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TRAFFORD COUNCIL

AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 5 February 2020

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. **QUESTIONS FROM MEMBERS OF THE PUBLIC**

A maximum of 15 minutes will be allocated to public questions submitted in writing to Democratic Services (democratic.services@trafford.gov.uk) by 4 p.m. on the working day prior to the meeting. Questions must be relevant to items appearing on the agenda and will be submitted in the order in which they were received.

3. **MINUTES** 1 - 4

To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 30th October 2019.

4. **PROCUREMENT UPDATE - PRESENTATION BY STAR** 5 - 18

To receive a presentation from Lorraine Cox, Director of Procurement.

5. **ANNUAL GOVERNANCE STATEMENT 2019/20: APPROACH AND TIMETABLE** 19 - 24

To consider a report of the Interim Head of Governance.

6. **TREASURY MANAGEMENT STRATEGY 2020/21 - 2022/23** 25 - 56

To consider a report of the Executive Member for Finance and Investment and Corporate Director, Finance and Systems.

SARA TODD
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), C. Boyes, G. Coggins, J. Dillon, A. Duffield, P. Lally, J. Lloyd (Vice-Chair), A. Mitchell, B.G. Winstanley and Mrs. J. Platt.

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

Joseph Maloney, Governance Officer,
Tel: 0161 912 4298
Email: joseph.maloney@trafford.gov.uk

This agenda was issued on **Tuesday, 28 January 2020** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

30 OCTOBER 2019

PRESENT

Councillor B. Brotherton (in the Chair).
Councillors E. Patel (Vice-Chair), C. Boyes, G. Coggins, A. Duffield, J. Lloyd, A. Mitchell and Platt (Independent Member)

In attendance

Nikki Bishop	Corporate Director of Finance and Systems
Mark Foster	Audit and Assurance Manager
Karen Murray	Auditors, Mazars
Fabiola Fuschi	Governance Officer

25. ATTENDANCES

Apologies for absence were received from Councillor Dillon.

26. QUESTIONS FROM MEMBERS OF THE PUBLIC

It was noted that there were no questions to be considered at the current meeting

27. MINUTES

RESOLVED – That the Minutes of Extraordinary Meeting and of the Meeting held on 23rd and 29th July 2019 respectively be approved as correct records and signed by the Chair.

28. 2018/19 ANNUAL AUDIT LETTER

Ms. K. Murray (Mazars) was in attendance to introduce and draw Members' attention to key features of the Annual Audit Letter for Trafford Council for the year ending 31st March 2019. An opportunity was provided for Members to raise queries on the Letter's content. These concentrated on the publication of the Local Authority Financial Resilience Index. Officers explained that this would be published in the next couple of weeks. Members queried whether there had been significant differences of data in the last four years with regard to the risk associated with the Valuation of Property, Plant and Equipment. Auditors explained that Trafford's accounts included a yearly revaluation of assets; the issue addressed this year was to ensure that the correct information was utilised to establish property values. The Committee also sought and received clarification with regard to Council's use of reserves and the importance of delivering saving plans.

The Committee requested to view the Local Authority Financial Resilience Index as soon as this was complete.

RESOLVED – That the content of the Annual Audit Letter for the year endng 31st March 2019 be noted.

29. EXTERNAL AUDIT PROGRESS REPORT 2019/20

Ms. K. Murray (Mazars) was in attendance to highlight for Members the key features of the external auditors' Audit Progress report as at October 2019. The report also set out details of proposed planning for the 2019/20 audit; and of a range publications which might be of interest to the Committee's Members in undertaking their role.

RESOLVED – That the content of the Audit Progress Report as at October 2019 be noted.

30. INSURANCE PERFORMANCE REPORT 2018/19

The Corporate Director of Finance and Systems submitted a report which set out for Members' information significant aspects of the Council's insurance performance for the year 2018/19. An opportunity was provided for Members to raise issues in relation to the report's content, which focussed on the increase in the number of successful claims. Officers explained that the overall repudiation rate was the same. Last year's increase had been caused by highways claims linked to the effects of a very severe winter; the level of claims in 2019/20 had returned to prior levels. The Committee also sought and received clarification on the New Code of Practice – Well-Managed Highway Infrastructure, the specialist cyber policy, the claims related to Public Liability - Highway injury and the Local Government Association (LGA) Mutual.

Members requested to see the figures concerning the cost of highway property claims and the cost benefit analysis of taking insurance through the LGA Mutual.

RESOLVED – That the content of the report be noted.

31. TREASURY MANAGEMENT 2019/20 MID-YEAR PERFORMANCE REPORT

The Executive Member for Finance and Investment and Corporate Director of Finance and Systems submitted a report which set out for Members' information a summary of Treasury Management activities undertaken for the first half of 2019/20, with particular reference to debt activity, investment activity and adherence to prudential indicators. On the latter, it was noted that the Council complied with its legislative and regulatory requirements and that there were no breaches of prudential indicators. Officers highlighted that the Council had changed the Investment Strategy to allow investment in more ethical vehicles and complement the Council's Asset Investment Strategy. An opportunity was provided for Members to raise issues in relation to the report's content, which focussed on the Green Deposit Notice account. Officers explained that the Treasury Management team had opened a Green Deposit Notice Account to place an element of the Council's temporary investments to support the lower carbon economy. Members sought and received clarification with regard to loan with high interest rates and early repayment penalty for Lobo Loans.

The Committee requested further information on the Lobo Loan early repayment charge and a graph representing loans with high interest rates. Members also requested information on the type of investigation conducted and criteria utilised to conclude that the Green Deposit Notice account provided a form of "green" investment.

RESOLVED – That the details of Treasury Management activities undertaken for the first half of 2019/20 be noted.

32. 2019/20 AUDIT AND ASSURANCE REPORT FOR THE PERIOD TO AUGUST 2019

The Audit and Assurance Manager submitted a report which set out for Members' information a summary of the work of Audit and Assurance during the period April to August 2019 and provided ongoing assurance to the Council on the adequacy of its control environment. In discussing the content of the report, Members sought clarification on the joint procurement activity through STAR Procurement and the savings achieved, the timeline for the review of audit recommendations and the Council's areas currently being reviewed by the Audit Team.

RESOLVED – That the content of the report be noted.

33. STRATEGIC RISK REGISTER 2019/20 (OCTOBER 2019 UPDATE)

The Audit and Assurance Manager submitted for Members' consideration a report which provided an update on the Council's strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks. In reviewing the Register's content, Members drew attention to the risk associated with records management and handling personal / sensitive information and responses to Freedom of Information Act requests.

Members requested that the Monitoring Officer attend the next meeting of the Committee.

RESOLVED – That the content of the report, and the issued raised, be noted.

34. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2019/20

The Audit and Assurance Manager submitted a report which gave details of the Committee's progress against its work plan for the current municipal year. In discussing the report, it was noted that at the next meeting of the Committee, in February 2020, Treasury Management training would be delivered and representatives of STAR Procurement would be in attendance to inform Members of the activity of the shared procurement service.

RESOLVED – That the content of the report, and progress against the programme, be noted.

The meeting commenced at 6.30 pm and finished at 7.28 pm

STAR PROCUREMENT

Lorraine Cox
STAR Director

Elizabeth McKenna
Asst. Director (Delivery)

STAR PROCURE

STAR Objectives:

STAR PROCUREMENT

Outputs: STAR/Trafford: 18/19:

STAR Savings:	**Target:**	**Delivered 18/19:**
Savings Ratified:	STAR Target: £4.8M	£6.968M
Social Value average weighting:	STAR Target: 15%	£11%
Social Value in Contracts:	STAR Target: 60%	£49%

Return on investment 6 TIMES

Trafford Compliance (on contract):	**17/18:**	**18/19:**
Compliance	71%	89%

Strong Improvement

Trafford Spend Breakdown	**17/18:**	**18/19:**
Local Spend (controllable spend element)	17%	49%
Spend within GM	30%	22%
Out of GM Spend	53%	29%

STAR PROCUREMENT

Other Outputs 19/20:

- Trafford CCG – on board from April 2019
- Social Value Training rolled out April/May 2019
- 31 Internal and External training events delivered in 19/20

STAR PROCUREMENT

What's Next for STAR?

- **A new Business Plan 2020-2023**
- Focus on: Commercial, Communities and Collaboration

- **Sustainable Growth – income (retained and PAYO)**

- **Targets 20/21**
- Savings and Income
- Compliance and Spend

- **Social Value 'Everyone's Business':**
- Bespoke Measures/Corporate Priorities
- 'Social Value Organisation' pilot – Trafford Council
- 3rd Sector pilot – Rochdale Connexions
- Secure improved outputs/delivery

- **Other:**
- Meet the Buyer event scheduled for 24th June 2020 – Hosted in Trafford (Lancashire Cricket Club)
- Training – Continuous Improvement
- Performance Dashboard – Tableau

Social Value Portal

We are the market leader in social value measurement. We have developed **the** online solution for the measurement, procurement, management and reporting of social value

Our solution enables BOTH public and private sector organisations to answer the question "What value do we bring to society?"

Measurement

An nationally approved accounting methodology for measuring social value in terms of economic, environmental and social impact

Procurement

A procurement platform for social value to help organisations manage the tender process and to unlock social value in the supply chain

Contract Management

An interactive solution designed to help organisations set targets and manage performance and store evidence

Reporting

Live reporting with interactive dashboards and displays including geospatial mapping of value by area

Strategy and Policy, Needs Analysis, Integrating Social Value into Planning, Impact Reporting

The Social Value Portal and the STAR Approach:

The Measurement Framework is based in a series of a range Themes, Outcomes and Measures - **The National TOMs**

Theme	Outcome	Measures	Units	Value
Growth and Jobs	More local people in local work	No. Young Offenders	No. people	£58,611/per
Promote Local Business	More opportunities for local SMEs and VCSEs	No. Voluntary hours	No. hrs	£14.43/hr
Healthy Communities	A More Resilient Third Sector	Spend in local supply chain	£ spent	Local Spend
Greener and Cleaner	Vulnerable people better supported	Reduced CO2e	tCO2e	£64.66/tCo2e
Social Innovation	Crime is reduced			
	Reduced carbon emissions			

*Total Social Value = Sum(Measures*Value)*

Emerging benefits

For those councils now embedding social value, there are some clear benefits now emerging

Key benefits:

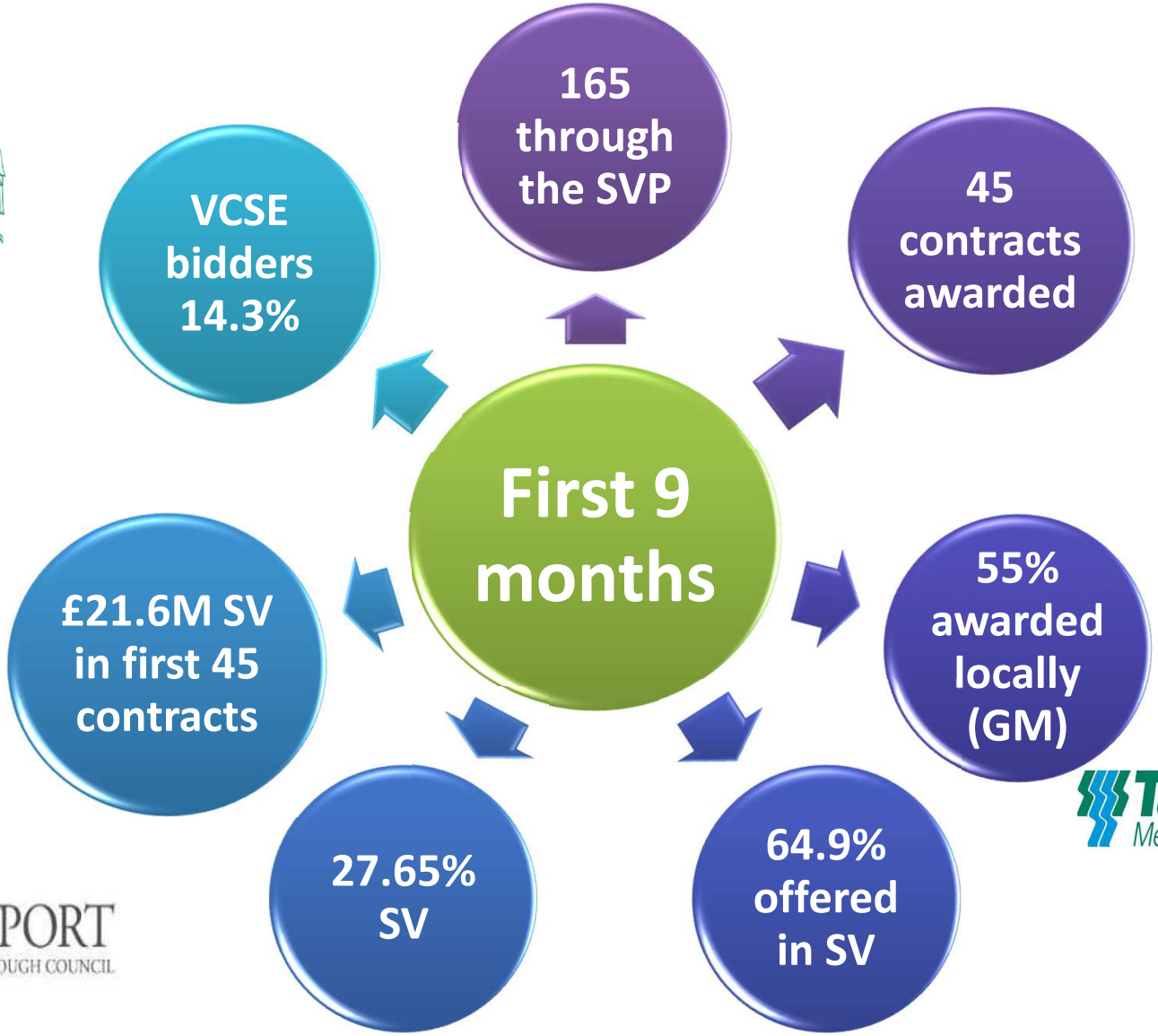
- **Better Value for money** delivering more for the pubic pound by requiring your suppliers to do more than 'just' deliver the core services
- **Increases local spend** by rewarding organisations that are local or have a local supply chain, especially SMEs and VCSEs
- Increases **opportunities for disadvantaged** people and promotes **social mobility**
- Promotes a **responsible supply chain** by requiring businesses to compete
- Leads to a **cleaner, greener city**
- Builds stronger **more resilient communities**
- Leads to **greater innovation** and long term thinking

Target *added* value for every £:

+20% (25% by 2025)

STAR PROCUREMENT

STAR Activity and Outputs:



ROCHDALE BOROUGH COUNCIL

TRAFFORD COUNCIL

Tameside Metropolitan Borough

STOCKPORT METROPOLITAN BOROUGH COUNCIL

STAR PROCUREMENT

An Example Case Study:

Case Study: Replacement Heating Pipework at a Primary School:

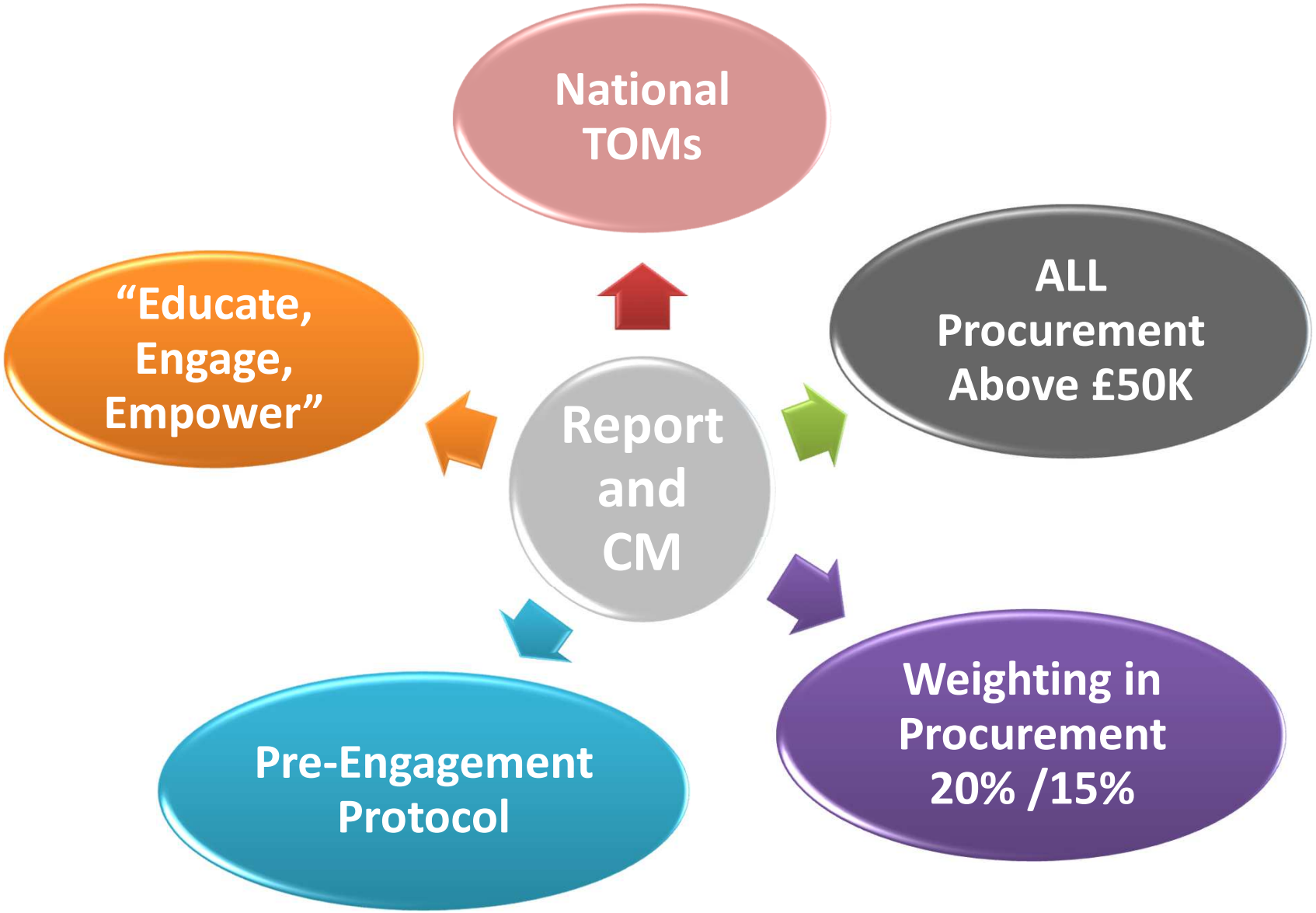
£167,178.00 Social Value from a £257,617 contract – 64.9% approved by SVP

- 2 Local People Employed on the Contract - £46,003 monetary value
- £150,000 spend with local supply chain - £98,250 Monetary Value
- £35,000 spend with Local SME's - £22,925 Monetary value

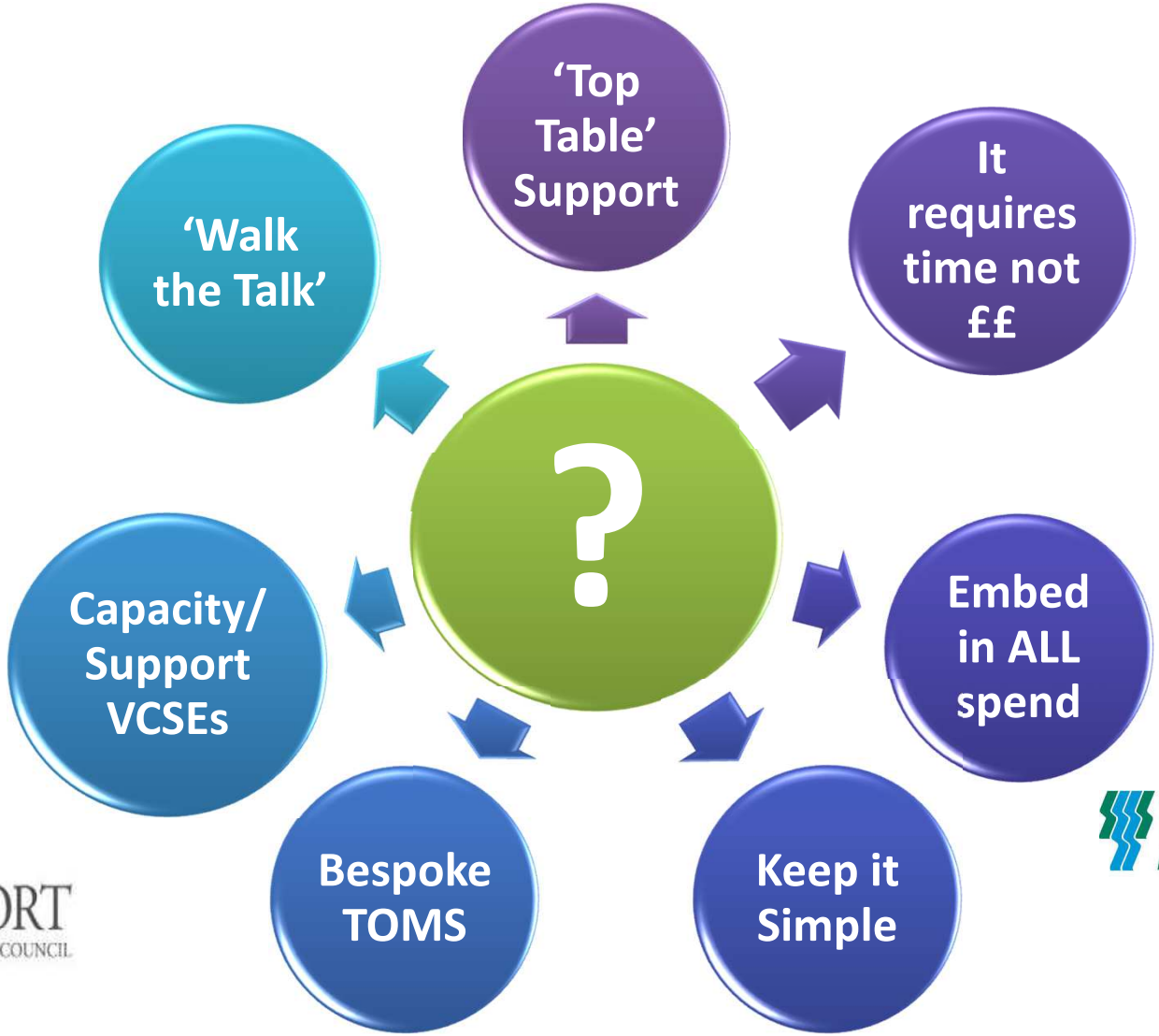
Quote from winning bidder:
Paul Stringer, owner of JC Mills & Son said: "This is the first time we've applied for a tender via the Chest and Social Value Portal and we found the support from STAR and the website really helpful throughout. The Social Value we submitted helped us to win and demonstrates the added value a local business can bring to a council contract. We hope to do further work for the council and STAR, ensuring we continue to improve and provide true value for money for our borough."

STAR PROCUREMENT

Why It Works for STAR?



STAR Key Lessons Learned/What's Next?



STAR Procurement

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TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee**
Date: **5 February 2020**
Report for: **Approval**
Report of: **Interim Head of Governance**

Report Title

Annual Governance Statement 2019/20 – Approach / Timetable

Summary

The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015.

This report sets out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2019/20.

In facilitating the production of the Annual Governance Statement, the guidance issued by CIPFA/SOLACE in April 2016 will be used as a reference point during the process.

Recommendation

The Accounts and Audit Committee is asked to

(a) Note the timetable / action plan;

(b) Note that the Committee will have input to reviewing a draft version of the Annual Governance Statement prior to it being finalised and signed off by the Chief Executive and Leader.

Contact person for access to background papers and further information:

Name: Alexander Murray – Governance Officer
Extension: 4250

Background Papers: **None**

1. Introduction

1.1 The Accounts and Audit Regulations 2015 set out requirements related to the Council's systems of internal control, and the annual review and reporting of those systems.

1.2 The Regulations require Councils to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which include the arrangements for the management of risk.

1.3 In addition, the Regulations require the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control. Following the review the Council must approve an **Annual Governance Statement** which then accompanies its Statement of Accounts. This assurance statement is made by the Chief Executive and Leader of the Council.

1.4 The Annual Governance Statement (AGS) should be prepared in accordance with "proper practices". Proper practices relate to guidance set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" and supporting guidance associated with this. (referred to in section 2 of this report).

1.5 The deadline for completing the AGS is 31 July in line with the deadline for approval of the accounts. In addition, in accordance with best practice, a full draft version of the AGS will be shared with the Accounts and Audit Committee in advance of this.

1.6 This report sets out further detail regarding the Council's approach and timetable for producing its AGS for 2019/20.

2. Governance

2.1 As defined by the International Framework: Good Governance in the Public Sector (CIPFA/IFAC – 2014):

> "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
>
> To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.
>
> Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."

2.2 The CIPFA/SOLACE framework provides a structure to assist authorities with their approach to governance and the production of the AGS. The framework and supporting guidance was updated for in 2016 and in producing the 2019/20 AGS, the guidance will be taken into account through the process.

2.3 Authorities are required to review their governance arrangements against the principles contained in the Framework. The Framework, as to be applied for the 2019/20 AGS, adopts seven core principles that must be considered when defining good governance:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2.4 In order to meet the expectations of the Corporate Governance framework, local authorities are expected to do the following:

- Review their existing governance arrangements against the Framework.
- Maintain a local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
- Prepare an **Annual Governance Statement** (As required in the Accounts and Audit Regulations 2015) in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

2.4 Trafford Council's Corporate Governance Code (last updated in July 2019) reflects the core principles outlined in the CIPFA Framework and states the arrangements in place to ensure governance arrangements are reviewed annually and reported on through the AGS. The Code will be updated to reflect the updated CIPFA/SOLACE guidance comprising the principles set out in 2.3.

3. Process to Support the Annual Governance Statement

3.1 The Corporate Director for Governance and Community Strategy is responsible for facilitating the production of the AGS which is the Authority's statement on its governance processes.

3.2 The proposed timetable for producing the AGS reflects input from Members and Officers to the process.

3.3 The following arrangements are in place to enable the production of the AGS in 2019/20:

a) Annual Review of Corporate Governance (Assurance Gathering process)

The Corporate Director for Governance and Community Strategy is responsible for undertaking an annual assessment to evaluate the position against the Council's Corporate Governance Code.

This will include an assurance mapping exercise to identify potential sources of assurance available with the aim of:

- Mapping systems / processes in relation to which assurance is required in accordance with the existing CIPFA framework.

- Identifying existing sources of assurance to confirm that key controls / risks are operating / managed effectively. Sources include:

  - **Management Controls** including legal compliance, performance management, and risk and financial reporting functions operating at corporate and directorate level;
  - **Internal assurance** including Internal Audit, other compliance functions and internal review work;
  - **External assurance** e.g. External auditor and other inspectorates, partner's compliance functions etc.

Governance Services will facilitate the coordination and reporting of available assurance evidence, both internal and external. This will require support from managers in providing the appropriate information required.

Significant governance issues will be raised with the Corporate Leadership Team as part of the process for agreeing the content of the AGS.

In addition, as part of this process, the Council's Corporate Governance Code will be updated where applicable to ensure it reflects changes including the updated CIPFA/SOLACE guidance.

b) Production and Approval of the Annual Governance Statement

- Input from Members and Officers to produce and approve the 2019/20 AGS includes:

    - Directors and senior managers, with co-ordination from Governance Services to contribute to the content of the Statement.
    - CLT, Directors and senior managers to review the adequacy/robustness of the Statement.
    - Chief Executive and Leader to agree the draft AGS.
    - Draft Annual Governance Statement to accompany the draft accounts to be provided to the External Auditor.
    - Draft Annual Governance Statement to be shared with the Accounts and Audit Committee.
    - Accounts and Audit Committee to approve the final version of the AGS, which is signed by the Chief Executive and Leader, and accompanies the Council's final accounts.

3.4 The planned timetable for the process of producing the AGS is in the Appendix. This may be subject to change following any further guidance from CIPFA.

4. Benefits of the Process

4.1 It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and identifies where strengths and areas for development exist in those arrangements. Where significant governance issues are identified, progress can be monitored as required through the year (and reflected within the following year's AGS).

Appendix

Action Plan to enable the production of the Annual Governance Statement for 2019/20

Actions Required	Completion date
• Accounts and Audit Committee to receive report outlining the Authority's approach to the Annual Governance Statement for 2019/20.	5 February 2020
• Obtain assurance on risk management processes / management of strategic risks – final update of Strategic Risk Register for 2019/20 to be agreed by CLT and reported to the Accounts and Audit Committee.	March 2020
• Production of the Annual Head of Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2019/20 providing assurance relating to key systems, procedures and controls in place across the Council.	May 2020
• Review and evaluation of the Authority's actual position in relation to its Corporate Governance Code. Complete collation of evidence to support the production of the draft Statement.	April/May 2020
• Production of a first draft of the Annual Governance Statement and updated Corporate Governance Code for review by / comment from senior officers (co-ordinated by Democratic Services in consultation with CLT).	May 2020
• Updated Corporate Governance Code and completed Draft Annual Governance Statement for 2019/20 to be agreed by the Chief Executive and Leader and shared with the External Auditor (end of May) and Accounts and Audit Committee (June).	May/June 2020
• Final Annual Governance Statement 2019/20, signed by the Chief Executive and Leader, to be submitted to accompany the final accounts and approved by the Accounts and Audit Committee.	July 2020

TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee 5 February 2020** **Executive and Council 19 February 2020**
Report for:	**Decision**
Report of:	**The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Report Title

TREASURY MANAGEMENT STRATEGY 2020/21 – 2022/23

Summary

This report outlines the:-

- strategy to be implemented during this period for investments and borrowing,
- outlook for interest rates,
- management of associated risks,
- policy to be adopted on Minimum Revenue Provision (MRP) and
- Prudential Indicators.

Recommendations

The Accounts & Audit Committee recommend that:

(a) Executive note the report and

(b) Council approves the Treasury Management Strategy 2020/21 – 2022/23 including the:

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

Contact person for access to background papers and further information:

Name: Graham Perkins
Extension: 4017

Background papers: None

Relationship to Policy Framework / Corporate Priorities	Value for Money
Financial	The treasury management strategy will aim to maximise investment interest whilst minimising risk to the Council. The Council's debt position will be administered effectively and any new loans taken will be in-line with that provided for within the Medium Term Financial Plan and Prudential Indicators.
Legal Implications:	Actions being taken are in accordance with legislation, Ministry of Housing, Communities & Local Government (MHCLG) guidance, Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Opportunities to invest monies in products which both supports sustainable assets and complies with the Council's investment strategy will continued to be explored as and when they become available.
Resource Implications e.g. Staffing / ICT / Assets	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. No Treasury activity is without risk and the Council's in-house treasury management team continually monitor risks to ensure that adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Summary

This report has been prepared in accordance with the Council's Financial Procedure Rules number 8 and outlines the forecasted treasury management activities for the forthcoming three years. Additional reports are produced during the course of the year notifying Members of the preceding financial year actual activities together with a current mid-year update.

Economic position (Appendix 2)

The continuing trade wars between China and US together with the uncertainty of Brexit have dominated the economic events of 2019 and look to do so for 2020. Despite these events the International Monetary Fund is forecasting that a slight recovery in world growth will occur in 2020.

Debt (Section 3)

Borrowing interest rates are forecasted to move upwards from their current position. Any new external borrowing will be taken to assist finance the Council's capital borrowing requirement as outlined in the 2020/23 Capital Programme report with all associated costs being contained within the Medium Term Financial Plan.

Debt restructuring exercises will only be undertaken in order to produce revenue savings or reduce overall treasury risk.

Investments (See Section 5 and Appendix 3)

The Council's investment criteria remains unchanged from that previously adopted of SLY, Security of capital first, then Liquidity of its cash flows and finally Yields.

The Council is required to agree the lending criteria, which is primarily determined by credit ratings issued by the 3 major credit rating agencies as detailed at Appendix 3.

Prudential Indicators and limits (Section 7 and Appendix 3)

The Council is required to approve a set of Prudential Indicators and limits ensuring the Council's capital expenditure plans and borrowing remain robust, prudent, affordable and sustainable. These are detailed at Appendix 3 for Member approval.

Medium Term Financial Plan (See Appendix 7)

The current forecasted financial requirements of the Council's treasury management functions during this reporting period are shown for Members reference.

Background

1.1 The Council is required to operate a balanced budget with cash raised during the year being used to pay for expenditure incurred. Part of the treasury management operation is to ensure that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity with any temporary surplus monies being invested in low risk institutions.

1.2 Another function of this service is to ensure that the Council's capital borrowing requirement, the longer-term cash flow planning, is provided for which may involve arranging long or short-term loans or using longer-term cash flow surpluses. In addition to this and when it is prudent to do so, any debt previously obtained may be restructured.

1.3 Treasury management as defined by the Chartered Institute of Public Finance Accountancy (CIPFA) is:

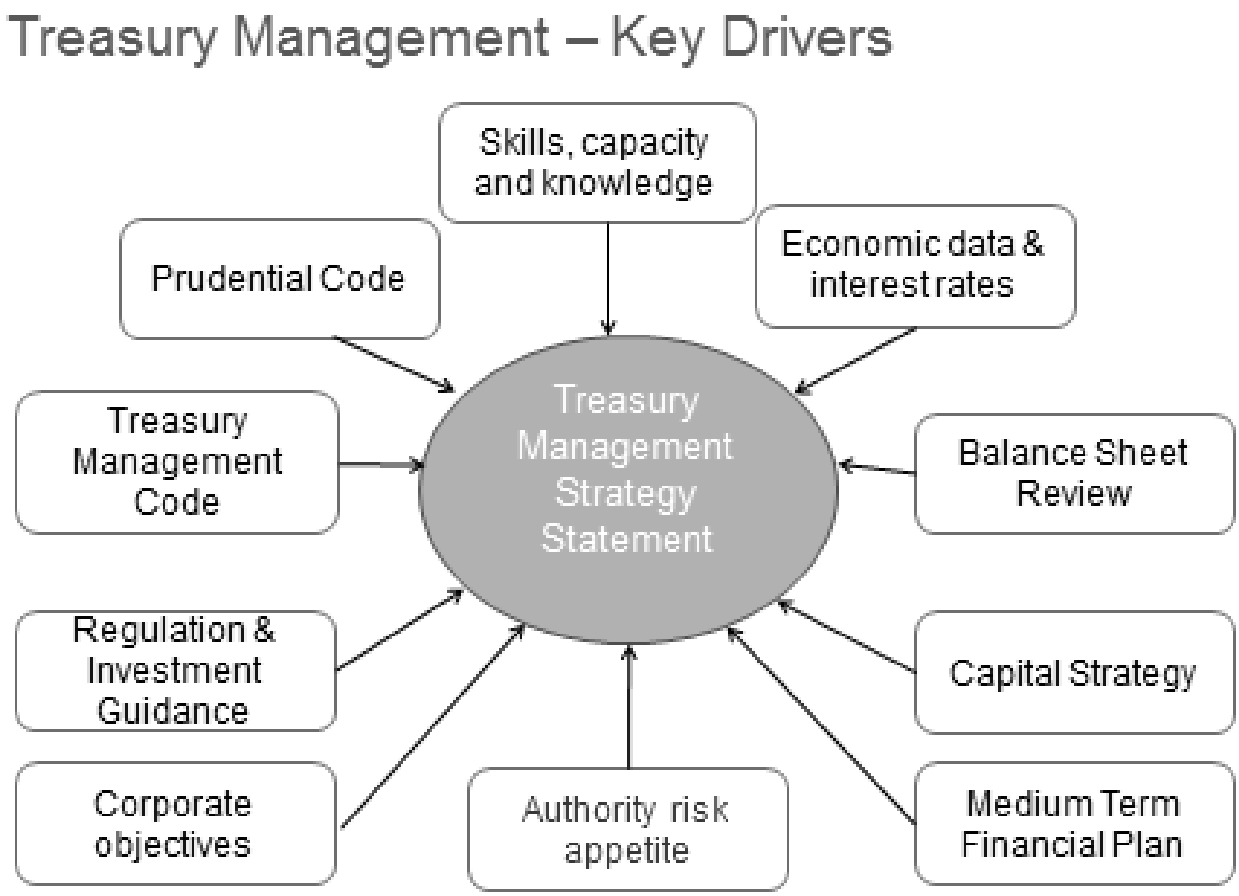
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4 In 2017 and 2019, CIPFA issued a revised Treasury Management Code of Practice and an update on Prudential Property Investment which primarily focused on non-treasury investments, particularly the purchase of property with a view to generating income. This update has clarified CIPFA's position in that it has now drawn a cleaner separation between treasury and non-treasury investments, the latter being included in the Capital Programme report.

1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are classed as non-treasury activities, (arising usually from capital expenditure) and are separate from the day to day treasury management activities. Details of these transactions are shown in Appendix 8 for reference.

1.6 The contribution the treasury management function makes to the Council's overall financial position is significant as failure to provide sufficient funding when needed would result in payments not being made which could have a negative impact on the Council's reputation. In addition to this, cash balances generally result from reserves and balances and it is paramount to ensure adequate security of all monies invested is achieved in order to avoid any potential loss of principal which in turn would result in a loss to the General Fund Balance.

1.7 For Members reference the diagram below identifies all factors which are considered in preparing the Annual Treasury Management Strategy:



1.8 Members are required to receive and approve, as a minimum, 3 reports annually which incorporate a variety of policies, forecasts and actuals as follows;

- **Annual treasury strategy** (issued February - is the most important report and includes);
  - A Minimum Revenue Provision (MRP) policy (this reflects capital expenditure previously financed by borrowing and how the principal element is charged to revenue over time),
  - The treasury management strategies (how the investments and borrowings are to be organised) including treasury prudential indicators and limits and
  - An investment strategy (the parameters on how investments are to be managed).
- **Mid-year update** – (issued November / December – this provides an);
  - update for members with the progress of the treasury management activities undertaken for the period April to September and
  - opportunity for amending prudential indicators and any policies if necessary.
- **Annual outturn** – (issued June);
  - this provides details of actual treasury operations undertaken in the previous financial year.

1.9 Each of the above 3 reports are scrutinised by the Accounts & Audit Committee before being recommended to either Executive or Council for final approval.

1.10 The In-house treasury management team will ensure that all treasury management transactions undertaken comply with the statutory requirements together with Ministry of Housing Communities & Local Government (MHCLG) Guidance and CIPFA Treasury Management Code of Practice which the Council has previously adopted. A brief outline of these frameworks is provided at Appendix 1.

1.11 This report which has been prepared in accordance with the required statutory regulations and guidance includes;

- Economic & Interest Rate forecast (section 2)
- Debt Strategy (section 3)
- Minimum Revenue Provision (section 4)
- Investment Strategy (section 5)
- Investment Risk Benchmarking (section 6)
- Prudential Indicators (section 7)
- Related Treasury Issues (section 8)
- Medium Term Financial Plan (section 9)
- Recommendations (section 10).

1.12 The Council uses Link Asset Services (LAS) as its treasury management advisors who provide a range of services on all treasury matters from the supply of credit ratings to technical support. The Council recognises that there is value in employing external providers for this service in order to acquire access to specialist skills and resources and the provision of this service is subject to regular review.

1.13 Whilst the advisors provide support to the in-house team, the Council recognises that the final decision on all treasury management matters remains with it at all times.

1.14 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisors and the Council uses CBRE in relation to this activity.

1.15 The Council acknowledges the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are also fully equipped to undertake the duties and responsibilities allocated to them. This aspect is further highlighted in the CIPFA Code which requires the responsible officer, Corporate Director of Finance and Systems, to ensure that Members with responsibility for treasury management receive adequate training in treasury management.

1.16 For reference Member training events were provided by the Council's in-house team and Link Asset Services in June 2019 and January 2020 and these were further supplemented with more specific training during the course of the year. Officers will continue to attend relevant courses / seminars presented by CIPFA and other suitable professional organisations with additional training for Members being provided when required.

2. Economic & Interest Rate forecast

2.1 During 2019 the world economic growth weakened mainly as a consequence of the continuing trade war between the US and China however economic forecasters are predicting that the outlook for world growth will strengthen from its current position during 2020.

2.2 Further details of the major economic events which occurred during 2019 and which forecasters are predicting for 2020 are outlined at Appendix 2 for reference.

2.3 LAS produces interest rate projections periodically throughout the year and the latest forecasts (November 2019) cover the period up to March 2023, are highlighted in the table below;

Average rates	2019-20 Forecast %	2020-21 Forecast %	2021-22 Forecast %	2022-23 Forecast %
Bank Rate	0.75	0.81	1.00	1.25
Investment Rates (LIBID)				
3 month	0.70	0.85	1.08	1.30
1 Year	1.00	1.15	1.45	1.70
PWLB Loan Rates				
5 Year	2.35	2.50	2.83	3.13
25 Year	2.63	3.48	3.78	4.05
50 Year	2.45	3.30	3.68	3.95

2.4 The above interest rate forecasts have been based on an assumption that there is an agreed deal on Brexit including agreement on the terms of trade between the UK and EU. The result of the general election held in December 2019 has removed much uncertainty on this. However doubt around whether agreement can be reached with the EU on a trade deal by December 2020 remains. Until that major uncertainty has been removed it is unlikely that the MPC would move the Bank Rate.

2.5 The Council will continue to adopt a cautious approach to its treasury management activities whilst utilising the information available from both LAS and other external sources which may become available during this time.

3. Debt Strategy

3.1 The underlying need to borrow comes from the Capital Financing Requirement (CFR) and represents the level of capital expenditure incurred which has not yet been paid for by revenue or other capital resources, for example capital receipts or grants.

3.2 The Council needs to ensure that its debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates going out to 2022/23. Whilst this allows some flexibility for limited early borrowing for future years, it also ensures that borrowing is not undertaken for revenue or speculative purposes. The Corporate Director of Finance and Systems can confirm that the Council has not exceeded the CFR in the current year and does not envisage difficulties for the future.

3.3 The CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset with an annual revenue charge, the Minimum Revenue Provision (MRP) which reduces the CFR each year.

3.4 Also included within the CFR are any other long-term liabilities (e.g. Private Finance Initiative (PFI) schemes and finance leases) and whilst these increase its overall balance the Council's borrowing requirement is not increased as this type of scheme includes a borrowing facility by the PFI or lease provider. The Council currently has £5.1m (31 March 2020) liability of such schemes within the CFR which is set to fall to £4.2m by 31 March 2023 as highlighted in the table below;

Other long-term liabilities	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Total at 1 April	5,319	5,067	4,799	4,514
Expected repayment	(252)	(268)	(285)	(304)
Total at 31 March	5,067	4,799	4,514	4,210

3.5 With effect from April 2020, the International Financial Reporting Standard 16 will require that all Council leases are also included with the CFR. Whilst the compliance of this new accounting requirement will impact on the Council's overall long term liabilities, it is deemed at this stage to be immaterial.

3.6 The total of the Council's loans outstanding as at 31 December 2019 totalled £366.0m and this was made up of loans taken from the Public Works Loan Board (PWLB) £322.1m & the money market (banks & publically funded companies) £43.9m. A breakdown of this debt is provided for reference at Appendix 6.

3.7 The Council holds, as mentioned above £43.9m of Market loans and of these £15.0m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. With regards to this type of loan, the lender has the option to propose an increase in the interest rate at set dates and should this situation occur then the Council can either accept the new rate or repay the loan at no additional cost. In accordance with the Corporate Director of Finance and Systems delegated authority, should an opportunity present itself to repay a LOBO loan then this option will be fully examined to determine whether any financial benefit could be obtained including taking a replacement loan from another lender. The remainder of the Market loans, £28.9m are held at fixed rates of interest.

3.8 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.4m of loan debt administered by Tameside Borough Council. This follows the conversion in February 2010 of loans previously held on behalf of Manchester International Airport into an equity rated instrument.

3.9 In line with similar practices adopted by the majority of councils, this Council is currently maintaining an under-borrowed position (CFR balance being higher than the level of external debt). This position has arisen from previous and current years annual CFR (borrowing need), not being fully funded with new loans as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. As at 31 March 2019 the Council's under borrowed position was £30.9m and this is currently set to rise by 31 March 2020 due to internal borrowing on a number of the Asset Investment Strategy investments.

3.10 This policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years due to debt interest rates being consistently higher than investment returns and which is forecasted to continue for the foreseeable future. This situation however will continue to be carefully monitored to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

3.11 There is no budgetary provision included within the Council's MTFP and therefore any new projects requiring borrowing will need to be self-financing.

3.12 The Corporate Director of Finance and Systems will contine to monitor interest rates and adopt a sensible approach to changing circumstances within the 2020/21 treasury operations before taking on any new debt to finance a proportion of the Council's capital investment projects or Asset Investment Strategy programme.

3.13 Based on the current positon the tables below reflect the potential level of long term external debt (loans only) the Council could have for the period 2019/20 to 2022/23 which is used to part fund its capital programme;

Commercial programme	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Total at 1 April	91,400	254,922	454,789	454,652
Expected repayment	(129)	(11,833)	(137)	(141)
New requirement	163,651	211,700	0	0
Total at 31 March	254,922	454,789	454,652	454,511

General capital programme	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Total at 1 April	129,250	160,791	158,863	159,685
Expected repayment	(4,662)	(4,662)	(3,078)	(4,114)
New requirement	36,203	2,734	3,900	35,450
Total at 31 March	160,791	158,863	159,685	191,021

3.14 All interest incurred on the Council's debt is charged directly to treasury management apart from where Executive have previously agreed to capitalise interest and will only be incurred on major development schemes i.e. Brown Street Hale.

3.15 In order to assist short term cash flow or finance longer term capital investment, the Council has the powers to borrow new funds from a variety of sources comprising of;

- Other local authorities,
- The Government via the Public Works Loan Board, (PWLB),
- Dedicated publicly funded companies e.g. Salix,
- Municipal Bond Agency, or
- Financial institutions within the money market (insurance companies, pension funds and banks).

3.16 Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 basis points (bps) to 180 bps on loans lent to Councils, it is anticipated that alternative providers of finance will enter into the market for lending to councils although this will take time to develop.

3.17 The uptake of new long term debt is done in accordance with a number of factors such as affordability, proposed life of the asset, current interest rate projections and advice obtained from the Council's external advisors.

3.18 In the event the Corporate Director of Finance and Systems takes out any new debt or undertakes any restructuring, this action will be processed in accordance with the Council's approved scheme of delegation and reported to Members at the earliest opportunity.

3.19 Rescheduling any of the Council's current PWLB loans is unlikely to occur as a result of the PWLB applying the 100 bps increase for new borrowing rates and not to premature debt repayment rates. As a result of this action the early repayment penalty (premium) has increased significantly making any opportunites for any debt restructuirng to occur very remote. In the unlikely event any debt rescheduling was done, it will be reported to the Members at the earliest meeting following its action.

3.20 The Council retains the flexibility to borrow funds in advance of requirement should market conditions unexpectedly change i.e. a sharp rise in interest rates is suddenly expected and any decision to borrow in advance will ensure that funds are taken within the forward approved CFR estimates and that value for money can be demonstrated.

3.21 No new loans will be taken ahead of schedule purely to profit from the investment of the extra sums borrowed and any borrowing taken by the Corporate Director of Finance and Systems in advance of need will be done in accordance with delegated powers and within the constraints stated below;

- no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period is to be obtained in this manner and
- the Council would not look to borrow more than 12 months in advance of need.

3.22 The Council's debt maturity profile is provided at Appendix 4 for reference which also shows, in accordance with the Code of Practice, the potential first date the lending banks could amend the rate of interest for their respective market LOBO loans.

3.23 *The Council is required to approve;*

- *the above debt strategy and*
- *as part of the Prudential Indicators and Limits requirement, the limits for external debt in accordance with the Local Government Act 2003, having regard to CIPFA's prudential code before the commencement of each financial year. These limits are detailed at Appendix 3.*

4. Minimum Revenue Provision Strategy

4.1 The Council is required in accordance with MHCLG regulations to approve an MRP Statement in advance of each year. This Statement details how the Council will set aside annual amounts for the repayment of debt (by reducing the CFR), through a revenue charge MRP and any additional Voluntary Revenue Payments (VRP).

4.2 *The Council is requested to approve the MRP Statement as detailed at Appendix 3.*

5. Investment Strategy

5.1 In accordance with both MHCLG and CIPFA guidelines the meaning of 'investments' has now been extended to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the Council's Asset Investment Strategy, are covered in the Capital Strategy, (a separate report).

5.2 In the continuing environment of low investment interest rates the Council is restricted in its operations to be able to generate a significant return from its investments without exposing it to additional risk factors. It is easy to forget recent history of counterparties defaulting and ignore market warnings searching for that extra return to ease revenue budget pressures. The Council will not undertake any investment transaction without thoroughly understanding the product and associated risks in full or in any institution which is paying considerably over and above market levels.

5.3 The Council's in-house treasury management team places investments with reference to the outlook for short-term interest rates using monies received in advance of spend requirement and from its balances and reserves which it holds. Greater returns are usually obtainable by investing for longer periods and while most cash balances are required in order to manage the ups and downs of the Council's cash flows, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

5.4 On each occasion when investments are made the primary principle will continue to be the same as that adopted in previous years of **SLY**, **S**ecurity of funds, **L**iquidity followed by **Y**ield.

5.5 Whilst the active use of Ethical investments is a topic of increasing interest to both members and officers, investment guidance, both statutory and from CIPFA, clearly states that all investing must follow the SLY principles with all ethical issues taking a subordinate role. The Council's in-house treasury management team will continue to both follow this principle and monitor the market in order to be able to take advantage of any new investment product which supports this aspect providing it complies with the current Investment credit criteria.

5.6 All of the Council's investments are undertaken in accordance with guidance issued by both the MHCLG and CIPFA and whilst investment risk will never completely be eliminated, it can be minimised. In order to reduce the risk of an institution defaulting, the Council creates and maintains a list of high creditworthy institutions which enables diversification and thereby avoids concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

5.7 The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. A list is completed by requiring that each institution included on it has been issued with minimum Long and Short term credit ratings of A- and F1 respectively or equivalent as issued by 2 of the 3 main independent rating agencies Fitch, Moody's and Standard and Poor's. These minimum requirements represent, in the opinion of the credit rating agencies, the long and short term financial strength of that institution.

5.8 Credit rating information is supplied by LAS, the Council's treasury advisors, on all active counterparties that comply with the criteria above and is available on a real time basis. Any counterparty failing to meet the criteria would immediately be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

5.9 This approach uses real time credit rating information provided by LAS and enables an institution should they meet or no longer meet the minimum credit criteria required to be immediately included on or removed off the approved list.

5.10 A full explanation of the credit ratings determining the institutions which the Council will use can be found at Appendix 5.

5.11 The Council's in-house treasury management team recognises ratings should not be the sole basis of determining the quality of an institution. To achieve this, the Council will with LAS, monitor market pricing on additional factors such as "credit default swaps" (CDS) and overlay this information on top of the credit ratings. This additional market information is detailed for Members' reference at Appendix 5.

5.12 In all instances when funds are being placed, the Council's in-house team will, apart from when it places funds with other local authorities which are predominately unrated and deemed to share the same credit rating as the UK government of AA- and Money Market Funds as the Council only uses AAA+ rated funds, always ensure that the institution:

- has been issued with both a Long and Short term credit rating from 2 of the 3 main agencies,
- that the credit ratings issued meet the minimum required and the institution appears on the Council's approved list,
- has a minimum Long Term rating of AA if funds are to be placed for a period in excess of 1 year,
- that the CDS, where issued, does not show any adverse confidence in the institution and
- the rate of interest being offered is in-line with levels paid by other institutions in the market for the same period.

5.13 Investment instruments identified for use in the financial year together with institution limits are detailed in Appendix 3.

5.14 Members are asked to approve this base criteria, however the Corporate Director of Finance and Systems may temporarily restrict further investment activity to those institutions considered of higher credit quality than the minimum criteria set out for approval should any exceptional market conditions be encountered.

5.15 Investments will continue to be placed into three categories as follows;

- Short-term – cash required to meet known cash flow outgoings in the next month, plus a contingency to cover any unexpected transaction over the same period with bank call / notice accounts and money market funds being the main methods used for this purpose.

- Medium-term – cash required to manage the annual seasonal cash flow cycle covering the next 12 months and will generally be in the form of fixed term deposits and ultra-short dated bond funds.

- Long-term – cash not required to meet any forthcoming cash flow requirements which can be used primarily to generate investment income by using fixed or structured term deposits, certificates of deposits, government bonds or the Local Authority Property Investment fund, after taking into consideration the forecasted interest rate yield curve.

5.16 Use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category and these will only be used where the Council's liquidity requirements are safeguarded and be limited to the Prudential Indicator detailed at Appendix 3.

5.17 The largest UK banks are required by UK law, to separate core retail banking services (day to day operations) ring-fenced bank, (RFB) from their investment and international banking non-ring-fenced bank, (NRFB) activities from 1st January 2019. This is known as "ring-fencing" and is intended to ensure that the bank's core activities are not adversely affected from its more risky business. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not and the Council will continue to assess the banks in the same way that it does with any other investment institution.

5.18 The level of the Council's investments together with the average interest rate, as at 31 December 2019, is provided for reference at Appendix 6.

5.19 *The Council is requested to approve;*

- *the adoption of the above Investment strategy and*
- *the minimum criteria for providing a list of high quality investment institutions, instruments and limits to be applied as set out at Appendix 3.*

6. Investment Risk Benchmarking

6.1 The CIPFA Code of Practice and MHCLG Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to Members annually and details of these are provided in Appendix 5.

6.2 Benchmarks are simple guides (not limits) to maximum risk for use with cash deposits and so may be breached from time to time, depending on movements in interest rates and institution criteria. The purpose of the benchmark is to assist officers to monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Members, with supporting reasons in the Mid-Year or Annual Report. For reference the benchmarks proposed are;

- Security - each individual year the security benchmark is:

1 year investments	2 year investments	3 year investments
0.05%	**0.04%**	**0.17%**

Note - This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment. At 31 December 2019 the Council's default rate of its investments placed was 0.010% which is 0.04% below the 1 year benchmark of 0.05%.

- Liquidity – Weighted Average Life (WAL) - benchmark for 2020/21 is set at 6 months, with a maximum of 3 years for cash time deposits;
  - Liquid short term deposits - at least £5m is available within a weeks notice;
- Yield - Internal returns are aimed to achieve above the 7 day London Interbank Deposit (LIBID) rate without sacrificing any Security aspects.

7. Prudential Indicators

7.1 A number of prudential indicators have been devised for the treasury management process and these have been prepared to assist managing risk and reduce the impact of an adverse movement in interest rate. These indicators have been set at levels which do not restrict day to day activities whilst at the same time ensure the Council's capital expenditure plans are prudent, affordable and sustainable.

7.2 *Members are requested to approve the Prudential Indicators for the Council's treasury management activities as detailed at Appendix 3.*

8. Related Treasury Issues

8.1 Greater Manchester Pension fund (GMPF). During April 2017, the Council along with several other Greater Manchester councils paid over to GMPF a discounted advance equivalent to 3 years' of employer pension contributions in order to take advantage of the pension fund's wider investment powers. This initial payment will have run its course by 31st March 2020 and another payment consisting of 3 years of discounted employer contributions will be made into the fund in April 2020.

8.2 Asset Investment Strategy. During 2017/18 the Council introduced a programme to acquire suitable assets which will deliver significant economic development and regeneration benefits for the area and/or increase the Council's income generating capacity thereby enabling it to maintain the provision of services in future years.

8.3 Whilst the above projects are policy related activities and therefore not deemed to be treasury management, their implementation will have an impact on the Council's cash flow which is considered on each occasion.

8.4 International Financial Reporting Standards 9 (IFRS9). This was introduced in response to the 2008 financial crisis and is designed to generate transparency in the Council's accounts enabling the reader to fully assess the worth and risk of its financial instruments with any potential losses or profits being taken to the account in full in the year they occur. To mitigate against this MHCLG have issued a 5 year override which expires on 31 March 2023 which will enable councils to either arrange for a planned exit or for potential surpluses to be placed into an unusable reserve and applied to overcome those years when a downward revaluation occurs. Whilst IFRS 9 is primarily a re-classification not a re-valuation exercise and its introduction is not envisaged to have any major impact for the Council there is 1 investment which is effected by this re-classification and that is the CCLA transaction. Whilst this investment generates an excellent return of approximately 4.5% to 5.0% per annum the Council's in-house team will;

- continue to monitor both the monthly valuations received for this investment and the quarterly market forecasts produced to ensure that any potential losses in valuation are kept at worse to a minimum and
- consider setting aside a proportion of the annual interest received into a reserve for use to smooth out any potential losses.

9. Medium Term Financial Plan

9.1 Detailed for reference at Appendix 7 is a headline breakdown of the treasury management budgets for the period 2020/21 – 2022/23 split between Treasury and Non-Treasury activities. Whilst these budgets have been produced using the latest interest rate forecasts and predicted movements in the Council's income and expenditure plans, they will be subject to change due to factors beyond the Council's control i.e. interest rate movements.

10. Recommendations

The Accounts & Audit Committee recommends that:

- Executive note the report and
- Council approves the Treasury Management Strategy 2020/21 – 2022/23 including the:
    - policy on debt strategy as set out in section 3;
    - investment strategy as set out in section 5;

- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

Other Options

This report is a mandatory report which has been produced in order to comply with Financial Procedure Rules and relevant legislation. The MHCLG Guidance and CIPFA Code do not prescribe any particular treasury management strategy for Councils to adopt and there are an unlimited number of other options that the Council could consider as part of its treasury management activities. This report however outlines a clear and practical approach with an appropriate balance between risk management and cost effectiveness and is recommended by the Corporate Director of Finance and Systems.

Consultation

There are no applicable consultation requirements in respect of this report. Advice has been obtained from Link Asset Services, the Council's external advisors.

Reasons for Recommendation

The Financial Procedure Rules, incorporating the requirements of the CIPFA Treasury Management Code of Practice requires that the annual strategy report is provided to the Council as an essential control over treasury management activities. In it the Council approves the parameters under which officers will operate. In addition The Local Government Act 2003 requires that the Council approves an annual borrowing limit (the Authorised Limit) and MHCLG Guidance an annual investment strategy (setting out the limits to investment activities) prior to the commencement of each financial year.

Key Decision

This will be a key decision likely to be taken in: February 2020

This is a key decision currently on the Forward Plan: Yes

Finance Officer Clearance GB

Legal Officer Clearance DS

Corporate Director's Signature

STATUTORY FRAMEWORK

Local Government Act 2003

In accordance with the Local Government Act 2003 (and supporting regulations and guidance) each Council must before the commencement of each financial year, produce a report fulfilling three key requirements as stipulated below;

- The debt strategy in accordance with the CIPFA Code of Practice on Treasury Management (section 3);
- The investment strategy in accordance with the MHCLG investment guidance (section 5);
- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix 3).

CIPFA Code of Practice

The Council's treasury activities are strictly regulated by statutory requirements in conjunction with a professional code of practice (the CIPFA Treasury Management Code of Practice). This Council adopted the Code of Practice on Treasury Management on 24 April 2002 and followed recommended practices by considering an annual Treasury Management Strategy before the commencement of each financial year. These Codes are revised from time to time and the Council complies with any revisions.

Investment Guidance

MHCLG issued Investment Guidance in 2004 with subsequent amendments being issued periodically thereafter. This Guidance forms the structure of the Council's Investment policy as set out below:

- The strategic guidelines for decision making on investments, particularly non-specified investments;
- Specified investments that the Council will use. These are high security (no guidelines are given defining what this should consist of and each individual Council is required to state what this should be i.e. high credit ratings), high liquidity investments in sterling and with a maturity of no more than a year;
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time;
- The principles to be used to determine the maximum periods for which funds can be committed.

APPENDIX 2

MAIN ECONOMIC HEADLINES DURING 2019

GLOBAL-

- The International Monetary Fund issued updated forecasts for world growth at 3.2% for 2019 and 3.5% in 2020.
- The trade war between the US and China continues to impact on the major economies of the world and remains a major concern to the financial markets although Donald Trump's proposal to implement tariffs on European cars by mid-November did not materialise.
- The chance of a disruptive no-deal Brexit as the UK looks to leave the EU have dropped sharply after the UK withdrew objections to a customs border in the Irish Sea

UK-

- 2019 was a year of upheaval on the political front with Theresa May resigning as Prime Minister and being replaced by Boris Johnson. In December the 3rd election in 5 years took place and the outcome of this produced a Conservative Government with a working majority of 80.
- The original deadline for the UK to leave the EU of 31 March 2019 did not occur and this was extended to 31 October 2019 which was consequently extended further to 31st January 2020. Following the outcome of the December 2019 general election the Government has a large overall majority and this deal will be passed by this latest date however much uncertainty remains as to the outcome of any trade negotiations.
- Economic growth has been at its slowest annual rate in almost a decade due to the uncertainty from Brexit with a recession only being avoided in quarter 3 when growth was reported at 0.3%. Annual growth is projected to be 1.4% year on year (y/y) for 2019.
- Consumer Price Index (CPI) which started the year off at 1.8% peaked in April and July at 2.1% slightly above the Bank of England's target of 2% before falling to 1.5% in October.
- The Monetary Policy Committee, (MPC) left the Bank Rate unchanged at 0.75% with any potential future movements subject to the outcome of Brexit.
- Unemployment fell from an opening position to 4.0% to 3.8% in September despite the slowdown in growth. Wage inflation also edged down slightly from a high point of 3.9% to 3.8% in August.

Eurozone –

- Growth in the economy was 0.4% in quarter 1 falling back to 0.2% in quarters 2 & 3 and the level of annual growth for 2019 is expected to be in the region of nearly 1.2% y/y.
- The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018 however at its September meeting it cut the deposit rate further from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt.
- CPI started the year off at 1.0% peaking at 1.7% in April before falling to 0.7% in October the lowest level since November 2016.

- Unemployment fell from an opening position of 7.8% to 7.5% in September 2019, the lowest level since July 2008.

US –

- The annual economic rate of growth has slowed in 2019 from the 2018 position of 3.0% and is currently forecasted to be 2.2% for the year.
- Unemployment fell from an opening position of 4.0% in January to 3.6% in October which was a minor increase from the September low of 3.5%.
- CPI inflation fell to 1.5% in February from an opening position off 1.6% then peaked at 2.0% in April before falling back to 1.8% in October.
- The increase in interest rates in December 2018 by The Fed taking them to between 2.25% and 2.50% was the last and in July and September rates were cut by 0.25% on each occasion to 1.75% - 2.00%. A further cut of 0.25% is currently forecast to take place in December.
- The trade war between the US and China continues to depress world growth and this has been seen to have a negative impact in investor confidence.

Other –

- China's economic growth for 2019 is forecasted to grow by 6% y/y, the lowest level since 1992 due to the impact of the continuing trade wars with US and domestic issues.
- Japan's economy, the 3rd largest in the world is estimated to have grown by 1% in 2019 although the county's government debt is at 224% of GDP. For comparison, the equivalent position for the UK is 85.9%.

MAIN ECONOMIC FORECASTS FOR 2020

Producing accurate economic forecasts continues to be an extremely difficult task due to the many external factors which have an impact on them. Forecasters are currently predicting the following levels of activity for the year ahead and these will be liable to change as the year progresses;

Indicator	UK	Eurozone	US	China
Growth Domestic Product	1.0%	1.1%	2.0%	5.8%
Consumer Price Index	2.3%	1.2%	2.0%	2.0%
Unemployment Rate	3.8%	7.3%	3.9%	4.0%
Bank Rate	0.75%	0.0%	1.50%	3.50%

Source - Trading Economics & Organisation for Economic Co-operation and Development

ELEMENTS FOR COUNCIL APPROVAL

(including Prudential and Treasury Indicators, Minimum Revenue Provision & Investment Criteria)

In accordance with the current MHCLG Guidance, CIPFA Treasury Management Code of Practice, each council is required to set before the commencement of each financial year Treasury Management Prudential Indicators and limits, a Minimum Revenue Provision Statement and Investment criteria.

The Accounts and Audit Committee and Executive are requested to recommend that Council approve these for the period 2020/21 – 2022/23 as detailed below.

TREASURY PRUDENTIAL INDICATORS AND LIMITS –

In accordance with the current CIPFA Prudential code, the Council is required to produce prudential indicators and limits reflecting the projected capital activity regarding its capital investment programme. These have an impact on the Council's treasury management activities and Council is required to approve the prudential indicators and limits affecting treasury management performance as shown below;

	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m	2022/23 estimate £m
Authorised Limit for External debt				
- Non-Commercial	185.0	185.0	185.0	215.0
- Asset Investments	300.0	500.0	500.0	500.0
- Other long term Liabilities (PFI)	5.5	5.0	5.0	5.0
Total	**490.5**	**690.0**	**690.0**	**720.0**

Authorised external debt limit - This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing. This statutory limit as determined under section 3(1) of the Local Government Act 2003 needs to be approved by Council prior to the commencement of each financial year.

	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m	2022/23 estimate £m
Operational Boundary for External debt				
- Non-Commercial	170.0	170.0	170.0	200.0
- Asset Investments	300.0	500.0	500.0	500.0
- Other long term Liabilities (PFI)	5.5	5.5	5.0	5.0
Total	**475.5**	**675.5**	**675.0**	**705.0**

Operational boundary - calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year and is not a limit.

	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m	2022/23 estimate £m
Upper limit for Principal sums invested over 1 Year	**110**	**110**	**110**	**110**

Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council's liquidity requirements. Included within this limit are the Manchester Airport Shares which at 31 March 2019 were independently valued at £52.7m, the Church Commissioners Local Authorities Property Investment Fund investment of £5m and Commercial asset loan £17.6m.

	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m	2022/23 estimate £m
Upper limits on fixed interest rate exposure based on net debt	**8.3**	**12.3**	**16.8**	**18.0**
Upper limits on variable interest rate exposure based on net debt	**1.0**	**2.0**	**2.1**	**2.3**

Upper Interest Limits – identifies the maximum limit for both fixed and variable interest rates exposure based upon the Council's debt position net of investments.

Maturity structure of all external loan debt – 2020/21 to 2022/23	**Forecast (31.03.20) %**	**Lower limit %**	**Upper limit %**
Under 12 months	9	0	40
12 months to 2 years	1	0	40
2 years to 5 years	7	0	40
5 years to 10 years	12	0	40
10 years to 20 years	2	0	40
20 years to 30 years	5	0	40
30 years to 40 years	37	0	70
40 years and above	27	0	90

Maturity Structure of Borrowing – these gross limits are set to reduce the Council's exposure to large sums falling due for refinancing and reflect the next date on which the lending bank can amend the interest rate for any Lender Option Borrower Option loans the Council currently has.

Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be for capital purposes. The Corporate Director of Finance and Systems will ensure that:

- all external debt does not exceed the capital financing requirement with any exceptions being reported to Council and
- this requirement has been complied with in the current year and does not envisage difficulties for future years taking into account current commitments.

All the treasury prudential indicators and limits are monitored on a regular basis with any breaches being reported to Council at the earliest opportunity.

MINIMUM REVENUE PROVISION - (minor changes to policy as highlighted)

In accordance with the current MHCLG Guidance, the Council shall determine an amount of minimum revenue provision that it considers to be prudent and submit an MRP Statement setting out its policy for the annual MRP to Council for approval. The following MRP Statement has been prepared in accordance with the Council's accounting procedures and is recommended for approval:

- **Capital expenditure financed by Supported Borrowing:** MRP will be calculated on a straight line basis over the expected average useful life of the assets (50yrs);
- **Capital expenditure financed by Prudential Borrowing:** MRP will be based on the estimated life of the assets once operational charged on a straight line or annuity basis in accordance with MHCLG guidance;
- **Asset Investment Strategy financed by Prudential Borrowing:** Voluntary Revenue Provision (VRP) using the periods stipulated within the MHCLG Guidance of up to 50 years will be applied. By adopting this approach it will enable the Council upon the sale of each asset, to either apply the capital receipt or use the VRP receipts to extinguish debt taken. If the capital receipt is applied then the VRP previously set-aside will have been undertaken for no purpose and therefore can be reclaimed. Annual reviews are undertaken to ensure that this policy remains prudent and as at 31 March 2019 the total VRP overpayments were £0.955m and are forecasted to total £2.422m by 31.03.20.
- **PFI schemes and leases shown on the balance sheet:** MRP will be based on the amount of the principal element within the annual unitary service payment and financed from the provision set-up to cover the final bullet payment. Capital receipts are to be used to replenish this provision to ensure any final bullet payment can still be made in 2028/29;
- **Expenditure that does not create an asset:** this is where the Council through the Asset Investment Strategy has made equity investment with Joint Venture companies with VRP being provided and calculated on a straight line basis for periods up to 50 years. Whilst this is a departure from statutory guidance for equity it is equivalent to the period allowed for Investment Property;
- **Use of a Capitalisation Direction**: Expenditure incurred in response to the issuance of a Capitalisation Direction by Central Government, MRP will be made over a period not exceeding 20 years, in accordance with the 2018 Guidance;
- **Lending to a third party**: In instances where the Council lends funds to a third party and in accordance with the guidelines issued (February 2018) by the

Secretary of State, MRP is required to be provided over the useful life of the asset created. The Council in this instance will not follow the guidance but rather treat any advance as "Serviced debt" and therefore no MRP will be set-aside providing there is an agreed repayment date. Annually the Council will undertake a financial assessment of the third parties ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

INVESTMENT CRITERIA – (minor changes to policy as highlighted)

Counterparty Selection

The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. The individual credit criteria, is highlighted below and for categories 1 to 4 and 6 this will be applied to both Specified and Non-specified investments. Category 5 applies only to The Church Commissioners Local Authorities Property Investment fund.

The limits shown in the table below are set at a contingency level and operationally monies will be placed with a number of institutions with a maximum 20% of the portfolio being placed with any one institution at the time each investment is made. This situation will be monitored during the course of the year with any corrective action being undertaken at the first opportunity without any financial penalty being incurred.

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 1 – • UK & Non UK Banks (bank subsidiaries must have a parent guarantee in place), • UK Building Societies Institutions must also have an individual minimum short term credit rating of – Fitch F1 or equivalent.	AA to AAA A+ to AA- A- to A	£75m £25m £10m	3yrs 1yr 1yr
Category 2 – UK Banks part nationalised - Royal Bank of Scotland. This bank or its subsidiaries can be included provided it continues to be part nationalised or meets the ratings in category1 above.	-	£20m	1yr
Category 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria.	-	n/a	1day
Category 4 – • Pooled Investment Vehicles: ➢ Money Market Funds ➢ Ultra-Short Dated Bond Funds ➢ Social & Ethical funds	 AAA AA -	(previously £100m per fund) (£20m per fund) (£15m per fund) (£5m per fund)	 3yrs 3yrs 10yrs

	Fitch (or equivalent) – Long Term	**Maximum Group Limit**	**Maximum Time Limit**
Category 4 cont. – • UK Government (including treasury bills, gilts and the DMO) • Local Authorities • Supranational Institutions	- - -	(£20m) (£10m per LA) (£20m)	3yrs 3yrs 1yrs
Category 5 – • Local Authority Property Investment fund	-	£10m	10yrs
Category 6 – • Support the Asset Investment Strategy	-	(previously £25m) £50m	5yrs

Specified and Non Specified Investments – (no change)

In accordance with the current Code of Practice, the Council is required to set criteria which identify its investments between Specified and Non Specified investments and these are classified as follows;

- Specified investments are high security and liquid investments with a maturity of no more than a year or those which could be for a longer period but where the Council has the right to be repaid within one year if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. All investments can be held under this definition,
- Non specified investments are any other type of investment not defined as specified above. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity. A maximum of £110m is permitted to be held in this classification as detailed in Appendix 3, Prudential Indicator (5) Upper limit for sums invested over one year.

Instruments & Maximum period

All Investments will be undertaken in Sterling in the form of Term Deposits, Money Market Funds, Ultra Short Dated Bond Funds, Treasury Bills, Bonds, Gilts or Certificates of Deposits unless otherwise stated below;

Specified Investments

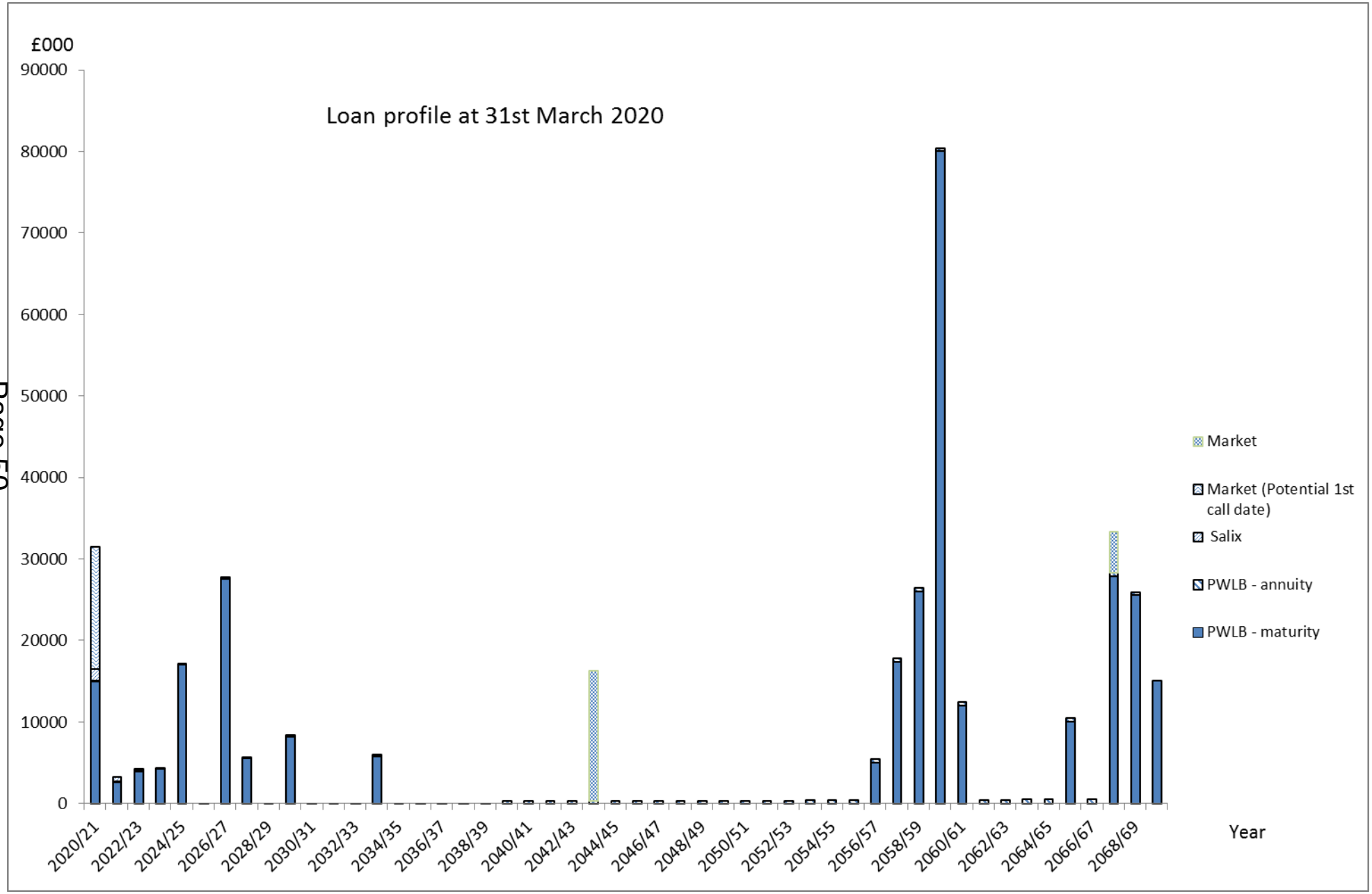
Investment	**Maximum Maturity**
The UK Government including Local Authorities and Debt Management Office.	1 Year
Supranational bonds of less than one year duration (e.g. International Monetary Fund)	1 Year

Investment cont.	Maximum Maturity
Pooled investment vehicles such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) Social & Ethical funds and low volatility bond funds.	1 Year
An institution that has been awarded a high short term credit rating (minimum F1 or equivalent) by a credit rating agency, such as a bank or building society.	1 Year

Non-Specified Investments

Investment	Maximum Maturity
Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. World Bank). The security of principal and interest on maturity is on a par with the Government and these bonds usually provide returns above equivalent gilt edged securities. The value of the bond may rise or fall and losses may accrue if the bond is sold prematurely.	3 Years
Gilt edged securities. These are Government bonds and provide the highest security of interest and principal. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	3 Years
The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.	1 Day
UK Banks which have significant Government holdings	1 Year
Any bank or building society which meets the minimum long term credit criteria detailed in Appendix 3, for deposits with a maturity of greater than one year (including forward deals in excess of 1 year from inception to repayment).	3 Years
The UK Government including Local Authorities and Debt Management Office.	3 Years
Pooled investment vehicles such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) Social & Ethical funds and low volatility bond funds.	10 Years

Investment	Maximum Maturity
Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. It is envisaged this facility will apply to the Manchester Airport share-holding which the Council holds at a historical value of £52.7m as reported in the 2018/19 Statement of Accounts. It is not envisaged that this type of investment will be undertaken in the future.	Unspecified
Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.	Term of loans
Church Commissioners Local Authorities Property Investment Fund - This fund is aimed solely for use by public sector organisations wishing to invest in the property market whilst at the same time generating a favourable rate of return.	10 Years
Support the Asset Investment Strategy - where external borrowing to support the investment would not be in accordance with the CIPFA Prudential Code.	5 Years


£000
90000
80000
70000
60000
50000
40000
30000
20000
10000
0
Loan profile at 31st March 2020
Market
Market (Potential 1st call date)
Salix
PWLB - annuity
PWLB - maturity
2020/21
2022/23
2024/25
2026/27
2028/29
2030/31
2032/33
2034/35
2036/37
2038/39
2040/41
2042/43
2044/45
2046/47
2048/49
2050/51
2052/53
2054/55
2056/57
2058/59
2060/61
2062/63
2064/65
2066/67
2068/69
Year

APPENDIX 4

APPENDIX 5

INVESTMENT CREDIT AND INSTITUTION RISK MANAGEMENT

The Council receives credit rating advice from its treasury management advisers as and when ratings change and institutions are checked promptly to ensure they comply with the Council's criteria. The criteria used are such that any minor downgrading should not affect the full receipt of the principal and interest. Any institution failing to meet the criteria, or those on the minimum criteria placed on negative credit watch, will be removed from the list immediately and if required new institutions which meet the criteria will be added.

		Credit Rating Agency		
Classification	**Description**	**Fitch (Minimum)**	**Moody's (Minimum)**	**Standard & Poors (Minimum)**
Short Term	Ensures that an institution is able to meet its financial obligations within 1 Year	F1 (Range **F1+, F2 A** to **D**)	P1 (Range **P1** to **P3**)	A1 (Range **A-1,** to **C**)
Long Term	Ensures that an institution is able to meet its financial obligations greater than 1 Year	A- (Range **AAA** to **D**)	A3 (Range **AAA** to **C**)	A- (Range **AAA** to **CC**)

The Council's list of Investment institutions is prepared primarily using credit rating information, full regard is also given to other available information on the credit quality of each institution in which it invests. The information below will continue to be considered when undertaking investments;

- Credit default swaps - CDS were first created in 1997 and are a financial instrument for swapping the risk of debt default. Essentially the owner of the debt would enter into an agreement with a third party who would receive a payment in return for protection against a particular credit event – such as default. Whilst absolute prices can be unreliable, trends in CDS spreads do give an indicator of relative confidence about credit risk.
- Equity prices – like CDS prices, equities are sensitive to a wide array of factors and a decline in share price may not necessarily signal that the institution in question is in difficulty.
- Interest rates being paid - If an institution is offering an interest rate which is out of line with the rest of the market this could indicate that the investment is likely to carry a high risk.
- Information provided by management advisors – this may include some information detailed above together with weekly investment market updates.

- Market & Financial Press information – information obtained from the money market brokers used by the Council in respect of interest rates & institutions will also be considered.

No investment will be made with an institution if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

Investment Limits

In order to further safeguard the Council's investments and in addition to the information shown at Appendix 3, due care will be taken to consider country, group and sector exposure as follows;

- **Country** – this will be chosen by the credit rating of the Sovereign state as shown at Appendix 3 and no more than 40% of the Council's total investments will be directly placed with non-UK counterparties at any time;
- **Group** – this will apply where a number of financial institutions are under one ownership (e.g. Royal Bank of Scotland / Nat West) and the Group limit will be the same as the individual limit for any one institution within that group;
- **Sector** limits will be monitored regularly for appropriateness.

Investment Risk benchmarking

Security and liquidity benchmarks are central to the approved treasury strategy through the institution selection criteria and proposed benchmarks for these are set out below.

Security - A method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table below shows average defaults for differing periods of investment grade products for each of Fitch, Moody's and Standard and Poors long term rating category over the period 1981 to 2018. The Council can generally place investments up to a maximum period of 3 years and for this purpose will only use high rated institutions in order to ensure any potential risk in the form of defaults are kept to a minimum. Investments placed over 1 year but up to 3 years are placed with higher rated institutions in order to ensure that any potential risk of default as highlighted in the table below is kept to a minimum.

Long term rating	Average 1 yr default	Average 2 yr default	Average 3 yr default	Average 4 yr default	Average 5 yr default
AAA	0.04%	0.10%	0.17%	0.26%	0.36%
AA	0.02%	0.04%	0.09%	0.17%	0.24%
A	0.05%	0.14%	0.26%	0.40%	0.56%
BBB	0.15%	0.42%	0.73%	1.10%	1.47%
BB	0.68%	1.92%	3.34%	4.73%	5.95%
B	2.80%	6.78%	10.40%	13.48%	15.85%
CCC	18.82%	26.40%	31.62%	35.13%	38.19%

The Council's minimum long term rating criteria is currently "A-", meaning the average expectation of default for a one year investment in an institution with

a “A-” long term rating would be 0.05% of the total investment (e.g. for a £1m investment the average loss would be £500). This is only an average as any specific institution loss is likely to be higher.

Liquidity – The current CIPFA Treasury Management Code of Practice defines this as “*having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable at all times to have the level of funds available which are necessary for the achievement of its business/service objectives”*.

The availability of liquidity and the period of risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio (shorter WAL would generally represent less risk).

APPENDIX 6

INVESTMENT & EXTERNAL DEBT POSITION – December 2019

	Principal £m	Average Rate %
DEBT		
Commercial Programme		
Fixed rate:		
- PWLB	200.8	2.23
Sub-total	***200.8***	***2.23***
General Capital Programme		
Fixed rate:		
- PWLB	121.3	3.08
- Market	23.9	4.21
Sub-total	***144.5***	***3.28***
Variable rate:		
- PWLB	0.0	0.0
- Market	15.0	4.24
Sub-total	***15.0***	***4.24***
Temporary – cash flow		
Fixed rate:		
- Market	5.0	0.67
Sub-total	***5.0***	***0.67***
Total debt	**366.0**	**2.70**
INVESTMENTS		
Internally managed		
Fixed rate	(79.1)	0.98
Variable rate	(14.3)	0.80
Sub-total	**(93.4)**	**0.95**
Externally managed		
Church Commissioners Local Authority	(5.0)	4.77
Asset Investment Programme	(17.6)	n/a
Sub-total	**(22.6)**	**3.98**
Total Investments	**(116.0)**	**1.54**
NET ACTUAL DEBT	**250.0**	

APPENDIX 7

SUMMARY MEDIUM FINANCIAL PLAN 2020/21-2022/23

Non-Treasury items

	2020/21 £000	2021/22 £000	2022/23 £000
EXPENDITURE			
Loan Interest	4,476	4,270	3,664
Loss of Investment interest	791	856	99
MRP	2,156	2,159	2,163
Sub-total	7,423	7,286	5,926
RECHARGES			
Sub-total	(7,423)	(7,286)	(5,926)
NET TOTAL	0	0	0

Treasury items

	2020/21 £000	2021/22 £000	2022/23 £000
EXPENDITURE			
Loan Interest	4,765	4,753	5,329
MRP	5,337	5,525	6,420
Premium	548	548	548
Other – Sale PFI interest etc.	393	380	367
Sub-total	11,043	11,206	12,664
INVESTMENTS			
Interest	(1,599)	(1,262)	(869)
MAG	(7,765)	(7,832)	(7,832)
Sub-total	(9,364)	(9094)	(8,701)
RECHARGES (ex. Non-treasury)			
Sub-total	(143)	(143)	(1,995)
NET TOTAL	**1,536**	**1,969**	**1,968**

APPENDIX 8

NON-TREASURY ACTIVITIES

Details of the actual spend incurred on the Council's non-treasury activities undertaken as at 31st December 2019 are outlined below:

Description	Total £m	Purpose
General		
Manchester Airport Group	19.9	Regeneration – 2 Shareholder loans
Homestep	0.7	Regeneration – Capital loan monies advanced to assist first time buyers to acquire property within Trafford
Town Centre	0.2	Regeneration – Capital loan monies advanced to assist businesses occupy empty high street units within Trafford.
Sub-total	**20.8**	
Asset Investment Property		
Sonova House - Warrington	12.2	
DSG - Preston	17.4	
The Grafton Centre - Altrincham	10.8	
Magistrates Courts - Sale	4.1	
Walthew House Lane - Wigan	13.9	
Sainsbury's Altrincham	25.6	
Former Sorting Office - Stretford	0.8	
The Crescent - Salford	28.6	
Project Devonshire - Manchester	60.0	
Altrincham & Stretford Shopping Malls - Equity contribution Trafford / Bruntwood loan	 25.3 25.3	
K Site Old Trafford - Equity contribution Trafford / Bruntwood loan	 10.5 10.5	
Brown Street Hale	2.3	
Sub-total	**247.3**	
TOTAL	**268.1**	

Audit Strategy Memorandum

Trafford Metropolitan Borough Council

Year ending 31 March 2020

MAZARS

CONTENTS

Mazars LLP
1 St Peter's Square
Manchester
M2 3DE

Accounts and Audit Committee
Trafford Metropolitan Borough Council
Trafford Town Hall
Talbot Road, Stretford
M32 0TH

27 January 2020

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for Trafford Council for the year ending 31 March 2020.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 8 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Trafford Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9248.

Yours faithfully

Karen Murray

Karen Murray, Partner and Engagement Lead

Mazars LLP

MAZARS

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Trafford Council (the Council) for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in it its use of resources. We discuss our approach to Value for Money work in section 6 of this report.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Accounts and Audit Committee as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM

- **Karen Murray, Partner and Audit Engagement Lead**
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- **Tommy Rooney, Manager**
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- T: 0151 237 2204 M: 07909 986586

- **Mark Stansfield, Assistant Manager**
- E: mark.stansfield@mazars.co.uk
- M: 07909 987654

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit Scope

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

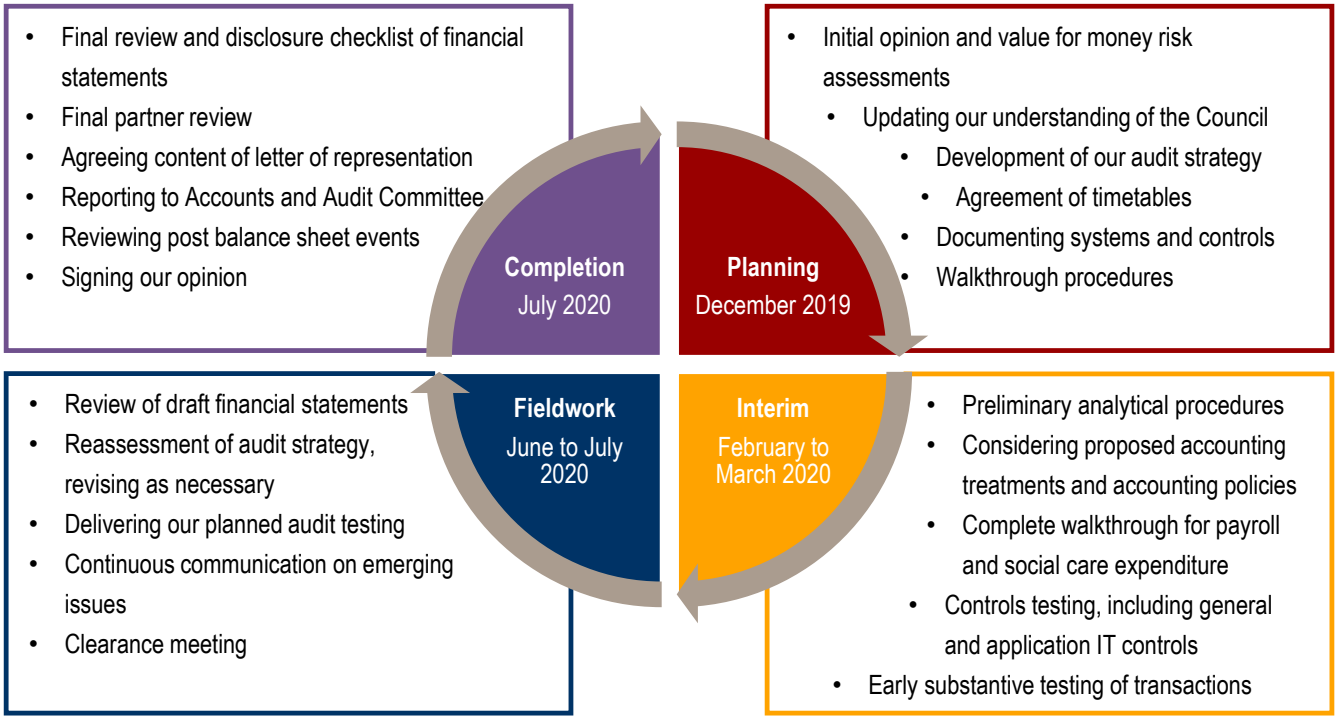
Audit approach

Our audit approach is designed to provide an audit that complies with all professional requirements. It is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 4.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson Actuaries	PwC, consulting actuary, on behalf of National Audit Office
Property, plant and equipment valuation	Amey Consulting	We will use available third party information to challenge the key valuation assumptions
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	In-house Mazars valuation team
Financial instrument disclosures	Link Asset Services	We will review the valuer's methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially correct

Group audit approach

The Council prepares Group accounts and consolidates one wholly owned subsidiary company, Trafford Leisure CIC Ltd., and one Joint Venture, Trafford Bruntwood LLP.

In auditing the accounts of the Council's Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council's subsidiary company and Joint Venture.

Our approach will reflect the size and complexity of the transactions from the subsidiary company and Joint Venture that are consolidated into the Council's Group financial statements. Our plan, based on our cumulative understanding obtained from the 2018/19 audit, and the values reported in the prior year financial statements is that we will obtain assurance from analytical procedures. We do not plan to obtain specific assurance from the component auditors of the Council's subsidiary company and Joint Venture.

The Council has set up two new joint ventures following the acquisitions of Stretford Mall and the Stamford Centre. These entities did not form part of the Council's accounts in 2018/19. Management are assessing the appropriate accounting treatment and disclosures relating to these new joint ventures for 2019/20. We will review management's proposed accounting treatments and assumptions once this assessment has been completed.

4. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Group materiality	Council single-entity materiality
Overall materiality	£10,600,000	£10,500,000
Performance materiality	£8,500,000	£8,400,000
Trivial threshold for errors to be reported to the Accounts and Audit Committee	£320,000	£315,000

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure at Surplus/Deficit on Provision of Services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Accounts and Audit Committee.

We consider that Gross Revenue Expenditure at Surplus/Deficit on Provision of Services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We have set materiality at 2% of the benchmark based on the 2018/19 audited financial statements.

4. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Based on the 2018/19 financial statements we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £10.6m for the audit of the Group financial statements (£9m in the prior year) and £10.5m for the audit of the Council's single entity financial statements (£8.9m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality
Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following item of account:

Item of account	Specific materiality
Officer Remuneration bandings	£5,000 *

* Reflecting movement from one salary band to another

Reporting Misstatements Threshold
We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Accounts and Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £320,000 for the Group and £315,000 for the Council's single entity financial statements based on 3% of overall materiality.

Reporting to the Accounts and Audit Committee
To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Accounts and Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

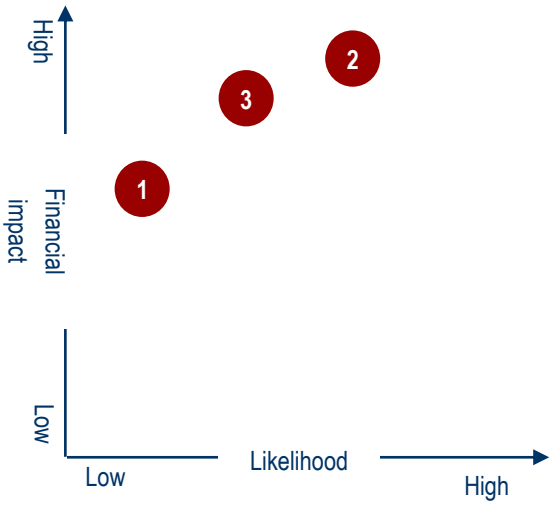
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Property, plant and equipment valuation
3	Defined benefit liability valuation

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process; should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit, Governance & Standards Committee.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	**Property, plant and equipment valuation (Land & buildings and investment properties)** The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.	In relation to the assets which have been revalued during 2019/20, including investment properties, we will assess the Council's valuer's qualifications, objectivity and independence to carry out such valuations, and review the valuation methodology used, including testing the underlying data and assumptions. We will review the approach that the Council has adopted to address the risk that assets not subject to valuation in 2019/20 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council's valuers. In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
3	**Defined benefit liability valuation** The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.	In relation to the valuation of the Council's defined benefit pension liability we will: • Critically assess the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson; • Liaise with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Test payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; • Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Revenue recognition
International Standard on Auditing (ISA) 240 includes a rebuttable presumption that the fraud risk from revenue recognition is a significant audit risk.

We recognise that the nature of revenue in local government differs significantly to the sources of income in the private sector. We also consider that there are limited incentives and opportunities to manipulate the way income is recognised in local government. Based on our understanding of the Council's revenue streams we have rebutted the presumption that revenue recognition is a significant risk at the Council. Our testing of revenue is focused on our standard procedures and does not incorporate specific work on the risk of fraud in recognising revenue.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description of risk	Planned response
1	**Valuation of Airport Shareholding** The Council's shareholding in the Manchester Airport Holdings Group Limited (MAHG Ltd.) has been valued by a firm of financial experts, engaged by management, based on assumptions about financial performance, stability, and key business projections. The figure disclosed in your accounts in relation to MAHG Ltd. is at fair value. There is a risk that the assumptions and methodology used by your experts are not appropriate and we will need to obtain assurance that accounting entries are not materially misstated.	We plan to address this risk by: • Assessing the scope of work/terms of engagement, qualifications, objectivity and independence of the expert engaged to carry out the valuation assessment of the airport shares. • Utilising the services of our internal valuation expert to review the work completed by management's expert and evaluate the appropriateness of the assumptions applied to arrive at the figure in the financial statements.
2	**Accounting for Private Finance Initiative (PFI) schemes** In 2003 the Council entered into a 25 year PFI contract for the provision of new office and community facilities in Sale Town Centre. The Council has no new PFI schemes in 2019/20, and continues to make judgements that result in the Council accounting for the PFI assets and liabilities in its financial statements.	We will consider the continued accounting treatment of the PFI scheme assets and liabilities as being in the Council's financial statements.
3	**Accounting for Schools** The Council continues to account for schools in its single entity financial statements. In addition the Council discloses that it includes in its financial statements the following categories of schools: Community, Voluntary Aided, Voluntary Controlled and Foundation.	We will consider the continued accounting treatment of the Council's schools and its compliance with the requirements of the CIPFA Code and other sector guidance.

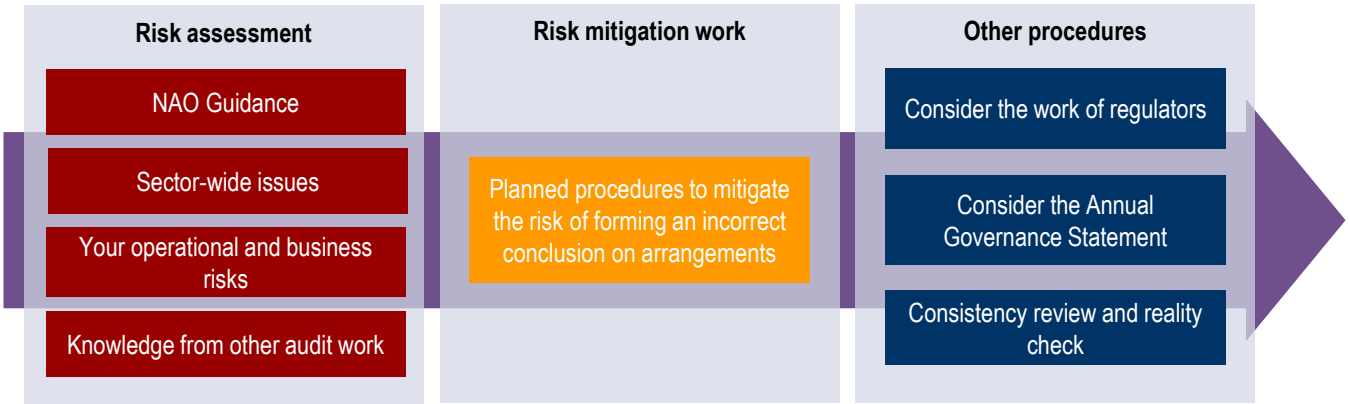
6. VALUE FOR MONEY

Our approach to Value for Money
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:
- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks
The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

6. VALUE FOR MONEY (CONTINUED)

For the 2019/20 financial year, we have identified the following significant risks to our VFM work.

	Description of significant risk	Planned response
1.	**Financial sustainability** The Council's medium term financial strategy (MTFS) approved by Council in February 2019, set out the financial challenges it faces, with a cumulative funding gap of £28.5m comprising of £15.7m in 2020/21 and £12.8m in 2021/22. In October 2019 the Executive received the draft revenue budget for 2020/21 and MTFS 2021-23. This estimates a revised funding gap of £13m in 2020/21 and £10.2m in 2021/22, and a forecast gap of £8.5m in 2022/23. The report includes proposals for additional funding and new savings and income generation which would reduce the gap to £0.7m in 2020/21, £9.9m in 2021/22 and £5.4m in 2022/23. Financial performance reported to the end of November 2019 is a year end underspend of £0.65m with forecast overspends on service budgets of £4.2m expected to be offset by a forecast underspend of £4.8m on Council-wide budgets. The budget proposals for 2020/21 and updated MTFS to 2023 are currently being finalised for submission to Council in February 2020. The continuing challenges the Council faces are not new or unique to Trafford Metropolitan Borough Council, but do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.	To address this risk we will: • Review the Council's outturn against the 2019-20 budgeted position • Review the Council's progress in setting a balanced budget for 2020/21 • Review the Council's arrangements for identifying savings and other measures to address the funding gap going forward
2.	**Ofsted inspection: children's social care services** In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we are required to consider the reports issued by other regulators. In May 2019 Ofsted issued a report on its inspection of the Council's Children's Social Care Services. The inspection report concluded that the overall effectiveness of the Council's services for children is inadequate. Whilst we are aware the Council has taken a number of steps to tackle the issues raised in the Ofsted inspection. However, there remains a risk the Council's arrangements do not secure the required improvements to this key service or that the improvements are not secured in a timely manner.	We will consider the progress made by the Council in response to the Ofsted report at the point we give our VFM conclusion. This will include any updated commentary from the regulator.

7. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 23 March 2019.

Service	2018/19 fee	2019/20 fee
Audit of the financial statements and VFM conclusion work	£101,417*	£91,008
Additional work in response to regulatory recommendations to increase level of audit work on defined benefit liability schemes.		To be agreed
Additional work in response to regulatory recommendations to increase level of audit work on the valuation of property plant and equipment.		To be agreed

*The final fee includes:

- a fee variation of £4,322 agreed during the year with the Council for additional work required as part of our statutory audit to respond to an elector's questions.
- an additional charge of £600 in respect of work undertaken on the pension liability regarding GMP and McCloud legal rulings.
- an additional fee charge of £5,487 in respect of additional work undertaken on the valuation of property, plant and equipment and investment properties.

In common with all local government external auditors we are required to carry out additional procedures which were not expected when fees were set.

Regulatory recommendations

We continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular we are planning increases in the level of work we do on:

- defined benefit pension schemes; and
- valuation of property, plant and equipment

We will discuss the driving factors with Council officers and the audit fee for 2019/20 will be revisited to reflect the increased level of work that was not considered when the scale fee was set. Any agreed additional fee is also subject to detailed scrutiny by the PSAA as part of the approval process.

Fees for non-PSAA work

We have not been engaged by the Council to carry out any additional work over and above the audit of the Council's statutory audit.

Should we be engaged to undertake any additional work we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

8. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies. The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet. In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.

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Agenda Item 8

Audit Progress Report

Trafford Council

January 2020

MAZARS

CONTENTS

1. AUDIT PROGRESS

Purpose of this report

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

Audit progress

We met with senior members of your Finance team in December 2019 and January 2020 to discuss the audit process for 2019/20 and the current challenges and opportunities for the Council that may impact on our audit work.

We have concluded our initial planning procedures and have agreed an Audit Strategy Memorandum (Audit Plan). The key audit stages are summarised in the diagram shown overleaf.

During our December interim visit we have updated our documentation and understanding of the following core financial systems at the Council and completed walkthroughs of the following financial systems:

- Accounts receivable
- Council Tax
- Business rates
- Accounts payable
- Schools expenditure
- Housing benefits
- General ledger, including journals
- Property, plant and equipment valuation
- Treasury management

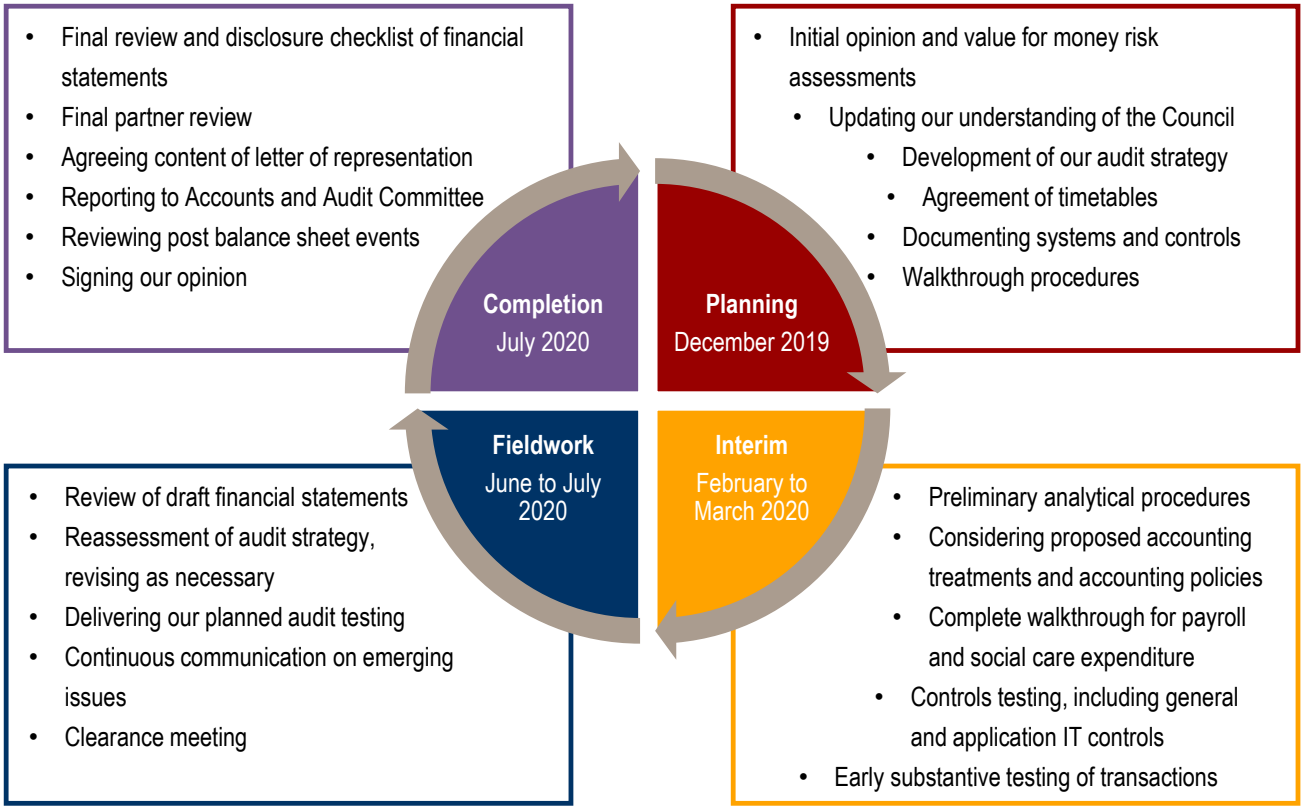
We have also commenced initial Value for Money procedures including completion of our initial risk assessment.

We will update our documentation and understanding of the payroll and social care expenditure systems during our interim audit visit in February/March. We will also use this visit to complete early testing prior to the final accounts audit.

There are no significant matters arising from our planning or interim work to date that we are required to report to you at this stage.

1. AUDIT PROGRESS

Our provisional timetable of work is set out in the diagram below. This outlines the procedures we perform at the different stages of the audit.



2. NATIONAL PUBLICATIONS

This section includes, for the Committee's information, summaries of recent technical and other sector publications which we believe are relevant to your broader responsibilities. The reports covered in this appendix, and the key messages, are:

	Publication/update	Key points
Mazars		
1.	**Horizon Scanning – challenges and opportunities in 2020**	Summary of challenges and opportunities faced by local government to help inform the preparation of a risk based internal audit plan for 2020/21.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
2.	**CIPFA launches new Financial Management Code**	The new Code is the first from the Institute in almost 15 years, and brings together many areas of local government financial management into one place.
Local Government Association (LGA)		
3.	**A Councillor's guide to Digital Connectivity**	Explores the main issues and challenges facing local areas and guidance from experienced councillors who have already undertaken work to get their communities better connected. It also provides a brief overview of Government policy and a glossary of widely used terms.
4.	**A Councillor's guide to Procurement**	Includes a toolkit that enables councils to set their own objectives and measure their own progress.

2. NATIONAL PUBLICATIONS - CIPFA

1. Horizon Scanning – challenges and opportunities in 2020, Mazars

In this time of economic challenge and funding uncertainty, we have prepared a document, detailing some of the challenges and opportunities across the sector. It provides background information on a wide range of issues which may need to be considered in assessing the risks faced by the Council and could usefully inform the preparation of your internal audit plan for the coming year.

We have provided a copy of the report to the Chair of your Audit, Governance and Standards Committee for information.

2. CIPFA launches new Financial Management Code, October 2019

CIPFA has launched its Financial Management (FM) Code, to drive improvement in financial management for councils across the United Kingdom.

The new Code is the first from the Institute in almost 15 years, and brings together many areas of local government financial management into one place. It follows extensive engagement with senior leaders in public finance from across the country.

The FM Code is based on a set of standards and principles, including organisational leadership, transparency, assurance and sustainability. Its aim is to place financial management at the heart of policy and decision making in local government.

Although the FM Code comes into effect from April 2020, in recognition of the pressures facing local authorities, 2021/22 will be the first full compliance year for the Code. This allows authorities a shadow year to work towards full implementation.

CIPFA will be providing support and guidance over the next 12 months to aid this process.

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-new-financial-management-code

3. A Councillor's guide to Digital Connectivity , October 2019

This guide is structured to provide councillors with key information on digital connectivity. It explores the main issues and challenges facing our local areas and includes hints, tips and case studies from experienced councillors who have already undertaken work to get their communities better connected. It also provides a brief overview of Government policy and a glossary of widely used terms. Finally, it sets out the vital role councillors can play in this area by:

- educating residents, voluntary and third-sector groups and businesses on the benefits of faster, more reliable connectivity
- bringing communities together to advocate for improved digital connectivity by applying for grants or aggregating their demand to persuade telecommunications providers to build the necessary infrastructure on their road
- helping residents consider where it is most appropriate to build new digital infrastructure, such as a phone mast, to improve residents' and businesses' connectivity whilst conserving local landscapes
- working in partnership with council portfolio holders, officers and other local stakeholders to consider the role your council can play in helping to improve communities' digital connectivity.

https://www.local.gov.uk/councillors-guide-digital-connectivity-0

2. NATIONAL PUBLICATIONS – LOCAL GOVERNMENT ASSOCIATION

4. A Councillor's guide to Procurement, October 2019

The LGA worked closely with councils to develop the National Procurement Strategy 2018 and a toolkit that enables councils to set their own objectives and measure their own progress. The National Procurement Strategy puts the councillor role front and centre and this guide has been produced specifically with councillors in mind. It looks at the roles councillor's play – both executive members and those engaged in overview and scrutiny work – and provides hints and tips on how to get the best out of procurement and contract management. Just as in the national strategy the focus is on delivering the council's objectives. Councillors do not need to be procurement professionals. But they do need to be able to ask the right questions and that is where this guide comes in.

https://www.local.gov.uk/councillors-guide-procurement-2019-edition

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MAZARS

TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee**
Date: **5 February 2020**
Report for: **Information**
Report of: **Audit and Assurance Manager**

Report Title

Audit and Assurance Report for the Period September to December 2019.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period September to December 2019.**
- **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 September to December 2019

Date: **January 2020**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between September and December 2019 and highlights progress against the 2019/20 Internal Audit Plan to date. At the end of the year, these update 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 2019/20.

2. Planned Assurance Work

Key elements of the 2019/20 Work Plan include:

- Fundamental Financial Systems reviews.
- Review work in relation to the 2018/19 Annual Governance Statement.
- Continued input to and review of risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- Audit reviews in respect of ICT and information governance.
- Anti-fraud and corruption work, including the National Fraud Initiative.
- School audits and other establishment audit reviews.
- Grant claim certification work.
- Audit reviews of other areas of business risk.
- Provision of guidance and advice to services across the Council.

3. Main areas of focus – September to December 2019

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

- Audit review work in respect of financial systems including the issue of a number of audit opinion reports.
- Completion of a number of audits of different service areas across the Council.
- Completion of a number of follow up audits.
- Issue of a number of final audit reports for schools.
- Facilitating an update of the Strategic Risk Register for the Corporate Leadership Team.
- Continued progression of work supporting the National Fraud Initiative.

(All audit opinion reports completed or in progress are listed in Section 5 and other key areas of audit work undertaken are referred to in Section 6).

4. Summary of Assurances for September to December 2019

There were 16 internal audit opinion reports produced in the period, 15 final reports and 1 draft report were issued. A listing of audit report opinions issued including overall findings is shown in Section 5.

In respect of the final reports issued, opinions of "Medium" (Adequate) or above were given in relation to 14 of the 15 reports. 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 – September to December 2019

(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 ISSUED		
Level 4 Reports :		
Council tax (Finance and Systems)/ (Finance and Investment)	**High (GREEN)** (12/9/19)	A high level of assurance has been maintained and no formal recommendations were made as part of the audit.
Treasury Management (Finance and Systems) / (Finance and Investment)	**High (GREEN)** (1/10/19)	A high level of assurance has been maintained and no formal recommendations were made as part of the audit.
Accounts Payable (Finance and Systems) / (Finance and Investment)	**Medium (GREEN)** (19/11/19)	The audit report highlights a number of improvements made since the previous review in 2017 plus ongoing developments in progress at the time of the review in relation to accounts payable processes. These include further development of guidance and training regarding compliance with procedures across the Council and updating of the Accounts Payable SAP EBP system to ensure it is aligned with the officer scheme of delegation for approving spend. Given the change in responsibility for maintaining the Accounts Payable System from Exchequer Services to Financial Management in 2019/20, a review of IT system access is also taking place to ensure roles and responsibilities are appropriate.
STAR Contracts Register follow-up audit (Finance and Systems) / (Finance and Investment)	**Substantial ** (GREEN)** (6/11/19)	The audit was completed by Rochdale Council Internal Audit on behalf of Stockport, Trafford, Rochdale and Tameside Councils. An audit was previously undertaken in 2018/19 to evaluate whether the contracts register is being used effectively to support procurement work undertaken by STAR across the Councils and was reported in the April to August 2018 Audit and Assurance update. This follow-up audit confirmed that all of the 8 previous recommendations made had been implemented and a sound system of control was in place.
Software Licensing follow-up audit (Finance and Systems) / (Public Safety, Governance and Reform)	**Low / Medium * (AMBER)** (26/9/19)	An audit report was previously issued in January 2018 and a number of the recommendations made in the audit report relate to controls that would be improved through the implementation of a software asset management system. It is acknowledged that some progress has been made. A software asset management tool has since been procured (SNOW) and installed on the network, and initial work undertaken to review Microsoft product license usage against the terms and conditions. However, work is still required to fully implement use of the system such as in respect of agreeing policies, updating the software management system and monitoring software usage for compliance with licensing agreements. Of the 6 recommendations reviewed, 1 has been implemented, 2 progressed in part and 3 yet to be implemented. Further action is planned to be taken following the completion of relevant appointments to the ICT team.
IT Service Desk follow-up audit (Finance and Systems) / (Public Safety, Governance and Reform)	**Medium / High * (GREEN)** (26/9/19)	An audit report was previously issued in January 2018 which found that, overall, effective systems and procedures were in place for the IT Service desk to provide support across the Council. A small number of recommendations were made to enhance existing arrangements in relation to performance measurement and monitoring. Actions to address the issues raised are being taken into account as part of current changes

		to the IT staffing structure and recent/ongoing recruitment. Further to this an audit is to be completed by Salford Internal Audit Services of IT Service management against best practice standards.
Gifts and Hospitality follow-up audit (Governance and Community Strategy/Authority-Wide) / (Public Safety, Governance and Reform)	**Medium / High * (GREEN)**	Further to an audit previously completed in October 2018 where a Medium level of assurance had been provided, this follow up audit confirmed that a number of developments had been made in enhancing existing procedures in respect of the declaration of gifts and hospitality . Out of 6 recommendations originally made, 4 had been implemented with the remaining 2 recommendations to be progressed in 2019/20. These include plans for senior management to periodically review entries in the gifts and hospitality register to monitor activity / compliance.
Level 3 Reports :		
Licensing (Place) / (Public Safety, Governance and Reform)	**Medium (GREEN)** (30/10/19)	The review covered the effectiveness of licensing processes across the Council, including follow-up of earlier reviews. The opinion reflects that good progress has been made since previous audits across some areas. A number of recommendations have been made in this review to further improve controls. These include developments in service performance monitoring through performance indicators, monitoring against expected income and introducing independent management checks of license applications for quality control purposes.
Troubled Families Review 2019/20 (Children's Services) / (Children's Social Care)	**Medium (GREEN)** (29/11/19)	There is a commitment of all Greater Manchester local authorities to undertake regular audits to provide assurance that local systems and processes meet the minimum standards of the Greater Manchester Troubled Families framework. Audit testing from a sample of cases confirmed that, overall, adequate processes were in place to meet standards in record keeping and evidencing developments. The Audit opinion reflects that significant improvement work is currently taking place as part of the wider Children's Service Improvement Plan and provides assurance that the recommendations previously made are being addressed, which contribute towards meeting OFSTED standards.
Level 2 Reports:		
Music Service (People) / (Finance and Investment)	**Medium (GREEN)** (11/10/19)	The review covered the effectiveness of the financial administration of the Music Service. Overall, systems and procedures were found to be operating effectively. Some recommendations were made in relation to income collection (including introducing a greater division of duties and continued development of processes for income reconciliation to the Council's financial system). Some recommendations were also made regarding maintenance of the inventory of music instruments.
Level 1 Reports:		
St. Hugh of Lincoln RC Primary School (Children's Services)/(Education)	**Medium (GREEN)** (4/9/19)	Overall, systems, procedures and controls in place were found to be adequate but existing systems and processes could be improved in certain areas. These included recommendations in relation to procurement to ensure that adequate evidence is maintained to demonstrate value for money is sought and also that there is always an adequate division of duties in relation to ordering and payments procedures.
St. Matthew's CE Primary School (Children's Services) / (Education)	**Medium (GREEN)** (8/10/19)	Overall, systems, procedures and controls in place were found to be adequate but existing systems and processes could be improved in certain areas. A number of recommendations have

		been made including in relation to income collection, ordering and payments procedures and the School Fund.
Kings Road Primary School (Children's Services) / (Education)	**Medium (GREEN)** (28/10/19)	Overall, systems, procedures and controls in place were found to be adequate but existing systems and processes could be improved in certain areas. A number of recommendations have been made. These include the need to ensure the school is registered with the Information Commissioner's Office under the Data Protection Regulations as an organisation which processes personal information. The school should also show there is evidence available that relevant school policies have been approved by the Governing Body e.g. Freedom information Policy and the Data Protection Policy.
Worthington Primary School (Children's Services) / (Education)	**Medium / High (GREEN)** (28/10/19)	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 the need to publish the registers of Governors' interests on the school website and also to maintain the asset inventory to include other furniture and equipment in addition to IT equipment.
The Firs Primary School follow-up audit (Children's Services) / (Education)	**Medium / High (GREEN) *** (10/12/19)	Further to an audit previously completed in May 2018 where a Low/Medium level of assurance had been provided, this follow up audit confirmed that significant improvements to internal controls had been made. Out of 30 recommendations originally made, these have been addressed with the exception of 2 recommendations which are planned to be implemented and 1 other in progress.
DRAFT REPORTS ISSUED		
Level 4 Reports:		
Non-Domestic Rates (Finance and Systems) / (Finance and investment)		A draft report was issued in December 2019. A final report has since been issued in January 2020 which will be reported in the January to March 2020 Audit and Assurance update.
***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.* *** A "Substantial Opinion" was provided as part of this follow-up audit which is considered equivalent to an opinion of "High" per the Trafford Council framework and the opinion is therefore shown as "Green".*		

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 period has included the following:

- Working with CLT to update the strategic risk register with an update report shared with CLT and the Accounts and Audit Committee in October 2019.
- 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 from work undertaken during 2019/20 are shown in Appendix 3 with a final update to be included in the 2019/20 Annual Head of Internal Audit Report.
- Completing a number of checks as part of the process for certifying grant claims with work completed

in relation to the 2018/19 Disabled Facilities Grant.

- In liaison with Human Resources, arranging for the introduction of a mandatory process for budget holders across the Council to complete an e-learning exercise produced by the STAR Shared Procurement Service in relation to adherence to the Council's Contract Procedure Rules.
- Following up a number of queries including schools related audit issues and providing comments and guidance where applicable.

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 produced and issued by the Audit and Assurance Service during the period, 100% of recommendations have been accepted (all 122 recommendations) compared to a service target of 95%.

Implementation of Audit Recommendations

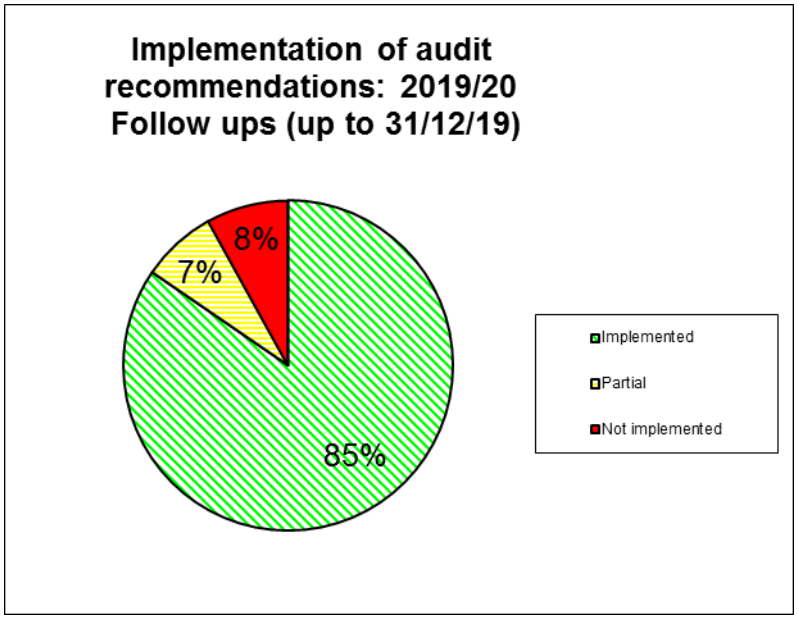
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

As indicated under relevant final reports listed in Section 5, follow up audits were completed during the period in relation to a number of previous audits where progress against each recommendation was reviewed. Other audit reviews completed also took account of previous work undertaken.

In respect of seven other audits previously completed in the previous year, management were requested to provide an update on progress in implementing recommendations made. Outcomes are as follows:

- Old Trafford Library (Governance and Community Strategy) – All 9 recommendations previously made have been implemented.
- Pest Control (Place) – Of the 6 recommendations previously made, 4 have been implemented, with 2 recommendations to be implemented by the end of 2019/20.
- Our Lady of Lourdes Catholic Primary School (Education) - Of the 12 recommendations previously made, 10 have been implemented, with 2 recommendations to be implemented by the end of 2019/20.
- Woodhouse Primary School (Education) - Of the 17 recommendations previously made, 16 have been implemented, with 1 recommendation to be implemented by the end of 2019/20.
- Templemoor Infant and Nursery School (Education) – All 8 recommendations previously made have been implemented.
- St.Antony's Catholic College (Education) - Of the 27 recommendations previously made, 25 have been implemented or are no longer applicable, with 2 recommendations to be implemented by the end of 2019/20.
- Altrincham CE Primary School – Of the 12 recommendations previously made, 9 have been implemented, with the remaining 3 recommendations to be completed by July 2020.

An overall analysis of audit recommendations followed up in 2019/20 (up to 31 December 2019) is shown on the following chart.



8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2019/20 Operational Internal Audit Plan

As at 31 December 2019, 517 audit days were spent against 700 planned allocated days. The difference is accounted for by one of the audit staff being on a secondment to the Trafford CCG Finance team during the current financial year before leaving the Service in October 2019 and also two audit staff leaving the service in July 2019. This has been mitigated by the use of the contingency time included within the Plan, and the prioritisation and rescheduling of some work. Further to the departures, a Senior Audit and Assurance Officer was appointed and joined the team on 14 October 2019 and in December 2019 a further Senior Audit and Assurance Officer appointment was made who will start in post on 10 February 2020.

As part of the Internal Audit Plan, a target of 38 audit opinion reports was set to be produced during 2019/20 to final or draft stage (excluding reports issued by other partner authorities in relation to STAR Procurement). As at 31 December 2019, excluding STAR reports, 23 audit opinion reports were produced. A further 8 reviews were in progress where draft or final reports are to be issued by March 2020. There are also plans to commence at least 12 other audits during January to March 2020, some of which are expected to be issued to draft or final stage by the end of March 2020.

The 2019/20 Internal Audit Plan was produced on the basis that all opinion reports listed would be complete or reviews would have commenced by the year-end. It is expected that, given the reduced number of available days, there will be a small number of reviews yet to commence by March 2020 and it is expected, where applicable, these will all start by the first quarter of 2020/21.

Performance for 2019/20 will be reported in the 2019/20 Annual Head of Internal Audit Report to be completed by the end of May 2020.

9. Planned Work for January to March 2020

Areas of focus include :

- Completion and approval of the 2020/21 Internal Audit Plan by March 2020.
- Supporting CLT in updating the Strategic Risk Register with a report due to be shared with the Accounts and Audit Committee in March 2020.
- Progression of audit reviews as listed in Appendix 2 (with any remaining work to be carried forward reflected in the 2020/21 Internal Audit Plan).

APPENDIX 1

2019/20 Operational Plan: Planned against Actual Work (as at 31 December 2019)

Category	Details	Planned Allocated Days 2019/20	Planned Days (up to 31/12/19)	Actual Days (as at 31/12/19)
Fundamental Systems	**Completion of fundamental financial systems reviews:** (See Appendix 2 for opinion reports issued and planned to be issued).	180	140	152
Governance	**Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.** **Gifts and hospitality follow-up audit review.** **Advice / assurance in respect of governance issues.** A review was completed as planned of the Draft AGS in May 2019 with findings fed back to Legal and Democratic Services before the document was finalised. The gifts and hospitality audit review was completed in November 2019. (See Appendix 2 under Governance).	25	20	11
Corporate Risk Management	**Facilitating the updating of the Council's strategic risk register.** **Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.** **Follow-up audit of business continuity management arrangements.** - Work to date and planned: Strategic Risk update reports completed and reviewed by CLT and the Accounts and Audit Committee in July and October 2019 (Further refresh of the risk register commences in January with a report to CLT and the Accounts and Audit Committee due in March 2020). Risk management guidance on the intranet updated in 2019/20 to support the above process. - Further work including business continuity follow-up due to commence in Quarter 4.	30	19	14

Anti-Fraud and Corruption	**The Service will continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2018/19 exercise.** **Investigation of referred cases of suspected theft, fraud or corruption.** **Other work to support the Anti-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.** See Appendix 3 for update in relation to the National Fraud Initiative. Summary of any other work completed during the year to be set out in Annual Head of Internal Audit. Report.	80	60	31
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	40	23
ICT / Information Governance Audit	**ICT Audit reviews and advice conducted by Salford Internal Audit Services.** **ICT related investigations where applicable.** **Information Governance audit reviews** See Appendix 2 for reports completed and planned. (Any other work completed will be reflected in the Annual Head of Internal Audit Report).	90	60	51
Schools	**Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.** **Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.** See Appendix 2 for audit opinion reports issued and planned. (As at 31/12/19, 9 final reports completed and work underway to plan for further school audit visits between January and March 2020). Also see Section 6 (Other Assurance Work) and Section 7 for follow-up audit work undertaken.	180	149	115
Assurance – Other Business Risks	**Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal**	235	135	76

	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 and Section 7 for follow up audit work undertaken.			
Grant claims checks / Data Quality	**Internal audit checks of grant claims / statutory returns and other data quality checks as required:** **Grant checks completed:** - Local Transport Capital Funding: Additional Highways Maintenance Grant 2018/19 - Disabled Facilities Grant 2018/19 In addition to above, see Appendix 2 for audit opinion report issued.	30	25	19
Service Advice / Projects	**General advice and guidance, 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.** Work completed referred to in Section 6 of this report and also the April – August 2019 update report.	70	52	25
TOTAL		**1000***	**700**	**517**

* Note there was a further contingency of 75 days within the 2019/20 Plan.

APPENDIX 2

Audit Opinion Reports Issued and Planned 2019/20 (as at 31 December 2019)

Category	Audit Opinion Reports	Status (where progressed by 31/12/19)	2019/20 IA Plan
Fundamental Systems	- Liquid Logic/ContrOCC – Children's Social Care Payments System (Children's Services)	Final report issued 17/4/19	Completed (and to be followed up in Quarter 4 (Q4) 2019/20)
	- Accounts Payable (Finance and Systems)	Final report issued 20/6/19 re Purchase Cards. Final report issued 19/11/19 re Accounts Payable	Completed re Purchase Cards Completed re Accounts Payable
	- Treasury Management (Finance and Systems)	Final report issued 1/10/19	Completed. (In addition, review in relation to investment strategy in progress)
	- Council Tax (Finance and Systems)	Final report issued 12/9/19	Completed
	- Business Rates (Finance and Systems)	Draft report issued 20/12/19	Final report issued Q4
	- Housing Benefits / Council Tax Reduction (Finance and Systems)	In progress	Final report to be issued Q4
	- Accounts Receivable / Debt Recovery (Finance and Systems)	-	Timing to be agreed
	- Budgetary Control (Finance and Systems/Authority-wide)	In progress	Draft report to be issued Q4.
	- Payroll (People)	-	Commenced Q4
	- Direct Payments (Adult Services)	-	Commencing Q4
	- Liquid Logic/ContrOCC – Adult Social Care Payments System (Adult Services)	In progress	Draft report to be issued Q4
	- Direct Payments (Children's Services)	-	Commencing Q4
Governance	- Gifts and hospitality follow-up audit review (Governance and Community Strategy/Authority-wide)	Final report issued 22/11/19	Completed
Risk Management	- Business Continuity Management follow-up audit (Authority-wide)	-	Update to be obtained with report timing to be agreed
Procurement /Contracts /Value for money	- STAR Performance management (STAR Authorities – Stockport lead) (Finance and Systems)	Final report issued 15/8/19	Completed.
	- Social Value in Procurement (STAR authorities – Trafford lead) (Finance and Systems)	-	Commencing Q4.
	- New vendor requests (STAR Authorities – Rochdale lead) (Finance and Systems)	In progress	Draft report issued in Q4.
	- Contract Procedure Rules follow-up audit – Stockport lead)	Update completed	Further work to be considered as part of 2020/21 audit planning
	- Other work added to Plan re STAR: Chest Procurement Portal (further follow up audit) (STAR Authorities – Rochdale lead) (Finance and Systems)	Further follow-up final report issued 4/7/19	Completed.
	- One Trafford Partnership – contract monitoring (Place)	Performance indicator validation checks (Ql 2019/20).	Further work to be considered as part of 2020/21 audit planning

	- Commissioning of children's external residential placements (Children's Services).	Initial coverage as part of Budgetary Control audit.	Further work to be agreed as part of 2020/21 audit planning.
Information Governance / ICT Audit	- Cyber Security (Finance and Systems) - HR/Payroll IT system follow-up audit (People / Finance and Systems) - IT Service Management (Finance and Systems) - IT Service desk follow-up (Finance and Systems) - Software Licensing - follow up (Finance and Systems) -Other IT Audit reviews added to the 2019/20 Internal Audit Plan: Incident Management audit review Revenues and Benefits Systems IT applications audit review - Subject Access Requests (Governance and Community Strategy / Authority-Wide) - Data breaches follow-up audit (Governance and Community Strategy/Authority-Wide)	In progress Final report issued 14/8/19 - Final report issued 26/9/19 Final report issued 26/9/19 In progress In progress - -	Draft report to be issued Q4 Completed. Timing to be agreed Completed Completed Draft report to be issued Q4 Draft report to be issued Q4 Review to commence by end of Q4. Review to commence by end of Q4.
Schools	14 Opinion Reports to be issued as per below (Education): - Delamere School - English Martyrs' RC Primary School (follow-up audit visit) - Stretford High School - Heyes Lane Primary School - St Hugh of Lincoln RC Primary School - St. Matthew's CE Primary School. - Worthington Primary School - Kings Road Primary School - The Firs Primary School (follow-up audit) - Highfield Primary School - Egerton High School - St. Mary's C of E Primary School (Davyhulme) - St. Vincent's Catholic Primary School - At least 1 other school audit to be arranged later in 2019/20 (school to be confirmed).	: Final report issued 8/5/19 Final report issued 17/6/19 Final report issued 10/7/19 Final report issued 10/5/19 Final report issued 4/9/19 Final report issued 8/10/19 Final report issued 28/10/19 Final report issued 28/10/19 Final report issued 10/12/19 - - - - -	 Completed Completed Completed Completed. Completed Completed Completed Completed Completed To commence in Jan. 2020 To commence in Feb. 2020 To commence in Jan. 2020 To commence March 2020 To commence March 2020
Assurance – Other Key Business Risks	- Licensing (Place) - Statutory Homelessness Services (Place) - Section 17 Payments (Children's Services) - Development Management (Planning Control) (Place) / Planning Enforcement (Place) - Strategic Growth Team (Place) - Tree Unit (Place) - Altrincham Library (Governance and Community Strategy) - Sale Waterside Arts Centre	Final report issued 30/10/19 Final report issued 15/7/19 Coverage to be included in other review work. Development Management and Planning Enforcement review in progress. - - Planning commenced -	Completed Completed N/A Final report to be issued in Q4 Delayed in agreement with Service to 2020/21 Commencing Q4. Draft report to be issued in Q4 Timing to be agreed

	(Governance and Community Strategy) - Flixton House (People) - Music Service (People) - Recruitment Processes (People) - Out of Borough Education Placements (Children's Services) - Home to School Transport (Children's Services) - Aids and Adaptations (Adult Services)	- Final report issued 11/10/19 - - - Initial work completed October 2019 re Disabled Facilities Grant.	Timing to be agreed Completed. Timing to be agreed Timing to be agreed Timing to be agreed Follow-up audit to be arranged.
Grant Claims /Data Quality	- Stronger Families Programme (Children's Services)	Final report issued 29/11/19	Completed

NATIONAL FRAUD INITIATIVE – OUTCOMES FROM WORK IN 2019/20

The Audit and Assurance Service continues to co-ordinate the Council's participation in the National Fraud Initiative (NFI). The NFI is a nationwide data matching exercise. It is designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse.

The exercise is a mandatory requirement for Local Authorities carried out once every two years at minimal cost to the organisations involved and is firmly established as the United Kingdom's premier public sector fraud detection exercise.

In respect of the latest 2018/19 NFI exercise, the Audit and Assurance Service co-ordinated the submission of Council data to the Cabinet Office in October 2018 and the subsequent matches were received in January 2019.

As of 14th January 2020, a total of 3119 matches have been reviewed by officers across a range of Council services.

This has resulted in the identification and correction of 271 errors. These predominantly relate to Blue Car Badges still in circulation (though not necessarily in use) following the death of the holder (265) and one permit which has been revoked following investigation.

Three duplicate creditor payments have been identified with a total value of £7,906, and are in the process of recovery.

Two Council Tax Support errors totalling £3,950 were identified and are also in the process of recovery. There are also other cases which are still ongoing.

There are a number of matches which relate to Council Tax Single Person Discount irregularities; however, as the Council is already undertaking a rolling Council Tax discount data matching review via an external provider, investigation of SPD irregularities is undertaken outside of the NFI scheme. Results of these investigations will be reported separately as part of the Counter Fraud Team annual report for 2019/20.

A final update from this exercise will be reflected in the Annual Head of Internal Audit Report 2019/20.

APPENDIX 4

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: **Executive**
Date: **27 January 2020**
Report for: **Information**
Report of: **The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Report Title:

Budget Monitoring 2019/20 – Period 8 (April to November 2019).

Summary:

The purpose of this report is to inform Members of the current 2019/20 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 report and the changes to the Capital Programme and Asset Investment Fund as detailed in paragraphs 21 and 29.
b) Approve the virement of £432,000 from within the Capital Programme to the Disabled Facilities Grant budget to help support the expenditure pressures in this area.
c) note the movements in reserves in paragraph 10.

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 2019/20.
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

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 20 February 2019 Council meeting is £169.94m. In determining the budget an overall gap of £13.44m was addressed by a combination of additional resources of £6.59m, including projected growth in business rates, council tax and use of reserves and £6.85m of service savings and additional income.

2. Based on the budget monitoring for the first 8 months of the year the forecast outturn is an underspend of £650k, a favourable movement of £928k since period 6. This positive movement is due to:-

   - A net increase in Directorate budget spend of £924k, of which £600k relates to increased pressures in Children's Services and a further £256k in the Place Directorate;
   - Offset by an increased underspend on Council-wide budgets of £1.852m; relating mainly to the receipt of dividends from Manchester Airport above the estimated level by £1.332m and a further increase in Asset Investment Strategy income of £444k, now totalling £2.393m.

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	**2019/20 Budget (£000's)**	**Forecast Outturn (£000's)**	**Forecast Variance (£000's)**	**Percent-age**
Children's Services	36,057	37,622	1,565	4.3%
Adult Services	48,772	50,285	1,513	3.1%
Public Health	11,778	12,417	639	5.4%
Place	34,862	35,385	523	1.5%
People	3,189	3,249	60	1.9%
Finance & Systems	7,535	7,475	(86)	(1.1)%
Governance & Community Strategy	7,852	7,804	(48)	(0.6)%
Total Directorate Budgets	**150,045**	**154,211**	**4,166**	**2.8%**
Council-wide budgets	19,892	15,076	(4,816)	(24.2)%
Net Service Expenditure variance	**169,937**	**169,287**	**(650)**	**(0.4)%**
Funding				
Business Rates (see para. 16)	(66,489)	(66,489)		
Council Tax (see para. 12)	(99,500)	(99,500)		
Reserves	(2,624)	(2,624)		
Collection Fund surplus	(1,324)	(1,324)		
Funding variance	**(169,937)**	**(169,937)**	**0**	**0.0%**
Net Revenue Outturn variance	**0**	**(650)**	**(650)**	**(0.4)%**
Dedicated Schools Grant	**133,960**	**133,989**	**29**	**0.0%**

Budget Adjustments and Virements

4. There have been a number of budget virements since the period 6 report as shown in Appendix A below.

Main variances, changes to budget assumptions and key risks

5. The main variances contributing to the projected underspend of £650k, 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	1,565	**Projected outturn variance £1.565m adverse; adverse movement of £600k since period 6.** ➢ £698k above budget on Children's placements; adverse movement of £498k (note 1) ➢ £553k above budget on staffing; adverse movement of £82k (note 2) ➢ £233k above budget on home to school transport and nurseries; adverse movement of £71k (note 3) ➢ £81k minor variances above budget on running costs across the service; favourable movement of £51k (note 4) **Note 1** The variance of £698k is as a result of a rise in demand and increasing costs of children's placements. Since the last monitoring report there has been an adverse movement of £498k, which is largely the result of stepdown placements no longer taking place or being delayed The number of children in care as at the end of November is 396, a reduction of 6 since period 6. A contingency of £302k is also included in the forecast to cover any further demand and potential timeline changes to the anticipated reductions mentioned above. The contingency is released throughout the financial year if the service is seen to prevent or reduce demand. The above position includes the achievement of the savings target of £573k. The service is working on strategies to minimise the forecasted overspend and will attempt to make the most cost effective decisions for Children entering care without compromising on outcomes for Children and safety. The service is actively pursuing options that will allow Children currently placed outside of the borough in high cost external placements to return to appropriate placement/packages of support in Trafford which would result in cost reductions, maximising internal sufficiency.

		The service is also adopting new working methods in the form of Restorative Practice and No Wrong Door (post October) aimed at improving early help and reducing the need for the escalation of Children through the service. **Note 1a** The service has operated at speed to address the issues raised in the recent OFSTED Report by increasing capacity at the front door and bringing in additional agency social workers and team leaders. There is an Improvement Board in place that is monitoring the implementation of an Improvement Plan which outlines the actions and resources required. A one-off budget of £1.5m for 2019/20 has been set aside for this which is fully committed to make the immediate changes needed. The budget process for 2020/21 is finalising an additional recurrent budget to support long-term approaches to embed improvements. **Note 2** As a consequence of the increase in demand current forecasts indicate there is a potential overspend of £553k on additional staffing costs over budget; an adverse movement of £82k. At this stage it is not anticipated that these costs will be offset by underspends materialising as a result of vacancies occurring throughout the financial year due to current caseloads being experienced by the teams. **Note 3** The Home to School Transport service continues to experience high demand and increasing costs with current forecasts indicating that the service will be £193k overspent at the year end; an adverse movement of £79k. This is a result of the new September contracts being fully implemented which has seen an increase in demand and costs. The remainder of the overspend, £40k, a favourable movement of £8k, is due to a shortfall in anticipated income at Partington nursery.
Adult Services	1,513	**Projected outturn variance £1.513m adverse, an adverse movement of £110k since period 6.** ➢ £1.757m above budget on Adult Clients; adverse movement of £91k (Note 1); ➢ £244k under budget due to vacancies and one off savings; adverse movement of £19k (Note 2). **Note 1** Adult Clients £1.757m adverse variance. This budget continues to be extremely volatile and although the service is managing to maintain client numbers, it is still the continuation of

		increased costs due to market conditions and client complexity that have resulted in the movement from Period 6. The reasons for the movement are outlined below:- • £317k in costs for new clients net of contingency; • £226k reduction in costs for existing clients; The Trafford market continues to be complex and in many instances local prices continue to rise above the Council's framework prices. There is a significant challenge for the service to procure care at framework prices and although the budget incorporated an element for this the forecasted position is higher than anticipated. As at period 8 the Council is forecasting to spend approximately £4.15m in care costs in excess of framework rates; this is an increase of £210k from period 6. In the last update the contingency figure provided was £625k and £208k has been released to partially offset the increase in costs for the last two months. The contingency for the remaning months is £417k and is to mitigate against potential further increases throughout the financial year. There may be a potential further pressure on the budget for this year due to changes in Local Authority responsibility for S117 clients. Section 117 is a part of the legislation that requires councils and CCG's to fund the requirements of an individuals after-care under the Mental Health Act to build effective support and rehabilitation packages after a period of compulsory detention. The legislation provides free care after the detention until at any point the care is deemed to not be related to the after-care needs. Work is currently underway in assessing the implications of this and an update will be provided in the next budget monitoring report. The 2019/20 budget includes a savings target of £560k. This has now been achieved in full. The service continues with its initiatives to reduce the cost pressures by: • Exploring alternative contracting and payment arrangements including block purchasing; • Increasing the use of the short term recovery services within the Stabilise and Make Safe service (SaMS), ensuring that clients can increase/maintain their independence and reduce demand for residential/nursing and homecare services; • Extending the use of equipment solutions to meeting needs through the Right Care for you programme; • Increasing the use of technology; • Exploring further programmes across learning disability and mental health services to manage demand and costs of care to support the budget planning for 20/21.

		<u>Note 2</u> Current forecasts indicate there is a favourable variance of £244k. This is due to the following:- • £158k under budget on staffing due to vacancies, adverse movement of £1k; • £88k under budget on client equipment and maintenance, adverse movement of £14k; • £2k over budget on other minor variances, adverse movement of £4k.
Public Health	639	**Projected outturn variance £639k adverse, an adverse movement of £6k since period 6.** The service is under significant pressure this year to reduce its expenditure in order to mitigate the increasing costs of the Community Services contract which transferred from Pennine Care NHS Foundation Trust to Manchester Foundation Trust (MFT) on the 1st October 2019. The additional cost pressure amounted to £1.641m and current projections indicate that the original planned savings for 2019/20 of £1.020m have reduced by £210k to £810k. This shortfall has been partially offset by one-off savings on staffing of £64k and other minor variances amounting to £128k. Planned savings for 2019/20 included an assumption that £100k would be realised from the Pennine Care full cost recovery reconciliation. Although this is yet to be finalised initial indications are that this will be met in quarter 1. The £6k movement is due to the following. • £16k adverse movement on staffing costs; • £10k favourable movement mainly due to rates rebate. The planned savings of £810k above are not all recurrent; £260k is one-off in nature. This means that there is a predicted shortfall of recurrent savings of £1.091m for 2020/21 which has been met from additional budget provided in the MTFP of £981k and anticipated reductions to spend of £110k.
Place	523	**Projected outturn variance £523k adverse, an adverse movement of £256k since period 6 report.** The overspend has increased by a net £256k since last reported which includes £234k relating to Altrincham Leisure Centre as below. Remaining movements are £22k adverse which includes additional property utility costs £51k offset by an increased underspend of £36k from reviewing staff vacancies. Other adverse minor movements in running costs and income are a net £7k.

		➢ The overall position includes the back rent / service charges owing for Urmston Library £311k and historic energy costs of £59k; ➢ There is an estimated £192k shortfall in income from Stretford Mall turnover rent, continuing from 2018/19, offset by additional rent income from Stamford Centre £78k, Station House £37k and Airport £11k; ➢ Additional one-off costs of £124k associated with surplus properties awaiting disposal / re-development; ➢ The total staff cost underspend from vacancies is £265k, which is 5.4% of the overall staffing budget and £202k in excess of the Directorate-wide efficiency savings target; ➢ £50k overspend for backlog of tree maintenance; ➢ £187k one-off additional income from Regent and Oakfield Road car parks remaining open longer than expected, £18k higher than at period 6; ➢ Building control trading account has a forecast net deficit of £53k for the year; ➢ Other minor variances net overspend of £15k. Note – The Planning service budget is ring-fenced in line with government regulations resulting in a neutral impact on the forecast outturn. There was a £222k underspend in 2018/19 which has been carried forward to 2019/20 through reserves accordingly. Currently there is a projected underspend of £286k from staff vacancies and £78k in running costs, partly offset by a shortfall in income against target of £123k. The surplus balance of £241k will be transferred to the ring-fenced reserve accordingly. **Altrincham Leisure Centre** - As part of the leisure strategy a significant amount of design and feasibility work has been undertaken on the proposals for the new Altrincham Leisure Centre. The original intention was that the new centre would be positioned on the existing site and scheme designs were progressed on that basis. Despite this it has become evident that a number of service user groups of the centre would be displaced during construction with significant cost of alternative provision. The Altair proposals are also progressing well and the Council is working with the developer on the proposals for the site which now include the potential to reposition the new leisure centre site within the development. Whilst this would have significant benefits in terms of service continuity it would mean that an element of the design costs to date would become abortive and become a revenue cost; these are currently estimated at £234k.
People	60	**Projected outturn variance £60k adverse, a favourable movement of £11k since period 6 report.** ➢ Staff costs are £2k above budget, and there are currently 4

		vacancies across all the Directorate service areas which are actively being recruited to. This is an adverse movement of £56k since period 6; ➢ Running costs are projected to be overspent by £75k, including £21k for Occupational Health medical fees and £35k from staff benefits schemes under-recovery. This is an adverse movement of £10k since period 6; ➢ There is a projected surplus in income of £145k compared to budget which includes additional income from externally traded services (e.g. with schools). This is £77k higher than period 6; ➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £128k.

Finance & Systems	(86)	**Projected outturn variance £86k favourable, a favourable movement of £60k since period 6 report.** ➢ Forecast staff costs are £164k less than budget across the Directorate based on actual and projected vacancies, which is 1.8% of the total staffing budget and £40k higher than last reported. This includes £307k in Finance, mainly related to Exchequer Services where staff turnover is traditionally high, and also in Financial Management from the early part of the year following a restructure. There is a £69k underspend in ICT which is undergoing a restructure in this financial year. The Transformation team has a one-off projected cost above budget of £212k while the service is reconfigured within the Council, which is being addressed in the Medium Term Financial Plan from April 2020. There are currently 16 vacancies across all the Directorate service areas which are actively being recruited to or subject to restructuring; ➢ Running costs are forecast to be underspent by a net £88k which is £16k higher than last reported. This includes a £51k underspend in Finance Exchequer Services, mainly in Council Tax billing and printing costs; ➢ Income is £21k above budget, an increase of £4k since last reported. ➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £187k.
Governance & Community Strategy	(48)	**Projected outturn variance £48k favourable, an adverse movement of £23k since period 6 report:-** ➢ Staff costs are underspent by £475k. This is due to vacancies during the year, which is 6.6% of the staffing budget. The underspend has increased by £52k since last reported due to revised forecasts on the filling of vacancies over the remainder of the financial year. Efforts are ongoing to fill outstanding vacant posts and the staffing underspend includes £254k in Legal Services, £143k in Access Trafford (contact centre) and £77k in Partnerships and Communities. There are currently 15 vacancies across the service areas which are actively being recruited to or subject to restructuring; ➢ Running costs are forecast to be overspent by £108k which is £76k higher than last reported mainly due to a £52k increase in projected ICT costs in Access Trafford. The overall overspend includes £44k relating to the trading position of the Waterside Arts Centre, £63k in libraries relating to ICT software, and £11k relating to legal and other fees which are demand led and difficult to predict; ➢ There is a minor projected shortfall in income of £8k compared to budget which is a favourable movement of £16k since last reported. This includes external SLA income in Legal and

		Democratic Services; ➢ There is an overall shortfall in other savings of £118k. This includes £87k relating to the projected income for Sale Waterside Arts Centre, which is £15k higher than last reported. There is also a £31k shortfall relating to CCTV trading income; ➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £193k.
Council-wide budgets	(4,816)	**Projected outturn variance £4.816m favourable, a favourable movement of £1.852m since period 6 report:-** • Release of contingencies totaling £1.5m due to: £700k previously reported relating to the non achievement of public health savings and to cover the shortfall in ground rent income from Stretford Mall (see Place above); In addition, a number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts have been reviewed. It is considered appropriate at this stage of the year, after taking account of un-budgeted one-off costs to release a further £250k of these giving a total of £750k. • It should also be noted that a 2019/20 Interim MAG dividend received in December 2019 was £2.3m. This is in addition to the £4.129m already received in July 2019 for the final 2018/19 dividend. The total dividend received in the year is therefore £6.429m which exceeds the previously estimated dividend by £1.332m; • The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £370k, an adverse movement of £176k since period 6. This pressure is a combination of reduced subsidy resulting from a review of the treatment of temporary accommodation used by homeless families and more recently an increase in the number of social care clients previously in residential care moving to Support Living Accomodation. Pressure has also been felt in lower collection rates of prior years' housing benefit overpayments as more claimants move to Universal Credit. A Housing Benefit smoothing reserve of £427k is held by the Council to help absorb fluctuations in the outturn and the figure above assumes the reserve will be used in full in 2019/20. Recruitment of several vacant positions to focus on debt recovery has been completed and this may alleviate some of the pressure over time. The adverse pressure has partially been addressed in the 2020/21 draft budget through the addition of £100k budget provision. There may be a requirement for further budget provision or a transfer of resource from the residential care

budgets in 2020/21 and this will be considered before the budget is agreed. The housing benefit smoothing reserve has been partially replenishment with £200k from the redistributed business rates growth pilot monies as agreed in Period 6;

- Additional income, including a rebate from the GMCA £250k;
- A shortfall in Liability Order costs income of £209k is now projected for the year, a reduction of £11k since period 6. The shortfall is due to a drop in the number of summonses issued following some new initiatives introduced by the Council in April 2019 to help households avoid poverty. We have raised the minimum amount of arrears we summons for and to try and shape behaviours. It has also been agreed to cancel costs if "first time debtors" pay in full before the hearing date;
- **Strategic Investment Properties**

Strategic Investment Property Portfolio 2019/20	Investment Type	Forecast Net Income £	Budgeted Target £	Variance £
Sonova House	Purchase	(62,624)	(37,078)	(25,546)
DSG Preston	Purchase	(272,601)	(273,642)	1,041
No1 Old Trafford	Debt	0	0	0
Grafton Centre	Purchase	(32,209)	(86,084)	53,875
Sale Magistrates Court	Development	8,968	0	8,968
Brown Street	Development	0	0	0
K Site; Equity	Development	0	0	0
Bruntwood; Ksite	Debt	0	0	0
The Crescent, Salford	Debt	(1,684,048)	(1,814,562)	130,514
The Fort, Wigan	Purchase	(116,464)	(139,999)	23,535
Sainsbury, Altrincham	Purchase	(60,000)	(60,000)	(0)
Albert Estate	Treasury	(177,992)	0	(177,992)
Stretford Mall	Equity	0	0	0
Stamford Quarter	Equity	0	0	0
Bruntwood; Shopping centres	Debt	(433,542)	0	(433,542)
CIS Tower	Debt	(1,395,185)	0	(1,395,185)
Development Team	Admin	21,603	0	21,603
The Hut Group	Debt	(600,000)	0	(600,000)
Total		**(4,204,094)**	**(2,411,365)**	**(2,392,729)**

Investment Properties income is now projected to be above budget by £2.393m. This is a favourable movement of £444k since period 6 and is mainly due to the additional income from an agreement with the The Hut Group not previously reported, partly offset by a delay in the provision of debt finance on one of the other investment properties;

		• Treasury Management – net costs of £63k relating mainly to the early repayment of the £4m loan held by Lancashire County Cricket Club; • Other minor favourable variances of £33k. The Government previously announced additional grant resources in 2018/19 and 2019/20 to cover costs which may arise following Brexit. Trafford Council has received £315k over the two years. The exact details of the grant are yet to be determined so in the meantime these funds have been transferred to an earmarked reserve, resulting in a neutral impact on the 2018/19 and projected 2019/20 outturn positions.
Funding	Nil	
Dedicated Schools Grant	29	**Projected outturn variance £29k adverse, a £78k adverse movement since period 6.** The period movement includes net costs of £35k, after the use of DSG, relating to 12 additional Special School places being provided and a shortfall in out of borough recoupment. There has also been a late rates adjustment to a Primary School of £43k.

MTFP SAVINGS AND INCREASED INCOME

6. The 2019/20 budget is based on the achievement of permanent base budget savings and increased income of £6.855m (see para. 1 above). At period 8 the latest forecast indicates that the majority of the savings programme is on target, with a small number of projects showing a minor net shortfall totalling £33k, the same as in period 6.

RESERVES

7. In August 2019, a new Reserves Policy was developed which set out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council's priorities over the medium term.

8. This new policy was agreed and adopted by the Executive as part of the draft Budget Report 2020/21 on 14 October 2019. It was also recommended that this Reserves Policy is reviewed on an annual basis ensuring the judgements on the adequacy of reserves are informed and remain appropriate particularly in relation to the potential impact of new risks and financial challenges faced by the Council

9. The Council's usable reserves at 31st March 2019 stood at £72.35m, of which £49.80m relates to Earmarked revenue reserves. The latest position is shown in the table below, along with their projected balances over the next 3 years including the current financial year.

Table 3: *Usable Reserves*	Opening Balance 1/4/19 £m	19/20 £m	20/21 £m	21/22 £m
Budget Resilience	21.86	16.41	15.81	15.81
Strategic Priority	7.55	5.88	5.55	4.94
Smoothing	3.47	2.81	2.38	2.24
Corporate	2.52	0.34	0.71	0.71
General Reserve	7.00	7.00	7.00	7.00
Service Area Priorities	7.40	0.77	0.28	0.00
Earmarked Reserves	**49.80**	**33.21**	**31.73**	**30.70**
Capital Related Reserves	11.99	11.26	8.04	5.90
School Related Reserves	10.56	10.56	10.56	10.56
Total Usable Reserves	**72.35**	**55.03**	**50.33**	**47.16**

KEY MOVEMENTS

10. The following significant movements have been made within reserves since the period 6 report, as agreed by CLT in line with the Council's Reserves Policy:

- **Budget Support Reserve –** the net service expenditure underspend is currently £650k. Any such underspend will be transferred to the Budget Support Reserve at year end;

- **Business Rate Risk Reserve** – This reserve had an opening balance of £8.7m at the beginning of the financial year and is predicted to stand at £7.2m at yearend. The movement includes a top up of approximately £2.0m from the distribution of surplus business rates funds from the Greater Manchester Combined Authority and a drawdown of £3.5m to meet the in-year shortfall in business rates. See paragraph 19 for further details.

COLLECTION FUND

Council Tax

11. The 2019/20 surplus on the Council Tax element of the Collection Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%). The total surplus brought forward as at 1 April 2019 was £2.18m.

12. A full review was undertaken earlier in the year to substantiate the award of discounts and reliefs and as a result there has been a subsequent reduction over the last few months in the value of claims paid. Also, the shortfall in the level of council tax to be collected compared to budget has increased since period 6. As a result the in-year shortfall in budgeted income has increased by £168k from £261k, previously reported at period 6, to £429k at period 8. In addition the Council has now confirmed the final release of one-off 'credits held' in 2019/20 of £1.43m, relating to historical overpayments by previous council tax payers who have now left the area and cannot be traced. This is £74k less than previously reported at period 6.

13. As at 30 November 2019 the end of year surplus balance is forecasted to be £1.49m, after the application of £1.59m of brought forward surplus and £100k of backdated valuations. The Council's share of this is £1.22m, and is planned to support future budgets in the MTFP.

14. Council Tax collection rate as at 30 November 2019 was 76.6%, compared to the target of 76.49%.

Business Rates

15. There is a projected shortfall in funding from Business Rates of approximately £3.5m. This is an adverse movement of approximately £600k since Period 6, caused mainly by a further reduction in rates relating to buildings undergoing major refurbishment. As in the previous period, it is proposed that this pressure is initially met from a combination of the Business Rate Risk Reserve at £2.1m and the GMCA redistribution of prior year's growth pilot monies (see para 25). Any remaining balance on the growth pilot monies, approximately £500k at Period 8, will be transferred to the Business Rate Risk Reserve.

16. Business Rates continues to be a volatile area with a decline in the overall rateable value during the year due to a pattern of properties being converted to residential settings and some significant backdating of appeal costs. It must be emphasised that most of the impacts causing the in-year pressure are one off in nature, particularly the historic appeals. The situation should improve as new property developments come on line.

17. As previously reported, it was recommended that the Business Rates Risk Reserve be drawn upon if the situation does not improve over the course of the year. The Business Rate Risk Reserve was established in 2017/18 to cover volatility in the fluctuation of business rates and provide a cushion when the

business rates system is reset in 2020/21. The balance on this reserve at the end of 2018/19 stood at £8.8m and it was intended to draw down £6.7m when the Business Rates scheme is reset (2021/22) to part cushion the impact of the full reset of the business rate retention scheme. It was previously agreed that the balance of £2.1m would be used to partially absorb the impact of the in-year business rates pressures.

18. In 2018/19, as part of the 100% Business Rates Pilot, the Greater Manchester Combined Authority received a share of the retained business rates from the GM Local Authority pool members. As reported in Period 6, the GMCA has agreed that a figure of £20m would be redistributed back to pool members in the current financial year, of which Trafford's share is £2.15m. It was also agreed in Period 6, that £800k be applied to partially meet the meet the in-year rates budget pressure (see paragraph 2), a further figure of £200k is used to replenish the Housing Benefit Overpayment Risk Reserve as previously reported. As at Period 8 a further figure of £600k will be required to meet the additional pressure in Business Rates with the current balance of £500k transferred back to the Business Rates Risk Reserve.

19. Business Rates collection rate as at 30 November 2019 was 74.71% compared to a targeted collection rate of 74.06%.

CAPITAL PROGRAMME

20. The value of the indicative 2019/20 Capital Programme set in February 2019 was £167.93m and included £100.00m for the Asset Investment Fund phased to 2019/20. Following on from the amendments reported at P6 monitoring a number of further changes have taken place and the budget is currently estimated at £262.77m. The changes to the budget are detailed below and are summarised as follows:

Table 5 - Capital Investment Programme 2019/20	**Approved Programme £m**	**Changes £m**	**Current Programme £m**
Service Analysis:			
Children's Services	13.69	-	13.69
Adult Social Care	3.10	-	3.10
Place	45.58	-	45.58
Governance & Community Strategy	0.75	-	0.75
Finance & Systems	2.49	0.02	2.51
General Programme Total	**65.61**	**0.02**	**65.63**
Asset Investment Fund	197.14	-	197.14
Total Programme	**262.75**	**0.02**	**262.77**

21. **Amendments to General Capital Programme**

- **New schemes and changes to existing budgets - £20k**
  - **Adult Social Care – Payment Collection System : £20k** – This is an update to the current system which will allow for amendments to charges to be updated more timely, will reduce the time to recover increases and potentially reduce the value of written-off charges. The costs of the update will be funded from reserves.
  - **Disabled Facilitiy Grants** – Included within the 2019/20 budget is an allocation of £2.8m to cover the cost of adaptations to property which facilitate residents remaining in their own homes. These grants are statutory in nature and therefore the Council needs to provide appropriate adaptations where they are identified. The majority of the budget, £2.2m is financed from the Better Care Fund Grant with the balance supported from the Council's available capital receipts. Due to a continuing pressure on this budget projected expenditure for the year is expected to be £3.3m. A review of the capital programme has been undertaken to identify where scheme savings exist to cover the projected overspend and this has identified budget savings across a range of schemes of £432k which can be vired to DFG's. In the event that no further savings materialise by the end of the financial year or no other resources become available, then the balance of the final overspend will become a first call against the 2020/21 budget.

22. 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 2019/20	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	18.39	-	18.39
Contributions	12.98	-	12.98
Sub-total	**31.37**	**-**	**31.37**
Internal:			
Receipts requirement	12.53	-	12.53
Borrowing	215.04	-	215.04
Reserves & revenue contributions	3.81	0.02	3.83
Sub-total	**231.38**	**0.02**	**231.40**
Total Resourcing	**262.75**	**0.02**	**262.77**

23. In the event that there is any shortfall of capital receipts in 2019/20 compared to the requirement above there might be a need to undertake temporary borrowing, the extent of which would depend on the final outturn position. At this stage, the cost of short term borrowing for 2019/20 is forecast to be approximately £100k, which will be met from reserves.

Status and progress of projects

24. This section aims to give certainty about delivery and the level of outturn performance that can be expected. For the first time in setting a capital budget the report for 2019/22, approved in February 2019, provided appendices which detailed the projects for a number of “block” allocations in 2019/20. These cover highways, corporate landlord and greenspace and has allowed for earlier design and programming with the expectation that all schemes will be delivered in year.

25. 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 2019/20 Projects	Current Budget £m	Percentage of Budget
Already complete	21.83	33%
On site	30.71	47%
Programmed to start later in year	8.52	13%
Not yet programmed	4.57	7%
Total	**65.63**	**100%**

26. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £61.06m (93%) of the budget has now been committed or is programmed to start in the year.

27. Schemes with a value of £4.57m are classed as “Not yet programmed” and relate to budgets where specific projects have not yet been agreed or budgets that have yet to have a start date, these include:

- School Expansion and Maintenance Programme - £1.87m: An unallocated balance remains following the approval by the Executive of the 2019/20 schools capital investment works. This will be either called-upon as the budgets for the 2019/20 schemes are finalised or will be subject of a separate report to the Executive for inclusion in the 2020/21 programme.
- Leisure Centres – Essential Safety & Compliance Works - £450k: Assessments and surveys of the sites have been undertaken however the resultant programme of works addressing the most urgent works has still to be completed and programmed.
- City Cycle Ambition Grant - Altrincham Cycle Link - £419k: The estimated cost of the works is in excess of the CCAG award. Extra funding has been identified through the Mayors Challenge Fund and the works will be included as part of delivery of the North Altrincham Bee Network programme.
- Football Facility Provision - £1.03m: The budget includes grant support of £596k from the Football Foundation. To date a significant scheme is being procured and final application of grant support is being submitted to the Football Foundation.
- Timperley Sports Club: Pitch contribution - £350k: As part of the lease with the club the council agreed to make a contribution to the replacement of the artificial pitch. This contribution was expected to fall due in this year; however the club are looking into larger scale development opportunities which will inform the Council when the contribution will be required.

28. 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 2020/21. As a result the outturn projection is now estimated to be £53.54m in year. The table below provides a summary.

Table 8 – 2019/20 Outturn Projection	£m
Current General Programme	**65.63**
Actual spend to date	25.39
Expected spend for P9-P12	28.15
Outturn Projection	**53.54**
Variance to current budget	**(12.09)**
Major Areas which require re-phasing to 2020/21	
- Schools expansion projects	3.52
- Altair Development, Altrincham(*)	1.00
- Affordable Housing Programme	0.40
- Highways England - City Scheme	2.00
- Integrated Transport schemes(*)	0.50
- Highway Structural Maintenance Programme	0.10
- Highways Infrastructure – Safety Improvements(*)	0.60
- Carrington Junction Improvement Scheme	0.50
- Residents Parking Schemes	0.40
- Sale Waterside - Improvements (*)	0.20
- 9/11 Market Street, Altrincham	0.24
- Business Loan Scheme(*)	0.20
- Leisure Strategy(*)	0.93
- Football Facility Provision(* - in part)	0.50
- Greater Manchester Full-fibre Initiative(*)	0.50
- Windows 10 – Implementation & rollout (*)	0.50
- Schools expansion projects	
Total re-phasing requirement	**12.09**

ASSET INVESTMENT PROGRAMME

29. The Council's Investment Strategy was originally approved by the Executive in July 2017 when approval was given to set the Asset Investment Fund at £300m, supported by prudential borrowing. As part of the 2019/20 budget setting a further £100m was approved taking the fund up to £400m. There is now £27m of this fund uncommitted.

30. To date thirteen transactions have been agreed by the Investment Management Board at a total capital cost of £373m with actual costs incurred totalling £103m by the end of 2018/19. This investment to date has already has provided a net benefit to support the revenue budget in 2018/19 of £1.67m and is forecast to provide £4.2m in 2019/20.

31. The current level of commitment stands at £252.52m and relates to:

- The purchase of the K-Site, Stretford was completed in April 2018 and a joint venture company with Bruntwood was set up to progress the development of the site. Works on the university building are now complete with the first intake of students in September 2019. The joint venture will now explore options and opportunities for the remainder of the site.
- The residential development of the Brown Street site in Hale is being undertaken at a gross cost of £7.16m, inclusive of capitalised interest

financing costs of £153k. The projected development value will be £8.81m, giving a net surplus of approximately £1.65m which is in line with the financing assumptions for the overall capital programme.

- The fund is providing three debt facilities funded from PWLB borrowing; one of £60.80m to a developer for the construction of a new residential development at The Crescent, Salford, £60.00m in respect of the CIS building, Manchester and £67.50m in respect of the construction of a new headquarters for the HUT Group. The provision of these facilities were approved by the Investment Management Board as compliant with the Investment Strategy objective of delivering a financial return to support the Council's revenue budget in addition to providing regeneration to the wider Greater Manchester economic area.

32. On the 15th of October, the Council purchased the Stretford Mall and the Stamford Quarter, Altrincham, through a joint venture with Bruntwood. This had a total cost of £51.05m, with the cost split between the two partners 50:50. As part of the arrangement, the Council has provided a debt facility to Bruntwood for its share of the cost, which will provide a further revenue return to the Council.

33. The cost of acquisition of Trafford Magistrates Court is included within the Investment Fund. A procurement exercise is currently in progress to appraise options for a residential development on the site. Once the final option has been identified, the costs of the scheme will also be included in the fund until a capital receipt is realised. The options for development will be reported to a future Executive Committee meeting.

34. In addition to the capital commitments listed in paragraph 14, the Investment Management Board has also approved the Council to provide a debt facility of £17.62m secured against a portfolio of properties in Manchester City Centre, known collectively as Albert Estate. This facility is funded through surplus cash balances and so is a part of the Council's Treasury Management Strategy, rather than a capital investment.

Table 9: Asset Investment Fund	Asset Category	Prior years spend £m	Current Commitment £m	Total £m
Total Investment Fund				***400.00***
Capital investments				
K Site, Stretford:-				
Equity in Trafford Bruntwood LLP	Equity	9.10	3.15	12.25
Development Loan to Bruntwood	Debt	9.10	3.15	12.25
Sonova House, Warrington	Acquisition	12.17		12.17
DSG, Preston	Acquisition	17.39		17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	Acquisition	10.84		10.84
Trafford Magistrates Court	Development	4.07		4.07
The Fort, Wigan	Acquisition	13.93		13.93
Sainsbury's, Altrincham	Acquisition	25.59		25.59
Brown Street, Hale	Development	0.66	6.50	7.16
The Crescent, Salford	Debt		60.80	60.80
CIS building, Manchester	Debt		60.00	60.00
Stretford Mall & Stamford Quarter:				
Streford Mall, Equity	Equity		8.61	8.61
Stamford Quarter, Equity	Equity		16.92	16.92
Acquisition loan to Bruntwood	Debt		25.89	25.89
The Hut Group	Debt		67.50	67.50
Total Capital Investments		**102.85**	**252.52**	**355.37**
Treasury Investments:				
Albert Estate	Debt		17.62	17.62
Total Treasury Investments		**0.00**	**17.62**	**17.62**
Total Investments		**102.85**	**270.14**	**372.99**
Balance available				**27.01**

Issues / Risks

35. 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

36. It is recommended that the Executive:

    a) note the report and the changes to the Capital Programme and Asset Investment Fund as detailed in paragraphs 21 and 29;

    b) note the movements in reserves in paragraph 10

Finance Officer Clearance *…GB……*
Legal Officer Clearance *……DS……*

CORPORATE DIRECTOR'S SIGNATURE ……

Appendix 1

Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	* Central Services (£000's)	Council-wide (£000's)	Total (£000's)
Period 6 Report	**35,761**	**60,963**	**34,862**	**18,459**	**19,892**	**169,937**
Re-align Public Health budgets to match reduction in notional Public Health grant	75	(192)		117		0
Re-alignment of 3 Admin posts	80	(80)				0
Re-alignment of Manager post	34	(34)				0
Re-alignment of IT budgets	107	(107)				0
						0
Total virements	**296**	**(413)**	**0**	**117**	**0**	**0**
Period 8 Report	**36,057**	**60,550**	**34,862**	**18,576**	**19,892**	**169,937**

* People, Finance & Systems and Governance & Community Strategy.

TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee**
Date: **5 February 2020**
Report for: **Information**
Report of: **Audit and Assurance Manager**

Report Title

Accounts and Audit Committee – Work Programme – 2019/20

Summary

This report sets out the work plan for the Committee for the 2019/20 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 2019/20 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
19 June 2019	Agree Committee's Work Programme for 2019/20 (including consideration of training and development). Training session on Treasury Management was provided outside of the Committee on 12 June 2019.					
	- 2018/19 Head of Internal Audit Annual Report	- Audit Progress Report and 2019/20 Fee Letter		- 2018/19 Draft Annual Governance Statement - Corporate Governance Code - Accounts and Audit Committee 2018/19 Annual Report to Council		-Treasury Management update (Annual Performance Report 2018/19) -2018/19 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports (to be circulated outside of the meeting by early July 2019).
23 July 2019	Accounts and Audit Committee meeting prior to Extraordinary meeting of Council on 23 July 2019					
						Treasury Management – Revision to the Investment Strategy

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
29 July 2019	Training & Development/Presentation – Covering the draft accounts, financial outturn position and update on business rates and the investment strategy (Provided outside of the Committee meeting on 4 July 2019).					
		- 2018/19 Audit Completion Report	- Strategic Risk Register monitoring report.	- 2018/19 Annual Governance Statement (final version) - Corporate Governance Code (2019 final version)	- Counter Fraud and Enforcement Team Annual Report 2018/19	- Approval of Annual Statement of Accounts 2018/19 - Budget Monitoring Report (final outturn 2018/19) - Budget Monitoring Report (Period 2 2019/20)
30 October 2019						
	- Internal Audit monitoring report	- 2018/19 Annual Audit Letter - Audit Progress Report 2019/20	- Strategic Risk Register monitoring report. (Also see Financial Management - Insurance Performance Report 2018/19)			- Treasury Mgt : 2019/20 mid- year performance report - Insurance Performance Report 2018/19 - Budget Monitoring Reports (Period 4 2019/20 and Period 6 2019/20) to be circulated outside of meeting.

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
5 February 2020	Training session on Treasury Management provided outside of the Committee in January 2020.					
	- Internal Audit monitoring report	- Audit Strategy Memorandum - Audit Progress report	- Strategic Risk update: Information Governance	- Report on arrangements for 2019/20 Annual Governance Statement.	(National Fraud Initiative update, within Internal Audit monitoring report).	- Treasury Management Strategy - Budget Monitoring Report (Period 8 2019/20). - Procurement update (STAR)
24 March 2020						
	- 2020/21 Internal Audit Plan	- Audit Progress Report -Grant Claims summary	- Strategic Risk Register monitoring report - Strategic risk update - Cyber Security			- Budget Monitoring Report (Period 10 2019/20). - Accounting Policies