



TRAFFORD
COUNCIL

**AGENDA PAPERS FOR
ACCOUNTS AND AUDIT COMMITTEE**

Date: Wednesday, 6 December 2017

Time: 6.30 p.m.

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

A G E N D A	PART I	Pages
1. ATTENDANCES		
To note attendances, including Officers and any apologies for absence.		
2. MINUTES		
To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 6 September, 2017.		
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3. ANNUAL AUDIT LETTER 2017/18		
To receive a report of the Council's External Auditor.		
		5 - 16
4. PROGRESS AND UPDATE REPORT FOR TRAFFORD COUNCIL		
To receive a report of the Council's External Auditor.		
		17 - 34
5. TREASURY MANAGEMENT 2017-18 MID-YEAR PERFORMANCE REPORT		
To receive a joint report of the Executive Member for Corporate Resources and the Chief Finance Officer.		
		35 - 48
6. STRATEGIC RISK REGISTER 2017/18 (NOVEMBER 2017 UPDATE)		
To consider a report of the Audit and Assurance Manager.		
		49 - 64

7. BUDGET MONITORING 2017/18 - PERIOD 6 (APRIL TO SEPTEMBER 2017)

To receive a joint report of the Executive Member for Corporate Resources and the Chief Finance Officer. 65 - 78

8. AUDIT AND ASSURANCE REPORT FOR THE PERIOD JULY TO SEPTEMBER 2017.

To receive a report of the Audit and Assurance Manager. 79 - 94

9. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2017/18

To receive a report of the Audit and Assurance Manager. 95 - 98

10. 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 N. Evans (Chairman), C. Boyes (Vice-Chairman), J. Baugh, B. Brotherton, P. Lally, A. Mitchell and J.A. Wright.

Further Information

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

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This agenda was issued on **Tuesday, 28 November 2017** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

6 SEPTEMBER 2017

PRESENT

Councillor N. Evans (in the Chair).

Councillors C. Boyes (Vice-Chairman), J. Baugh, B. Brotherton, P. Lally, A. Mitchell and J.A. Wright

Also Present

Councillor M. Cordingley

In attendance

Chief Finance Officer	(N. Bishop)
Director of STAR Procurement	(L. Cox)
Head of Financial Management	(G. Bentley)
Audit and Assurance Manager	(M. Foster)
Finance Manager	(D. Muggeridge)
Counter Fraud and Enforcement Manager	(D. Wright)
Democratic & Scrutiny Officer	(C. Gaffey)

Also in attendance

M. Heap, Grant Thornton UK LLP

H. Stevenson, Grant Thornton UK LLP

13. MINUTES

RESOLVED: That the Minutes of the meeting held on 10 July 2017, be approved as a correct record and signed by the Chairman.

14. STAR PROCUREMENT UPDATE

The Committee received a presentation of the Director of STAR Procurement providing an update on STAR activities. The presentation provided Members with information on STAR's Business Plan, their Key Work Streams, and the planned audits for 2017/18.

Members asked several questions in relation to the Spend Local scheme and how STAR would ensure the correct balance was struck between localism and securing value for money. The Director of STAR Procurement would be happy to share details of the local investment scheme in Rochdale with the Committee in 12 months' time. Members also discussed Social Value as part of procurement process and STAR's aspiration of raising this from the current level of 8 per cent to the AGMA recommended level of 20 per cent.

Members discussed how STAR's services were currently promoted, and discussed the recent event held by STAR at Altrincham. The Committee also discussed the importance of social media in promoting the service, and Members were invited to provide their input on how this could be improved.

RESOLVED: That the presentation be noted.

15. COUNTER FRAUD AND ENFORCEMENT TEAM: 2016/17 ANNUAL REPORT

The Committee received a report of the Counter Fraud and Enforcement Manager outlining the Councils' fraud prevention and detection performance and activities in 2016/17, as well as the team's plans for 2017/18. With a team consisting of 7 members of staff, a significant amount of the work now involved ensuring companies paid the correct amount of business rates. Table 5 of the report provided Members with information on the income generated by the team in 2016/17, which totalled £635k, well above the set target of £250k.

Members discussed the Fraud and Enforcement Team's current capacity and whether a larger team would generate more income. The Committee also discussed tax liabilities, as well as recovery rates, which stood at approximately 80 per cent in some areas.

The Committee congratulated the Team on their success.

RESOLVED: That the report be noted.

16. INSURANCE PERFORMANCE REPORT 2016/17

The Committee received a report of the Chief Finance Officer providing a summary of insurance performance for 2016/17. The report provided Members with information on the gross insurance activity, the provision for outstanding liability claims, and the number of claims made during 2016/17. It was noted that the Authority had achieved a £31k saving on its premiums following negotiations with the insurers.

It was noted that the costs of repairing damage to council highway assets were claimed from third parties where possible. Members discussed the Council's level of insurance claims compared to other Authorities. The Committee also discussed whether investing more in the road network could reduce the amount of highways related insurance claims but were advised that the main factor in defending any claim was to ensure a rigorous highway inspection regime was maintained.

RESOLVED: That the report be noted.

17. EXTERNAL AUDIT 2016/17 FINDINGS REPORT

The Committee received a report of Trafford's External Auditor, Grant Thornton LLP, highlighting the key matters arising from their audit of Trafford Council's financial statements for the year ending 31 March 2017.

The report highlighted audit findings against significant risks, accounting policies, estimates and judgements, internal controls, misclassifications and disclosure changes. It was anticipated that an unqualified opinion in respect of the financial statements would be provided well in advance of the 30 September, 2017 deadline.

Accounts and Audit Committee
6 September 2017

The external auditor assessed the accounts as being prepared to a good standard and no significant adjustments had been made regarding the financial position. The Committee were also provided with the Value for Money conclusion, and the External Auditor was satisfied that the Council had the correct processes in place to deal with the ongoing financial pressures faced. The audit fees were brought to the Committee's attention.

The Committee congratulated the External Auditor on their work, and Members discussed the challenge faced next year following the introduction of the new, earlier deadline for producing their findings report. The External Auditor agreed it would be challenging, however they were confident that with the continuation of the joint working and planning with the Authority's teams, the new deadline would be met.

RESOLVED: That the report be noted.

18. ANNUAL GOVERNANCE STATEMENT - 2016/17

The Committee received a report of the Audit and Assurance Manager providing the final version of the 2016/17 Annual Governance Statement (AGS), which had been signed by the Leader and the Chief Executive. No changes had been made to the draft 2016/17 AGS presented to the Committee on 10 July, 2017.

A Member of the Committee requested further information in relation to the 13 projects recommended for closure, referred to on page 50 of the agenda. Another Committee Member requested further information in relation to the Locality Partnerships, referred to on page 52 of the agenda. The Audit and Assurance Manager agreed to provide this information following the meeting.

RESOLVED: That the 2016/17 Annual Governance Statement be approved.

**19. APPROVAL OF THE ANNUAL STATEMENT OF ACCOUNTS 2016/17
(ACCOUNTS 2017)**

The Committee received a report of the Chief Finance Officer providing the redrafted Final Accounts for 2016/17, accommodating changes agreed with the Council's external auditor, Grant Thornton. As the audit was yet to be concluded, Members were asked to review and note the Accounts as they currently stood.

The Committee thanked the Finance Team for their efforts in preparing the 2016/17 Accounts, as well as for the training recently provided to Committee Members.

RESOLVED:

- 1) That the Accounts be noted as they currently stood.
- 2) That the approval of the Final Accounts for 2016/17 be delegated to the Chairman of Accounts and Audit Committee and the Chief Finance Officer,

**Accounts and Audit Committee
6 September 2017**

with approval required on or before the statutory deadline of 30 September 2017.

20. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2017/18

The Committee received a report of the Audit and Assurance Manager setting out the work plan for the Committee for the 2017/18 municipal year. It was noted that one item had been added to the work programme, which was a training and development opportunity for Committee Members. The Audit and Assurance Manager would contact Members to discuss this in due course.

RESOLVED: That the report be noted.

21. PART I: AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2017

The Committee received a report of the Audit and Assurance Manager providing a summary of the work of Audit and Assurance during the period April to June 2017. The report also provided ongoing assurance to the Council on the adequacy of its control environment. The Audit and Assurance Manager highlighted the main areas of focus, as well as discussing the impact of the audit work already completed. Members were also advised of the planned work for the second quarter of 2017/18.

RESOLVED: That the report be noted.

22. EXCLUSION RESOLUTION

RESOLVED: That the public be excluded from this meeting during consideration of the remaining item of business because of the likelihood of disclosure of "exempt information" which falls within Paragraph 7 of schedule 12A of the Local Government Act 1972, as amended.

23. PART II: AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2017

The Committee received a report of the Audit and Assurance Manager providing information in respect of investigation work undertaken during Quarter 1 of 2017/18.

RESOLVED: That the report be noted.

The meeting commenced at 6.32 pm and finished at 8.15 pm

The Annual Audit Letter for Trafford Council

Year ended 31 March 2017

October 2017

Mark Heap

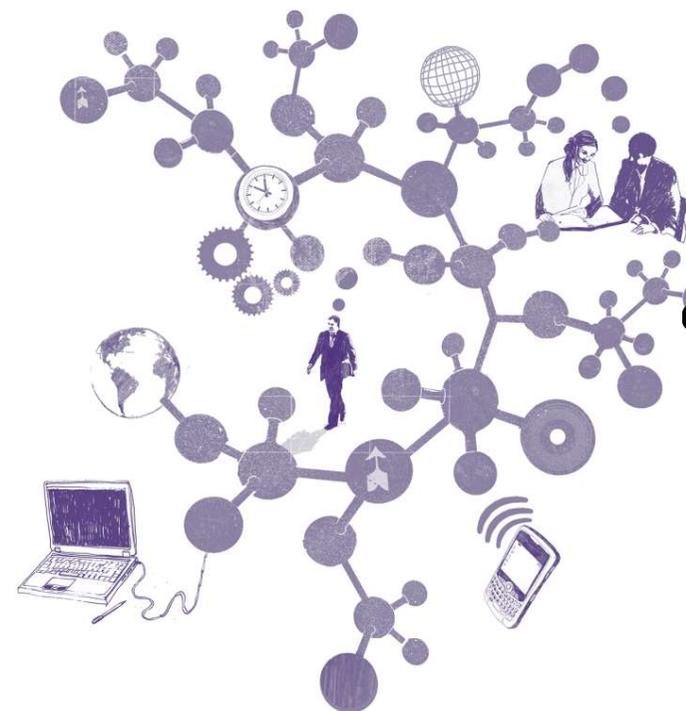
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Agenda Item 3

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Trafford Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Accounts and Audit Committee (as those charged with governance) in our Audit Findings Report on 6 September 2017.

Our responsibilities

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

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

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

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 25 September 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 25 September 2017.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 28 September 2017.

Certificate

We certified that we had completed the audit of the accounts of Trafford Council in accordance with the requirements of the Code on 29 September 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Accounts and Audit Committee in our Annual Certification Letter.

Working with the Council

We are really pleased to have worked with you over the past year. We have worked with you by:

Providing an efficient audit – we delivered the accounts audit before the deadline and in line with the timescale we agreed with you. We liaised on technical issues to ensure that appropriate accounting and audit implications are identified.

Sharing our insight – we provided independent external audit commentary and insight in your key issues through senior attendance at every Accounts and Audit Committee. We have also shared with you our insights on various accounting issues.

Providing training – we provided your teams with training on financial accounts and annual reporting. The courses were attended by members of your finance team.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

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

We determined materiality for our audit of the Council's accounts to be £8.143 million, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We set a lower level of specific materiality for cash and also senior officer remuneration of £10,000.

We set a lower threshold of £407,000 above which we reported errors to the Accounts and Audit Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

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

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

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

Audit of the accounts – Trafford Council

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

Table 1: Audit risks

Risks identified	How we responded to the risk	Findings and conclusions
<p>Changes to the presentation of local authority financial statements</p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • examined the process for the recording the required financial reporting changes to the 2016/17 financial statements • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Our audit work did not identify any significant issues in relation to the risk identified</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 25 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Accounts and Audit Committee on 6 September 2017.

Our audit did not identify any material errors or uncertainties in the Council's financial statements.

We noted a school building valued at £3.1million in the accounts which should be impaired to nil. The land for the school is recorded as an asset for sale at a value of £1million and a new school was built on a different site in September 2016. Management did not adjust for the impairment of the school in the final accounts.

The Chief Finance Officer amended the accounts for various minor disclosure changes identified during the audit.

Annual Governance Statement and Narrative Report

We are required to review the Council's annual governance statement and narrative report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO . We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 28 September 2017.

Other statutory duties

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

We did not identify any issues that required us to apply our statutory powers and duties under the Act.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. We identified the Council's future medium term financial position as a key risk and completed the following risk based work as part of our assessment:

- monitored the Council's progress in updating its medium term financial strategy and projected savings and efficiencies requirements
- examined financial and budget reporting to Members
- assessed the out-turn position for 2016/17 and the budget plans from 2017/18 onwards
- met with key officers to discuss key strategic challenges and the Council's proposed response.

In addition we reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring its risks.

The key risk and the findings from the work we performed are set out in table 2 overleaf.

We were satisfied from completing this work that the Council has proper arrangements to plan and monitor finances effectively to support the delivery of its strategic priorities.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Medium term financial position</p> <p>Future budgets remain challenging with further austerity reductions and increasing demand and costs.</p> <p>The Council's 3 year budget strategy to 2019/20 identifies the need to address a gross budget deficit of £47.7m.</p>	<p>We assessed the out-turn position for 2016/17 and examined the Council's arrangements for putting together and agreeing its budget plans from 2017/18 onwards.</p> <p>This included considering savings and efficiency plans, mitigating actions and contingencies.</p>	<p>The Council achieved a £4.32 million underspend for 2016/17 with general fund and earmarked reserves of £45.6 million at 31 March 2017. It delivered savings of £15.5 million against a revised target of £16.10 million.</p> <p>The Council has projected total earmarked reserves of £18 million by 2019/20 which include a budget support reserve of £3.5 million to help smooth future budget reductions.</p> <p>The 2017/18 budget requires the Council to balance a budget gap of £25.4 million with a combination of further income and transformational savings (£15.6 million) and additional funding and use of reserves (£9.8 million).</p> <p>The 2017/18 budget forms the first year of medium term planning through to 2019/20 using latest economic projections on funding and cost pressures. The MTFs to 2019/20 requires the Council to make savings and efficiencies in excess of £47.7 million over the three years from 2017/18 to 2019/20.</p> <p>The Council continues to review its strategy and is developing a longer term vision for Trafford. During 2016/17 the Council and partners agreed a number of major programmes and projects within its 'Together Trafford Vision 2031' which aim to create a place where people want to live, work and invest. This Vision reflects local and national changes including devolution, future financial challenges, Greater Manchester Public Service Reform and integration. It is underpinned with a number of key priorities which have been aligned to the Council's Annual Delivery Plan.</p> <p>The Council is also developing an Investment Strategy to fund projects that will deliver economic development and regeneration and generate additional income streams to support the revenue budget. This will help support and maintain the provision of services in future years</p> <p>We concluded from our review of medium term financial and strategic planning that the Council has proper arrangements to plan and monitor finances effectively to support the delivery of its strategic priorities.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	118,192	118,192	118,192
Housing Benefit Grant Certification	11,498	11,498	11,498
Total fees (excluding VAT)	129,690	129,690	129,690

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The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Reports issued

Report	Date issued
Audit Plan	February 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• Teachers pension grant claim	4,200

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor. We concluded that due to the prescribed nature of the grant work and small fee value that this work is appropriate for us to deliver.



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Accounts and Audit Committee
Trafford Council
Progress Report and Update
Year ended 31 March 2017

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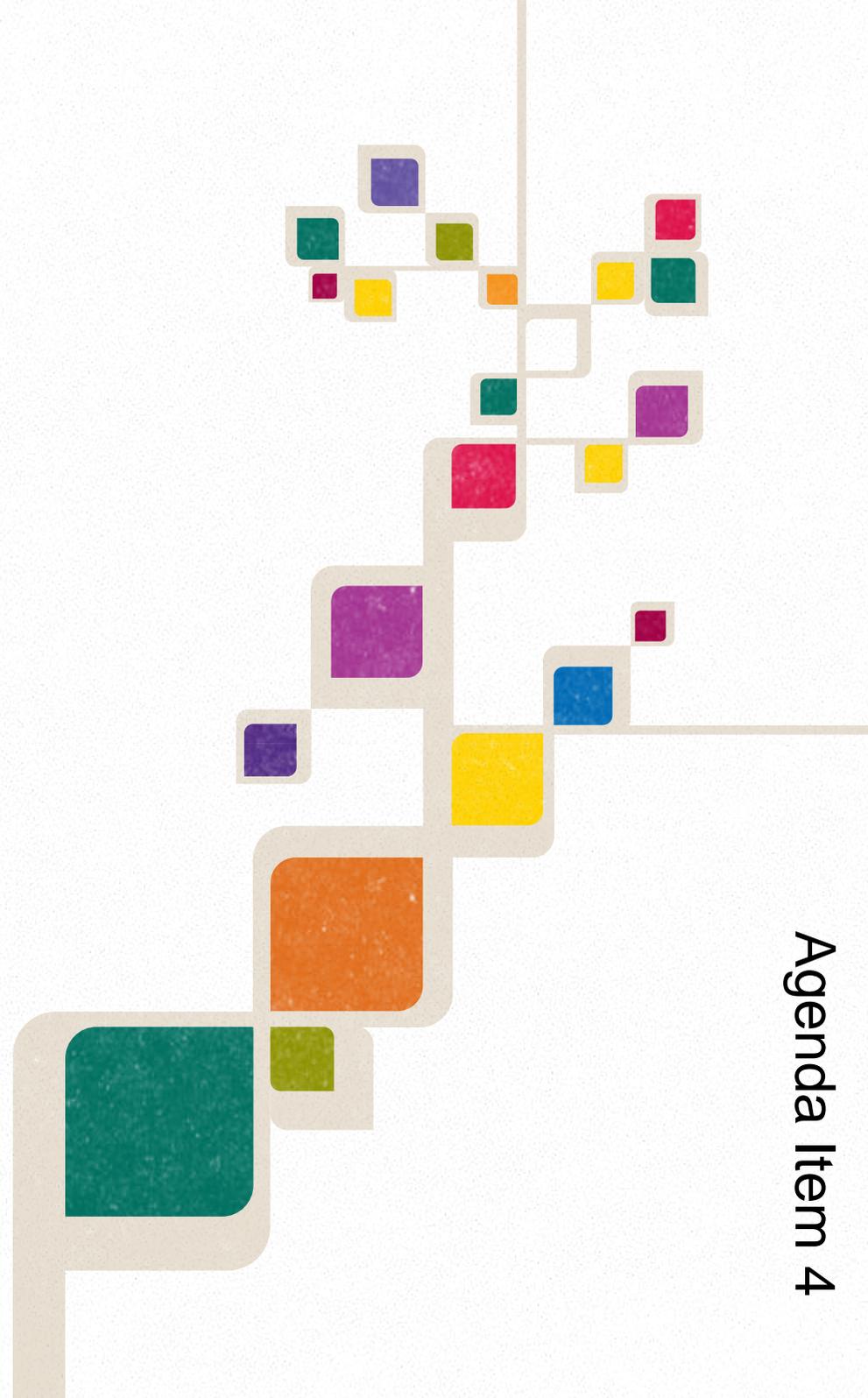
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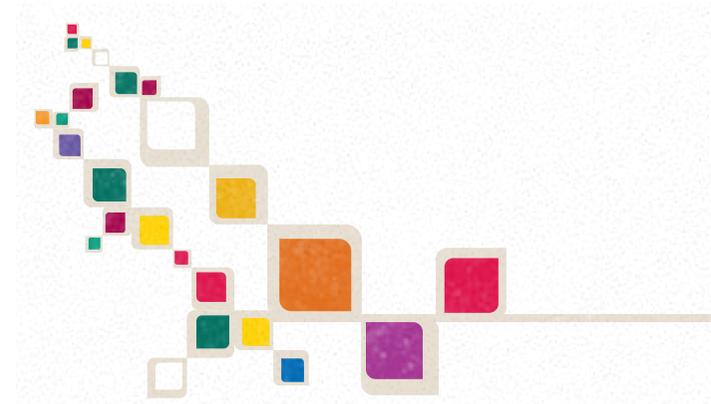
Introduction

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

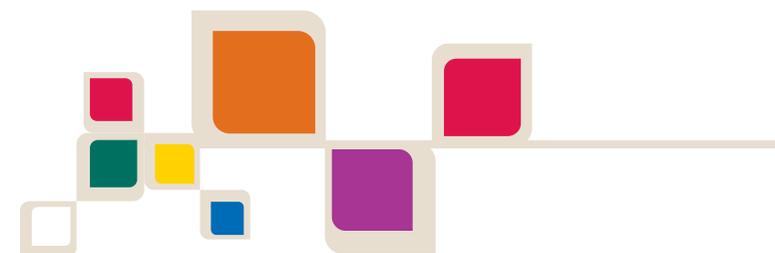
Members of the Accounts and Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications and articles, including the reports mentioned in this update along with other items:

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- Income generation is an increasingly essential part of providing sustainable local services ; <http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
 - Social enterprises are becoming increasingly common vehicles for delivering services that are not an 'essential' service for an authority but still important to the local community; <http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>
 - Fraud risk, 'adequate procedures', and local authorities; <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
 - Brexit and local government; <http://www.grantthornton.co.uk/en/insights/a-global-britain-needs-more-local-government-not-less/> and <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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

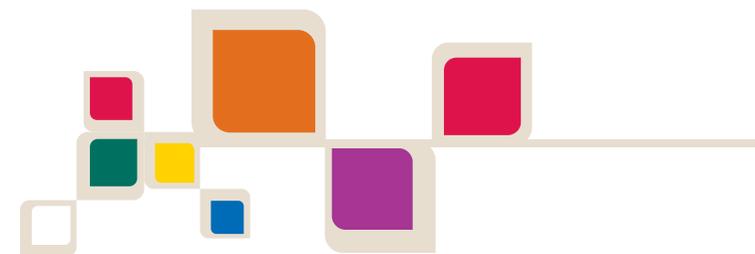


Progress at December 2017



2016/17	Planned Date	Complete?	Comments
2016/17 statutory audit: The Audit Findings Report was presented to the 6 September Committee and our audit report was issued on 25 September 2017..	6/9/17	Y	
The Whole of Government Accounts (WGA) Assurance Statement was issued to the NAO on 28 September. There were no matters to report to the NAO and an unqualified opinion was provided. The NAO deadline was 29 September 2017.	29/9/17	Y	
The 2016/17 Audit Completion Certificate was issued on 29 September upon completion of our WGA assurance audit. The Certificate deadline was 30 September 2017.	30/9/17	Y	
The Annual Audit Letter was issued in October and is included for noting at this Committee.	30/10/17	Y	
2016/17 certification: Housing Benefits: The work on the Housing benefits claim is ongoing. The work will be completed by the deadline of 30 November and we will report our findings in the certification report in January.	30/11/17	N	For 2018/19 PSAA will no longer appoint the Council's Housing Benefits auditor. The Council must follow its procurement process and notify the DWP of its appointed auditor by 1 March 2018.
Teachers' Pensions Return: The audit of the Teachers' Pension Return is ongoing. The work will be completed by the deadline of 30 November..	30/11/17	N	

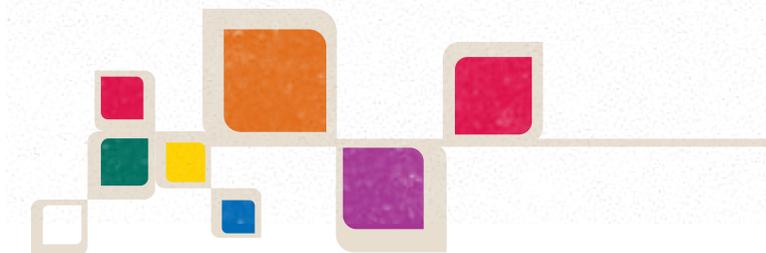
Progress at December 2017



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2017/18	Planned Date	Complete?	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2017/18' by the end of April 2017. This is the final audit year under the current contract. PSAA has awarded contracts to audit suppliers and is currently consulting on local appointments. Your audit supplier from 2018/19 will be confirmed by the end of December 2017.</p>	<p>April 2017</p>	<p>Y</p>	<p>The fee letter was issued in April 2017. PSAA has maintained the scale fee for 2017/18 at the 2016/17 levels: Audit: £118,192 Certification : £15,963 Scale fees for all Councils are published on the PSAA website. https://www.psa.co.uk/</p>
<p>Accounts Audit Plan We will issue a detailed accounts audit plan to the Council setting out our proposed approach the audit of the Council's 2017/18 financial statements. This will be issued upon completion of our audit planning.</p> <p>The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We will discuss with your officers our plan and timetable to ensure that we complete our work by this earlier deadline.</p> <p>We may also need to discuss and agree with you arrangements for the issue of the draft Audit Findings Report, in view of the time available to complete our work and your committee report deadlines.</p>	<p>March 2018</p>	<p>N</p>	<p>To inform our audit planning we will hold regular meetings with senior management and the finance team. We have also reviewed Council minutes and remained alert to emerging sector issues which may impact upon the financial statements.</p>

Progress at December 2017



2017/18	Planned Date	Complete?	Comments
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan will reflect the need to complete as much as possible earlier in the audit cycle. Our work will include:</p> <ul style="list-style-type: none"> • review of the Council's control environment • Updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	TBC	N	
<p>Final accounts audit</p> <ul style="list-style-type: none"> • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 	June/July 2018	N	
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to last year and is set out in the final guidance issued by the National Audit Office in November 2016. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "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".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	July 2018	N	

Technical Matters

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Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and forthcoming provisions for IFRS 9 and IFRS 15

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)

- amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Forthcoming provisions for IFRS 9 and IFRS 15

CIPFA/LASAAC has issued 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'. It sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

Technical Matters

Questions:

- Is your Finance team aware of the changes to the Code of Practice in 2017/18 and the forthcoming changes to lease accounting and revenue recognition?

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

Sector issues

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Independent Review of Building Regulations and Fire Safety

Sector Issues

The Government has published the terms of reference for the independent Review of Building Regulations and Fire Safety, commissioned following the Grenfell Tower fire tragedy.

The DCLG press release states:

“This Review will urgently assess the effectiveness of current building and fire safety regulations and related compliance and enforcement issues, with a focus on multi occupancy high rise residential buildings. This will include addressing whether the government’s large-scale cladding system testing programme identified any potential systemic failures.

The Review’s 2 key priorities are to develop a more robust regulatory system for the future and provide further assurance to residents that the buildings they live in are safe and remain safe. While the Review will cover the regulatory system for all buildings, it will have a specific focus on multi occupancy high rise residential buildings.

Dame Judith Hackitt, a qualified engineer with strong regulatory background, is leading the Review and will draw on the experience of local government, industry, the fire sector, international experts and MPs. She will also engage with residents of multi occupancy residential buildings.

The Review will report jointly to Communities Secretary Sajid Javid and Home Secretary Amber Rudd. An interim report will be submitted in autumn 2017 and a final report submitted in spring 2018. The Review will co-operate fully with the Public Inquiry, and Dame Judith Hackitt will review her recommendations in the light of the findings of the Inquiry.”

The terms of reference state that the review will:

- map the current regulatory system (i.e. the regulations, guidance and processes) as it applies to new and existing buildings through planning, design, construction, maintenance, refurbishment and change management;
- consider the competencies, duties and balance of responsibilities of key individuals within the system in ensuring that fire safety standards are adhered to;
- assess the theoretical coherence of the current regulatory system and how it operates in practice
- compare this with other international regulatory systems for buildings and regulatory systems in other sectors with similar safety risks;
- make recommendations that ensure the regulatory system is fit for purpose with a particular focus on multi-occupancy high-rise residential buildings.

The full terms of reference are available at:

<https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-terms-of-reference>

Procurement of external audit services



Procurement outcome

As a result of the highly successful procurement of auditor services, opted-in Local government and police bodies throughout England will collectively benefit from reduced fees for audit services in 2018/19 compared to 2016/17. Aggregate savings are expected to exceed £6 million per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies.

The results of the process announced on 20 June 2017 involve the award of the following contracts:

- Lot 1 of approx. £14.6 million per audit year was awarded to Grant Thornton LLP;
- Lot 2 of approx. £10.9 million per audit year was awarded to EY LLP;
- Lot 3 of approx. £6.6 million per audit year to awarded to Mazars LLP;
- Lot 4 of approx. £2.2 million per audit year to awarded to BDO LLP;
- Lot 5 of approx. £2.2 million per audit year to awarded to Deloitte LLP; and
- Lot 6 with no guaranteed value of work to awarded to a consortium of Moore Stephens LLP and Scott-Moncrieff LLP.

Contracts were awarded on the basis of most economically advantageous tender with 50% of the available score awarded to price and 50% awarded to quality.

The procurement strategy, agreed by the PSAA Board in December 2016, sets out the basis on which the procurement of audit services was carried out.

Having concluded the procurement, PSAA will commence the process of appointing auditors to opted-in bodies. For more information on the auditor appointment process [click here](#).

Sector Issues

Finalising and confirming appointments

The PSAA Board will approve all proposed appointments from 2018/19, following consultation with audited bodies, at its meeting in mid-December. The Board's decision on the appointment of auditors is final. Following Board consideration, we will write to each audited body to confirm their appointment. We plan to send all confirmations on 18 December..



Housing Benefit (Subsidy) Assurance Process 2018/19: Module 1 Special Purpose Framework Instruction:

This Circular sets out the arrangements for the audit of the housing benefits subsidy for 2018/19. It is for the LA to appoint a reporting accountant to undertake this work and notify the DWP of this. A standard letter of notification for the LA use is set out in Appendix 1. This letter of notification must be issued to the DWP by the LA no later than the 1st March 2018.

Local Authority 2016/17 Revenue Expenditure and Financing

Sector Issues

DCLG has produced a summary of Local Authorities' 2016/17 provisional revenue spending and financing. It notes that Local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure. The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Page 27
- Local authority revenue expenditure totalled £93.5 billion for all local authorities in England in 2016-17. This was 1.1% lower than £94.5 billion spent over 2015-16.
 - Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. 2016-17 was first year local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
 - The largest decrease in local authority expenditure was on Education services. This was £0.8 billion (2.4%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
 - Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
 - Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
 - Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.5 billion of this increase is due to the Greater London Authority.

The full report is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing_2016-17_Provisional_Outturn.pdf

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights is the Grant Thornton and CIPFA online analysis tool. It gives those aspiring to improve the financial position of their organisation instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

Grant Thornton publications



Setting up a successful social enterprise

Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

In this report we explore what social enterprises look like, the requirements for setting one up, how they should be managed to achieve success and how they can be ended.

We have complemented this with a range of case studies providing inspiring ideas from those that have been successful and some lessons learned to take into consideration.

Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted existing models into social enterprises; for example where a greater focus on social outcomes has been identified

Striking a balance between financial and social returns

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended. The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Grant Thornton publications

Questions:

- Is your Council exploring options for delivery of services?
- Have you read our report?
- Have you downloaded our guide?



<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

A Manifesto for a Vibrant Economy

Developing infrastructure to enable local growth

Cities and shire areas need the powers and frameworks to collaborate on strategic issues and be able to raise finance to invest in infrastructure priorities. Devolution needs to continue in England across all places, with governance models not being a “one-size-fits all”. Priorities include broadband, airport capacity in the North and east-west transport links.

Addressing the housing shortage, particularly in London and the Southeast, is a vital part of this. There simply is not enough available land on which to build, and green belt legislation, though designed to allow people living in cities space to breath, has become restrictive and is in need of modernisation. Without further provision to free up more land to build on, the young people that we need to protect the future of our economy will not be able to afford housing, and council spending on housing the homeless will continue to rise.

Business rates are also ripe for review – a property-based tax is no longer an accurate basis for taxing the activity and value of local business, in particular as this source of funding becomes increasingly important to the provision of local authority services with the phasing out of the Government’s block grant.

Demographic and funding pressures mean that the NHS no longer remains sustainable, and the integration of health and social care – recognised as critical by all key decision makers – remains more aspiration than reality.

There is an opportunity for communities to take a more holistic approach to health, for example creating healthier spaces and workplaces and tackling air quality, and to use technology to provide more accessible, cheaper diagnosis and treatment for many routine issues

Finding a better way to measure the vibrancy of places

When applied to a place we can see that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a [Vibrant Economy Index](#) to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability, and community trust and belonging.

The city of Manchester, for example, is associated with dynamic economic success. While our Index confirms this, it also identifies that the Greater Manchester area overall has exceptionally poor health outcomes, generations of low education attainment and deep-rooted joblessness. These factors threaten future prosperity, as success depends on people’s productive participation in the wider local economy, rather than in concentrated pockets.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody’s ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.

Guy Clifton – Head of Local Government Advisory

Grant Thornton publications

Question:

- Have you read our manifesto?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/creating-manifesto-vibrant-economy-draft-recommendations.pdf>

The Board: creating and protecting value

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

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Grant Thornton's new report 'The Board: creating and protecting value' is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This powerful tool provides a framework (see graph 1) with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

Value creation	
Directorship How well do the non-executives: <ul style="list-style-type: none"> design, debate and decide the organisation's future? inspire and guide the executive to realise the organisation's purpose? provide support to the executives? 	Leadership How well do the executives: <ul style="list-style-type: none"> Make decisions aligned with realising the organisation's purpose? Inspire and motivate employees to realise the organisation's purpose? model the values of the organisation?
Assurance How well do the non-executives: <ul style="list-style-type: none"> monitor financial, compliance and business indicators? ensure appropriate processes are in place to manage risk? have oversight of the executive team? 	Management How well do the executives: <ul style="list-style-type: none"> set goals, creating plans and allocating resources to achieve them? effectively assign roles and responsibilities? Focus on day-to-day tasks and resources needed to deliver strategic aims?
Value protection	

Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton publications

Question:

- Have you read our report?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>

International Consortium on Governmental Financial Management

Introduction

Grant Thornton and the International Consortium on Governmental Financial Management (ICGFM) partner every other year to perform an international survey of Public Financial Leaders.

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In 2015 the theme was innovation in public financial management. This year's survey has been designed to identify and describe emerging issues around transparency and citizen engagement – building on the themes highlighted in the 2015 report.

The insights will be published in a report later in 2017 and we would be delighted if you were able to spend some time completing the brief on-line questionnaire which can be found [here](#). Your Audit Manager will be able to provide you with a link to the survey if required.

Please note that the ICGFM and Grant Thornton will not identify, or attribute thoughts and quotations to, individual survey respondents in the final 2017 report. This preserves your anonymity, so please respond freely, honestly and openly.



We have again partnered with the ICGFM to survey Financial Leaders

Question:

- Have you completed the ICGFM survey on transparency and citizen engagement?



Innovation in public financial management

in an increasingly complex and uncertain global environment

Global financial management leaders survey 2015





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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee - 6 December 2017
Executive - 18 December 2017

Report for: Information

Report of: The Executive Member for Corporate Resources and
the Chief Finance Officer

Report Title

Treasury Management 2017-18 Mid-Year Performance Report

Summary

This report has been prepared in accordance with the CIPFA Code of Practice and gives members a summarised account of the Treasury Management activities and outturn for the first half of the year together with an update of the world economic situation.

Debt Activity:-

- Debt interest costs are currently forecasted to be in line with those originally budgeted for of £5.7m,
- At 30 September the Council's external debt was £104.6m.

Investment Activity:-

- The annualised investment interest to be generated is forecasted to be in line with budget of £0.5m,
- Rate of Return achieved during the period April to September 2017 was;
 - i. short term investments 0.55%, or 0.44% / £(145)k above the comparable performance indicator of the average 7-day London Interbank **BID** interest rate of 0.11% and
 - ii. long term investments 5.13%,
- At 30 September the value of Council's investments was £72.4m.

Prudential Indicators:-

- During the first half of 2017/18 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators which were updated to reflect those approved by Council in July 2017 which featured in the Capital Investment Fund report.

Recommendations

That the Accounts & Audit Committee & Executive be requested to:

1. Note the Treasury Management activities undertaken in the first half of 2017/18.

Contact person for background papers and further information:

Name: Graham Perkins
Extension: 4017 Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	The projected level of the Council's investment and debt interest for 2017/18 are currently forecasted to be in line with budget of £0.5m & £5.7m respectively.
Legal Implications:	All actions undertaken during this period were in accordance with legislation, CLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the treasury management systems and procedures which are independently tested on a regular basis. The Council's in-house treasury management team continually monitor interest forecasts and actual market interest rate movements to ensure that any exposure to adverse fluctuations in interest rates are minimised and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

1. BACKGROUND

- 1.1 In accordance with regulations issued under the Local Government Act 2003 local authorities are required by regulation to have regard to both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance (the Prudential Code) when undertaking its treasury management function. This Council has adopted both of these Codes and operates in compliance with them.
- 1.2 As part of the recommendations within the Code of Practice, regular reports are to be submitted to the Accounts & Audit Committee together with the Executive and Council as part of its Governance arrangements.
- 1.3 This report complies with this request and highlights the treasury management activities undertaken during the first half year of 2017/18 and includes;
- Economic Update (section 2)
 - Treasury Position (section 3)
 - Debt Activity (section 4)
 - Investment Activity (section 5)
 - Risk Benchmarking (section 6)
 - Prudential and Performance Indicators (section 7)
 - Other Activity Update (section 8)
 - Recommendations (section 9)
- 1.4 A main feature of the treasury management function is to ensure that the Council's day to day cash flow requirements are appropriately planned and accounted for with any surplus monies being invested in low risk counterparties providing adequate liquidity before considering optimising investment return.
- 1.5 A further aspect of the treasury management function is to ensure that the Council's longer term capital funding requirements are also considered which may involve arranging long or short term loans.

2. ECONOMIC UPDATE

- 2.1 During the first half of 2017/18, the main economic headlines were as follows with a forecast of the main indicators for 2018, highlighted at Appendix B for reference:

UK

- Due to increases in inflation caused by the devaluation of sterling following the Brexit referendum Gross Domestic Product (GDP) in 2017 has been weaker than that encountered in 2016 with quarter 1 at +0.2% (+2.0% y/y) and quarter 2 +0.3% (+1.7% y/y).
- The bank rate remained unchanged at 0.25% during the first half of 2017/18 however the Monetary Policy Committee (MPC) at its September meeting surprised markets and forecasters by warning that bank rate may need to rise, possibly in November due to rising inflation.
- Consumer Price Index (CPI) was 3.0% in September which is 1% above the Government's target of 2.0%.
- Unemployment fell to 4.3%, the lowest level since 1975.

- Uncertainty around Brexit negotiations remain making it too early to be confident about how the next two years will pan out.

U.S.

- Growth in the American economy continues to be volatile with quarter 1 coming in at only 1.2% however quarter 2 rebounded to 3.0%, resulting in an overall annualised figure of 2.1% for the first half year.
- Since December 2016, the Federal Bank (Fed) has increased rates three times and there remains a possibility of a further rate rise before the end of 2017 which would then take the central rate to 1.25 – 1.50%.
- Unemployment in the US has also fallen to the lowest level for many years, reaching 4.3%,
- CPI rose by 0.1% in September 2017 to 0.5%.

Eurozone

- European Central Bank (ECB) has maintained the deposit facility rate at -0.4% and the main refinancing rate at 0% with little prospect of any upswing in rates until possibly 2019.
- Following several years of slow economic growth, signs are now appearing that growth generated in 2016 appears to be continuing in 2017 as growth of 0.5% in quarter1 (2.0% y/y) and 0.6% in quarter (2.3% y/y) have been recorded.
- CPI was 1.4% in September below the ECB target of 2%.
- The 3 month unemployment rate continues its downward trend falling to 9.1% for the period ending August.

Other Countries

- Japan's economy continues to struggle to stimulate consistent significant growth in order to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus provided by the central bank.
- China's economy has been weakening over successive years, despite repeated rounds of central bank actions.

2.2 The Council's treasury management advisors Link, provide interest rate forecasts periodically through-out the year and the table below outlines the latest average forecasted rates received (November 2017):

	2017-18 Original Forecast %	2017-18 Revised Forecast %	2018-19 Revised Forecast %	2019-20 Revised Forecast %
Bank Rate	0.25	0.35	0.63	0.88
Investment Rates				
3 month	0.20	0.35	0.50	0.75
1 Year	0.65	0.65	0.90	1.15
PWLB Loan Rates				
5 Year	1.63	1.50	1.70	1.95
25 Year	2.95	2.80	3.00	3.25

- 2.3 Market forecasters were originally indicating that the Monetary Policy Committee (MPC) wouldn't start to increase the Bank of England's Bank Rate from 0.25% to 0.50% until the 2nd quarter of 2019 rising to 0.75% by the end of March 2020. At its meeting on the 2 November 2017 however, the MPC increased bank rate from 0.25% to 0.50%, the first increase in over 10 years responding to record-low unemployment, resilient consumer confidence and rising global economic growth. With regards to gilt yields and PWLB rates, these are set to rise from their current levels as indicated above.
- 2.4 In accordance with the current economic and interest rate forecasts outlined above, the Council will continue its policy to take a cautious approach when undertaking any money market transaction.

3. TREASURY POSITION

- 3.1 The Council's investment and debt positions at the beginning and midway through the current financial year were as follows:

	31 March 2017		30 September 2017	
	Principal £m	Interest Rate %	Principal £m	Interest Rate %
DEBT				
Fixed rate:				
PWLB –fixed rate	43.5	5.95	43.3	5.93
PWLB – variable rate	0.0	0.00	0.0	0.00
Market – fixed rate*	26.8	3.76	26.3	3.83
Market – variable rate	35.0	6.17	35.0	6.21
Total debt	105.3	5.47	104.6	5.50
INVESTMENTS				
- Fixed rate	58.4	0.62	54.0	0.54
- Variable rate	19.3	0.31	13.6	0.21
- Other CCLA (net of fees)	4.7	4.47	4.8	4.47
Total Investments	82.4	0.77	72.4	0.79
NET POSITION- DEBT / (INVESTMENT)	22.8		32.2	

*Includes Salix loan £5.8m (31 March) & £5.3m (30 September) @ 0%.

- 3.2 When referring to the above table, it is important to note that the levels of investments fluctuate daily as a result of timing issues from monies being received ahead of spend requirement and are therefore available on a temporary basis to invest.

4. DEBT ACTIVITY

- 4.1 The Council's under borrowed position as at 31 March 2017, was £38.8m due to the total Capital Financing Requirement (CFR), the underlying need to borrow for capital purposes, of £144.0m being higher than the actual level of external debt of £105.2m.
- 4.2 The Council's under borrowed position of £38.8m reflects previous years decisions to apply its own funds (cash supporting reserves & balances) to fund

the capital borrowing requirement instead of taking on any new debt. This approach, which continues to be adopted by Councils, is in response to the high “cost of carry” i.e. the difference between long-term debt interest rates and short-term investment interest rates.

- 4.3 During the first half of 2017/18, no new long term loans were taken due to the cost of carry. However should any new borrowing opportunities become available permitting loans to be taken which will assist in financing the Council’s capital investment programme and without placing any additional financial burden on the revenue budget, then these will be pursued.
- 4.4 The table below highlights the level of debt transactions incurred during the first half of 2017/18;

Loans	Balance 31 March 2017	Borrowed	Debt Repaid	Balance 30 September 2017
	£m	£m	£m	£m
Short Term (Cash flow purposes)	0.0	2.0	2.0	0.0
Long Term (Capital purposes)	105.2	0.0	0.6	104.6
Total	105.2	2.0	2.6	104.6

- 4.5 As highlighted in the table above, temporary borrowing totalling £2m was required to be undertaken for a period of 5 days in April to assist fund the Council’s day to day cash flow requirement. Members can be assured that every endeavour is taken to ensure that sufficient funds are available to cover such instances thereby avoiding the need to undertake any temporary borrowing. Due to the need for several multi million pounds transactions to be made at very short notice, i.e. Greater Manchester Pension Fund (3 years upfront employer pension contributions - £36.3m) and Transport for Greater Manchester (first contribution for the Metrolink extension to the Trafford Centre - £7m) in addition to the normal day to day requirements including year-end transactions, cover in the form of maturing investments were not able to be placed in time. The total cost incurred for this temporary borrowing was £61.
- 4.6 Of the Council’s 27 loans, 24 of these are at fixed rates of interest with 1 loan being subject to quarterly interest rate fixings using a recognised market indicator.
- 4.7 As a consequence of the persistent low interest rates, debt rescheduling opportunities continue to be uneconomic to carry out due to the high breakage penalty (premium) costs which would be incurred. During the first half of the year no debt restructuring has been undertaken however the situation will continue to be monitored for the remainder of the year.

5. INVESTMENT ACTIVITY

- 5.1 In accordance with the Council’s Annual Investment Strategy as approved by Council in February 2017, states that the Council’s priorities when placing any temporary surplus funds with any approved counterparty continues to be that

as adopted in previous years of security of capital, liquidity and then an appropriate level of return.

- 5.2 The table below highlights the level of investment transactions carried out during the first half of 2017/18;

Investments	Balance 31 March 2017	Made	Repaid	Balance 30 September 2017
	£m	£m	£m	£m
Short Term	77.7	252.5	262.6	67.6
Long Term*	4.7	0.0	0.0	4.8
Total	82.4	252.5	262.6	72.4

* reflects movement in valuation of the CCLA Property Fund investment.

- 5.3 The net £10.1m downward movement in short-term investments from 31 March 2017 to 30 September 2017 reflects the day to day cash flow movements as highlighted at paragraph 4.5 and monies received ahead of spend.
- 5.4 All investments placed with any of the Council's approved counterparties and which matured during the first half of the financial year, were repaid on time without any difficulties and the list of institutions in which the Council invests continues to be kept under review.
- 5.5 Prior to the start of 2017/18, the Council had placed 5 investments totalling £10m with the Qatar National Bank (a bank which features on the Council's approved list of investment counterparties) and these were set to mature in July and August. In response to the hostile situation between Qatar and several of its neighbouring countries, a decision was taken by the Council's in-house treasury management team that upon maturity, these investments would be repaid. Whilst both the bank and Country continue to be deemed financially solvent and their credit ratings remain strong, all funds due to the Council were fully repaid in full and on time and that nothing is currently placed with the bank on a direct basis.
- 5.6 The movement in the Council's temporary investments as at 31 March 2017 compared to 30 September 2017 is shown below for reference:

Sector	31 March 2017	30 September 2017
	£m	£m
UK Banks	15.9	33.2
UK Building Societies	7.5	5.3
Money Market Funds	19.3	13.6
Non UK Banks	27.0	15.5
Local Authority	8.0	0.0
Other - CCLA	4.7	4.8
Total	82.4	72.4

The maturity structure of the investment portfolio was as follows:

Period	31 March 2017 £m	30 September 2017 £m
Instant Access	19.3	13.6
Up to 3 Months	22.0	12.8
3 to 6 Months	24.1	29.9
6 to 9 Months	7.8	4.9
9 to 12 months	4.5	6.4
Over 1 year	4.7	4.8
Total	82.4	72.4

- 5.7 During the first half of the year, a total of 95 short term temporary investments were undertaken by the Council's in-house treasury management team in an environment of continuing historically low interest rates. The table below highlights the results of these activities and this clearly illustrates the Council outperforming the 7day LIBID benchmark, a recognised market performance indicator, by 0.44% on its short term investments whilst ensuring that all risk was kept to a minimum during this period.

Average level of Investments (ex CCLA) 1 April to 30 Sept £m	Average interest rate earned %	Average 7 day LIBID rate %	Additional interest earned against 7 day LIBID £k
66.1	0.55	0.11	145

- 5.8 In September 2015, the Council invested £5m in the Local Authority Property Investment fund, managed by the Church Commissioners Local Authority, (CCLA), and this enabled 1,643,872 units to be purchased in the fund. This fund is only accessible to Local Authorities and the objective of it is to generate long-term growth in the amount originally invested whilst generating returns in the form of annual dividends by investing in commercial property throughout the UK.
- 5.9 This investment was undertaken in September 2015 on the understanding that funds would be placed with CCLA for a minimum period of 5 years enabling capital growth to be generated following the deduction of entry costs totalling £0.3m and this situation remains unchanged.
- 5.10 At 31 March 2017 the Council's investment was worth £4.7m and this has now risen to £4.8m as at 30 September 2017. Based on current property growth forecasts there are no concerns on the security and liquidity associated with this investment, which remains within the limits approved for this type of investment.
- 5.11 Market uncertainty regarding how the UK commercial property will react following Brexit, makes it difficult to forecast when the value of the Council units will reach its original value of £5m. Based on current forecasts it is expected that the value of this investment will reach its original level in a further 8 years.
- 5.12 Despite this however the level of dividends received continues to be strong as a result of the high rental returns being achieved. For reference the annualised level of return generated for the first half of 2017/18 was 5.13%

gross of fees and it is expected to continue around this level for the forthcoming 12 months.

- 5.13 It is currently forecasted that the level of investment interest which will be generated from all of the Council's investments during the year will be in-line with that budgeted for of £0.5m.
- 5.14 As outlined at Section 2 above, worldwide events continue to have an adverse effect on the money markets and the potential for earning a respectable level of interest whilst keeping the Council's risk exposure to a minimum remains difficult. In order to reduce any potential risk aspect to a minimum whenever the Council undertakes an investment, a low risk strategy will continue to be adopted with returns set to remain low.
- 5.15 Appendix A details the Council's investments, as at 30 September 2017.

6. RISK BENCHMARKING

- 6.1 In accordance with the Code and CLG Investment Guidance, appropriate security and liquidity benchmarks are used by the in-house treasury management team to monitor the current and future potential risk conditions enabling any corrective action to the strategy to be applied if required.
- 6.2 These benchmarks are simple guides to maximum risk (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria.
- 6.3 During the first half of 2017/18 the Chief Finance Officer can confirm that no benchmarks, which were set in the Strategy report in February 2017, were breached as shown from the information below;

Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on rates issued by the 3 main credit rating agencies.	Max 0.07%	Max 0.02%
Liquidity – investments available within 1 week notice	£10m min.	Achieved apart from 1 week in April as outlined at para 4.5.
Liquidity – Weighted Average Life of investments (ex CCLA Property Fund)	6 months	This was not breached and as at 30 September was 3.8 months.
Yield – Investment interest return to exceed 7 day London Interbank BID rate	0.11% (Avg. 7 day LIBID)	0.86% (All Investments)
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Achieved apart for 1 week in April when maximum position for Non UK institutions was 44%.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

- 7.1 In accordance with CLG Guidance and the Code, a number of prudential indicators are in place ensuring that the Council's capital expenditure plans and borrowing remain robust, prudent and sustainable.
- 7.2 These indicators which were originally approved by Council in February 2017 for implementing in 2017/18 were subsequently revised and approved by Council at the July 2017 meeting as part of the Capital Investment Fund report.
- 7.3 All prudential indicators are monitored on a monthly basis and during the first half of 2017/18 it can be reported that no breaches occurred.
- 7.4 The Council's Audit & Assurance Service, as part of their 2017/18 audit plan, undertook a review of the treasury management process & activities undertaken in 2016/17. The objective of the review was to provide assurance on the operation of the key controls within the treasury management system. For the 11th year in succession a report was issued stating that the in-house treasury management service offered a High Level of Assurance (very good) and there were no recommendations required to be implemented.

8. OTHER ACTIVITY UPDATE

- 8.1 The main purpose of this report is to inform Members of the activities undertaken during 1 April 2017 to 30 September 2017 however since this period a number of events have taken place and these have been briefly highlighted for Members reference below;
- MPC at its meeting on 2 November increased the bank rate for the first time since July 2007 from 0.25% to 0.50% as referred to at para 2.3,
 - New long term borrowing of £17m was taken from the PWLB at an interest rate of 2.48% at the start of November to finance the purchase of a property within the Council's Commercial Investment portfolio and all on-going costs will be funded from the revenues generated from this acquisition,
 - Additional temporary borrowing of £2m was required on 30 October for 1 day to assist with cash flow funding incurring costs of £21,
 - The Council's treasury management advisors Capita was sold to Link Group and commenced operating as Link Asset Services,
 - On 10 November 2017, the DCLG published a consultation paper on proposed changes to the prudential framework of capital finance together with draft investment & Minimum Revenue Provision guidance. In addition to this, CIPFA are also in the process of producing an updated code of practice for Treasury Management. All these documents, will be carefully examined to determine the impact they will have on the Council's Treasury Management and Capital activities and all future reports will be produced incorporating these updates.

9. RECOMMENDATIONS

- 9.1 That the Accounts & Audit Committee & Executive be requested to;
- Note the Treasury Management activities undertaken in the first half of 2017/18.

Other Options

This report has been produced in order to comply with Financial Regulations and relevant legislation and provides an overview of transactions undertaken during the first half of 2017/18.

Consultation

Information for the period 1 April 2017 to 30 September 2017 was obtained from Link, the Council's external consultants.

Reasons for Recommendation

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

Finance Officer Clearance ... NB.....

Legal Officer Clearance ... JK.....

DIRECTOR'S Signature



APPENDIX A

Breakdown of Investments as at 30 September 2017

Counterparty	Amount £m	Total £m
UK Institutions		
Banks		
Barclays	5.0	
Close Bros	5.0	
Goldman Sachs Investment Bank	4.5	
Lloyds	11.5	
Santander UK	7.2	33.2
Building Societies		
Coventry	2.5	
Nationwide	2.8	5.3
Money Market Funds		
Federated	4.6	
Invesco	0.8	
Legal & General	0.9	
Standard Life	7.3	13.6
Other		
Church Commissioners Local Authority	4.8	4.8
Sub-Total UK Institutions		56.9
Non UK Institutions		
Development Bank of Singapore	5.0	
National Bank of Abu Dhabi	7.5	
United Overseas Bank	3.0	15.5
Sub-Total Non UK Institutions		15.5
Grand Total		72.4

APPENDIX B**Major Economic Forecasts for Calendar Year 2018**

Location	Gross Domestic Product	Unemployment Rate	Consumer Price Index	Bank Rate
UK	1.0%	5.3%	2.7%	0.50%
Euro Area	1.8%	8.9%	1.4%	0.05%
USA	2.4%	4.3%	2.2%	2.20%
China	6.4%	4.2%	2.0%	4.40%

Source of information OECD

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TRAFFORD COUNCIL

Report to: Audit and Accounts Committee
Date: 6 December 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Strategic Risk Register 2017/18 (November 2017 update)

Summary

The Accounts and Audit Committee is asked to consider this report which provides an update on the strategic risk environment, setting out developments relating to the management of each of the Council's 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
Mike Sullivan – Senior Audit & Assurance Officer **Extension:** 1564

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 Leadership Team (CLT) 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 in October and November 2017.

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 was reviewed in July 2017, all the risks have been reviewed and updated with developments.
- 2.4 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 14 strategic risks.
- 2.5 Two new risks have been added (Regarded as high level risks with scores to be confirmed in subsequent risk updates). These are in relation to:
 - The integration between Trafford Council and the CCG (SR1);
 - University Academy 92 (SR7): failure to implement programme and achieve possible benefits.
- 2.6 Risk exposure scores for the following risk has increased:
 - Shortage of Burial Ground (SR13), previously SR16, increased from a low risk score of 8 to a medium risk score of 12.
- 2.7 The risk exposure score for the following risks have decreased:
 - Safeguarding Vulnerable Children (SR 2) reduced from a high risk score of 16 to a medium risk score of 15;

- Council's Medium Term Financial Position (SR4) reduced from a high risk score of 20 to a medium risk score of 15. This risk now incorporates the Council's approach to Investment Strategy.

2.8 Since the last update to CLT in July 2017, it has been agreed that the following risks will be removed from the Council's strategic risk register as their risk score has been recorded as low. Appropriate governance arrangements are in place to monitor risks at the Directorate level:

- Major Regeneration Projects - developments do not proceed due to economic and financial constraints (formerly SR1).
- Fragility of Emergency Duty Team (EDT) in providing safe, robust out of hours service (formerly SR15).

2.9 In addition, the following changes to risks have been made:

- The risk in relation to a major event leading to inability to deliver critical services to vulnerable people (formerly SR13) has now been incorporated in to the authority-wide Business Continuity risk (SR14).
- Previous risks in relation to the delivery of the Reshaping Trafford programme (formerly SR7) and delivery of Transformation savings (SR12) have now been reviewed and updated to form one risk (SR12). This includes reflecting the closure of the Reshaping Trafford programme which has been replaced with the Vision 2031 programme.

2.10 The next Strategic Risk Register update is due to commence in February 2018 with the updated report to be presented to CLT and the Accounts and Audit Committee in March 2018.

Comparison of Risk Levels July and November 2017

IMPACT **Risk Levels – July 2017**

Very High(5)	2	6	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 – November 2017 ***

Very High(5)	2	8		
High (4)		2		
Medium (3)				
Low (2)				
Very Low (1)				
	Very Low (1)	Low (2)	Med. (3)	High (4)
				Very High (5)

LIKELIHOOD

High Risk

Medium Risk

Low Risk

** For the two new risks re the integration between Trafford Council and the CCG (SR1) and 'University Academy 92 (SR7) these are expected to be recorded as high level - risk scores to be confirmed and are therefore not shown on the table above.*

3. Strategic Risks (November 2017)

Red	Amber	Green
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<i>Risk</i>	<i>Strategic Risk Title / (Directorate / Portfolio)</i>	<i>Risk Level</i>	<i>Management of Risk - Direction of Travel *</i>	<i>Comments</i>
1 (New risk)	Risks associated with the integration between Trafford Council and Trafford CCG. (Authority-wide – CFW & T&R) / (Authority-wide)	High (Risk score to be confirmed)	N/A	<p>This is a new risk with a summary below. Details will be updated once the risk level is assessed.</p> <p>The integration of Trafford Council and Trafford CCG is planned for April 2018. Integration of the two separate organisations with multiple services requires a clear vision, strong leadership and clear accountability from the top, supported by both community and staff engagement.</p> <p>Detailed work is currently taking place through a number of Transformation, Finance and HR working groups to ensure understanding of the current status before integration, and shape the proposed delivery models and staffing structures for the new organisational form.</p> <p>There are significant risks, including financial and reputational, attached to the integration. An integrated Business Programme Risk Register has been established with greater detail.</p>
2	The Council does not fulfil its statutory duties and all accompanying policy requirements in terms of identifying and safeguarding vulnerable children. (CFW / Children, & Families)	15 Medium (Previously Risk score 16)		<p>Over the last year there has been fluctuation in demand. Child Protection numbers increased significantly but through management review they have now stabilised to a more manageable number. There has also been a reduction in the number of families in PLO. Children in Care numbers continue to be high but have now levelled and are beginning to reduce, this will be a slow process and managing the care plans for these children must be done carefully and in line with legislation. The increases we have experienced have put pressure on social worker caseloads and created pressures within the system generally. These increases are monitored and managed through moving staff or use of agency staff whenever possible.</p> <p>We have now appointed a temporary Multi-Agency Review and Improvement Team as part of our Transformation Bid to help the service review existing practice and drive improvements to our approaches to improve outcomes.</p>

				<p>There are also changes for both the Children's and Adults Safeguarding Boards with a change of Independent Chairs, we have now appointed a new Joint Board Chair for both children and adults.</p> <p><u>Measures</u></p> <ul style="list-style-type: none"> • Performance measures such as Child Protection, Public Law Outline and Looked After Children are monitored through weekly and monthly reports to all relevant managers. • There is monthly meeting with the Director of Children's Services (DCS) where the above information is collated and reported along with caseload and staff turnover numbers. • There are quarterly assurance meetings of both Trafford Integrated Governance Group and an internal Children's Integrated Governance Group. • Audits are regularly conducted to measure the quality of recording and impact of work done with children and families. • A Team of Peripatetic Social Workers is utilised to move to areas where there are staff shortages or demand pressures. If this is insufficient agency staff are utilised. • There are detailed monthly and quarterly budget meeting to monitor costs behind Children Social Care activity. • Weekly Panels monitor the number of children's placements and other resources allocated to support a family. <p>The Safeguarding Boards are being brought together with more of a joint approach and a single Chair (now appointed). The Budgets and staffing have been brought together. The Children's Board Manager has left and will be replaced by a manager who will cover both Boards. The interview for this will be in November 2017.</p>
3	<p>Demand for school places underestimated and/ or additional school places are not delivered to satisfy increased demand.</p> <p>(CFW / Children, & Families)</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • All children have been allocated places for the 2017/18 academic year. • 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. • All basic need funding has been allocated up to March 2018. • There is no basic need funding from the Department for Education (DfE) for 2018/19, the first year the LA has received a £0 allocation. . Indicative basic need funding for 2019/2020 is £18m.

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 resulting in a greater risk being transferred to local government.</p> <p>(T&R / Corporate Resources)</p>	<p>15 Medium</p> <p>(Previously Risk score 20)</p>		<ul style="list-style-type: none"> • On the 22nd February 2017 the Council agreed the 2017/18 budget of £160.83m. This includes the full year effect of 2016/17 saving proposals of £9.22m and new saving proposals of £6.34m which are to be delivered in 2017/18. • The latest Medium Term Financial Strategy (MTFS) position indicates an overall budget gap of £19.24m, split £13.19m in 2018/19 and £6.05m in 2019/20. • The Executive has considered a draft budget in October 2017 which included a range of measures to address this budget gap which left a remaining gap of £5.5m in 2018/19, £5.0m in 2019/20 and £7.7m in 2020/21. • In July 2017 the Executive agreed an Investment Strategy and subsequent growth to the Capital Programme to cover future investments involving either the acquisition of revenue generating commercial property or the provision of debt funding for new developments. The returns from this approach to be sufficient to repay borrowing costs and provide a net return to support the remaining budget gap. To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets. Further risk mitigation is being undertaken through the creation of a "Risk Reserve" through the ring-fencing of an element of the returns. All investments are scrutinised by an Investment Management Board which includes cross-party representation. • The latest in-year monitoring position as at period 6 is showing an overall projected underspend on the 2017/18 budget of £0.9m, albeit this position includes for increasing social care costs which are being mitigated from savings across the other service areas. The impact of this is currently being investigated to understand the impact in 2018/19. • The Council is participating in the 100% business rates retention Greater Manchester (GM) pilot from 1st April, as such the Council will potentially be taking on a greater degree of risk with the local share increasing from 49% to 99% i.e. greater exposure to appeals. There has been agreement across the GM region whereby districts will retain half of the benefits from being in the pilot. This is estimated to be a significant number, due in part to the savings in levy payments and central share which are no longer
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				<p>payable to Government under the Pilot, and help in bridging a sizeable proportion of the budget gap in later years.</p> <ul style="list-style-type: none"> • As part of the preparation to the full implementation of 100% Business Rates Retention in 2019/20 the Government is carrying 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. • Additional risks following the Brexit decision include reduced interest rates and impact on investment interest, cost of supplies and services and business rate risk.
5	<p>Loss / absence and retention of senior managers to the organisation.</p> <p>(T&R / Corporate Resources)</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • A new organisational structure is in place for the all-age integrated health & social care service. • A number of interim internal 'act-up' arrangements are in place, again aiding succession planning, pending permanent appointments. • A new leadership development programme is in development for all managers/senior managers across the organisation, to support them in leading and engaging their staff through transformational change and Vision 2031. • 4 senior managers are attending the 2nd cohort Greater Manchester Leadership Programme. • A succession planning strategy is being rolled out 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. Each successor will have access to a coach. • Leadership behaviours are being developed in line with Leading GM expectations and Trafford's Vision 2031. • Pro-active attendance management strategy developed and will be rolled out across Trafford with refreshment training for managers. • Strengthening of the senior leadership team-introduction of Chief Legal Officer role and new appointments made to Corporate Director for EGEI, interim Commercial Director, Director of Legal and Director of OneTrafford Partnership.
6	<p>Trafford Council must ensure that information held about citizens, employees, partners, contractors,</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • 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. • Employees, Partners, Contractors and members

	<p>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 3rd 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 risk to the Council is reputational, financial, adverse publicity and could ultimately be a breach of the Data Protection Act.</p> <p>(T&R / Corporate Resources)</p>			<p>have the right to expect data held about them to be treated in a secure manner.</p> <ul style="list-style-type: none"> • Trafford Council have a responsibility to protect their data and information. • The Council has a dedicated Corporate Information Governance (IG) team which provides advice and guidance in relation to compliance with Data Protection and Freedom of Information legislation as well as with data sharing. It also investigates and reports monthly to the ISGB and quarterly to CLT on data security incidents within the Council and provides services with recommendations to improve their working practices. • The Council has an Information Security Governance Board (ISGB), which meets monthly and is comprised of senior officers across the council who lead on IG matters within their Directorates .The ISGB has a terms of reference which provides a direct reporting line to the CLT, underlining the importance of information governance and information security within the Council. The ISGB takes the corporate lead on all data protection related matters and in progressing the embedding of information governance into the Council's day to day activities. Progress on the ISGB's information governance work plan is reported fortnightly to CLT. • The Council achieved "reasonable assurance", the second highest level awarded, in the, voluntary information governance audit performed by the Information Commissioner's Office (ICO) during January 2017. • The Council's responses to their best practice recommendations have been approved by the ICO. • Work is underway with implementing the various procedural changes to be introduced in May 2018 by General Data Protection Regulations (GDPR). • The Council has appointed a Data protection Officer which is mandatory requirement under GDPR.
7 (New risk)	University Academy 92: failure to implement programme and achieve possible benefits this may bring in terms of regeneration around	High (Risk score to be confirmed)	N/A	<p>This is a new risk with a summary below. Details will be updated once the risk level is assessed.</p> <p>University Academy 92 (UA92) was launched in September 2017 to establish a new model of university by bringing together the best of academia, business and sport. It is a unique collaboration involving the Class of 92, Lancaster</p>

	<p>Stretford and Old Trafford.</p> <p>(Authority wide - EGEI) / (Authority-wide)</p>			<p>University, Microsoft, Trafford College and Bruntwood as well as Trafford Council. Other supporters of UA92 and the regeneration in the Trafford area include Lancashire County Cricket Club and Manchester United Football Club.</p> <p>Trafford Council believe UA92 will help regenerate the area around Stretford and Old Trafford as it presents a fantastic opportunity to revitalise and support local communities to maximise their potential. UA92 aims to create jobs and attract 6,500 students by 2028.</p> <p>This programme comprises of a number of facets including the university campus, student accommodation, Stretford leisure centre and Turn Moss. Each of these aspects are being considered individually as well as part of the overall programme. Mitigation arrangements are in place in the event of failure of any part of the programme. For example, Stretford Leisure refurbishment will continue regardless of the university as this is also a community asset.</p> <p>It is noted that currently the consultation of the refreshed Stretford Masterplan is underway and themed events are covering the outcomes of which will impact on the regeneration of Stretford. Further details of this risk will be completed post consultation.</p>
8	<p>A successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the Council's computing services or severe degradation or loss of control of those services.</p> <p>(T&R / Corporate Resources)</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • 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. • All information sources and systems within the Council should have an identified owner. • Trafford will actively participate in collaboration within the Association of Greater Manchester Authorities (AGMA) on security initiatives and will actively participate in the iNetwork security awareness and conferences. • The Council will continually address issues that may affect our ability to detect and respond to threatening cyber activity e.g. continually review our Internet Service Providers and their effectiveness. • 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. • We will not restrict innovation in the Council by

				<p>managing rather than avoiding all risk.</p> <ul style="list-style-type: none"> • We will seek expert guidance when appropriate and collaborate with central and local government bodies to benefit from tried and tested approaches, knowledge, wisdom and learned experience. • Investment has been submitted in the 2017/18 Capital Plan to maintain and update the Council's Security defences. These included updating and refreshing the Firewall technology and the web filtering software which has been completed and upgrading the Windows Operating system to Windows 10 will commence in late 2017. In addition a full review of the Trafford ICT Security Policies is taking place to bring them up to date and to identify and complete any policy gaps. To date additional Firewalls have been implemented to secure the HR Shared Services network from the main Trafford network and to protect the Sale Waterside data centre network used for backups and recovery of data. • The Council via a competitive procurement has appointed an established security partner, The Network People (TNP) to help manage, monitor and develop Trafford's Security defences via Firewall management and professional services design. This arrangement will be extended in line with Procurement rules for a further two years. • Trafford is maintaining its compliance with Public Service Network (PSN) through annual vulnerability penetration testing of both the internal and external networks. This is also the case regarding the PCI compliance required for financial services. • Trafford has recently become an active member of the North West Warning, Advice & Reporting Point (WARP) to ensure we share experiences with similar authorities and remain up to date on current trends. As a result we are investigating the possibility of obtaining our cyber essentials accreditation. • Trafford Council ICT department are proposing that the business undertakes an awareness campaign that focuses on the potential threats and vulnerabilities that could possibly lead to Council data and systems being compromised.
9	Failure of the Adult Safeguarding Service. (CFW)	12 Medium		<ul style="list-style-type: none"> • Refreshed Safeguarding Policies and procedures completed, new policy live from May 2016 and available as an app for all staff. The Safeguarding Board has a well embedded Policy sub-group driving improvements and

				<p>developments in Adult Policies.</p> <ul style="list-style-type: none"> • Senior Learning and Development post was filled in October 2015 • An Interim Clinical Commissioning Group chief nurse has been appointed. • A new Health Safeguarding Team (Pennine) has been designed but it is currently facing significant staffing challenges and is on the Pennine Risk Register – the social care arm of the Integrated Service is supporting the health practitioners with safeguarding matters in the meantime. • The Director of Safeguarding and Professional Development is in role and the standard of safeguarding for adults and children is managed centrally through this role. • Serious Case Review Panel (Adults) reviewed and in place and has completed several Learning Reviews, a Safeguarding Adult Review (SAR) has been published and 2 more SAR's have now been commissioned and Independent Authors procured. Learning from these processes is now being rolled out to staff. • Two Senior Practitioners are in post and are overseeing safeguarding decision making with the Community Screening Team. • The Screening Team is the first point of contact for Safeguarding referrals – referrals on open cases are now sent directly to the neighbourhood teams who have better knowledge and understanding of the individuals concerned and can offer a quicker and more comprehensive response. • All referrals into Screening are immediately risk assessed and Safeguarding referrals are prioritised. • There is a discrete Adult Protection Line for members of the public to directly contact social care to raise safeguarding concerns. • There are advanced plans for Greater Manchester police (GMP) officers to co-locate with the Screening Team to enhance our response to safeguarding referrals. • Self-assessment underway for a Peer Review of Adult Safeguarding due in January 2018. • Webpage launched for the Trafford Safeguarding Adults Board (TSAB). Plan now well developed for a merger of the 2 Safeguarding Boards during 2018. • Joint Chair for the Safeguarding Boards now in place.
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				<p>Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards (DoLS).</p> <ul style="list-style-type: none"> • The increasing numbers of statutory DoLS applications continues to place a high degree of pressure on the service. • An interim DoLS manager has been in post for 3 month, this function has now been absorbed into the role of the strategic service manager who has oversight for quality and performance across Adult Social Care (this post is covered via an interim arrangements as not able to recruit to date). • CLT have agreed to a model for implementing statutory DoLS which aims to manage the volume and to reduce the costs associated with the use of external Best Interest Assessors (BIA's). This includes 3 FTE BIA's; a rota for internally trained BIA's who are employed in business as usual functions and the ability to commission independent BIA's when required. • The Community Learning and Disability Team have commenced Court of Protection (CoP10) applications for people deprived of their liberty within Council run supported living. • BIA forums in place • Quality standards set for BIA and Medical Health Act (MHA) assessments and for the completion of form 5's in advance of sign off by DoLS signatories. • Regional Association of Directors of Adult Social Services (ADASS) have sent out a risk prioritisation tool which is being used by Trafford to risk manage all DoLS applications (including community DoLS) • ADASS Form 3B pilot planned to address the number of renewals, the aim is to use equivalent assessments and dramatically reduce the cost of BIA/MHA assessments • New senior practitioner in place and the increased viability of signatories now in place. • Signatory training planned. • Quality assurance process in place. • MCA awareness roadshows and training for community teams are being delivered. • Daily duty system provided by BIA to screen assessments for quality and to offer advice and guidance. • MCA/DoLS training for children and family services being undertaken.
10	Breach of health and safety legislation leading to prosecution	10 Medium		<ul style="list-style-type: none"> • Current Health & Safety Policy and comprehensive arrangements in place. Subject to periodic review as required and available to

	<p>under the Corporate Manslaughter Act and other Health and Safety Regulations.</p> <p>(T&R / Corporate Resources)</p>			<p>the workforce via the intranet.</p> <ul style="list-style-type: none"> • Health and Safety Audit programme in place across all Directorates and schools. This programme includes proactive monitoring of compliance with health & safety law and internal H&S management arrangements. • 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 targeted rolling programme is ongoing). • Health & Safety Unit (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. • HSU support in responding to occupational health and workforce referrals to ensure the health, safety and welfare of staff. • Staff consultation processes in place to report and liaise on Health and Safety performance issues. • Competent HSU advisory service with advisors subject to continuing professional development requirements. • Employee Health and Wellbeing Strategy in place which incorporates ill health reduction and mental wellbeing support. • Training calendar in place and online training available to support managers and schools in ensuring staff are competent to undertake tasks/role. • Arrangements in place for the health and safety assessment of providers/contractors prior to approval and for subsequent monitoring of performance.
11	<p>Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</p> <p>(EGEI / Highways, Parks & Environment Services)</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • Second year of contract completed. Increasing number of service issues being identified and public perception is becoming increasingly negative. Additional staffing has been brought into the client team to enhance contract management. New measures are being put in place by Amey with additional resources. Independent validation of KPI and Job records by Trafford Council on-going. • KPIs monitored on a monthly basis, and control mechanisms are being reviewed. • Capital programme delivery is on target, with agreed variations.
12	<p>The Transformation /Vision 2031 Programme savings</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • Portfolio savings targets are reviewed and monitored bi-monthly. • Robust governance is in place, greater scrutiny

	are not delivered in full. (T&R / Corporate Resources)			<p>at theme level, with progress reported through CLT, the Place Shaping Board and the Integration Board.</p> <ul style="list-style-type: none"> • The PMO support process monitors delivery plans to ensure projects are delivered to time. • The CLT continue to support understanding of and engagement in the programmes, to secure support for it and to continue to the original plan with minimal disruption. Working closely with Senior Responsible Officers to identify risks and dependencies to the projects at the earliest opportunity and identify appropriate and considered mitigations plans. • Exceptions to plan are escalated to the CLT/Vision Board at the earliest opportunity. • Currently, the Vision 2031 portfolio is forecast not to achieve its savings target with a forecasted shortfall of £1.031m. Project work continues to address this shortfall.
13 (Prev. SR16)	Inability to meet Trafford residents' requests to have burials within the local area due to insufficient land. (T&R / Corporate Resources)	12 Medium (Previously Risk score 8)	↓	<ul style="list-style-type: none"> • Planning approval granted • Agreement in principle reached to purchase reduced usable additional land & Estate Management (Amey) have instructed Legal & National Trust (NT) solicitors to proceed. • Sale of land going to Oct 17 NT board. • Outline infrastructure and landscape design complete and costed. • Negotiations with Tenant Farmers on land can commence on purchase of land. • The new proposal will ensure the authority has sufficient burial space for 8-10 years.
14	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. (T&R / Corporate Resources)	10 Medium	↔	<ul style="list-style-type: none"> • The Emergency Planning Manager maintains a RAG rating for Business Impact Analysis (BIA) completion across all services which is reported to Directors quarterly. There are still gaps in completion. At its last meeting TPR agreed that an annual staggered programme for BIA review and refresh should be devised so that they are not all due at once and so it is easier for Directors to maintain an overview of performance across their services. • Contractual requirements on external providers have business continuity plans in place. • In respect of ICT, Trafford has produced an ICT Architecture Landscape which is being used to influence infrastructure sharing strategies with other LA's including adopting Cloud Services if there is a compelling business case to do so. • Trafford will continue to use its existing investment in High Availability solutions using the existing Sale Waterside location for Data and potentially other recovery services.

			<ul style="list-style-type: none"> • A Terms of Reference has been agreed with Salford ICT Internal Audit to review the Trafford Town Hall Data Centre. This review will focus on auditing the level of resilience within the Data Centre as well as the plans to expand the use of Sale Waterside as a recovery site. The Audit is scheduled to complete by Q4 2017/18. • A Data Centre strategy paper was presented to the TPR Group on 25th April 2017. This paper included reference to a recommended approach to Cloud computing. • Mobile Telephone Privileged Access Scheme (MTPAS) – Priority access to telecommunications has been reviewed to ensure capability during incidents. • Underuse of Resilience Direct, is a national web based portal endorsed by the Cabinet Office. Emergency Planning Manager to increase usage. <p><i>Refer also to the comments regarding Risk 8.</i></p>
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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.

TRAFFORD COUNCIL

Report to: Executive

Date: 27 November 2017

Report for: Discussion

Report of: The Executive Member for Corporate Resources and the Chief Finance Officer

Report Title:

Budget Monitoring 2017/18 – Period 6 (April to September 2017).

Summary:

The purpose of this report is to inform Members of the current 2017/18 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive:

- a) note the forecast revenue budget underspend of £941k;
- b) note the one-off receipt relating to the 2016/17 Business Rate Growth Pilot of £1.3m, which will be transferred to a new earmarked reserve to mitigate future business rates related risks;
- c) note the changes to the Capital Programme as detailed in paragraph 17.

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 and Capital expenditure to be contained within available resources in 2017/18.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance **NB**.....

Legal Officer Clearance **JK**.....

CORPORATE DIRECTOR'S SIGNATURE 

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 22 February 2017 Council meeting is £160.83m. In determining the budget an overall gap of £25.37m was addressed by a combination of additional resources of £9.80m, including projected growth in business rates, council tax and use of general reserve and £15.57m of service savings and additional income.
2. Based on the budget monitoring for the first 6 months the year end forecast outturn is an underspend of £941k, a favourable movement of £615k since Period 4. This position takes into account planned additional investment in the Council's highways of £600k due to the positive position of the EGEI budget (See Table 2). At this stage caution should be exercised as the projections continue to be based on a number of assumptions including delivery of the significant savings programme in year (see para. 8), the on-going risk to business rate income (see para. 14) and the stability of demographic pressures in social care.
3. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances:

Table 1: Budget Monitoring results by Service	2017/18 Revised * Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	32,499	32,499	0	0.0%
Adult Services (Inc. Public Health)	57,815	58,712	897	1.6%
Economic Growth, Environment & Infrastructure	38,418	37,833	(585)	(1.5)%
Transformation & Resources	16,966	16,324	(642)	(3.8)%
Total Directorate Budgets	145,698	145,368	(330)	(0.2)%
Council-wide budgets	15,127	14,516	(611)	(4.0)%
Net Service Expenditure variance	160,825	159,884	(941)	(0.6)%
Funding				
Business Rates (see para. 14) **	(67,462)	(67,462)	-	
Council Tax (see para. 12)	(88,630)	(88,630)	-	
Reserves	(3,058)	(3,058)	-	
Collection Fund surplus	(1,675)	(1,675)	-	
Funding variance	(160,825)	(160,825)	0	0.0%
Net Revenue Outturn variance	0	(941)	(941)	(0.6)%
Dedicated Schools Grant	124,807	125,041	234	0.2%
Public Health	12,178	12,178	0	0.0%

* A number of budget virements have been made, under delegated powers, since the Period 4 Budget Monitoring Report and are detailed in Annex 1.

** One-off income relating to the 2016/17 Business Rate Growth Pilot of £1.3m will be transferred to a new earmarked reserve to mitigate future business rates funding risks (see para. 15).

Main variances, changes to budget assumptions and key risks

4. The main variances contributing to the projected underspend of £941k, the favourable movement of £615k since Period 4, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	Nil	<p>The overall forecast position is for a £nil variance, a favourable movement of £228k since Period 4.</p> <p>Within the service there remains a number of pressures.</p> <p>Children's placements:-</p> <ul style="list-style-type: none"> • there is an estimated overspend of £214k, and an underachievement of £502k on the service's overall savings target (£2.5m). This gives an overall variance of £716k an increase of £316k from that reported previously. The variance is as a result of delays in the implementation of some savings schemes and increased numbers and costs within the aftercare service. • Within this projection a contingency of £500k remains in the event of additional placements over the next 6 months or further underachievement of savings as £314k of savings above are still to be realised. • The above variance has been offset by underspends and additional income within the overall service. These include vacancies of £123k, additional grant/income £300k, savings from restructures £166k, and general underspends across the service of £151k. <p>The number of children in care as at the end of September is 381, an increase of 3 from that last reported.</p>

<p>Adult Services / Public Health</p>	<p>897</p>	<p>The overall position is a forecast overspend of £897k, an adverse movement of £38k since Period 4.</p> <p>The main budget pressure is in the adult client budget in which there is an estimated overspend of £775k and an underachievement of £647k on the service's savings target (£6.2m). This gives an overall variance of £1.4m, an increase of £700k from that reported previously.</p> <p>This overall position reflects an increase in the cost per person of care due to increased complexity of cases, as well as a growing absence of Council rate homecare and bed based provision in the borough which has also impacted on the savings programme.</p> <p>The lack of affordable nursing care beds in the borough is increasing the number of top-up fees payable by the Council as is the higher rate of home care packages. The accelerated work on delayed transfers of care is also increasing the financial pressure in this area.</p> <p>Within this forecast £805k remains within a contingency budget to help to offset these potential pressures for the remaining 6 months.</p> <p>This overspend is partly mitigated by vacancies of £276k, a one-off VAT refund, £235k and general underspends across the service of £14k..</p> <p>Within this forecast the service is still to realise £1.7m of savings.</p>
<p>Economic Growth, Environment & Infrastructure</p>	<p>(585)</p>	<p>The overall underspend of £585k includes staff cost savings of £217k and net income savings from property rents, planning, car park and other fees of £562k. These savings are partly offset by a net overspend in running costs of £194k, which includes the increase in Waste Disposal Levy of £188k.</p> <p>This is a favourable movement of £18k since Period 4 and includes additional income of £13k relating to Oakfield Road and £23k Regent Road car parks remaining open. Planning income has increased by £72k and is partially offset by increased staffing and running costs £51k. Outdoor media income is £50k less than predicted due to economic conditions affecting this sector.</p> <p>The above figures exclude the new income from the garden waste collection service which has exceeded budgeted levels by £600k. This will now be used to support additional investment in the Council's highways, as highlighted in the previous report.</p>

Transformation & Resources	(642)	<p>The overall underspend of £642k includes staff cost savings of £679k and additional income and reduced running costs, saving £233k. These are partly offset by a shortfall in the savings associated with School crossing patrols of £270k, albeit other funding sources will be pursued where available.</p> <p>This is a favourable movement of £175k since Period 4.</p> <p>Forecast staff costs are £679k less than budget across the Directorate based on actual and projected vacancies, which is 3.5% of the total staffing budget. This is a favourable movement since Period 4 of £85k. However, this is lower than the average level experienced in 2016/17 of 4.6%, and reflects the ongoing efforts to fill outstanding vacant posts.</p> <p>Projected income levels have increased by a net £38k to £112k since Period 4 across a number of areas, particularly within Finance Services.</p> <p>Running costs are currently projected to be £121k below budget, a favourable movement of £52k.</p>
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Council-wide budgets	(611)	<p>The overall underspend of £611k includes:</p> <ul style="list-style-type: none"> • Treasury Management savings (mainly airport dividend), £464k; • part release of Contingency budgets of £225k; • Overpayment recovery of previous years' Council Tax Benefit, £36k; • Members allowances and running cost savings, £20k and Apprenticeship Levy saving against budget of £31k. • Which is partially offset by a projected shortfall in the savings associated with the 'Advance contributions to GM Pension Fund' project of £165k; <p>This is a favourable movement of £232k since Period 4.</p> <p>A number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts have been reviewed and it is considered appropriate at this stage of the year to release 25% of these totaling £225k.</p> <p>The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £566k, largely as a result of the successful collection of prior years' housing benefit overpayments. This is a small favourable movement of £12k since Period 4.</p> <p>As reported previously, any overachievement on this budget will be transferred into a Housing Benefit Overpayments earmarked reserve which will be used to smooth the budget reductions required in the 2018/19 budget. The estimated over recovery of £566k is therefore not included in the Council Wide outturn figure.</p>
Dedicated Schools Grant	234	<p>The increase in the projected overspend of £112k relates mainly to an increase in SEN delegation costs, due to increased need and demand of children with Special Educational Needs.</p> <p>This overspend will be financed from the DSG reserve.</p>

Progress against Locality Plan

5. A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2020. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other.
6. Work is ongoing on the locality plan and it is anticipated that further work will be required in the coming months to understand how any budget gaps will be addressed. Financial performance against the locality plan is highlighted below in Table 3.

Table 3: Locality Plan Update	2017/18 Budget (£000's)	Outturn (£000's)	Variance (£000's)	Percentage
Public Health	12,178	12,178	0	0.0%
Adult Social Care	57,180	58,077	897	1.6%
Children and Families	31,960	31,960	0	0.0%
Total	101,318	102,215	897	0.9%

MTFP Savings and increased income (Vision 2031 Portfolio)

7. The 2017/18 budget is based on the achievement of permanent base budget savings and increased income of £15.57m (see para. 1 above). In addition a number of savings initiatives which underachieved in 2016/17 have been rolled over to the 2017/18 programme totalling £1.36m, giving a total savings target of £16.93m.
8. The latest forecast indicates that total savings of £16m have been or are projected to be delivered by 31 March 2018. This represents an underachievement against target of £0.93m and includes £12.96m already achieved (81.0%) and £3.04m (19.0%) still to be achieved. At this stage the current reported monitored position assumes that these forecast savings will be delivered in full, albeit this represents a risk to the overall monitoring position until all management actions to deliver the savings are complete.

RESERVES

- The audited General Reserve balance brought forward is £6.00m, the approved minimum level agreed by Council in February 2017.
- Service balances brought forward from 2016/17 were a net £4.11m and are largely allocated to support Vision 2031 Portfolio projects in 2017/18 and later years, however before making firm commitments to utilise these resources consideration will be given to the overall projected outturn position in each directorate.

	b/f April 2017 (£000's)
Table 4: Service balances	
Communities, Families & Wellbeing	(793)
Economic Growth, Environment & Infrastructure	(1,205)
Transformation & Resources	(2,113)
Total (Surplus)/Deficit	(4,111)

COLLECTION FUND

Council Tax

- The 2017/18 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 total surplus brought forward as at 1 April 2017 was £2.54m.
- As at September 2017 the end of year surplus balance is forecasted to be £1.41m, after the application of £1.55m of brought forward surplus and addition of an in-year surplus of £420k. The Council's share of this is £1.19m, and is planned to support future budgets in the MTFP.
- Council Tax collection rate as at 30 September 2017 was 58.5% compared to the targeted collection rate of 58.6%.

Business Rates

- The 2017/18 budget included anticipated growth in retained business rates and related S31 grants of £5.46m and at this stage it is still anticipated that this will be achieved in year, albeit the risk of appeals still remains a significant concern.
- In addition agreement has been reached across AGMA on the sharing of benefits from the 2016/17 business rate growth pilot. The benefit Trafford will receive from this is £1.276m in 2017/18. Given the overall risk faced by Trafford, given its large business rates baseline and the proposed resetting of baselines in 2020/21, it is prudent that this amount be transferred to a new earmarked reserve to help mitigate any future business rates related risks.
- Business Rates collection rate as at 30 September 2017 was 56.24% compared to a targeted collection rate of 56.62%.

CAPITAL PROGRAMME

17. The value of the indicative 2017/18 Capital Programme set in February 2017 was £65.74m which was updated as a result of 2016/17 outturn and reported in the P4 monitor at £72.34m. Taking into account the increase to the Capital Investment Fund and additional contributions the budget is currently estimated at £353.17m. The changes are summarised as follows with details below:

Table 5 - Capital Investment Programme 2017/18	Approved Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children, Families & Wellbeing	15.43	-	15.43
Economic Growth, Environment & Infrastructure	35.70	0.83	36.53
Transformation & Resources	6.21	-	6.21
General Programme Total	57.34	0.83	58.17
Capital Investment Fund	15.00	280.00	295.00 *
Total Programme	72.34	280.83	353.17

* The remaining £5m has been rephased to 2018/19.

18. Amendments to Capital Programme

- **Public Realm Works** – Progress on the design and the next phases of the works in Altrincham and Stretford are to start this year and continue into 2018/19. The estimated cost of these phases will be financed from developer contributions, specifically the S106 and S111 agreements in respect of the redevelopment of Barton Square in Trafford Park. The impact of the inclusion of these is an increase of £235k in the 2017/18 budget with the balance spread across 2018/19 and later years.
- **Highways Maintenance Investment** – The addition of £600k for highways capital maintenance improvements was approved in the P4 monitor, to be funded from the overachievement of income on garden waste collection. It is anticipated that further investment will be added to the 2017/18 programme, subject to available resources and future Executive approval.
- **Capital Investment Fund** - At Budget Council on 22nd February 2017 an investment fund of £20m was established to support the acquisition of assets that will support local regeneration and/or yield future sustainable revenue streams for the Council and also cover borrowing costs.

Council on 26th July 2017 agreed an Investment Strategy in line with the objectives above and approved an increase to the Capital Investment Fund of £280m from £20m to £300m.

Resourcing of the capital investment programme is made up of both internal and external funding. Details of this are shown in the table below.

Table 6 - Capital Investment Resources 2017/18	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	19.84	-	19.84
Contributions	10.04	0.23	10.27
Sub-total	29.88	0.23	30.11
Internal:			
Receipts	16.07	-	16.07
Borrowing	10.50	-	10.50
Reserves & revenue	0.89	0.60	1.49
Sub-total	27.46	0.60	28.06
General Programme Total	57.34	0.83	58.17
Borrowing – Capital Investment Fund	15.00	280.00	295.00
Total Programme	72.34	280.83	353.17

Status and progress of projects

19. This section aims to give certainty about delivery and the level of outturn performance that can be expected in 2017/18 on the general capital programme.
20. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 7 - Status on 2017/18 Projects	Current Budget £m	Percentage of Budget
Already complete	12.42	21%
On site	29.77	51%
Programmed to start later in year	12.19	21%
Not yet programmed	3.79	7%
Total	58.17	100%

21. There are a number of schemes which, whilst they have started or are still due to start in year, are not now expected to complete until 2018/19. As a result the outturn projection is now estimated to be £54.04m in 2017/18. The table below provides a summary with scheme details shown in the following paragraph.

Table 8 – 2017/18 Outturn Projection	£m
Current General Programme	58.17
Actual spend to date	21.99
Expected spend for P7-P12	32.05
Outturn Projection	54.04
Variance to current budget	(4.13)
Major Areas which require re-phasing to 2018/19	
- Schools related projects	0.82
- Public Building Repairs	0.30
- City Cycle Ambition Grant	0.43
- Altrincham – Library / Community Facility	1.74
- Additional Burial Land	0.44
- SAP Development / Replacement	0.40
Total re-phasing requirement	4.13

22. The schemes listed below are those where delivery is not expected to either complete or commence in 2017/18 and budgets will be rephased as part of the budget setting report in February 2018.
- **Barton Clough Primary School - £496k** : Works to the Early Years facility are still to be undertaken. However the ongoing academy negotiations have delayed delivery and therefore works are not expected to start this year;
 - **Schools Capital Maintenance Works - £326k** : Work at two schools, originally planned for this summer recess, were unable to have been completed for the new school year and as a result have been programmed to be undertaken in the summer of 2018;
 - **Public Building Repairs - £300k** : Works at Flixton House were originally planned to be completed this year. However due to listed building issues the work is now not expected to start until February / March 2018 with completion due in 2018/19;
 - **Cycle City Ambition Grant 2 – £432k** : Transport for Greater Manchester have, with agreement from the Department of Transport, agreed that the deadline for using the grant can be extended to September 2018. The opportunity has been taken to ensure that budgets are phased to ensure proper delivery of the proposed projects;
 - **Altrincham – Library / community facility - £1.74m** : The Council has agreed a £2.00m premium for a 125 year lease of the facility, the balance of £1.74m is now to be paid in September 2018.
 - **Additional Burial Land - £436k**: The purchase of the land from National Trust is expected to complete this year, whilst the required infrastructure works, at an estimated cost of £436k, are programmed to start in 2018/19;
 - **SAP Development / Replacement - £400k**: Soft market testing is currently underway looking into options and a business case will be prepared. However it is expected that project delivery will commence in 2018/19.

Issues / Risks

23. The main risk in the area of the capital programme is the timely delivery of the programme and this situation will continue to be closely monitored and any issues will be reported as and when they arise.

Recommendations

24. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 17.

Virements	Children's (£000's)	Adults (£000's)	EGEI (£000's)	T&R (£000's)	Council- wide (£000's)	Total (£000's)
Period 4 Report	31,947	58,402	38,504	17,057	14,915	160,825
Re-alignment of 0.5% Early Retirement element of the £38m Up Front Pension payment saving of £350k.	(54)	(45)	(22)	(93)	214	0
One Trafford Partnership budget transferred to Children's Services to pay for the insourcing of the Property Capital Development Team.	64		(64)			0
Merging of Children's and Adults Transport budgets.	542	(542)				0
PCI Compliance scanning and encryption budget adjustment.				2	(2)	0
Total virements	552	(587)	(86)	(91)	212	0
Period 6 Report	32,499	57,815	38,418	16,966	15,127	160,825

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 December 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period July to September 2017.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period July to September 2017.**
- **To provide ongoing assurance to the Council on the adequacy of its control environment.**

Recommendation

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

Contact person for access to background papers and further information:

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

Background Papers: None

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TRAFFORD
COUNCIL

Audit and Assurance Service Report July to September 2017

Date: November 2017

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between July and September 2017 and highlights progress against the 2017/18 Internal Audit Plan to date. At the end of the year, these quarterly reports will be brought together in the Annual Head of Internal Audit Report which will give the opinion on the overall effectiveness of the Council's control environment during 2017/18.

2. Planned Assurance Work

Key elements of the 2017/18 Work Plan include:

- Fundamental Financial Systems reviews.
- Facilitating the completion of the Annual Governance Statement for 2016/17.
- Continued input to risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- ICT audit reviews.
- Anti fraud and corruption work.
- Ongoing advice to services and input / advice in respect of key projects across the Council.
- School audits and other establishment audit reviews.
- Grant claim certification work
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q2 2017/18

Work in this quarter included a particular focus on the following :

- Audit review work in respect of fundamental financial systems including the issue of a number of audit opinion reports.
- Progressions of a number of other audit reviews from the Internal Audit Plan.
- Work to assist management with an ongoing contract monitoring review in relation to the One Trafford Partnership.
- Checks in relation to grant claims to meet relevant deadlines.
- Continued progression of work supporting the National Fraud Initiative.
- Co-ordinating the completion and sign off of the finalised version of the Annual Governance Statement.

4. Summary of Assurances for 2nd Quarter 2017/18

There were 10 internal audit opinion reports issued in the quarter, 6 final reports and 4 at draft stage. A number of other audit reports were in progress, to be formally issued in quarter three. A listing of audit report opinions issued including overall findings is shown in Section 5.

In respect of the final reports issued at least "Adequate" Opinions (Medium or above) were given in relation to 5 of the 6 reports issued. For all final reports issued, where applicable, agreed action plans are in place to implement the recommendations made.

5. Summary of Audit & Assurance Opinions Issued – Q2: 2017/18

(See Appendix 4 for definitions of opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports :		
Council tax (T&R) / (Corporate Resources)	High (GREEN) (10/7/17)	Based on the controls reviewed, a high level of assurance has been maintained with a good level of control found to be in place, with no recommendations made in this review.
Treasury Management (T&R) / Corporate Resources)	High (GREEN) (18/9/17)	A high level of assurance has been maintained and no formal recommendations were made as part of the audit.
Health and Safety (T&R) / Corporate Resources)	Medium/High (GREEN) (21/7/17)	The review covered corporate health and safety processes within the Council's Health and Safety Unit. Well defined systems and controls are in place to manage risks and a small number of recommendations were made to further enhance arrangements.
Level 1 Reports:		
Coppice Avenue Library (T&R) / (Communities and Partnerships)	Medium* (GREEN) (8/8/17)	The audit review followed up recommendations previously made in 2016/17. Good progress has been made. Of the six recommendations made, one has been fully implemented, two substantially implemented, two are ongoing and one outstanding recommendation was agreed to be implemented.
Bollin Primary School (CFW) / (Children and Families)	Low/Medium (AMBER) (27/7/17)	A significant number of recommendations were made to improve controls across a number of areas reviewed. Findings highlighted the need to ensure that purchases made adhere to the School's financial procedures. In order to demonstrate that value for money in purchasing is sought, the school should ensure that the quote and tender process set out in the Financial Procedures Manual is followed. At the time of the review it was acknowledged that the school was already in the process of reviewing and improving its governance and internal control processes and an agreed action plan is included in the audit report to address the recommendations made.
St. Hugh's RC Primary School (CFW) / (Children and Families)	Medium/High (GREEN) (27/9/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to lettings and also inventory maintenance.
DRAFT REPORTS		
Level 4 Reports:		
Accounts Receivable / Debt Recovery (T&R) / (Corporate Resources)		Draft report issued. Final report with audit opinion issued in Quarter 3.
Non Domestic Rates (NDR) (T&R) / (Corporate Resources)		Draft report issued. Final report with audit opinion issued in Quarter 3.
SAP Financial System IT Access Controls – follow up (T&R) / (Corporate Resources)		Draft report issued. Final report with audit opinion issued in Quarter 3.
Level 1 Reports:		

Broadheath Primary School (CFW) / (Children and Families).	Draft report issued. Final report with audit opinion issued in Quarter 3.
<u>OTHER REPORTS IN PROGRESS</u>	
<u>Level 2 Reports:</u>	
Aids and Adaptations (CFW) / (Adult Social Care)	Initial findings shared with management.
Payments to Care Leavers (CFW) / Children and Families)	Initial findings shared with management.
<u>Level 1 Reports:</u>	
Wellfield Infant and Nursey School (CFW) / (Children and Families)	Findings discussed with Headteacher. Final report to be issued in Q3.
<i>*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review</i>	

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued. Work in the quarter has included the following:

There has been ongoing work such as the provision of advice and co-ordinating the update of the Council's Strategic Risk Register. Other work undertaken during Q2 included:

- Continuing to work with the Information Governance team and within the Information Security Governance Board (ISGB) to progress actions agreed following the audit by the Information Commissioner's Office (ICO). (An update on progress was provided to the ICO which included some actions Audit has contributed to including the drafting of an Information Risk Policy).
- Ongoing work in liaison with other services to follow up data matches provided by the Cabinet Office following submission of data as part of the National Fraud Initiative (outcomes will be reflected in the Quarter Three Audit and Assurance update).
- Completing a number of checks as part of the process for certifying grant claims with work completed in relation to the Public Health Grant, Local Growth Fund, Integrated Transport and Highways Maintenance Grant and Disabled Facilities Grant.
- Working to assist management by contributing to an ongoing contracts monitoring review of the One Trafford Partnership.
- Providing guidance to schools on internal control to supplement the internal audit process with the publication of an updated Control Risk Self-Assessment (CRSA) form which was issued in the weekly schools bulletin to schools and the Trafford Services for Education website.
- Arranging for sign off and publication of the Final 2016/17 Annual Governance Statement.
- Following up an incident of a loss of cash within a service area and provision of recommendations and guidance to improve controls which have been agreed.

7. Impact of Audit Work – Improvements to the Control Environment

Key indicators of the impact of Audit and Assurance are: (a) Acceptance of Recommendations (b) Implementation of them.

Acceptance of Recommendations

From the final audit opinion reports issued during the quarter, 98% of recommendations have been accepted (59 out of 60 recommendations made). In the year to date 97.5% have been accepted (157 out of 161 recommendations) against a service target of 95%.

Implementation of Audit Recommendations

Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

As listed under final reports in Section 5, a follow up audit was completed at Coppice Avenue Library.

In respect of a number of audits previously completed, managers are requested to provide an update on progress in implementing recommendations made. Most updates are being requested through quarter 3 and quarter 4. During quarter 2 an update was received as follows:

- Insurance (Transformation and resources) – Further to an audit of Insurance in 2016/17, management have reported that both recommendations made have been implemented.

The quarter 3 update will include outcomes for that period and a summary of outcomes in the year to date.

8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2017/18 Operational Internal Audit Plan

As at the end of quarter two, 544 audit days were spent against 468 planned allocated days.

As part of the Internal Audit Plan, a target of 40 audit opinion reports was set to be issued during 2017/18. As at the half-year stage, 17 opinion reports were issued to final or draft stage with a further 3 reports where findings have been shared with management for comments.

9. Client satisfaction surveys (April to September 2017)

Client Surveys: A client questionnaire is sent out with each audit report canvassing managers' views on the conduct of the audit review and its impact.

In terms of responses received in the period in respect of various aspects of the audits, **feedback of “Very Good” or “Good” was provided in 97% of responses.** A summary of feedback is shown in **Appendix 3.** A summary of responses received for the whole year will be included as part of the Annual Head of Internal Audit Report 2017/18.

10. Planned Work for Quarter 3, 2017/18

Areas of focus include :

- Issue of 7 final audit reports in relation to the following reviews currently at draft report stage or in progress:
 - Accounts Receivable / Debt Recovery; Non Domestic rates, SAP IT Access controls; Payments to Care Leavers; Aids and Adaptions; Wellfield Infant and Nursery School; Broadheath Primary School.

- Issue of a number of other audit reports including:
Two IT Audits (Software licensing and also IT Service desk reviews); financial system review in relation to Benefits/Council Tax Reduction; review in relation to the STAR Shared Procurement Service procedures regarding the financial vetting of suppliers; and an audit of Partington Children's Centre.
- Progression of other audit reviews as listed in Appendix 2.
- Supporting CLT in the refresh of the Strategic Risk Register and subsequent reporting to the Accounts and Audit Committee.
- Ongoing liaison with Legal and Democratic Services in relation to confirming arrangements for the production of the 2017/18 Annual Governance Statement.
- Continuing to work with management to support review work in relation to the One Trafford Partnership.
- Ongoing liaison with relevant services to progress data matching as part of the National Fraud Initiative (with an update on outcomes to be included within the Q3 Audit and Assurance update).
- Receiving an external assessment of Internal Audit in accordance with the Public Sector Internal Audit Standards. An assessment visit is to be undertaken by CIPFA in November 2017. Findings will be reported to CLT and the Accounts and Audit Committee when finalised.

2017/18 Operational Plan: Planned against Actual Work (as at 30 September 2017)

Category	Details	Planned Allocated Days 2017/18	Planned Days (up to 30/9/17)	Actual Days (as at 30/9/17)
Fundamental Systems	Completion of fundamental financial systems reviews: (See Appendix 2 for opinion reports issued and planned to be issued during 2017/18).	230	105	108
Governance	<p>Corporate Governance Review / Collation of supporting evidence and production of the 2016/17 Annual Governance Statement (AGS). Corporate Governance Code updated and 2017/18 AGS approved by the Accounts and Audit Committee in September 2017.</p> <p>Further work planned for the rest of 2017/18 includes:</p> <p>Ethical governance – work with Legal and Democratic Services to review procedures and guidance in respect of declaring interests, gifts and hospitality.</p> <p>Ongoing advice / assurance in respect of governance issues.</p>	40	28	26
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy including provision of guidance.</p> <ul style="list-style-type: none"> - Strategic Risk update report completed in June 2017 and reviewed by CLT in July 2017. Further updates during 2017/18 to be shared with CLT and the Accounts and Audit Committee (at its December 2017 and March 2018 meetings). - Risk management guidance on the intranet has been updated to reflect updated Policy, Strategy and guidance. 	25	12	9
Anti-Fraud and Corruption	<p>Investigation of referred cases: (Summary of work completed during the year to be set out in Annual Head of Internal Audit Report and reflected where applicable in quarterly updates).</p> <p>Co-ordinate the Council's activity in respect of the National Fraud Initiative: (Summary of work completed and outcomes to be included in the Quarter 3 Audit and Assurance update and reflect in the Annual Head of Internal Audit Report).</p> <p>Other work to support the Ant-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the</p>	100	50	86

	overarching strategy. (Audit is currently liaising with Legal Services to consider further).			
Procurement / Contracts/ Value for money	Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors). See Appendix 2 for reports completed and planned.	80	30	36
ICT Audit	Audit reviews to be completed in line with the ICT audit plan. See Appendix 2 for work undertaken/planned.	70	28	27
Schools	Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard (SFVS). Undertake School Audit reviews (Issue of at least 15 Audit Opinion Reports). See Appendix 2 for audit opinion reports issued and planned. (7 final reports issued, 1 draft report issued and 1 review where draft findings have been shared with report to be issued).	170	80	112
Assurance – Other Key Business Risks	Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes: - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. See Appendix 2 for audit opinion reports issued and other work completed / planned.	230	90	67
Grant claims checks / Data Quality	Internal audit checks of grant claims / statutory returns as required. Checks completed to date have covered: - Public Health - Local Growth Fund. - Integrated Transport and Highways Maintenance Grant - Disabled Facilities Grant.	35	15	21
Service Advice / Projects	General advice, both corporately and across individual service areas. Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. To date this has Included: - contributing to work of the Information Security	60	30	52

	Governance Board; - contributing to the development of the Digital Strategy.			
TOTAL		1040	468	544

Audit Opinion Reports Issued and Planned 2017/18 (as at 30 September 2017)

<u>Category</u>	<u>Audit Opinion Reports</u>	<u>Status (where progressed by Q2)</u>	<u>2017/18 IA Plan</u>
Fundamental Systems	<ul style="list-style-type: none"> -Accounts Receivable & Debt Recovery (T&R) - Treasury Management (T&R) - Council Tax (T&R) - Payroll (T&R) - Income Control (T&R) - NDR (T&R) - Benefits/Council Tax reduction (T&R) - Accounts Payable (T&R) - Liquid Logic/ContrOCC system (CFW/T&R) - Direct Payments (CFW) 	<ul style="list-style-type: none"> Draft report issued 13/9/17 Final report issued 18/9/17 Final report issued 10/7/17 - - Draft report issued 25/9/17 In progress - - - 	<ul style="list-style-type: none"> Final report issued in Q3 Completed. Completed. Commence by Q4. Commence by Q3. Final report issued in Q3. Draft report to be issued Q3 Commence by Q4. Commencing Q3. Commence by Q4.
Procurement /Contracts /Value for money	<ul style="list-style-type: none"> - Contracts Register (STAR Authorities – Rochdale lead) (T&R) - Financial vetting of firms (STAR Authorities – Trafford lead) (T&R) - STAR Quality Management System (STAR Authorities – Stockport lead) (T&R) - Social Value in Procurement (STAR authorities – Trafford lead) (T&R/Authority Wide) - Contract Procedure Rules (STAR Authorities – Stockport lead) (T&R/Authority-Wide) - One Trafford Partnership (EGEI) 	<ul style="list-style-type: none"> - In progress - - In progress Ongoing contribution to a Council review 	<ul style="list-style-type: none"> Timing to be agreed (Rochdale). Draft report to be issued Q3 Timing to be agreed (Stockport). Commence in Q4. Draft report to be issued Q3
ICT Audit	<ul style="list-style-type: none"> - SAP financial system access controls (T&R) - IT Change Management follow-up audit (T&R) - Software Licensing (T&R) - Cyber Security (T&R) - ITrent System IT Application Controls (T&R) - IT Service Desk (T&R) 	<ul style="list-style-type: none"> Draft report issued. - In progress - - In progress 	<ul style="list-style-type: none"> Final report issued in Q3. Commence by Q4. Final report to be issued Q3. Commence by Q3. Commence by Q4. Final report to be issued Q3.
Schools	<ul style="list-style-type: none"> - Barton Clough Primary School - Well Green Primary School - Our Lady of the Rosary RC Primary School - Wellfield Junior School - Moss Park Infant School - Bollin Primary School - Wellfield Infant and Nursery School - St. Hugh's RC Primary School - Broadheath Primary School - At least 6 further reports planned to be issued in 2017/18 (including English 	<ul style="list-style-type: none"> Final report issued 24/4/17 Final report issued 23/5/17 Final report issued 23/5/17 Final report issued 27/6/17 Final report issued 28/6/17 Final report issued 27/7/17 Draft findings agreed with Headteacher. Final report issued 27/9/17 Draft report issued 29/9/17 2 school audits booked to be undertaken in Q3 	<ul style="list-style-type: none"> Completed Completed Completed Completed Completed Completed Completed Final report to be issued Q3 Completed Final report issued in Q3. Of these 6 schools, 1 final report to be issued in Q3 and

Client Survey Responses 2017/18 (as at 30 September 2017)

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	7	1			
Feedback of findings and liaison during the audit	7	1			
Professionalism of auditors	7	1			
Helpfulness of auditors	7	1			
Timeliness of the review and the draft report	5	2	1		
Clarity of the report	7	1			
Accuracy of the report	5	3			
Practicality of the recommendations made	5	1	1		
Usefulness of the audit as an aid to management	5	3			
Total	55	14	2	0	0
%	77%	20%	3%	0%	0%
	Very Significant	Significant	Moderate	Minor	None
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	1	0	3	1	3
%	12.5%	0%	37.5%	12.5	37.5%

(Note: the results are based on responses from 8 client surveys received in the period).

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green
Medium / High – Good	Green
Medium – Adequate	Green
Low / Medium - Marginal	Amber
Low – Unsatisfactory	Red

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

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and finalise agreed responses to audit recommendations.

Final reports:

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

Breadth of coverage of review (Levels 1 to 4)

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

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

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 December 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2017/18

Summary

This report sets out the work plan for the Committee for the 2017/18 municipal year.

It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.

The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Accounts and Audit Committee is asked to note the 2017/18 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
10 July 2017	Agree Committee's Work Programme for 2017/18 (including consideration of training and development). Training & Development/Presentation - Draft accounts (provided outside of the Committee in July 2017)					
	- 2016/17 Head of Internal Audit Annual Report	- Audit Progress Report	-Cyber Security risk update	- Review 2016/17 draft Annual Governance Statement - Corporate Governance Code - Accounts and Audit Committee 2016/17 Annual Report to Council		- 2016/17 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports -Treasury Management update (including Annual Performance Report 2016/17)
6 September 2017	(Budget Monitoring 2017/18 Period 2 report sent to Committee Members in August 2017)					
	- Q1 Internal Audit Monitoring Report	- Audit Findings Report		- 2016/17 Annual Governance Statement (final version)	- Counter Fraud and Enforcement Team Annual Report 2016/17.	- Approval of Annual Statement of Accounts 2016/17 - Procurement update (STAR Shared Procurement Service) -Insurance Performance Report 2016/17

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
6 December 2017	Training and Development :Risk Management – Insurance (Provided outside of the Committee meeting)					
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update	- Strategic Risk Register Monitoring Report			- Treasury Management : mid-year performance report - Budget Monitoring Report
7 February 2018						
	- Q3 Internal Audit monitoring report - Public Sector Internal Audit Standards: External Assessment	- Audit Update (including Grant Claims summary) - External Auditor appointment		- Report on arrangements for 2017/18 Annual Governance Statement.	- Anti-Fraud and Corruption update (National Fraud Initiative).	- Treasury Management Strategy - Budget Monitoring Report
27 March 2018						
	- 2018/19 Internal Audit Plan - Internal Audit Charter and Strategy	- Audit Plan / update	- Strategic Risk Register Monitoring Report			- Budget Monitoring Report.

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