b>	<b>1,046</b>	<b>221</b>
<b>Social Support</b>						
Community Services	153	27	27	56	78	(75)
Direct Payments	124	18	17	214	189	65
Residential/Nursing	174	7	8	300	125	(49)
<b>Sub-total</b>	<b>451</b>	<b>52</b>	<b>52</b>	<b>145</b>	<b>392</b>	<b>(59)</b>
<b>Support with Memory and Cognition</b>						
Community Services	(7)	10	7	47	17	24
Residential/Nursing	72	13	9	434	203	131
<b>Sub-total</b>	<b>65</b>	<b>23</b>	<b>16</b>	<b>481</b>	<b>220</b>	<b>155</b>
<b>Total</b>	<b>38,757</b>	<b>2,577</b>	<b>2,555</b>	<b>286</b>	<b>38,037</b>	<b>(720)</b>

## TRAFFORD MBC

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

**Date:** 25 February 2016

**Report for:** Discussion

**Report author:** Finance Manager

Report Title

## Revenue Budget Monitoring 2015/16 – Period 10 (April 2015 to January 2016)

**1. Forecast Outturn for the Year**

- 1.1 The approved revenue budget for the year is £32.178m. The forecast outturn is £31.463m, which is £(0.715)m under the approved budget. The underspend has increased by £(0.157)m since last reported.
- 1.2 The increased underspend includes £(0.068)m from updated forecasts of staff vacancies, which are in the process of being filled following the restructure of the Directorate during 2015. There is also a £(0.025)m reduction in general running costs and £(0.022)m from the Waste levy which is now forecast to be on target. There is additional income of £(0.022)m from Manchester Airport rent and £(0.040)m from other areas of the let estate, offset by a £0.020m reduction from other income sources across the Directorate.
- 1.3 The approved budget for 2015/16 includes savings of £(2.814)m and all are projected to be delivered in full (paragraph 4). Savings include £(2.250)m from the One Trafford partnership with Amey LG for Environmental, Highways, Street Lighting, Technical and Property Services.
- 1.4 The One Trafford partnership contract commenced on 4th July 2015 for 15 years, and will be monitored through the payment and performance mechanism agreed with Amey as part of the procurement process. The budget monitoring reported for services in-scope will reflect actual and forecast economic activity both before and after the contract start date.
- 1.5 For traded services (catering and cleaning) there is a forecast net surplus of £(0.252)m at the end of March 2016, which is £(0.028)m higher than last reported. 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 is expected to be required to continue investment in the service and in particular improve readiness for the new academic year in September 2016.
- 1.6 The Directorate has brought forward balances of £(1.738)m from previous years (paragraph 3). This will be utilised for one-off budget pressures in 2015/16 and also to support initiatives to protect services and deliver future efficiencies and income generation. The balance after known commitments and the forecast outturn is £(0.517)m.
- 1.7 This is the eighth monitoring report for the 2015/16 and the information available to produce the forecast outturn will continue to be refined and subject to change as the financial year end approaches. The main assumptions included in the financial forecasts are listed in paragraph 5.

## **2. Summary of Variances**

- 2.1 The overall favourable variance of £(0.715)m reflects a number of individual under and overspends across the diverse areas of the Directorate, as detailed in Appendix 1 and summarised below.
- 2.2 A favourable one-off income variance is projected from Oakfield Road car park £(0.200)m, which is £(0.030)m higher than last reported. There is also one-off additional back rent income of £(0.087)m from Stretford Arndale which was notified from the managing agent in November 2015 and relates to 2014/15.
- 2.3 Income from other fees and charges is higher than budgeted for the GM Road Access Permit Scheme £(0.010)m, airport rent £(0.043)m and planning fees £(0.182)m. There are income shortfalls forecast relating to building control £0.096m, bulky and commercial waste £0.010m, parking (including fines) £0.080m. In addition, fee income from capital schemes is £0.132m lower than budgeted for the period before the One Trafford contract start date. Total overall income is forecast to be £(0.218)m above budget, which is £(0.042)m higher than last reported.
- 2.4 There are a number of favourable variances relating to staffing budgets as a result of turnover or vacancy management £(0.402)m. This is a favourable movement of £(0.068)m from last reported across a number of service areas due to updated forecasts of the timing and number of staff starters and leavers expected for the remainder of the year.
- 2.5 Other running costs are projected to be £(0.095)m underspent, which is £(0.047)m less than last reported.
- 2.6 Management action will continue over the financial year end period and into 2016/17 to ensure that essential services are delivered within budget and to seek out opportunities for future financial benefits. This includes:
- Only necessary spending on supplies and services to be approved;
  - Systematic monitoring and evaluation of existing and potential new income streams;
  - Analysis of rechargeable work for both revenue and capital schemes;
  - Additional improvements to efficiency through service redesign and better procurement;
  - Potential to accelerate future savings proposals.

## **3. Reserves**

- 3.1 At the end of 2014/15 the Directorate had a surplus on accumulated balances of £(1.738)m, which was carried forward to 2015/16. This was a result of the successful management of budget pressures and additional income generation in the last three years.
- 3.2 The remaining balance on the EGEI Directorate Reserve after the forecast outturn for 2015/16, future known commitments and re-phasing of projects is £(0.517)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. The reserve may also be required for other one-off budget pressures arising during the year.

<b>Utilisation of Carry forward Reserve 2015/16</b>	<b>(£000's)</b>
EGEI Surplus balance brought forward at 1 April 2015	(1,738)
Commitments	1,936
Period 10 forecast outturn (favourable)	(715)
<b>Balance after known commitments</b>	<b>(517)</b>

#### 4. Savings

- 4.1 The approved Directorate budget includes 2015/16 savings of £(2.814)m, and all are projected to be achieved in full over the financial year, as follows :

	<b>Budget (£000's)</b>	<b>Forecast (£000's)</b>	<b>Variance (£000's)</b>
Efficiencies and others	(2,336)	(2,336)	0
Increased and new income	(324)	(324)	0
Policy Choice	(154)	(154)	0
<b>Total EGEI</b>	<b>(2,814)</b>	<b>(2,814)</b>	<b>0</b>

#### 5. Forecasting and Risk

- 5.1 There are key assumptions and/or areas of risk in producing the forecast outturn. These are listed below but will generally reduce as the financial year progresses and as data becomes confirmed.
- One Trafford partnership – the budget monitoring for services in-scope reflects economic activity both before and after the contract start date of 4<sup>th</sup> July 2015. A number of activities and works cross cut the contract start date (e.g. works in progress), plus a number of temporary arrangements are in place to ensure business continuity during the first contract year (e.g. continued collection of income on behalf of Amey). All related financial transactions are being allocated and recharged between the Council and Amey over the relevant periods.
  - The One Trafford contract is monitored using the payment and performance mechanism agreed as part of the procurement process. This is designed to incentivise performance to the standards agreed and the Council has the ability to deduct fees in cases of non-performance. This forms part of the monthly billing and review process.
  - The wholesale price of energy which the Council procures influences only around 50% of the Council's energy bill. The remainder is influenced by transmission and distribution costs – for example Distribution Use of System Charges are passed on to the Council by the Distribution Network Operator, and are unavoidable. There is hence a risk of unforeseen energy cost increases which are not bound by the Council's contracted prices.
  - Fee income from capital works varies depending on the progress of delivering the approved capital programme during the year. The full year budget assumption from fees is £(2.000)m and this risk has effectively been transferred to Amey from July 2015 for services in-scope of the One Trafford partnership (e.g. Highways and Property). The contract is structured in a way which incentivises Amey to progress in delivering the programme on time. However, the charging of capital fee income will still need to be

monitored against the profile for both the pre and post contract budgets as capital works progress.

- Demand led fees and charges income, such as from Parking, Licensing, Planning and Building Control, will vary based on economic conditions and customer behaviour. All fees and charges are monitored weekly or monthly, with trends and previous profiles used to inform forecasts. For services in-scope of the One Trafford partnership, fee income is guaranteed in the contract price. The Council will also share in any additional income generated by Amey under the contract. Adjustments and recharges are being actioned in the Council's accounts for any income collected on behalf of Amey during the transition period.
- Investment property income – this varies depending on economic factors, and includes income from shopping centres (e.g. Stretford Arndale) where lettings and rents are the responsibility of the owners of the properties. This can include backdated rent income notified by managing agents later in the year. Property is managed by Amey under the One Trafford partnership although the Council is still billing and recovering these rents under the continuing contract transition arrangements.
- Weather related incidents impact on costs and income, particularly during the winter months. This includes increased winter maintenance costs (gritting etc.), pot hole damage to highways, tree and other infrastructure damage. These services are largely in-scope of the One Trafford partnership and this risk has effectively been transferred to Amey under the contract as the service fee payable is fixed for the year in advance. The Directorate has £0.120m in a Winter Maintenance reserve to smooth any exceptional pressures across financial years, if required.
- GM Waste Disposal Authority levy – each month the WDA notifies GM Councils of variances in the actual tonnages of waste delivered compared to that assumed when setting the levy at the start of the year. This results in an additional cost or rebate per Council. Actual tonnages can be affected by weather and also customer behaviour, for example levels of recycling. The latest notification from the WDA indicates disposal costs are estimated in line with budget, which is an improvement from previous reports which had included an estimated £0.022m overspend against budget.

## **6. Recommendations**

- 6.1 It is recommended that the forecast outturn be noted.

**Period 10 Forecast Outturn revenue expenditure and income variances.**

The following tables detail the main variances from the revenue budget to the forecast 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.

<b>Economic Growth, Environment &amp; Infrastructure Budget Book Format (Objective analysis)</b>	<b>Full Year Budget (£000's)</b>	<b>P10 Forecast Outturn (£000's)</b>	<b>P10 Forecast Variance (£000's)</b>	<b>P9 Forecast Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
Highway and Network Management, including Traffic & Transportation	3,413	3,373	(40)	(40)	0	EGEI1
Groundforce	4,201	4,300	99	99	0	EGEI2
Sustainability & Greenspace	335	276	(59)	(64)	5	
Bereavement Services	(1,128)	(1,121)	7	5	2	
Waste Management (incl. WDA levy)	19,561	19,558	(3)	19	(22)	EGEI3
Public Protection & Enforcement	766	762	(4)	10	(14)	
Parking Services	(539)	(733)	(194)	(195)	1	EGEI4
School Crossing Patrols	403	383	(20)	(16)	(4)	
Strategic Support Services	577	443	(134)	(102)	(32)	EGEI5
<b>Sub-total Environment &amp; Operations Portfolio</b>	<b>27,589</b>	<b>27,241</b>	<b>(348)</b>	<b>(284)</b>	<b>(64)</b>	
Property and Development	2,587	2,450	(137)	(75)	(62)	EGEI6
Economic Growth	795	659	(136)	(107)	(29)	EGEI7
Housing Strategy	500	448	(52)	(45)	(7)	EGEI8
Strategic Planning & Development	488	447	(41)	(45)	4	
Planning & Building Control	(146)	(147)	(1)	(2)	1	EGEI9
Directorate Strategic Management	374	374	0	0	0	
<b>Sub-total Economic Growth &amp; Planning Portfolio</b>	<b>4,598</b>	<b>4,231</b>	<b>(367)</b>	<b>(274)</b>	<b>(93)</b>	
<b>Operational Services for Education (Catering &amp; Cleaning Traded Service)</b>	<b>(9)</b>	<b>(9)</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Forecast Outturn Period 10</b>	<b>32,178</b>	<b>31,463</b>	<b>(715)</b>	<b>(558)</b>	<b>(157)</b>	

<b>Economic Growth, Environment &amp; Infrastructure Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Highways and Network Management incl. Traffic &amp; Transportation</b>				
Income shortfall, including moving traffic offences	6	6	0	
GMRAPs income above budget	(10)	(10)	0	
Capital fee income shortfall	75	75	0	
Staff vacancies	(12)	(12)	0	
Running costs	(25)	(25)	0	
Energy – Street Lighting	(60)	(60)	0	
<b>Depot &amp; Business Support</b>				
Supplies & Services	(14)	(14)	0	
<b>Sub-total</b>	<b>(40)</b>	<b>(40)</b>	<b>0</b>	EGE11
<b>Groundforce</b>				
Staffing and Transport costs	55	55	0	
Other running costs – contractors, plant hire, fuel	44	44	0	
<b>Sub-total</b>	<b>99</b>	<b>99</b>	<b>0</b>	EGE12
<b>Sustainability &amp; Greenspace</b>				
Vacancy, supplies & services	(54)	(53)	(1)	
Income above budget	(5)	(11)	6	
<b>Sub-total</b>	<b>(59)</b>	<b>(64)</b>	<b>5</b>	
<b>Bereavement Services</b>				
Staffing and running costs	(40)	(28)	(12)	
Income shortfall	47	33	14	
<b>Sub-total</b>	<b>7</b>	<b>5</b>	<b>2</b>	
<b>Waste Management and Disposal</b>				
Staffing and running costs	(13)	(13)	0	
Income shortfall – bulky and commercial waste	10	10	0	
GM Waste disposal levy	0	22	(22)	
<b>Sub-total</b>	<b>(3)</b>	<b>19</b>	<b>(22)</b>	EGE13



<b>Economic Growth, Environment &amp; Infrastructure Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Public Protection &amp; Enforcement</b>				
Staffing costs	5	14	(9)	
Income above budget, including licences	(9)	(4)	(5)	
<b>Sub-total</b>	<b>(4)</b>	<b>10</b>	<b>(14)</b>	
<b>Parking Services</b>				
Staffing & running costs	(74)	(69)	(5)	
Oakfield Road car park remaining open	(200)	(170)	(30)	
Income shortfall – other locations and fines	80	44	36	
<b>Sub-total</b>	<b>(194)</b>	<b>(195)</b>	<b>1</b>	EGEI4
<b>School Crossing Patrols - vacancies</b>	<b>(20)</b>	<b>(16)</b>	<b>(4)</b>	
<b>Director &amp; Business Support</b>				
Staffing and Running costs	(134)	(102)	(32)	EGEI5
<b>Sub-total Environment &amp; Operations Portfolio</b>	<b>(348)</b>	<b>(284)</b>	<b>(64)</b>	
<b>Property and Development</b>				
Investment Property Rental Income:				
- Stretford Arndale – one off back rent 14/15	(87)	(87)	0	
- Urmston Town Centre – one-off surplus	(11)	(11)	0	
- Airport – surplus	(43)	(21)	(22)	
- Other properties - surplus	(48)	(8)	(40)	
Community buildings – income/running costs	29	29	0	
Admin Buildings running costs	(60)	(60)	0	
Facilities Management/other staffing vacancies	(45)	(45)	0	
Other running cost variances	65	65	0	
Major projects capital fee income shortfall	63	63	0	
<b>Sub-total</b>	<b>(137)</b>	<b>(75)</b>	<b>(62)</b>	EGEI6
<b>Economic Growth</b>				
Staffing vacancies	(142)	(124)	(18)	
Other running costs	6	17	(11)	
<b>Sub-total</b>	<b>(136)</b>	<b>(107)</b>	<b>(29)</b>	EGEI7

<b>Economic Growth, Environment &amp; Infrastructure Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Housing Strategy</b>				
Staffing	(37)	(36)	(1)	
Running costs	(15)	(9)	(6)	
<b>Sub-total</b>	<b>(52)</b>	<b>(45)</b>	<b>(7)</b>	EGEI8
<b>Strategic Planning &amp; Development</b>				
Staffing/running costs savings	(41)	(45)	4	
<b>Planning &amp; Building Control</b>				
Planning applications income	(182)	(165)	(17)	
Building Control income shortfall	96	80	16	
Staffing including interim support	63	58	5	
Other running costs	22	25	(3)	
<b>Sub-total</b>	<b>(1)</b>	<b>(2)</b>	<b>1</b>	EGEI9
<b>Sub-total Economic Growth &amp; Planning Portfolio</b>	<b>(367)</b>	<b>(274)</b>	<b>(93)</b>	
<b>Total Forecast Outturn EGEI Period 10</b>	<b>(715)</b>	<b>(558)</b>	<b>(157)</b>	

### Summary Variance Analysis Period 10

<b>All Services</b>	<b>Savings £000</b>	<b>Staff £000</b>	<b>Running Costs £000</b>	<b>Income £000</b>	<b>Total Variance £000</b>
<b>Period 9</b>	0	(334)	(48)	(176)	(558)
<b>Period 10</b>	0	(402)	(95)	(218)	(715)
<b>Period Movement</b>	<b>0</b>	<b>(68)</b>	<b>(47)</b>	<b>(42)</b>	<b>(157)</b>

### ADDITIONAL NOTES ON FORECAST OUTTURN VARIANCES

#### **EGEI1 – Highways & Network Management - £(0.040)m (favourable)**

Income generation of £(0.030)m is included in the budget from moving traffic offences. This is part of an AGMA initiative to improve safety and traffic flows on major routes and the project timeline has been re-phased to later in 2016.

Running costs are expected to be £(0.025)m under budget over a number of service areas. This mainly reflects forecasts of maintenance costs in highways and street lighting up to the 4<sup>th</sup> July 2015 commencement date of the One Trafford contract with Amey.

Staffing is £(0.012)m underspent for the period before the commencement of the One Trafford contract.

There is additional income above budget of £(0.010)m from the Greater Manchester Road Access Permit Scheme, which was implemented during 2013/14.

Fee income from technical and consultancy work charged to capital schemes is projected to be £0.075m below budget due to the timing of capital works up to the commencement of the One Trafford contract. The on-going risk has effectively been transferred to Amey from July 2015 and the contract is structured in a way which incentivises Amey to progress in delivering the programme on time.

Street Lighting energy costs are projected to be £(0.060)m less than budgeted based on latest projected usage volumes and the contract prices from April 2015.

**EGEI2 – Groundforce - £0.099m (adverse)**

Staffing, plant, contractor and transport costs are £0.099m overspent relating to the services provided prior to the One Trafford contract. This includes additional one off contract costs of £0.033m relating to the final return of externally hired plant and equipment at the end of the autumn season.

**EGEI3 – Waste Management and Disposal - £(0.003)m (favourable)**

There is an underspend in staffing and contract costs of £(0.013)m for the period prior to the commencement of the One Trafford contract. Bulky waste and commercial waste income is £0.010m less than expected for this period.

The latest information from GM Waste Disposal Authority is that the levy cost will be in line with budget. This is an improvement from previous reports which had indicated that costs would be £0.022m above budget.

**EGEI4 – Parking Services – £(0.194)m (favourable)**

The approved budget from 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 forecast income being £(0.200)m above budget, which has continued from last year. This is £(0.030)m higher than last reported based on latest forecasts.

Other car parking income, including fines, is projected to be £0.080m below budget, which is an adverse movement of £0.036m from last reported.

The parking enforcement contract and other running costs are expected to be £(0.074)m underspent, which is £(0.005)m higher than last reported.

**EGEI5 – Director and Business Support – £(0.134)m (favourable)**

There is a forecast underspend on senior management staffing due to vacancies and on-going restructuring. This is £(0.032)m higher than last reported based on revised estimates of staff starting and leaving dates.

**EGEI6 – Property and Development - £(0.137)m (favourable)**

The Agents for the owners of Stretford Arndale 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. A final year-end rental payment for 2014/15 of £(0.087)m was

notified in November 2015 which is above the expectations included when setting the budget.

Manchester Airport rent is £(0.043)m above budget based on notification from Manchester City Council of new rent levels. This includes an additional £(0.022)m received in January 2016.

Fee income from capital and external projects is £0.063m less than budgeted for the period up to the commencement of the One Trafford contract which reflects the phasing of capital works. The on-going risk has effectively been transferred to Amey from July 2015 and the contract is structured in a way which incentivises Amey to progress in delivering the programme on time.

Administrative building running costs are less than expected across the portfolio by £(0.060)m. This includes a £(0.053)m underspend relating to the catering concession at Altrincham Town Hall.

#### **EGEI7 – Economic Growth Team – £(0.136)m (favourable)**

There is an underspend in staffing and running costs of the Altrincham Town Team as service review and potential re-design is implemented in this area. The overall staffing underspend has increased by £(0.018)m since last reported based on latest estimates of filling vacant posts across the service area. The service was restructured during 2015 and remaining vacancies are expected to be filled in the early part of 2016.

#### **EGEI8 – Housing Strategy – £(0.052)m (favourable)**

Staffing costs are forecast to be £(0.038)m underspent due to secondments, with running costs including the housing options contract £(0.015)m underspent.

#### **EGEI9 – Planning and Building Control – £(0.001)m (favourable)**

Projected income from planning fees is £(0.182)m higher than budgeted which is a trend continuing from last financial year. This is £(0.017)m above last reported based on latest income forecasts. There is a projected shortfall in income from building control fees of £0.096m, which is also a continuation of difficult trading conditions and external competition. The shortfall is £0.016m higher than last reported and the service is reviewing its business plan to improve its financial position. Both fees are monitored regularly.

There is a projected overspend on staffing of £0.063m which 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 early in 2016 following the recent restructure of the Directorate. Running costs are £0.022m higher than budget, which includes ICT system improvements.

#### **EGEI10 – Traded Services (Catering and Cleaning)**

There is a net traded surplus forecast for the end of March 2016 of £(0.252)m, which is £(0.028)m higher than last reported based on latest trading figures. 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 is earmarked to continue the investment in the service. This is particularly to improve readiness for the new academic year in September 2016.

## TRAFFORD MBC

**Report to:** Transformation and Resources Directorate Management Team  
**Date:** 26 February 2016  
**Report for:** Discussion  
**Report author:** Finance Manager

Report Title

## Revenue Budget Monitoring 2015/16 – Period 10 (April 2015 to January 2016)

**1. Forecast Outturn for the Year**

- 1.1 The approved revenue budget for the year is £17.026m with a forecast outturn of £16.265m. This results in a projected underspend of £(0.761)m, which is £(0.113)m higher than last reported.
- 1.2 The increase in the underspend includes £(0.049)m from updating the forecast filling of staff vacancies, and £(0.063)m from running costs following a review of the timing of spending commitments as the financial year end approaches. The key variances and movements are shown in section 2 below and Appendix 1.
- 1.3 The overall forecast underspend for the Directorate reflects £(0.723)m from higher than expected staff vacancy levels, £(0.141)m from cost control of running expenses, and £(0.184)m from higher levels of income. These underspends are partially offset by a reduction in the planned level of savings of £0.287m.
- 1.4 The Directorate has brought forward balances of £(1.501)m from previous years (section 3). This will be utilised to support initiatives to reshape Trafford and deliver future efficiencies and income generation. The balance after known commitments and the forecast outturn is £(1.766)m.

**2. Summary of Variances**

- 2.1 The overall underspend of £(0.761)m reflects a number of individual under and overspends across the Directorate, with comments on the main variances from budget and movements from the last report shown below.

**Staffing**

- 2.2 Forecast staffing costs based on actual and projected vacancies are £(0.723)m less than budget across the Directorate. Vacancy levels are projected to be approximately 3.6% higher than assumed in the setting of the 2015/16 budget, and is a consequence of a delay in appointing to a number of vacancies on some service restructures. Vacancies are forecast on a post by post basis each month and the projected underspend has increased by £(0.049)m from the last report. This increase reflects updated estimates of the timing of filling vacancies during the remainder of the financial year.

**Running Costs**

- 2.3 General running costs are forecast to be underspent by £(0.066)m. There are a number of spending commitments (e.g. on project based activities) assumed in the projections which may cross over the financial year end period. In these cases the

budgets can be carried over in Directorate reserves if required. A review of these commitments has resulted in a reduction of £(0.063)m in projected running costs from last reported. In addition, a one-off saving will be realised of £(0.075)m as a result of the successful settlement of a claim in relation to supplier performance in ICT where liability has been acknowledged.

### Savings

- 2.4 The projected £0.287m shortfall in savings relates to Library Service and ICT proposals for 2015/16 of £0.137m and £0.150m respectively. Further details are listed below in paragraph 4.

### Income

- 2.5 The £(0.184)m from additional external income is a net figure. This includes a £0.078m shortfall from CCTV services. Work is on-going to redesign the CCTV service delivery model, which has been continued from 2014/15, and will deliver sustainable benefits going forward.
- 2.6 Income relating to legal costs charged to capital schemes is also £0.042m less than budgeted. This is affected by external factors and levels of staff vacancies, and the service is forecast to fully mitigate this shortfall within its overall budget accordingly.
- 2.7 There is a £0.050m shortfall in budgeted Council tax liability order income. This income reduces as council tax collection rates improve but is offset in the Council's separate Collection Fund account. This budget has been realigned in 2016/17 in the recently approved budget.
- 2.8 The income shortfalls are offset in the main by £(0.155)m of additional income from grants in the Revenues and Benefits Service. The Revenue and Benefits Service has had a number of grants awarded in-year and rolled forward from 2014/15 to support spending, leading to increased levels than budgeted at the start of the year.
- 2.9 Additional income is also included relating to events and advertising £(0.013)m plus from traded activities in Legal and Democratic Services £(0.051)m and Human Resources £(0.081)m. There is also external grant income of £(0.040)m relating to the costs of administering the Council's blue badge scheme and £(0.028)m for Safer Communities projects.

### 3. Reserves

- 3.1 At the end of 2014/15 the Directorate had a surplus of £(1.501)m in its reserve, which has been carried forward to 2015/16. This was a result of the successful management of the budget in previous years.
- 3.2 The remaining balance on the T&R Directorate Reserve after the forecast outturn for 2015/16, future known commitments and re-phasing of projects is £(1.766)m (table below). The T&R Reserve will be utilised on initiatives and project based activity in support of Reshaping Trafford and also to generate future savings and income generation. Commitments will be underpinned by business cases and will be reviewed each month as the financial year progresses.

<b>Utilisation of Carry forward Reserve 2015/16</b>	<b>(£000's)</b>
T&R Surplus balance brought forward at 1 April 2015	(1,501)
Commitments	496
Period 10 forecast outturn (underspend)	(761)
<b>Balance after known commitments</b>	<b>(1,766)</b>

#### 4. Savings

- 4.1 The T&R budget for 2015/16 includes savings of £(2.848)m. This originally included £0.550m in respect of the libraries rationalisation but this figure was revised down by £0.050m when the outcome of the second phase of consultation was reported to Executive in March 2015. This reduction has been met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15. The updated T&R savings target for 2015/16 is therefore £(2.798)m and actual savings of £(2.572)m are forecast to be achieved with £0.226m of savings re-phased and £0.061m requiring alternative solutions.

<b>Saving Description</b>	<b>Savings Shortfall (£000's)</b>
Libraries re-phased saving (a)	137
ICT re-phased procurement savings (b)	89
ICT savings not able to be realised (b)	61
<b>Total</b>	<b>287</b>

- 4.2 The shortfall in savings delivery is reflected in the forecast outturn and are summarised below:

- (a) Libraries – an overall £(0.500)m saving is included in the approved revenue budget. This includes both staffing and property cost reductions. Due to additional consultations and re-phasing of delivery plans, £(0.363)m is expected to be achieved in 2015/16. This gives a shortfall of £0.137m in-year, which has been fully mitigated by management action within the Access Trafford budget. The saving will be delivered in full during 2016/17.

The £0.137m shortfall relates to a delay in the closure of libraries (Bowfell, Davyhulme and Lostock, the redevelopment of Hale and Timperley Libraries) and changes to in-year delivery at Coppice as part of the consultation process.

Whilst the delay in implementing some library changes has impacted on savings overall there are significant benefits to the Council in terms of the final proposals agreed. With redevelopment of a number of sites to include residential dwellings which will attract new homes bonus, council tax and a capital receipt.

- (b) ICT savings of £(0.750)m are included in the approved budget. This includes staffing and contract procurement reductions. Savings of £(0.600)m are forecast to be achieved in 2015/16; a shortfall of £0.150m as follows:
- £0.089m relates to procurement processes which have taken longer than planned.
  - Savings of £0.061m will not be achieved following a further technical assessment of individual proposals. This relates mainly to the installation of new back up arrangements where realisation of the saving is now unlikely and alternative measures are being sought.

The primary mitigation to address these shortfalls is via a review of all ICT Third Party spend ( max c. £1.8m including Networks and SAP). Work is underway with Procurement to review all contracts with the aim of aggregating the spend with fewer or single suppliers. SAP and AGMA contracts are potentially out of scope due to the nature of existing commercial arrangements which would reduce the spend included in this current review to a max of approximately

£0.4m. Procurement have completed the market testing and this has resulted in four vendors presenting back to Trafford with two who are realistic prospects. It is clear from the presentations that there is potential to reduce the spend by up to 20%. The Trafford spend of £0.4m on its own is considered relatively small and as such Procurement have advised the other AGMA authorities of the opportunity and we are awaiting feedback to join with Trafford on a joint broader procurement to deliver better value. To date Manchester Fire and Rescue have responded to request more information. Manchester have been requested to express an “in or out” view on joining with Trafford on this exercise.

The current WAN (network) service was retendered in October 2015 and following evaluation of bids the contract has been awarded to Virgin Media from 1<sup>st</sup> January 2016. The expected full year savings from this date are in line with the original forecast of £(0.076)m.

- 4.3 The shortfall in savings against budget is forecast to be fully mitigated by in-year net underspends from the management and monitoring of the whole Directorate budget (e.g. through vacancies, running costs, income generation).

## **5. Forecasting and Risk**

- 5.1 The key assumptions and areas of risk in the forecast outturn are:

- Court costs and Barrister fees are volatile, with the quantity of cases being determined in-year and the costs of the individual cases being highly variable.
- The approved budget and forecasts include assumptions around staff turnover and vacancies – this is approximately 3.5% of the staffing costs on average. The actual level and timing of vacancies is difficult to predict on a service by service basis but trends from recent years indicate overall underspend projections increase as the year progresses.
- External income can relate to external factors which are difficult to predict, such as customer behaviour, and can also be affected by unexpected changes in levels of staff vacancies.
- The Directorate has a number of budgets related to project based activities where commitments can cross over the financial year end due to the phasing of the project. This can result in underspends at financial year end which will need to be carried over to the new financial year as required.

## **6. Recommendations**

- 6.1 It is recommended that the forecast outturn be noted.



**Period 10 Forecast Outturn revenue expenditure and income variances.**

The following tables detail the main variances from the revenue budget to the forecast 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.

<b>Transformation and Resources Budget Book Format (Objective analysis)</b>	<b>Full Year Budget (£000's)</b>	<b>10 Forecast Outturn (£000's)</b>	<b>P10 Forecast Variance (£000's)</b>	<b>P9 Forecast Variance (£000's)</b>	<b>Period Movement (£000's)</b>
Legal and Democratic Services	2,289	2,169	(120)	(89)	(31)
Access Trafford	2,553	2,560	7	18	(11)
ICT Services	2,040	2,053	13	45	(32)
Communications	255	182	(73)	(74)	1
Finance Services	4,435	4,138	(297)	(291)	(6)
Partnerships and Communities	1,503	1,516	13	16	(3)
Culture and Sport	1,161	1,192	31	20	11
Human Resources	2,236	1,901	(335)	(293)	(42)
Executive	361	361	0	0	0
Transformation	193	193	0	0	0
<b>Total Forecast Outturn Period 10</b>	<b>17,026</b>	<b>16,265</b>	<b>(761)</b>	<b>(648)</b>	<b>(113)</b>

<b>Transformation and Resources Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>
<b>Legal and Democratic Services</b>			
Staff vacancies net of agency costs	(109)	(84)	(25)
Other running costs	2	7	(5)
Fee income from capital schemes - shortfall	42	27	15
Additional income – StaR Procurement	(4)	(4)	0
Other income	(51)	(35)	(16)
<b>Sub-total</b>	<b>(120)</b>	<b>(89)</b>	<b>(31)</b>
<b>Access Trafford</b>			
Re-phased Library savings	137	142	(5)
Staff vacancies – contact centre	(90)	(84)	(6)
External grant income	(40)	(40)	0
<b>Sub-total</b>	<b>7</b>	<b>18</b>	<b>(11)</b>
<b>ICT Services</b>			
Re-phased savings – contact procurement	89	89	0
Other savings shortfall	61	61	0
Staff vacancies	(43)	(44)	1
One-off contract refund	(75)	(75)	0
Other running costs/income	(19)	14	(33)
<b>Sub-total</b>	<b>13</b>	<b>45</b>	<b>(32)</b>
<b>Communications</b>			
Staffing and running costs	(60)	(51)	(9)
Events and advertising income	(13)	(23)	10
<b>Sub-total</b>	<b>(73)</b>	<b>(74)</b>	<b>1</b>
<b>Finance Services</b>			
Staff vacancies	(259)	(236)	(23)
Other running costs	67	52	15
Government Grants – Revenue and Benefits	(155)	(157)	2
Council tax liability order income - shortfall	50	50	0
<b>Sub-total</b>	<b>(297)</b>	<b>(291)</b>	<b>(6)</b>
<b>Partnerships and Communities</b>			
CCTV income shortfall	78	79	(1)
Staff costs	4	10	(6)
Running costs	(28)	(27)	(1)
Other income	(41)	(46)	5
<b>Sub-total</b>	<b>13</b>	<b>16</b>	<b>(3)</b>

<b>Transformation and Resources Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>
<b>Culture and Support</b>			
Income shortfall	31	20	11
<b>Sub-total</b>	<b>31</b>	<b>20</b>	<b>11</b>
<b>Human Resources</b>			
Staff vacancies net of agency costs	(226)	(236)	10
Running costs (e.g. training)	(28)	2	(30)
External agency income above target	(81)	(59)	(22)
<b>Sub-total</b>	<b>(335)</b>	<b>(293)</b>	<b>(42)</b>
<b>Total Forecast Outturn T&amp;R Period 10</b>	<b>(761)</b>	<b>(648)</b>	<b>(113)</b>

### Summary Variance Analysis Period 10

<b>All Services</b>	<b>Savings £000</b>	<b>Staff £000</b>	<b>Running Costs £000</b>	<b>Income £000</b>	<b>Total Variance £000</b>
<b>Period 9</b>	292	(674)	(78)	(188)	(648)
<b>Period 10</b>	287	(723)	(141)	(184)	(761)
<b>Period Movement</b>	<b>(5)</b>	<b>(49)</b>	<b>(63)</b>	<b>4</b>	<b>(113)</b>

**TRAFFORD COUNCIL**

**Report to:** Chief Finance Officer  
**Date:** 25 February 2016  
**Report for:** Information  
**Report author:** Interim Head of Financial Management

**Report Title**

**Revenue Budget Monitoring 2015/16 – Period 10 Outturn - Council-wide Budgets  
(April 2015 to January 2016 inclusive)**

**1 Outturn Forecast**

- 1.1 The current approved revenue budget for the year is £23.669m. The outturn forecast is £21.802m, which is £(1.867)m under the budget, a favourable movement of £(0.339)m since the last report.
- 1.2 Appendix 1 details by variance area the projected outturn as compared to the approved revenue budget, with the main variances being;
- Treasury Management: £(1.893)m relating to Manchester Airport Group (MAG) dividends received above budget. This includes the interim dividend of £(1.245)m received in December 2015 which has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget. There is also £(0.180)m increased investment interest from favourable cash flows, a favourable movement of £(0.063)m compared to last month, and a reduction in loan interest payable of £(0.011)m.  
  
Also a review of the Council's Minimum Revenue Provision (MRP) has identified savings of £(1.151)m. This MRP saving has been transferred in full to the Budget Support Reserve as reported in Period 9.
  - Business Rates - favourable impact on the Council-wide budget, £(0.270)m, a small adverse movement of £0.033m since the last report (see paragraph 8 of the covering report);
  - Housing and Council Tax Benefits overpayment recovery net variance of £(0.323)m, a favourable movement of £(0.306)m since last month;
  - Members expenses – full year effect of the savings as a result of changes to the Members Allowances Scheme in September 2014, £(0.036)m and the new Government pension regulations which came into effect on 1 April 2014, £(0.014)m;
  - Coroners and Mortuary fees are higher than anticipated due mainly to higher numbers of inquests, £0.091m, partly offset by the full use of the earmarked reserve of £(0.037)m;

- Costs of the 2016/17 Budget Consultation exercise are estimated at £0.050m;
- The 2015/16 saving for the Old Car Lease scheme will be overachieved, £(0.030)m;
- Release of the unallocated general savings contingency budget, £(0.487)m;
- Other minor variances of £0.028m.

## 2 Service carry-forward reserve

- 2.1 Council-wide budgets do not have their own carry forward reserve, and the above underspend will be transferred to the General Reserve, as detailed in the summary report.

## 3 Savings

- 3.1 The Council-wide budget for 2015/16 originally included savings of £(0.310)m. This figure was increased by £(0.050)m to counter balance the shortfall in library savings (as approved by the Executive in March 2016). The updated Council-wide savings target for 2015/16 is therefore £(0.360)m and actual savings of £(0.390)m are shown below;

<b>Council-wide Base Budget Savings 2015/16</b>	<b>2015/16 Revised Savings Target £000's</b>	<b>Forecast Saving £000's</b>	<b>Variance £000's</b>
Old Car Lease Scheme	(68)	(98)	(30)
Discretionary Rate Relief to Collection Fund	(152)	(152)	-
Member's Allowances budget	(35)	(35)	-
External Audit Savings	(55)	(55)	-
Treasury Management savings *	(50)	(50)	-
<b>Total</b>	<b>(360)</b>	<b>(390)</b>	<b>(30)</b>

\* This additional target has already been met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15.

## **4 Forecasting and Risk**

4.1 This forecast has been based on ten months of actual activity. The activity covered by Council-wide budgets is varied, and the key assumptions in the January 2016 forecast are:

- Average investment rates will be 0.81% with a cash flow of £91m.
- £5m of funds were invested on 29 September 2015 for a minimum period of 5yrs in the Church Commissioners Local Authority Property fund which is forecasted to generate annual returns of 4% to 5%.
- There will be no further Airport dividend.
- The £20m Royal Bank of Scotland variable loan will be 7.0%. There is a smoothing reserve to mitigate large variations from this assumption.
- Contingency budgets for doubtful debts and the costs of re-organisation following the implementation of budget and other savings will be sufficient. There is a contingency reserve for re-organisation costs should budgets prove insufficient.
- Council error in the award of housing benefit will be within threshold limits, and recovery of benefit overpayments will continue at previous activity levels.
- The in-year increase for the provision for bad and doubtful debts will be in line with budget.

### Period 10 Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted 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)	P10 Forecast Outturn (£000's)	P10 Outturn variance (£000's)	P9 Outturn variance (£000's)	Period Movement (£000's)	Ref
<b>Finance Portfolio</b>						
Precepts, Levies & Subscriptions	17,720	17,768	48	48		C-W5
Provisions (bad debts & pensions)	2,407	1,960	(447)	(447)		C-W6
Treasury Management	7,869	7,030	(839)	(776)	(63)	C-W1
Insurance	875	875	0	0		
Members Expenses	904	854	(50)	(50)		C-W2
Grants	(6,645)	(6,643)	2	5	(3)	
Business Rates	350	80	(270)	(303)	33	C-W3
Other Centrally held budgets	189	(122)	(311)	(5)	(306)	C-W4
<b>Total</b>	<b>23,669</b>	<b>21,802</b>	<b>(1,867)</b>	<b>(1,528)</b>	<b>(339)</b>	

<b>Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn variance (£000's)</b>	<b>P9 Outturn variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
Treasury Management:				
- MAG Dividend	(1,893)	(1,893)		C-W1
- Investment Income	(180)	(117)	(63)	C-W1
- Debt Management	(11)	(11)		C-W1
- Transfer MAG interim dividend to Earmarked Reserve	1,245	1,245		C-W1
- Minimum Revenue Provision (MRP)	(1,151)	(1,151)		C-W1
- Transfer MRP saving to Budget Support Reserve	1,151	1,151		C-W1
Members Allowances	(50)	(50)		C-W2
Business Rates	(270)	(303)	33	C-W3
Housing & Council Tax benefits	(323)	(17)	(306)	C-W4
Payment Card Industry (PCI) compliance	2	2		C-W4
VAT claims - legal fees	10	10		C-W4
Flood Defence levy	(8)	(8)		C-W5
Subscriptions	7	7		C-W5
Coroners & Mortuary fees	54	54		C-W5
Magistrates Court Debt charges	(5)	(5)		C-W5
Budget Consultation	50	50		C-W6
Old Car Leasing Scheme saving	(30)	(30)		C-W6
Leisure Services CIC costs	20	20		C-W6
Release of unallocated general savings contingency budget	(487)	(487)		C-W6
Grants	2	5	(3)	
<b>Total</b>	<b>(1,867)</b>	<b>(1,528)</b>	<b>(339)</b>	



## NOTES ON PROJECTED VARIANCES

### **C-W1 – Treasury Management - £(0.839)m (favourable), £(0.063)m favourable movement**

#### **Investments – £(0.828)m (favourable)**

This additional income has been created as a result of:

- the original dividend received from Manchester Airport Group (MAG) in July 2015 was £(2.0)m. MAG also announced their interim results for 2015/16 in November 2015 and have paid a further total dividend of £(38.6)m across the members of the Group, which for Trafford equates to £(1.245)m, bringing the total dividend for the year to £(3.245)m. This is now £(1.893)m above budget. The interim dividend of £(1.245)m has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget;
- a favourable increase in cash flow, generating £(0.097)m of additional investment income, primarily due to capital programme rephasing and grant monies received ahead of schedule. This is a favourable variance of £(0.063)m since last month and relates to re-phasing of £7.9m of 2015/16 planned capital spend, as highlighted in the recent quarter 3 capital monitoring report;
- £5m of funds were invested on 29 September 2015 for a minimum period of 5yrs in the Church Commissioners Local Authority Property fund which is forecasted to generate annual returns of between 4% and 5%, equivalent to additional investment income above budget of £(0.083)m.

#### **Debt – £(0.011)m (favourable)**

Lower than anticipated loan interest payable £(0.011)m.

A review of the Council's annual Minimum Revenue Provision (MRP) charge for capital expenditure incurred prior to 2008 has identified both short to medium term revenue savings as reported to Members at the January 2016 Council meeting. By adopting this revised approach a revenue saving of £(1.151)m will be generated in 2015/16. This saving has been transferred to the Budget Support Reserve.

### **C-W2 – Members Expenses - £(0.050)m (favourable), £nil 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 have generated annual savings of approximately £(0.036)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 over 3 years. The budget saving in 2015/16 will be £(0.014)m.

### **C-W3 – Business Rates - £(0.270)m (favourable), £0.033m adverse movement**

See notes in paragraph 8 of the covering report.

**C-W4 – Other Centrally held budgets - £(0.311)m (favourable), £(0.306) favourable movement**

- **Housing & Council Tax Benefits - £(0.323)m**

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 2015/16 is £(0.059)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 £(0.264)m, within the Housing Benefit budget. This is a significant improvement since the previous period of £(0.283)m, largely as a result of the council's activities focusing on the Fraud and Error Reduction Incentive Scheme (FERIS) coming to an end in December 2015, £(0.233)m. In previous periods, the Council had increased its activities relating to identifying fraudulent Housing Benefit applications and as a consequence had identified a larger number of cases where claimants had understated their earnings. Too much housing benefit had been paid and this subsequently resulted in a loss of subsidy to the Council.

In addition, steps are being taken to recover these overpayments, however projections of amounts being recouped are not updated until there is evidence to support actual cash being received. There is evidence that this cash is now being received and an improvement of £(0.050)m is included in the figures above.

- **Other minor variances £0.012m.**

**C-W5 – Precepts, Levies & Subscriptions - £0.048m (adverse), £nil movement**

- **Coroners & Mortuary fees - £0.054m**

The cost of the Coroners service, which is shared between Stockport, Trafford and Tameside Councils, has increased significantly due to the following factors:

- Increasing volume of inquests, resulting in the need for an additional court and hence an increase in associated costs;
- Deprivation of Liberty status (DOLS) is placing a further demand on the number of inquests. All DOLS cases deaths require an inquest;
- Pressures from increasing costs of toxicology and transport;
- Extra demands placed on the service from disclosure of information requests.

The additional costs for Trafford in 2015/16 are £0.091m and have been partly offset by the use of the earmarked reserve of £(0.037)m, which was specifically set up for such an eventuality. Also, the impact of these additional costs in the future has been included in the Medium Term Financial Plan.

- **Other minor variances £(0.006)m.**

**C-W6 – Provisions - £(0.447)m (favourable), £nil movement.**

- 2016/17 Budget Consultation – the estimated costs of employing an independent company to oversee the budget consultation process, £0.050m;
- The 2015/16 saving from the Old Car Lease scheme will be overachieved due to employees leaving the scheme earlier than anticipated, £(0.030)m;
- On 30 July 2015 The Executive Member for Communities and Partnerships approved that a Community Interest Company (CIC) be established to run the leisure services, previously provided by Trafford Community Leisure Trust.

Trafford Leisure CIC took over the running of the leisure facilities on 1<sup>st</sup> October 2015. Two firms of specialists were also employed by the Council to advise on legal and VAT matters during the transition to the CIC. These costs currently totaling £0.020m are included in the outturn figure above.

- The original Council-wide budget for 2015/16 included a one off allowance of £0.700m as a general contingency to cushion against possible slippage in the delivery of the significant savings programme in 2015/16. Of this £0.085m was released to cover budget pressures regarding Market Management, £0.055m for Gorse Hill Studios and £0.073m for Early Help Delivery Model. The unallocated balance of £0.487m was included as a budget saving in the Period 7 report.

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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 22 March 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Accounts and Audit Committee – Work Programme – 2015/16**

### Summary

**This report sets out the updated work plan for the Committee for the 2015/16 municipal year i.e. items covered during the year in addition to the agenda for the March 2016 meeting.**

**It outlines areas considered by the Committee at each of its meetings, over the period of the year. The work programme has assisted in ensuring that the Committee has met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee.**

**The work programme has been flexible and as well as covering all the items planned at the start of the year, other items have been added through the year.**

### Recommendation

**The Accounts and Audit Committee is asked to note 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 146	- 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) - Budget Monitoring Action Plan Update	- Benefit Fraud Investigation 2014/15 Annual Report / 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	Presentation on Budget monitoring (provided outside Committee)					
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update		- Consider improvement actions taken in 2015/16 in respect of 2014/15 governance issues : Leisure Services		- Treasury Management : mid-year performance report - Treasury Management Strategy (Review of Minimum Revenue Provision). - 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: - Information Governance - Locality Working.		- Treasury Management Strategy - Budget Monitoring Report

22 March 2016	<ul style="list-style-type: none"> <li>- 2016/17 Internal Audit Plan</li> <li>- Internal Audit Charter and Strategy / Public Sector Internal Audit Standards update</li> </ul>	<ul style="list-style-type: none"> <li>- Audit Plan / update</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic Risk Register Monitoring Report</li> </ul>	<ul style="list-style-type: none"> <li>- Consider improvement actions taken in 2015/16 in respect of a 2014/15 governance issue: Reshaping Trafford</li> <li>- One Trafford Partnership update</li> </ul>	<ul style="list-style-type: none"> <li>- Audit Update: Anti-Fraud &amp; Corruption / National Fraud Initiative.</li> </ul>	<ul style="list-style-type: none"> <li>- Budget Monitoring Report.</li> </ul>
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