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**TRAFFORD
COUNCIL**

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Thursday, 25 November 2021

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.	DECLARATIONS OF INTEREST	
	Members to give notice of any interest and the nature of that interest relating to any item on the agenda in accordance with the adopted Code of Conduct.	
4.	MINUTES	To Follow
	To receive and, if so determined, to approve as a correct record the Minutes of the meeting held on 28 th September, 2021.	
5.	COUNTER FRAUD AND ENFORCEMENT TEAM (CFT): 2020/21 ANNUAL REPORT	1 - 8
	To consider a report of the Counter Fraud & Litigation Manager.	

Accounts and Audit Committee - Thursday, 25 November 2021

6. **2020/21 AUDIT COMPLETION REPORT** To Follow
To consider a report of the Council's External Auditor (Mazars).
7. **2020/21 ACCOUNTS** To Follow
To consider a report of the Director of Finance and Systems.
8. **INSURANCE PERFORMANCE REPORT 2020/21** 9 - 20
To consider a report of the Director of Finance and Systems.
9. **TREASURY MANAGEMENT 2021/22 MID-YEAR PERFORMANCE REPORT** 21 - 36

To consider a report of the Executive Member for Finance and Governance & Director of Finance and Systems.
10. **BUDGET MONITORING 2021/22 - PERIOD 6 (APRIL TO SEPTEMBER 2021)** 37 - 66

To consider a report of the Executive Member for Finance and Governance & Director of Finance and Systems.
11. **AUDIT AND ASSURANCE REPORT FOR THE PERIOD AUGUST 2021 TO OCTOBER 2021** 67 - 80

To consider a report of the Audit and Assurance Manager.
12. **STRATEGIC RISK REGISTER - NOVEMBER 2021 UPDATE** 81 - 116

To consider a report of the Audit and Assurance Manager.
13. **PROCESS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR** 117 - 122

To consider a report of the Director of Finance and Systems, for decision to recommend to Council.
14. **ACCOUNTS AND AUDIT COMMITTEE WORK PROGRAMME 2021/22** 123 - 126

To consider a report of the Audit and Assurance Manager.

15. **URGENT BUSINESS (IF ANY)**

Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

SARA SALEH

Deputy Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), J. Lloyd (Vice-Chair), C. Boyes, G. Carter, M. Cordingley, W. Hassan, D. Jerrome, A. Mitchell and R. Thompson; and Mrs. J. Platt.

Further Information

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

Joseph Maloney, Governance Officer,
Email: joseph.maloney@trafford.gov.uk

This agenda was issued on **Wednesday, 17 November 2021** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 November 2021
Report for: Information
Report of: Counter Fraud & Litigation Manager

Report Title

Counter Fraud & Enforcement Team (CFT) : 2020/21 Annual Report

Summary

The report:

- outlines the Council's fraud prevention and detection performance and activities in 2020/21 and
- outlines the team's plans for 2021/22

Recommendation

The Committee is asked to note the content of the report.

Contact person for access to background papers and further information:

Name: David Wright – Counter Fraud & Litigation Manager

Extension: 2228

Background Papers:

None

1.0 Introduction

- 1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.
- 1.2 The Council operates a Counter Fraud and Litigation Team to ensure a continued commitment to the authorities' zero tolerance towards fraud as well as ensuring that appropriate action is taken to recover monies owed to the authority

2.0 Counter Fraud and Litigation Team

- 2.1 The team is based within Exchequer Services located at Sale Waterside – whose main remit is to investigate Revenues related matters such as Council Tax Support, Council Tax discounts & exemptions, Non Domestic rates liability avoidance and Social Care Fraud. It is also required to carry out formal recovery action in relation to certain debts owed to the authority.
- 2.2 Over the 2020/21 financial year some members of the team were largely deployed to support the processing and payment of the various Business Support Grants put in place to support businesses through the various lockdowns and restrictions in place. This deployment began in March 2020 and continued throughout the year as different schemes were announced during the various stages of restrictions. In addition to the verification and payment of the grants to appropriate businesses, one of the roles the team was tasked with related to the identification and investigation of a number of fraudulent applications made to the authority during these periods. This is covered further later in this report.
- 2.3 Despite the redistribution of the resources on the team, it was also still able to spend time using its limited resources continuing to support a rolling Council Tax Single Person discount review that has been undertaken on behalf of the authority by a 3rd party company. The review targeted householders claiming the discount where credit based data had highlighted that there may be additional person(s) residing in the property. Using this risk based approach meant that review forms were only issued where there was doubt over entitlement. A breakdown of the outcomes of the review in relation to accounts reviewed during 2020/21 can be seen below:

Table 1

No. of Accounts Canvassed	9307
Admission of non Eligibility	547
Non responders	707
Total removed	1254
Additional Liability Generated	£239.49k

- 2.4 An additional aspect of the review was to further investigate account holders who had responded to the review by confirming that they continued to be eligible to receive the discount when the data obtained strongly indicated that this statement was false, or also where the account holder has accepted that they are no longer eligible for the discount but have given incorrect information regarding when the additional adult had moved into the property.
- 2.5. In addition to the Council Tax discount exercise, the team has also been continuing to work with the Non Domestic Rates team, regarding issues surrounding Small Business Rates Relief. This project involved using software which identified businesses who were incorrectly claiming Small Business Rates Relief (SBRR) to reduce their Business Rate liability due to the fact that they also had businesses in other Local Authorities which we would otherwise have been unaware of. This has helped prevent SBRR being awarded incorrectly to begin with as well as checks are now able to be made at application stage. This in turn has increased the value of business liability due to the authority.
- 2.6 The team has also continued to see a rise in referrals linked to adult social care financial irregularities and expertise is now growing in this field to equip the investigators to be able to fully support these referrals. Cases are being identified from various sources such as social workers, Direct Payment Audits and from cases linked to social care debt which has identified scenarios involving financial misuse - where a person who was supposed to have been acting in the best interests of the service user (often a close family member) has not been doing so. In 2020/21 the team identified a significant overpayment in relation to such an occurrence – **see Case Study 1**.

Case Study 1

An investigation was set up following a Direct Payments Audit which had raised concerns that funds intended for the care and support for the father of the person designated to manage the budget were being retained by them and not used for the purpose they had been provided.

Further investigation identified that the monies being paid by Trafford to pay for his care by a designated personal assistant was actually being paid into their own personal bank account and used for general household expenditure.

The service user's wife had already advised that the alleged personal assistant had not provided any official care for her husband. When his daughter was interviewed she admitted that she had not acted correctly in the way she had managed the monies as she had financial difficulties. As a result of the investigation, it was identified there had been £10.9k of Direct Payments spent inappropriately. As a result of the seriousness of the offences the matter is currently with our legal services team pending criminal proceedings.

Table 2 below shows the value of fraud or irregularity identified by the investigations element of the team during the 2020/21 financial year:

Table 2 – Counter Fraud & Litigation Team Investigations

	Amount (£)
Council Tax Discount Cancellations	48.5k
Council Tax Support/ Council Tax Benefit Overpayments	31.5k
Council Tax Liability Irregularities	7.8k
Non-Domestic-Rate Liability Irregularities (net)	2.3k
Social Care Finance	10.9k
Business Support Grant Irregularities	220k
Total Income Identified	321k

3.0 Figures shown overleaf detail the amount of debt recovered by the team’s litigation officers employed by the authority during the last 4 financial years since they became part of the team. A large percentage of this relates to adult social care debt which initial recovery actions taken had been unable to collect.

3.1 Often the realisation that the Council will issue formal proceedings involving civil litigation as a last resort prompts successful mediation with the debtors and/or their representatives and ensures the Council collects the monies it is due. However, ultimately if this approach does not prove effective then legal proceedings resulting in court judgements and occasionally charging orders are pursued. An example of a case that proved very difficult but ultimately resulted in a significant debt being recovered in full is shown in **Case Study 2**.

Case Study 2

The team were passed a debt relating to a service user's residential care charges which was proving difficult to collect as a result of a number of barriers that were being placed by his family. Although the service user had initially held a property the family had attempted to claim that he did not have any assets by transferring its ownership into the name of a family member and also contesting that he should not have been made liable for the debt and that the social care charges were incorrect, and that due to his care needs he should not have to pay anything. The Council were able to contest that by taking ownership of his assets a family member (his grandson) who was acting as his Power of Attorney should be liable for the debt which, by this time had risen to just over £89k. After being advised of the decision that we would be treating the transfer of the property as deprivation of capital and that the service users grandson would be liable for the debt he eventually settled the accounts in full.

Over the last few years there has been a regular increase in the amounts being successfully recovered as shown in the table below.

Table 3 – Counter Fraud & Litigation Team Recovery

Year	Amount (£)
2017/18	402.7k
2018/19	587.7k
2019/20	640.9k
2020/21	858.7k

4.0 Business Support Grants

- 4.1 When the Business Supports Grant schemes were first introduced in March 2020 the objective was to provide much needed support for business operating in the borough as quickly as possible. However at the same time, it was also essential that Local Authorities needed to ensure that robust checks were in place in order that the limited funds available were being paid to the business owners who were actually eligible to receive them.
- 4.2 By cross checking applications and payments against the services own Business Rates records, this helped prevent a large percentage of false applications that we received from succeeding however there were still a small amount that were paid as a result of applicants providing false documentation (most commonly false tenancy agreements) or failing to

declare that they had already vacated the premises before the schemes had been introduced and were therefore not eligible to receive payment.

- 4.3 As a result of this, as many of these applications came to light, the team has been working to identify, investigate and then recover where possible grants which had been incorrectly awarded to them. This work is still ongoing but an example of such a completed investigation is detailed in **Case Study 3**

Case Study 3

An investigation was set up after an allegation was received that a business owner who had actually applied for and received 2 grants in respect of premises she was recorded as occupying was actually sub-letting one of them and therefore not eligible for a grant amounting to £10k which had been claimed. A statement was obtained from the actual occupier of the premises who provided documentation to show they were the real tenant. The grant recipient was interviewed and after initially claiming that her business was occupying both premises, when faced with the evidence obtained, admitted that one of her applications was false and cited financial difficulties caused by the lockdown measures introduced as a reason for her actions. The £10k falsely claimed is now being recovered from her

5.0 Planned activity for 2021/22

- 5.1 Over the current financial year the Counter Fraud and Litigation Team has continued to operate in the previously mentioned areas of investigation Having already played a major part in the administration, and investigation into the different Covid-19 related business grant support schemes, work will continue to focus on identifying and investigating persons or businesses who have sought to abuse the schemes made available

To date this year, the team has:

- Worked closely with Internal Audit and Exchequer Services to use our joint expertise to help combat all types of fraud being perpetrated against the Council, in particular in relation to Council Tax, Non Domestic Rates & Adult Social Care
- Supported the National Fraud Initiative data matching exercise, which has identified issues whereby businesses have incorrectly been awarded Business Support Grants and also potentially incorrectly claimed Small Business Rate Relief
- Taken the lead role in an ongoing Council Tax Single Person discount review.
- Further increased expertise in adult social care financial abuse matters

- Worked closely with the councils Internal Audit team to support being done relating to staffing issues identified where appropriate
- Progressed cases in a timely manner that have been referred for the consideration of civil proceedings in relation to debts owed to the authority

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee
Date: 25 November 2021
Report of: Director of Finance and Systems

Insurance Performance Report 2020/21

Summary

This report provides a summary of insurance performance for 2020/21:

- Gross cost of the insurance activity was £1.171m; comprising £481k of premium costs and £690k for claims. Savings in costs of premiums and a reduction in the number of claims resulted in a net underspend of £66k against budget.
- The provision for outstanding liability claims was £3.215m as at 31 March 2021, compared to £3.162m as at 31 March 2020, an increase of £53k.
- Claim numbers received in the year 2020/21 have decreased with 284 new claims compared to 390 in 2019/20.
- Repudiation rates for liability claims remains consistently high at 73%. We successfully defend 3 out of 4 claims received.

Recommendations

That the report be noted.

Contact for access to background papers and further information:

Name: Dave Muggerridge
Extension: 4534
Background Papers: None

1. Introduction

1.1 This report updates the Committee on the Council's insurance activities for 2020/21, the report focuses on:

- **Section 2** – Cost of Insurance
- **Section 3** – Claims
- **Section 4** – Achievements/Outlook

2. Cost of Insurance

- 2.1 The current insurance programme covers a broad range of insurable risks and a summary of these policies and the appointed insurers is shown in **Annex 1**.
- 2.2 Premium and claims costs are the main items of expenditure for the insurance budget with an annual provision made to cover the estimated cost of claims. An Insurance Risk Reserve allows us to absorb and smooth out any significant pressures during years when claims exceed the net revenue budget.
- 2.3 The Council's Insurance Provision was £3.215m as at 31st March 2021. This is the amount set aside by the Council to meet the cost of claims that fall within the Council's elected policy excesses as detailed in **Annex 1**. The level of this provision is reviewed by an external Actuary, on a biennial basis. They assess the likely growth of the cost of claims received and forecast the potential costs of claims which are yet to be reported (based on our claims experience).
- 2.4 The Insurance Risk Reserve is maintained in the event of a catastrophic insurance loss or a large number of high cost claims and is also used to balance any fluctuation in the overall provision level and additional costs associated with historical Municipal Mutual Insurance claims. The amount set aside is sufficient to cover the excess of three to four large insurance claims, where the Council is required to pay the first £275k/£250k. The Insurance Risk Reserve also includes £500k for potential additional costs associated with the MMI claims costs and a balance of £200k to smooth any fluctuation in provision level and cover any uninsured losses over budget. To support COVID risk and pressures £200k was redirected reducing the Insurance Risk Reserve to £1.7m.
- 2.5 The 2020/2021 net budget for insurance activity of £840k consists of insurance premiums of £536k, provision for claims of £712k, provision for self-insured loss claims of £100k (which are largely property related) and income from recharges to schools and trading functions at £508k.
- 2.6 The insurance budget is held within Council Wide, however is only reported in detail at year end due to the evolving nature of the way claims histories develop. An underspend of £66k was reported for 2020/21 which consisted of reductions in prior year claims provision of £122k, savings in premiums of £55k and additional income from schools of £14k. A figure of £125k was transferred to the Finance and Systems Reserve in recognition of the proactive work of the insurance team in delivering the underspend and to provide some relief in meeting the immediate savings target required from Financial Management in 2021/22.

Table 1 – Insurance Expenditure for 2020/2021	Budget £000	Actual £000	(Under)/ Over Spend £000
Premiums	536	481	(55)
Provision for Claims	712	590	(122)
Self-insured Loss Claims	100	100	0
Gross Cost	1,398	1,171	(177)
Income	(508)	(522)	(14)
Contribution to/(from) reserves		125	125
Net Cost	840	774	(66)

2.7 The balances of the Insurance Provision and the Insurance Risk Reserve at the 2020/2021 year end were:-

Table 2 – Provision and Reserve Balances			
Provision	£000:	Insurance Risk Reserve	£000:
Balance as at 01/04/2020	(3,162)	Balance as at 01/04/2020	(1,900)
Less Claims Paid	553	Transfer to COVID-19 reserve contribution to Revenue	200
Reassessed Provision	(606)		
Balance as at 31/03/2021	(3,215)	Balance as at 31/03/2021	(1,700)

3. Claims

3.1 Activity

Financial Year	Amount Paid in Claims Across All Policy Years (01/04/1992 to 31/03/2021) £000	Number of New Claims Received and Processed in Year
2020/2021	553	284
2019/2020	405	390
2018/2019	634	520

3.2 The current amount of claims paid during 2020/2021 is £553k, an increase of 37% when compared to 2019/20. This is partly due to the settlement of one large claim (those which carry a reserve in excess of £50,000) being made in the 2020/2021 period.

3.3 As a direct result of the pandemic and subsequent lockdowns, we have seen total claim numbers received (claims irrespective of policy year/date of incident) reduce overall by 27% from 390 in 2019/20 to 284 claims in 2020/21.

3.4 Overall Claims Profile.

Annex 2 provides an overview of our five years claims experience by policy year (01/04/2016 – 31/03/2021) split by class of insurance; Employer's Liability, Highway Injury, Highway Property, Highway Trees and Public Liability.

3.5 Trends and Observations:

3.6 **Employer's Liability** – We have a continued positive claims experience on this policy, this reflects the fact that Trafford's workforce is predominately office based and therefore, generally low risk.

Within the figures shown in **Annex 2**, there is a high value claim that occurred in 2017 which held a reserve of £363k. This case was successfully defended at the beginning the current financial year and the only payment made refers to Defence fees in the sum of £4k.

Highway Injury – As with other Local Authorities, Trafford has seen a decrease in highways claims made against the Council, as a result of the Coronavirus (COVID-19) pandemic. As a nation, we were advised to work from home and encouraged to use other forms of transport in an attempt to avoid travel on public transport. In 2020/21 we received 51 claims compared to an average of 74 per annum over the last five years. However, we must exercise caution as we are aware that in times of an economic downturn, claims - in particular fraudulent claims, have a tendency to increase. We will continue to work closely with our Insurers and internal Counter Fraud Team in order to deter and detect all potential spurious allegations.

It is also predicted that Local Authorities will begin to see an increase in claims involving cyclists as more people take to alternative methods of transport and people are encouraged to spend time outdoors.

However, we are pleased to report that we have not yet experienced an overall increase in cycle related claims during the current year. That said, we have received one large claim (those with a reserve in excess of £50,000) involving a cyclist which occurred in 2020/21, and which currently carries a reserve of £236,000.

We are investigating this matter closely with our Highways colleagues and alongside our specialist Solicitors to identify the dynamics of this incident and to establish if the Council is liable.

3.7 **Highway Property** – As with highway injury claims, the decline in road use has reduced the number of property claims made against the Council. The current number of claims received is significantly lower at 94 in 2020/21, when compared to an average over the five years of 208 per annum.

3.8 **Highway Trees** – The number of claims attributable to trees on the highways has risen by 68% to 52 claims in 2020/21 from 31 claims received in 2016/17 and an average of 45 per annum over the five years. Trafford has the difficult job of delicately balancing a commitment to supporting its ambitions under Manchester's Clean Air Plan alongside managing the common law duties of nuisance posed by trees in urban environments.

This year, the insurance team lead a review alongside our Insurers and Tree Unit colleagues to evaluate the Council's current strategic policies and procedures in order to help mitigate the increasing risk we are experiencing.

We have also sought independent legal advice on the defence and mitigation of these types of claims in order to protect Trafford's claims experience and budget expenditure whilst balancing residents' expectations. This is an area of ongoing commitment and review, please see paragraph 4.6 for more detailed information.

3.9 **Public Liability** – The number of claims received to date have decreased, however this is likely to be related to the numerous lockdowns, when services were not fully operational and some completely closed.

3.10 As highlighted last year, although the claims numbers for this policy are consistently low, claims involving high risk departments such as a Social Services do have the propensity to be extremely costly. For example, we currently have one Social Service claim within the 2018/19 period for Failure to Care, with a reserve of £100,000.

3.11 The changes made to the EU **General Data Protection Regulation** (GDPR) on 25th May 2018 present an emerging area of risk for Trafford. The changes in legislation have placed an increased level of responsibility on those who process personal data.

Individuals affected by a breach have the right to complain to the Regulator and the right to receive compensation for distress and damage suffered as a result of a GDPR infringement

To date, we have received 5 such claims (3 of which were received in the first half of the new financial year 2021/22). The total incurred (paid and reserve) is currently valued at £286k.

Please note that cover for GDPR claims sits within our public liability policy.

Please refer to section 4.4 for more detailed information.

3.12 Defence Rates

Class	Number of Closed Cases between Policy Years 01/04/2016 and 31/03/2021	Number of Closed Cases Defended between Policy Years 01/04/2016 and 31/03/2021	Defence Rate
Employer's Liability	13	10	77%
Highway – Injury	305	245	80%
Highway – Property	971	701	72%
Highway – Tree	161	103	64%
Public Liability	140	94	67%
Total	1,590	1,153	73%

3.13 Defence rate across all policies are high at 73% with a slight increase on last year at 71%. This increase demonstrates our continued commitment to fully investigate all allegations

made against Trafford, taking a robust stance on those claims where we have a defence in law and working collaboratively with all Council services to gather the documentary evidence required in order to support our defence.

- 3.14 The defence rate for Employer's Liability and Highway Injury claims in isolation are higher still at 77% and 80%, this helps us to highlight to potential insurers that Trafford have effective procedures in place, which have been translated in to lower costs of premiums over time. Our work with all Council services ensures that procedures are reviewed and where applicable, appropriate risk management improvements are made in order to prevent future losses.

Achievements / Outlook

4.1 LGA Mutual

At the beginning of the year, we participated in feedback sessions conducted by the Mutual as part of their self-review process, alongside the Leader of the Council.

It is understood that the Mutual was refining its proposition in preparation for a relaunch. The Mutual hope that this period of self-review will enable them to attract additional members when they relaunch. The timeframes for the proposed relaunch have not been finalised at the time of writing.

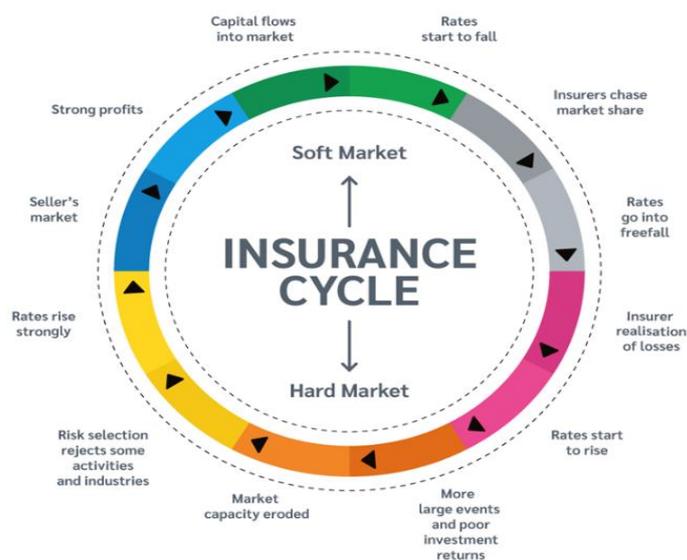
The Mutual was not operational when the Council carried out their full market tender in 2019. Our insurance portfolio was placed on a new 5 year long term agreement with our incumbent insurer. This agreement ends in 2023 and we will invite the Mutual to provide a quotation alongside the wider insurance market.

4.2 Insurance Market Update

As reported last year, insurer's approach to risk began changing before the effects of the global Coronavirus Pandemic were felt, global catastrophic events continued to impact the insurance market in the first half of 2020 with losses totalling USD30 billion. Since 2007, interest rates and investment returns remain low which severely impacts insurer's profit margins.

Insurers have also been severely impacted by above average claims activity, particularly business interruption losses, as a result of the Coronavirus disease, which sees UK insurers set to pay an estimated £2 billion. A further £152 million is expected to be paid in respect of travel insurance claims and £121 million in respect of other general insurance products which include events, wedding and liability insurance. (source: The Association of British Insurers (ABI) News/2021/02).

Indeed, we continue to see increased rates, reduced cover and some insurers withdrawing from the market. (Ref: Insurance Performance report 2019/20).



The Reinsurance markets have continued uncertainty surrounding any final Brexit outcomes in respect of insurer's ability to access the "single market". It has been reported that the London market lost £4.5 billion of premium to the European market in 2019 due to Brexit.

This is further driving insurers to tighten policy terms and reduce limits as they are unable to share the risk with reinsurers.

It has been widely publicised that we have entered the hardest insurance market in over 20 years, with pricing in financial and professional line policies seeing the highest rate of increase, followed by liability and property policies.

4.3 Covid-19

In terms of how Trafford's claims experience and loss portfolio has changed as a result of the pandemic, as mentioned in 3.3, the overall number of claims received has reduced by 27% when compared to 2019/20 (across all policies).

However, we have received 21 claims for cancelled school journeys and have successfully recovered £52k for Trafford schools in respect of planned trips that were cancelled due to lockdown and travel restrictions.

4.4 **Data Protection Claims – Growing Risk**

Considered by those in the market as the potential “next whiplash”, as claimant Solicitor firms explore new revenue streams. Solicitors have already been adversely impacted by fixed costs introduced on personal injury and whiplash reforms and in addition, the PPI window closed in August 2019.

As already mentioned, the introduction of the General Data Protection Regulations 2018, which aligns the UK with the wider EU Law, means that claimants no longer have to demonstrate that damage has occurred in order to bring about a claim; a claimant can now make a claim for mere distress.

Claimant Solicitors are taking to social media to advertise and provide advice on how to make data breach claims. The potential for claims has also increased, since lots of potential claimants have suffered due to the economic pressures caused by the pandemic and the heightened public awareness.

Whilst most data breaches are low level, they occur as a result of human error eg. emails sent to the wrong recipient, letters sent to incorrect addresses. This is a new area of law and consequently, there is little established case law for Insurers to draw upon at present. However, as more cases are heard, Insurers will have better guidance and will develop a framework of knowledge in respect of appropriate award levels.

Trafford’s Information Governance Team are working to mitigate our exposure to this risk and have implemented a number of training, software and procedural improvements in order to prevent future losses arising.

4.5 **Insurance Renewal 2022**

We remain in a long term agreement with our current insurer until April 2023, however, given the global pressures in the market, there is a potential for rate increases.

Our Insurers and Brokers have advised that this could be in the range of 10%. Nevertheless, our commitment to continued risk management, detailed claims analysis and high repudiation rates, alongside our agreed long term contract with our current insurers does provide increased certainty for Trafford. We are committed to ensuring that any market pressures are kept to a minimum and will be commensurate with our claims experience and Trafford’s true risk.

4.6 **Tree Liability/Risk Management Plans**

Highway Trees – Growth in the number of Tree liability claims (**Annex 2**) is not unique to Trafford, climate change dramatically increases tree root activity/growth and we are beginning to see these effects within our claims experience.

In March 2021, we undertook a Tree Liability Review in partnership with our Insurers, appointed Solicitors and the Council’s Tree Officers. The review assessed the council’s strategic systems of control, inspection frequencies and appropriate risk management systems providing constructive feedback on areas for improvement going forward.

Some of the risk improvements currently under review by senior service managers are:

- Carrying out a baseline condition survey of all council-owned trees
- Review of the Council's Tree Management Strategy/Policy
- A corporate approach to new developments where Trafford are the landowner
- Enhancements to the data within the asset register to support a risk-based approach and claims defensibility

Although we are experiencing higher claim numbers, when these are compared with the 6,000 trees within the Borough, they are relatively low.

- 4.7 **Cyber and Data Risks** - Premium rates for bespoke Cyber cover have increased between 100%-300% in the past twelve months and placement of cover is increasingly difficult with many insurers completely moving away from writing cover for Local Authorities since they represent one of the largest areas of exposure.

Much more detailed information is required by the few insurers that remain in the market, however, they are significantly increasing deductible levels whilst reducing cover.

We have recently submitted updated proposals to the insurance market, with the assistance of our IT Team, and are currently awaiting a response. We are, however, aware that other Councils are receiving "no quotes" and we should also prepare for a similar result. This will result in the Council continuing to manage the risk exposure from within its insurance risk reserve balances.

Available cover offered by insurers will need to be carefully considered alongside the cost of risk; evaluating our insurance programme alongside departmental action plans and recovery strategies in the event of a breach.

- 4.8 **Highway Asset Management and Liability Review** - At the end of last year, we had a Highway Asset Management and Liability Review carried out with our Insurers, Zurich Municipal. The review looked at current risk management arrangements and benchmarked Trafford against the Zurich Highways Grading Standard, which is based on the principles in the 2016 Department for Transport Code of Practice "Well-managed Highway Infrastructure". The review also assessed the robustness of the evidence and arrangements for prevention of accidents and defence of claims.

Representatives from all services who make up our extended Highways Team were actively involved in the review and we are delighted to report that we achieved the rank of Excellent on the Risk Quality Level Scale.

Trafford Council Current Insurance Programme

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Policy	Property Damage / Business Interruption	Employers' Liability / Officials Indemnity	Public Liability	Motor	Personal Accident / School Journey	Money	Crime	Professional Negligence	Commercial Investment Properties
Limit of Indemnity	Declared Value Business Interruption Max Indemnity Period 36 months	£50m Employers Liability £2m Officials Indemnity	£50m	Unlimited Third Party Injury £5m Third Party Damage	Accidental bodily injury, death, disablement or the incurring of Medical Expenses, Travel cancellation	Various Physical loss of money	£5m Financial loss sustained as a result of a criminal act	£5m	Declared Value
Insurer	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Commercial via Marsh
Excess	£250,000	£275,000	£275,000	£1,000	Various	£250	£10,000	£100,000	£250
Aggregate Stop Loss*	£750,000 £1m for BI	£2M	£2M						

* Provides budget certainty – Trafford’s claims exposure is capped per policy year. Once the ASL is breached, insurers pay all claims thereafter, no excess required.

Claims History by Policy Year as at 31/03/2021

Annex 2

Class of Business	2016/2017			2017/2018			2018/2019			2019/2020			2020/2021		
	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000
Employer's Liability 	6	13	0	5	15	389	2	1	20	4	2	7	2	0	8
Highway Injury 	89	425	22	81	77	133	83	98	136	68	33	213	51	9	609
Highway Property 	133	11	0	300	33	0	298	55	37	212	23	29	94	3	42
Highway Tree 	31	45	5	40	42	67	46	24	41	55	20	50	52	0	95
Public Liability 	37	30	59	40	41	138	43	101	151	28	62	286	9	0	26
Total	296	524	86	466	208	727	472	279	385	367	140	585	208	12	780

The total of the provisions (Res column) above is £2.563m for the policy years 2016 to 2021, the provision also includes £652k relating to the policy years 1992 – 2016 bringing the total balance to £3.215m

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee – 25 November 2021
Executive – 13 December 2021

Report for: Information

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

Report Title

Treasury Management 2021-22 Mid-Year Performance Report

Summary

This report gives Members a summary of the Treasury Management activities undertaken for the first half of 2021/22 as follows;

Debt Activity:-

- The level of external debt fell from £380.1m at 31 March to £350.5m at 30 September 2021,
- Gross loan interest costs totalling £9.8m are to be contained within the current year budget provision,

Investment Activity:-

- The level of investments increased from £97.3m at 31 March to £127.2m at 30 September 2021,
- Investment interest earned for 2021/22 of £0.3m in line the current year budget requirement,
- Overall Rate of Return achieved during the period April to September 2021 was 0.29%, or 0.37%, £209k above the comparable performance indicator of average 7-day London Interbank **BID** interest rate of -0.08%.

Prudential indicators:-

- The Council complied with its legislative and regulatory requirements and
- There were no breaches of prudential indicators.

Recommendations

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

1. Note the Treasury Management activities undertaken in the first half of 2021/22.

Contact person for background papers and further information:

Name: Graham Perkins

Extension: 4017 Background papers: None

Relationship Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	Treasury Management impacts on the Council's budget in terms of borrowing costs and investment returns. Earlier this year it was reported in the Council's bi-monthly Revenue monitor reports, that a shortfall in the treasury management budgets of £0.4m (primarily due to the Manchester Airport Group activities) is forecasted for 2021/22. This shortfall will be met from a contribution from the Council's COVID-19 contingency budget.
Legal Implications:	Treasury Management activities are subject to requirements detailed in legislation, Department for Levelling Up, Housing and Communities (DLUHC) guidance, Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice. The report sets out details of compliance in respect of these requirements.
Equality/Diversity Implications	All treasury management transactions undertaken by the Council are carried out with institutions with no known direct links to any illegal regimes or which promote the use of forced labour.
Sustainability Implications	Opportunities to invest monies in products which both supports sustainable assets and complies with the Council's investment strategy will continue to be explored as and when they become available.
Carbon Reduction	Not directly applicable – See above
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the systems and procedures for this function which are independently tested on a regular basis. Failure to properly manage and monitor the Council's loans and investments could lead to service failure and a loss of reputation. No Treasury Management activity is without risk and the Council's in-house team continually monitor risks to ensure that security of capital sums is maintained at all times and adverse fluctuations in interest rates are avoided.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Executive Summary

This report provides Members with a summary of the treasury management activities undertaken during the first half year of 2021/22.

Economic position (Section 2)

- In response to the implementation of effective vaccination programmes and public health strategies, the global economy has shown strong signs of a rebound to pre-pandemic levels in the near future.
- The Monetary Policy Committee (MPC) has kept both the Bank Rate at 0.10% and Quantitative Easing at £895bn. Whilst market forecasters are indicating that the next movement in interest rates will be up from 0.10% to 0.25% in quarter 2 2022, the timing of this may be brought forward due to Consumer Price Index (CPI) pressures.

Debt (Section 5)

- Total loan debt fell from £380.1m 31.03.2021 to £350.5m 30.09.2021 a net decrease of £29.6m comprising of:
 - £2.6m Public Works Loan Board (PWLB), £26.7m (Short term) from Local Authorities and £0.3m Salix.
 - There were no new loans taken during this period.
- Total loan interest of £9.8m is forecasted to be paid in the year of which £4.5m relates to the Council's capital Strategic Investment programme and is funded from rental income received. The balance of £5.3m relates to debt taken to fund historical and current capital spend.
- The average rate of interest payable has risen from 2.53% at 31.03.2021 to 2.67% at 30.09.2021 due to the repayment of £26.7m of low interest rated (0.07%) temporary loans.

Investments (See Section 6)

- The level of investments increased from £97.3m at 31.03.2021 to £127.2m at 30.09.2021 a movement of £29.9m with the main factors for this being;
 - Temporary cash flow timing issues as a result of COVID-19 related transactions,
 - Income received ahead of spend and
 - Repayment of funds advanced under the Council's capital Strategic Investment programme which were funded internally.
- The Rate of Return for all investments during the first half of 2021/22 was 0.29% which is £20k above budget for this period and 0.37% or £0.2m above the recognised performance indicator of 7-day LIBID which was -0.08%.
- The Investment interest forecasted to be earned for 2021/22 is currently on target to meet the budget set of £0.3m.
- All investments were repaid on time without issue and placed in accordance with the Council's approved strategy.
- Income from the provision of a new car parking facility totalling £0.4m was forecasted to be received from Manchester Airport Group however as a result of the current COVID-19 pandemic, this will not be forthcoming in 2021/22. To reduce the impact this will have on the treasury management projected outturn for 2021/22, a contribution from the Council's COVID-19 contingency budget will be applied.

Prudential Indicators and limits (Section 8)

No breaches to any of these limits occurred during this period.

1. BACKGROUND

- 1.1 This report has been produced in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (2017) which stipulates that the Council receives 3 separate Treasury Management reports on an annual basis as follows;
- 3 year Strategy Statement including the Annual Investment Strategy and Minimum Revenue Provision Policy (issued February),
 - Mid-year Review (this report) and
 - Performance update, covering activities undertaken during the previous financial year (issued July).
- 1.2 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it highlights the treasury management activities undertaken during the first half year of 2021/22.
- 1.3 For reference CIPFA has defined treasury management as:
“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 1.4 This report comprises of the following sections:
- Major Economic Headlines (Section 2);
 - Interest Rates (Section 3);
 - Treasury Position (Section 4);
 - Borrowing Position (Section 5);
 - Investment Position (Section 6);
 - Risk Benchmarking (Section 7);
 - Prudential and Performance indicators (Section 8);
 - Outlook 2021/22(Section 9);
 - Recommendations (Section 10);
 - Appendices
- 1.5 The treasury management operation ensures;
- The Council’s cash flows are well planned and funded,
 - That all surplus monies are invested in low risk counterparties, providing sufficient liquidity before considering investment return,
 - All new borrowing required for managing the financing of the Council’s multi-million pound capital programme is taken in the form of either long or short term loans or using longer term cash flow surpluses and
 - That debt previously taken is restructured when opportunities arise to meet Council risk or cost objectives.
- 1.6 The Treasury Management Strategy Statement, for 2021/22 was approved by Council on 17 February 2021 and there are no policy changes to this. Details in this report reflect the updated economic situation and actual activities undertaken.

2. MAJOR ECONOMIC HEADLINES

- 2.1 A brief summary of the main economic headlines which occurred during the first half of 2021/22 are outlined below with a revised forecast of the key indicators for 2021 shown at Appendix B for reference:

GLOBAL

- The World Bank has forecasted that the global economy is expected to expand by 5.6% in 2021, which is the strongest rate of growth in 80 years and is due to the majority of major economies being able to open up once again following the pandemic. This recovery however is not expected to be as strong in many of the emerging and developing economies, due to obstacles in their vaccination rollout programme.
- High inflation as a result of shortages in both supplies and labour, pent up demand for goods and higher energy costs will impact on this recovery well into 2022 though.

UK

- The continuing fast and successful rollout programme of the COVID-19 vaccine enables positive steps to be made for a return to a new normal life to take shape.
- The bank rate remains unchanged, since March 2020, at 0.10% and Quantitative Easing levels also remain unchanged since November 2020 at £895bn.
- Consumer Price Index (CPI) was 3.1% in September 2021 which is 1.1% above the Government's target rate of 2.0%.
- Unemployment was at 4.6%, 0.6% above pre-pandemic levels for the period May to July a level much lower than that previously forecasted for the year at 7.4%.

USA

- President Biden's COVID-19 recovery package of \$1.9trn together with the \$900bn support package previously announced in December 2020 under President Trump and fast vaccination programme, has enabled the economy to open up rapidly.
- It is currently predicted that the pace of economic growth in 2021 could be the second fastest in 38 years.

EUROZONE

- The initial slow roll out of COVID-19 vaccines delayed the economic recovery with the growth rate in Q1 contracting by -0.3%. However as the rate of vaccinations picked up sharply so did the economy, with Q2 seeing strong growth of 2.2% and this trend is likely to continue for the rest of the year. Some countries who are more dependent on tourism may struggle to see these levels of economic growth.
- A resurgence of the Eurozone sovereign debt crisis could arise from Italy, due to the cost of the COVID-19 crisis adding to its already huge debt mountain and slow economic growth leaving it vulnerable to markets taking the view its level of debt is unsupportable.

OTHER COUNTRIES

- **Japan** – Following the declaration of a second state of emergency on 7th January resulting in negative growth in Q1, the economy was expected to make a strong recovery to pre-pandemic Gross Domestic Product (GDP) levels during the rest of the year as the slow roll out of vaccines eventually gathers momentum.
- **China** - China's economy benefited from the shift towards online spending by consumers in developed markets helping its economy to outperform any of the western economies during 2021.

3 INTEREST RATES

- 3.1 The Council's treasury management advisors Link Group (LG), provide interest rate forecasts periodically through-out the year and the table below outlines the latest **average** forecasted rates, as issued in September 2021, for the periods stated:

	2021-22 Original Forecast %	2021-22 Revised Forecast %	2022-23 Revised Forecast %	2023-24 Revised Forecast %
Bank Rate	0.10	0.10	0.25	0.56
Investment Rates				
3 month	0.10	0.10	0.28	0.35
1 Year	0.20	0.20	0.53	0.85
PWLB Loan Rates				
5 Year	0.80	1.40	1.55	1.68
25 Year	1.60	2.20	2.35	2.50
50 Year	1.40	2.00	2.18	2.30

- 3.2 The COVID-19 pandemic has done huge economic damage to both the UK and world economies with some forecasters previously suggesting that UK interest rates could go into negative territory. The likelihood of this happening has now disappeared and it is currently forecasted that the next movement in rates will be up in quarter 2 of 2022. Recent market forecasts however have suggested that this movement in rates may now be brought forward to either December or February as a result of persistent inflation pressures.
- 3.3 As the economy recovers it can be seen from the table above that when interest rates start to increase they will not be rising as quickly or as high as in previous decades. It therefore has to be acknowledged that the levels of returns expected to be generated from the Council's investments over the forthcoming couple of years will remain low.
- 3.4 World Governments will also be keen to see that interest rates stay low for as long as possible, as every rise in central rates will add to the interest cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates).
- 3.5 In order to ensure any risk aspects arising from this situation are kept as low as possible, the Council's in-house treasury team will continue its policy to take a cautious approach when undertaking all money market transactions.

4. TREASURY POSITION

4.1 The Council's investment and debt positions at the beginning and mid-way through the current financial year are listed in the table below;

	31 March 2021		30 September 2021	
	Principal £m	Average Interest Rate %	Principal £m	Average Interest Rate %
DEBT				
<i>Short term (payable before 31.03.22)</i>				
PWLB	2.7	8.80	0.1	2.80
Market	26.7	0.07	0.0	0.00
Government Loans - Salix	0.5	0.00	0.2	0.00
Sub-total	29.9	0.86	0.3	0.60
<i>Long term (payable after 31.03.22)</i>				
PWLB	313.9	2.45	313.9	2.45
Market	36.0	4.56	36.0	4.56
Government Loans - Salix	0.3	0.00	0.3	0.00
Sub-total	350.2	2.67	350.2	2.67
Total debt	380.1	2.53	350.5	2.67
INVESTMENTS				
<i>Short term (less than 1 year duration)</i>				
- Instant access*	12.5	0.03	20.4	0.02
- Call accounts*	22.9	0.07	30.3	0.07
- Term deposit	39.5	0.17	53.7	0.14
Sub-total	74.9	0.12	104.4	0.10
<i>Long term (greater than 1 year duration)</i>				
- CCLA	4.8	4.51	5.2	4.29
- Strategic Investment programme (SIP)	17.6	n/a	17.6	n/a
Sub-total	22.4	4.51	22.8	4.29
Total Investments	97.3	0.99	127.2	0.76

*Some investments were previously reported as Instant Access and have been re-classified as Call Accounts

Information in the above table reflects the;

- level of funds available on a temporary basis for investment purposes which fluctuate on a daily basis due to the timing of precept payments, receipt of grants and spend progress on the capital programme and
- repayment of monies borrowed.

5. BORROWING POSITION

5.1 The Council's total borrowing requirement as highlighted by the Capital Financing Requirement (CFR), reflects the underlying need to borrow for capital purposes and represents the level of capital expenditure incurred not yet paid for by revenue or other capital resources, for example capital receipts or grants. As at 31st March 2021 the CFR was £423.5m which was higher than the actual level of external debt of £380.1m and reflects that the Council was under borrowed by the difference of £43.4m as at that date. As in previous years this situation will require ongoing monitoring to avoid any adverse costs being incurred from sudden interest rate movements.

5.2 During the first half of 2021/22, loans to the value of £29.6m were repaid, £26.7m temporary debt, Salix £0.3m, PWLB £2.6m with no new loans being taken. As a result of this the Council's total external loans reduced from £380.1m to £350.5m as per the table below:

Loans	31 March 2021 £m	Borrowed £m	Repaid £m	30 September 2021 £m
Short Term - (less than 1 Year duration)	29.9	0.0	29.6	0.3
Long Term - (more than 1 Year duration)	350.2	0.0	0.0	350.2
Total	380.1	0.0	29.6	350.5

5.3 The table below provides an outline of the Council's loan portfolio as at 30th September 2021;

Lender	No. Loans	Interest rate range	Maturity	Total Principal £m
PWLB	23	1.21% to 9%	Feb 2023 to Oct 2069	314.0
Market (long term)	3	4.41% to 4.99%	Aug 2042 to Dec 2067	21.0
Market LOBO (long term)	2	4.20% to 4.27%	Dec 2036 to Dec 2038	15.0
Government Salix -	1	0.00%	Aug 2022	0.5
Total	29			350.5

5.4 As highlighted in the above table the Council holds, £36.0m 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 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, £21.0m are held at fixed rates of interest.

- 5.5 For 2021/22 the total loan interest costs are currently forecasted to be £9.8m of which £5.3m is being met from the 2021/22 revenue loan interest budget provision together with an application of £4.5m rental returns generated from the Council's capital Strategic Investment programme.
- 5.6 The PWLB has 2 main sets of interest rates which Public Sector organisations can borrow funds at referred to as Standard and Certainty rates which offer rates of interest based on:
- Standard rate - prevailing market gilt rate for each respective period plus 100pts (1.00%) and
 - Certainty rate - prevailing market gilt rate for each respective period plus 80pts (0.80%).
- 5.7 In order for the Council to remain eligible to be able to take new PWLB loans at the lower Certainty rate, this has to be applied for annually by providing a range of information to the PWLB. The in-house treasury management team successfully completed this task in May 2021 thereby enabling savings of £20k per p.a. for every £10m borrowed to be achieved should any funds be taken from the PWLB.
- 5.8 As a consequence of the current low interest rate environment, debt rescheduling opportunities continue to be expensive as a result of the high breakage costs (premium). During the first half of the year no debt restructuring was undertaken, however this situation will continue to be monitored.

6. INVESTMENT POSITION

- 6.1 Whenever the in-house treasury management team places any temporary surplus funds with an external institution, it does so in compliance with the Council's Annual Investment Strategy, approved by Council in February 2021. This follows the same criteria adopted in previous years of Security of capital, Liquidity and finally obtaining an appropriate level of Yield.
- 6.2 The table below highlights the level of investment transactions carried out during the first half of 2021/22;

Investments	31 March 2021 £m	New £m	Repaid £m	Fund value changes £m	30 Sept. 2021 £m
Instant Access*	12.5	213.4	205.5	0.0	20.4
Call Accounts*	22.9	25.0	17.6	0.0	30.3
Term Deposit	39.5	43.2	29.0	0.0	53.7
CCLA**	4.8	0.0	0.0	0.4	5.2
Strategic Investment programme	17.6	0.0	0.0	0.0	17.6
Total	97.3	281.6	252.1	0.4	127.2

Note –*Some investments were previously reported as Instant Access and have been re-classified as Call Accounts

**Estimated movement in valuation of the funds invested at that date.

- 6.3 The movement in the level of investments as at 31 March 2021 to 30 September 2021 reflects the day to day cash flow activities including;
- COVID-19 related transactions as highlighted in the Council’s Budget Monitoring Reports,
 - Balances applied to fund short term capital spend thereby enabling loan servicing costs to be kept to a minimum,
 - Short term debt being repaid and
 - Receipt of funds previously lent from the Council’s capital Strategic Investment programme which were funded internally.
- 6.4 Despite the economic crisis caused from COVID-19 all of the Council’s investments maturing during the first half of the financial year were repaid on time without any difficulties.
- 6.5 A breakdown of the Council’s temporary investments as at 31 March 2021 compared to 30 September 2021 per each classification of institution is provided below for reference:

Sector	31 March 2021 £m	30 September 2021 £m
UK Banks	12.9	10.4
Non UK Banks	5.5	40.7
Building Societies	0.0	13.0
Money Market Funds	25.0	30.3
Local Authority	31.5	10.0
Other - CCLA	4.8	5.2
Strategic Investment programme	17.6	17.6
Total	97.3	127.2

The maturity structure of the investment portfolio was as follows:

Period	31 March 2021 £m	30 September 2021 £m
Instant Access*	12.6	20.4
Call Accounts*	22.9	30.3
Up to 3 Months	21.0	0.0
3 to 6 Months	13.4	17.0
6 to 9 Months**	0.0	26.2
9 to 12 months	5.0	10.5
Over 1 year	22.4	22.8
Total	97.3	127.2

*Some investments were previously reported as Instant Access and have been re-classified as Call Accounts.

**Investments in the 6 to 9 months period reflect normal year end cash flow requirements.

- 6.6 During the first half of the year, a total of 63 short term temporary investments were undertaken by the Council’s in-house treasury management team in a

historically low interest rate environment. The table below highlights the results of the **short term** investment activities and this clearly illustrates the Council outperforming the 7day LIBID benchmark, a recognised market performance indicator, by 0.17% whilst ensuring that all risk was kept to a minimum during this period.

Average level of short term investments (up to 1 yr.) 1 April to 30 Sept £m	Average interest rate earned %	Average 7 day LIBID rate %	Additional interest earned against 7 day LIBID £k
108.0	0.09	-0.08	(92)

6.7 With regards to the Council's 2 **long term** investments totalling £22.8m, details of these investments are provided below;

- **Church Commissioners Local Authority (CCLA)** - In September 2015, the Council invested £5m, for a minimum period of 5 years in the Local Authority Property Investment fund, managed by CCLA and this enabled 1,643,872 units to be purchased in the fund. The objective of this fund which invests in commercial property throughout the UK, is to create long term returns in the form of capital growth and short term income from quarterly dividend returns. At 31 March 2021 the Council's investment was worth £4.83m and by 30th September 2021 this had increased to £5.16m as a result of a recovery in the Commercial property market. The level of dividends received for the first half of 2021/22 generated an annualised return of 4.29% gross of fees compared to 4.52% for the same period in 2020/21. It is currently anticipated that returns for the remainder of the year will be in line to that achieved for the first half year, with a continuing positive outlook going forward.
- **Strategic Investment Programme** - In August 2019 the Council entered into a £17.6m 5 year loan facility agreement with Queens Holding Limited secured on 4 prominent income producing properties known as Albert Estate within Manchester City Centre. All interest repayments on the facility have been made in full and on time.

6.8 For 2021/22 the level of investment interest to be generated from all of the Council's investments is currently forecasted to be on target to that budgeted for of £(0.3)m.

6.9 As shown by the interest rate forecasts in section 2, due to the Bank Rate being cut 0.10% in March 2020 and only set to rise marginally to 0.75% by March 2024, investment returns are expected to remain low for the foreseeable future.

6.10 Whilst it has to be acknowledged that all investments carry some form of risk, the Council's in-house team ensures that this is at all times kept to a minimum, as monies are only placed in low risk institutions with returns set to reflect this strategy.

6.11 For reference Appendix A details the Council's investments, as at 30th September 2021.

6.12 Income totaling £0.4m was forecasted to be received during 2021/22 from monies invested in Manchester Airport Group in 2020 by the Council along with the other 9 Greater Manchester LAs for the provision of a new car parking facility. As a result of the current COVID-19 pandemic, returns will not be forthcoming and it is envisaged that once the current restrictions on air travel are relaxed then an income stream from this project will start to be received. To reduce the impact this will have on the treasury management projected outturn for 2021/22, a contribution from the Council's COVID-19 contingency budget will be applied.

7. RISK BENCHMARKING

7.1 In accordance with the Code and DLUHC Investment Guidance, appropriate security and liquidity benchmarks are used by the in-house treasury management team to monitor the current and future potential risk conditions enabling any corrective action to the strategy to be applied if required.

7.2 These benchmarks are simple guides to maximum risk (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria.

7.3 During the first half of 2021/22 it can be reported that no benchmarks, which were set in the Strategy report in February 2021, were breached as shown from the table below.

Indicator	Target	Actual
Security – potential default rate of the Council’s investment portfolio based on rates issued by the 3 main credit rating agencies.	Max 0.05%	Max 0.03%
Liquidity – investments available within 1 week notice	£5m min.	Achieved
Liquidity – Weighted Average Life of investments (ex CCLA Property Fund)	6 months	This was not breached and as at 30 September was 2 months.
Yield – Investment interest return to exceed 7 day London Interbank BID rate	-0.08% (Avg. 7 day LIBID)	0.29% (All Investments 1 April to 30 Sept)
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Achieved

8. PRUDENTIAL AND PERFORMANCE INDICATORS

8.1 In accordance with DLUHC Guidance and the Code, a number of prudential indicators are in place ensuring that the Council’s capital expenditure plans and borrowing remain robust, prudent and sustainable.

8.2 These indicators as set out in the Council’s Treasury Management Strategy report for 2021/22 were approved by Council in February 2021 and are monitored monthly. During the half year ended 30th September 2021, the Council has operated within these indicators and no breaches occurred.

8.3 Due to the nature of the treasury management function the Council's in-house team processes multi-million pound transactions on a daily basis and to ensure the Council's finances are protected and all associated risk kept to a minimum, robust systems and procedures have been put into place. These systems and procedures are continually reviewed by the in-house team to ensure they remain fit for purpose. Confirmation of this was received by the Council's Audit & Assurance Service, when following a review of the treasury management function during the summer, their report was issued for the 15th year in succession stating that the in-house treasury management team offered a Substantial Assurance (highest level) and there were no recommendations required to be implemented.

9. OUTLOOK 2021/22

9.1 The world economy is showing positive signs of recovering from the effects of the COVID-19 pandemic however this recovery is likely to be dependent on the effectiveness of vaccination rollout programmes along with the implementation of effective public health strategies and potential future variants of this virus being managed effectively.

9.2 The global economy is projected to grow 5.6% in 2021 and 4.9% in 2022 and although inflation is expected to return to its pre-pandemic ranges in most countries during 2022, short term high inflation is currently causing most economies problems.

9.3 Several EU nations have recently started to see higher numbers of Covid-19 infections as a result of increasing complacency together with the initial slow uptake of the vaccine. Depending on how quickly this situation can be resolved will determine what the impact this will have their economy.

9.4 An updated forecast of key indicators for 2021 is shown at Appendix B for reference.

9.5 In September 2021, CIPFA released the second proposed set of changes to the current version of the Treasury Management Code (previously updated in 2017) to all local authorities for consultation. Upon the conclusion of this exercise an update will be given to Members at the first opportunity.

10. RECOMMENDATIONS

10.1 That the Accounts & Audit Committee & Executive be requested to;

- Note the Treasury Management activities undertaken in the first half of 2021/22.

Other Options

This report is a mandatory report which has been produced in order to comply with Financial Regulations, relevant legislation and provides an overview of transactions undertaken during the first half of 2021/22. There are no other options to consider.

Consultation

There are no applicable consultation requirements in respect of this report.

Reasons for Recommendation

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

Finance Officer Clearance ...PC

Legal Officer Clearance ...JLF



DIRECTOR'S SIGNATURE

APPENDIX A

Breakdown of Investments as at 30 September 2021

Counterparty	Amount (31 March 2021) £	Amount (30 Sept 2021) £	Long Term Credit Rating
<i>Money Market Fund – instant access</i>			
Aberdeen	2,000,000	2,550,000	AAA
CCLA	8,250,000	5,000,000	AAA
Federated Investors	1,600,000	4,010,000	AAA
Invesco Aim	700,000	2,850,000	AAA
Morgan Stanley	0	6,000,000	AAA
<i>Sub total</i>	12,550,000	20,410,000	
<i>Call Accounts</i>			
Australia and New Zealand Bank	0	10,000,000	AA
Federated Cash Plus*	12,500,000	10,000,000	AAA
First Abu Dhabi Bank	0	10,000,000	AA
Lloyds Bank	10,370,000	370,000	A
<i>Sub total</i>	22,870,000	30,370,000	
<i>Term Deposit</i>			
Ashford Borough Council	2,500,000	0	Not rated
Australia and New Zealand Bank	5,500,000	10,500,000	AA
Brentwood Council	5,000,000	5,000,000	Not rated
Close Brothers	2,500,000	0	A
Development bank of Singapore	0	5,200,000	AA
Eastleigh Borough Council	10,000,000	0	Not rated
First Abu Dhabi Bank	0	5,000,000	AA
Flintshire County Council	6,000,000	0	Not rated
Monmouthshire County Council	0	5,000,000	AA
National Bank of Kuwait (International)	0	10,000,000	A-
Newcastle Building Society	0	3,000,000	Not rated
North Lanarkshire Council	3,000,000	0	Not rated
Principality Building Society	0	5,000,000	Not rated
Warrington Borough Council	5,000,000	0	Not rated
West Bromwich Building Society	0	5,000,000	Not rated
<i>Sub total</i>	39,500,000	53,700,000	
<i>Property Funds</i>			
Church Commissioners Local Authority	4,826,901	5,163,566	Not rated
<i>Sub total</i>	4,826,901	5,163,566	
<i>Other</i>			
Strategic Investment Programme	17,600,000	17,600,000	Not rated
<i>Sub total</i>	17,600,000	17,600,000	
Total	97,346,901	127,243,566	

*This was previously reported as Instant Access

APPENDIX B**Major Economic Forecasts for Calendar Year 2021****Original - February 2021**

Location	Gross Domestic Product	Unemployment Rate	Consumer Price Index	Bank Rate
UK	3.2%	7.4%	1.9%	0.10%
Euro Area	4.0%	8.8%	1.4%	0.00%
USA	3.7%	6.5%	1.5%	0.25%
China	5.6%	5.4%	1.9%	3.70%

Revised - September 2021

Location	Gross Domestic Product	Unemployment Rate	Consumer Price Index	Bank Rate
UK	7.1%	5.3%	3.2%	0.10%
Euro Area	4.8%	7.5%	2.2%	0.00%
USA	5.4%	5.4%	5.4%	0.25%
China	6.0%	3.8%	2.0%	3.85%

Source of information International Monetary Fund, Trading Economics and Assets Publishing Service

TRAFFORD COUNCIL

Report to: Executive

Date: 22nd November 2021

Report for: Information

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

Report Title:

Budget Monitoring 2021/22 – Period 6 (April to September 2021).

Summary:

The purpose of this report is to inform Members of the current 2021/22 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 updated positions on the revenue budget, collection fund and capital programme.

Contact person for access to background papers and further information:

David Muggerridge, Head of Financial Management Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	Revenue and capital expenditure will be contained within available resources in 2021/22. In respect of the resourcing of the capital programme a number of capital receipts from the disposal of surplus land have been reprofiled to later years. This has given rise to some additional temporary borrowing the cost of which has been

	contained within the treasury management budget.
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
Carbon Reduction	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

EXECUTIVE SUMMARY

1. The approved budget for 2021/22 agreed at the 17 February 2021 Council meeting was £179.304m. This was subsequently increased by £168k to £179.472m as a result of a minor late change in the financial settlement relating to resources to support the Public Health budget and agreed at the Council meeting on 28th July 2021.
2. In determining the budget for 2021/22 an overall gap of £25.44m was addressed by a combination of additional resources of £5.20m from Council Tax, use of reserves, £8.34m to address COVID-19 pressures and £2.80m for business as usual pressures, and a net £9.10m of service savings and additional income.
3. **Summary of outturn**

There is a net estimated outturn pressure of £2.42m at Period 6, an adverse movement of £238k since Period 4.

This mid year monitor for the financial year provides a forecast outturn based on patterns of expenditure and income from the first six months of the year. Outturn patterns have started to emerge, however there still remains some broad assumptions on future demand and the ongoing impacts of the pandemic. The impact of the end of the Government's Job Retention Scheme, the recent increase in headline inflation rates and the unprecedented increase in energy and fuel price increases, add yet further uncertainty into the financial landscape both for the current and future years.

At this stage in the current financial year, the fact the estimated outturn has deteriorated, demonstrates an unfavourable direction of travel and given the size mitigating actions may need to be prioritised, such as an expenditure freeze, to mitigate against any further adverse movement.

The following issues are worthy of being highlighted:-

- Children's placements £1.075m (£833k period 4) overspend due to an increase in cases;
- Adults placements £767k overspend, an adverse movement of £463k since period 4; £579k of the pressure is due to savings now not expected to be achieved, alongside an underlying pressure of £597k due to an increase in costs of care packages and new cases. The balance consists of a net underspend on the Hospital Discharge Programme of £409k.
- Assumptions on demand remain uncertain, and contingency balances of £607k (£1.14m period 4) and £673k (£1.2m at period 4) are included for future demand in Children's and Adults Services. Sizeable balances have been released since period 4 to address the increases in demand.
- Staffing budgets net underspend of £1.470m, consisting of underspend of £1.89m in Children's and Public Health, largely due to delays in recruiting and service redesign, offset by pressures in Adults of £0.420m as a result of COVID-19 and exceptional circumstances within the Supported Living service.

- Strategic Investment Programme – These investments are budgeted to generate a net revenue benefit in 2021/22 of £7.61m although revised forecasts show a potential reduction in receipts generated of £1.339m (£995k at Period 4). This is largely COVID-19 related due to delays in developer loans being drawn down, lower income from debt facilities due to lower interest rates, delays in schemes in the pipeline and lower trading income due to COVID-19 at retail investment sites;
- COVID-19 related pressures in Place and central services directorates of £751k (£1.335m period 4), largely related to income pressures in traded services and lower sales, fees and charges as a result of the economic impact of the pandemic lasting longer than the first quarter assumed when setting the budget. Examples of pressures include parking fees and fines £486k, property rentals £300k, outdoor media advertising £302k, planning fees £420k. Significant improvements of £470k have been seen in estimated income from planning fees since period 4.
- Local Government Pay award – The final pay award offer, currently rejected by the trade unions, for local government at 1.75% for all staff being in excess of budget by £980k. This would require the use of the council wide contingency, leaving a balance of £100k for other unknown pressures during the year.
- Other favourable movements of £41k

4. **2021/22 Savings Programme**

The latest forecast shows that the savings programme is currently expected to deliver savings of £9.06m, which is £2.86m below target. This shortfall has been included in the overall estimated outturn. To date £7.52m has been achieved with £1.54m still to be achieved. Whilst there still remains a risk in the delivery of the programme, the majority of savings are classified as Amber indicating an element of management action is still required to deliver the savings before the end of the year.

Of the savings that won't be delivered in the current year, exception reports for each of those will be included in the period 8 budget monitor report. This position has been considered when developing the 2022/23 budget plan with a figure of £959k relating to schemes which are unlikely to be delivered, including pressures in Adults Social Care of £606k and £323k in Place Directorate.

5. **Council Tax**

The Council Tax budget was reduced temporarily in 2021/2022 to reflect the ongoing impact of the pandemic. The outturn is largely in line with budget, however there is a level of uncertainty in the forecast, particularly surrounding the continued demand for Council Tax Support both in the current and next financial year.

Consideration will be given in future monitors if there is a need to bolster a Council Tax reserve to smooth any volatility in demand for Council Tax Support in next financial year.

6. **Business Rates**

Projecting business rates is by its nature complex and prone to variation, in addition the impact of COVID-19 has added further uncertainty to the accuracy of projections. Government support has been extended for retail, hospitality and leisure businesses along with a discretionary scheme for other businesses. At this stage, assumptions continue to be in line with budget. Discussions will commence with the Greater Manchester Combined Authority regarding the business rate growth pilot sharing agreement, which could result in an increased share of rates growth being retained locally to alleviate the in year pressures.

7. **Managing the Risk**

Although the estimated outturn is adverse and has deteriorated by £238k since period 4 and is a potential cause for concern, primarily around the delivery of the remaining savings programme and increases in client demand in Adults and Children, the following actions and mitigating actions have been identified to support the in-year budget position:-

- A number of contingency items are included in the outturn which have yet to be released. Although these have been partially utilised since period 4, they stand at £607k and £673k (period 4 £1.14m and £1.2m) in Children's and Adults services for potential client demand. There is also £502k (£816k period 4) in Council Wide relating to the balance of £1.5m set aside for unknown COVID-19 pressures.
- Discussions have commenced with Greater Manchester Combined Authority to review centrally held reserves and the potential to review the local sharing agreement of the Business Rates Growth Pilot monies. Currently £2.7m is forecast to be paid over to GMCA.
- A review of all earmarked reserves has started to challenge and identify potential uncommitted resource. This ongoing exercise will determine the extent the Council could partially meet the forecast outturn pressures for 2021/22 and in addition offer a temporary solution to the 2022/2023 budget gap. This will be completed in parallel with the preparation of the final budget report for 2022/23.
- As previously reported in order to maintain robust challenge and focus attention on the delivery of the savings programme, the regular budget monitoring reports are supplemented by monthly updates on all demand led budgets and the savings programme are considered by the Corporate Leadership Team.
- The Corporate Leadership Team will also review all non essential spend, including a vacancy freeze for back office functions and close monitoring and control of any other expenditure over the budget provision.
- The Council continues to provide regular monitoring returns to the Government Departments which will be used at a national level to inform the debate on whether additional resources will be required over the medium term relating to COVID-19 pressures.

8. Capital Programme

There has been an increase in the general capital programme since period 4 of £1.01m to a total of £166.69m for the period 2021/2024. This change relates to an increase in highways funding following negotiations with the GM Combined Authority which broadly matches the grant reductions announced by Government at the time of setting the budget.

The revised capital programme budget for this financial year is £48.44m which is net reduction of £0.55m from the P4 position of £48.99m as a result of minor rephasing.

The overall programme is currently overprogrammed by £3.82m over the three years, which is an increase of £2.0m from period 4 and relates to a reduction in estimated capital receipts.

The issue of over-programming will be addressed as part of the current capital programme bidding round.

REVENUE BUDGET

9. 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	2021/22 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	42,456	42,795	339	0.8%
Adult Services	52,447	53,738	1,291	2.46%
Public Health	12,661	11,786	(875)	(6.91)%
Place	31,155	32,903	1,748	5.61%
Strategy & Resources	5,445	5,282	(163)	(2.99)%
Finance & Systems	7,683	7,910	227	2.95%
Governance & Community Strategy	6,164	6,310	146	2.37%
Total Directorate Budgets	158,011	160,724	2,713	1.72%
Council-wide budgets	21,461	21,169	(292)	(1.36)%
Net Service Expenditure variance	179,472	181,893	2,421	1.35%
Funding				
Business Rates (see para. 22)	(62,459)	(62,459)	0	
Council Tax (see para. 19)	(105,869)	(105,869)	0	
Reserves Budget Support	(2,803)	(2,803)	0	
Reserves to Support COVID-19	(8,341)	(8,341)	0	
Funding variance	(179,472)	(179,472)	0	0.00%
Net Revenue Outturn variance	0	2,421	2,421	1.35%
Dedicated Schools Grant	150,236	152,149	1,913	1.27%

Budget Adjustments and Virements

A number of virements across Directorates are detailed in Appendix 1.

Main variances, changes to budget assumptions and key risks

10. The main variances contributing to the projected overspend of £2.421m, 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	339	<p>Projected outturn variance £339k adverse, an adverse movement of £394k from Period 4.</p> <p>The impact of the coronavirus pandemic is and will continue to have a significant bearing on the service both in terms of its service delivery and finances.</p> <p>Below is the projected position on children's placements and other budget areas:</p> <ul style="list-style-type: none"> • £1.075m over budget on Children's placements (note 1), an adverse movement of £242k; • £1.220m under budget on staffing (note 2), an adverse movement of £53k; • £484k over budget on other running costs and income across the service, an adverse movement of £99k (note 3). <p>Note 1 Children's placements currently projects an overspend of £1.075m, an adverse movement of £242k.</p> <p>Over the two month period there has been a number of changes within Children's placement from costs for new placements £559k and delays in the step down of other placements £216k. The total cost of these over this two month period was £775k. However the contingency set aside to be utilised during this period of £533k was not sufficient to cover the above, resulting in an adverse movement of £242k.</p> <p>The above position also projects that £369k of planned reductions in placement's costs are still to take place.</p> <p>Therefore there is a contingency of £607k included in the above projections to cover any further demand and potential timeline changes to the anticipated planned reductions mentioned above.</p> <p>The numbers of children as at the end of September compared to those at the end of July are as follows:-</p>

	<ul style="list-style-type: none"> • children in care 382, no change • child protection is 179, no change • children in need 880, an increase of 35 <p>To date £1.304m of the £1.5m savings included in the budget has been achieved. The remaining savings for placements is currently anticipated to be achieved, however continuous scrutiny in this area will be applied and projections on deliverability of savings may be subject to change.</p> <p>At this stage it is important to note that the service continues to operate with a high degree of uncertainty due to the potential consequences the pandemic will have around future demand.</p> <p><u>Note 2</u> A favourable variance in staffing of £1.220m which is due to delays in recruiting and are one-off in nature as the service undertakes its service redesign which will be in place during 2021/22. The adverse movement of £53k from P4 is due to additional agency costs.</p> <p>The staffing savings included in the budget of £580k are expected to be achieved this year due to the delays in recruiting as mentioned above. However this will be reviewed throughout the year as to their permanency as the service redesign takes place.</p> <p><u>Note 3</u> The adverse variance in running costs and income across the service is £484k, an adverse movement of £99k, as outlined below:-</p> <ul style="list-style-type: none"> • £283k adverse variance on Home to school transport, an adverse movement of £26k. This is due to increased demand in transport for out of borough placements (£188k) and additional staffing costs (£69k) to cover passenger assistants who are shielding; • £74k adverse variance on Partington nursery, an adverse movement of £37k. This is due to a low uptake at the nursery resulting in a shortfall in income. • £207k adverse variance on income, an adverse movement of £79k. This is mainly due to the impact of COVID-19 (£167k), and a loss of service level agreement income with schools (£40k). • £121k favourable variance on grant income, a favourable movement of £36k due to the receipt of a grant for the school improvement service which it was not anticipated would continue. • £41k adverse variance on minor variances across the service, a favourable movement of £7k.
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		<p><u>Note 4</u></p> <p>In addition to this there are further estimated costs due to COVID-19 as outlined below which are met by additional income:</p> <ul style="list-style-type: none"> • £499k for the COVID Local Support Grant (CLSG) which will be met by a government grant. • £372k for contain outbreak management which will be met by government grant.
Adult Services	1,291	<p>Projected Outturn variance £1.291m adverse an adverse movement of £542k from period 4.</p> <p>The impact of the coronavirus pandemic and supporting the NHS in dealing with the backlog of patients waiting for treatments continues to have a significant bearing on the service both in terms of its service delivery and finances.</p> <p>The projected position on adult clients and other budget areas is as follows:</p> <ul style="list-style-type: none"> • £767k adverse position on Adult clients, an adverse movement of £463k from period 4 (Note 1) • £524k adverse position on staffing and running costs, an adverse movement of £79k from period 4 (Note 2) <p><u>Note 1</u></p> <p>Adult Clients currently projects a £767k overspend, an adverse movement of £463k from period 4.</p> <p>Savings - £579k pressure a £275k adverse movement.</p> <p>This is due to a further deterioration in savings anticipated to be achieved, the total amount in this area is a shortfall of £579k. To date £1.032m of the £1.866m saving proposals in this area has been achieved. The service is, however, always looking to identify other savings to mitigate the projected shortfall. Continuous scrutiny in this area will be applied and therefore projections on deliverability of savings are subject to change.</p> <p>Discharge to Assess - £409k favourable, a favourable movement of £409k.</p> <p>At the time of the Period 4 monitor, estimated costs of the programme of £1.4m had been included in the outturn, however since the announcement of the continuation of the HDP to 31st March 2022 they have reduced.</p>

	<p>However, not all of the discharge to assess costs are met by the HDP for the following reasons:-</p> <ul style="list-style-type: none"> • if services provided are required for more than the maximum allowed under the HDP scheme • those beds that are paid for on block but not occupied. <p>The above costs are shared on a sharing agreement, which was still under negotiation at period 4. This has now been concluded and the Council and CCG have agreed to a 50/50 risk share agreement to the 31st March 2022 on those costs that cannot be met by the HDP and that exceed £1m. The first £1m will be met by the council as the budget included this amount for this type of service.</p> <p>The impact of the updated sharing agreement and changes in demand result in a favourable movement of £409k since that reported in period 4.</p> <p>Packages of Care – £597k pressure an adverse movement of £597k This is due to the following:</p> <ul style="list-style-type: none"> • Increases in costs to existing packages of care £1.922m (244 clients). This is mainly due to increasing client needs/complexity and changes to clients’ financial assessments. • Reductions in costs to existing packages of care £2.049m (218 clients). This is mainly due to reductions in care required, clients that have deceased and changes in clients’ financial assessments. • New packages of care - the gross increase was £1.284m reducing to £724k after applying £560k for contingencies. This will include previous self funders whose savings have fallen below £23,250. <p>The service is experiencing significant increased demand for Learning Disability support and mental health with new placements and both average hours of support per client and average hourly rates continuing to rise.</p> <p>It is also important to reiterate that the service continues to operate with a high degree of uncertainty due to the potential risks of coronavirus infections, its impact on the care sector and the consequences the pandemic will have around further future potential demands on Mental Health provision. In addition to this is the increase in demand on services in supporting the NHS in dealing with the backlog of patients waiting for treatments.</p> <p>Contingency - within the projection there is a contingency of £673k set aside for additional increases in demand/cost pressures throughout the rest of the financial year.</p>
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		<p>Further work is currently underway to understand if this will be sufficient for the rest of the year and also the potential impact on budgets for 2022/2023 given the increase the service has experienced between period 4 and 6.</p> <p>Note 2 The current forecasts indicate there is an adverse variance of £524k on staffing and running costs, an adverse movement of £79k from period 4 which is due to the following:</p> <ul style="list-style-type: none"> • £420k adverse variance on staffing, an adverse movement of £28k. This adverse variance is due to additional resource requirements to respond to increased pressures on the service as a result of COVID-19 and due to exceptional circumstances within the Supported Living service; • £231k favourable variance on client equipment, repairs and maintenance, an adverse movement of £19k. This is due to the impact of COVID-19 and the low number of referrals being received; • £348k adverse variance due to projected underachievement of savings, an adverse movement of £24k. This is as a result of delays to changes in legislation and staffing pressures on the service; • £13k favourable variance on minor variances, an adverse movement of £8k. <p>Note 3 In addition to this there are further estimated costs due to COVID-19 as outlined below which are met by additional income:</p> <ul style="list-style-type: none"> • £4.177m which will be met by the CCG from their allocation given by NHSE for HDP; • £2.334m for infection control and Rapid Testing for care providers which will be met by government grant, this is subject to change due to the announcement that funding is to continue however details are yet to be released from government; • £451k for the clinically extremely vulnerable which will be met by government grant; • £705k for contain outbreak management which will be met by government grant; • £494k for self-isolation support which will be met by government grant.
Public Health	(875)	<p>Projected Outturn variance £875k favourable, a favourable movement of £94k from period 4.</p> <p>Currently there is a projected favourable position of £875k as a result of:</p>

		<ul style="list-style-type: none"> • £670k favourable position on ‘business as usual’ staffing costs, a favourable movement of £5k, as the service continues to lead and support the contain outbreak management response to the pandemic; • £82k favourable position on activity based budgets, a favourable movement of £10k. • £123k favourable position on running costs and other minor variations, a favourable movement of £79k. <p>Currently activity based budgets are projected to be £82k below budget. However there is a further possibility that underspends on these budgets may increase further as a result of low levels of activity, due to the impact of COVID-19 throughout the financial year.</p> <p>In addition to this there are further estimated costs of £2.647m due to COVID-19 for contain outbreak management and this will be met by a government grant.</p>
Place	1,748	<p>Projected outturn variance £1.748m adverse, a favourable movement of £238k.</p> <p>This includes gross COVID-19 pressures of £3.714m, which is a favourable movement of £593k, offset by £3.370m included in the approved budget/reserves – a net COVID-19 pressure of £344k which includes:</p> <ul style="list-style-type: none"> • COVID-19 related gross income losses are £3.475m (reduced by £594k), of which £1.470m is included in the approved budget and £1.7m earmarked in reserves relating to Leisure. This gives a net COVID-19 income pressure in the forecast outturn of £305k; • The gross COVID-19 related income losses include parking fees and fines £486k, property rentals £300k, outdoor media advertising £302k (reduced by £98k), planning fees £420k (reduced by £470k), licencing fees £80k, building control fees £61k, highways permits and grants £24k, street trading £20k (reduced by £30k), pest control £34k (increase of £4k) and trade waste £48k. There is also £1.7m in forecast support for ongoing trading deficits of the Trafford Leisure CIC due to the ongoing effects of the various COVID-19 restrictions, which will be funded from existing earmarked reserves. Trafford Leisure continue to work closely with the Council to monitor finances and mitigate these budget pressures as far as possible within the various operational restrictions, including successful bids for grant funding; • COVID-19 related gross expenditure pressures are £239k (increase of £1k), of which £200k is included in the approved budget, giving a net pressure of £39k in the forecast outturn. The overall gross pressure includes £150k in additional waste

		<p>disposal costs and £50k related to waste collection, £7k highways/grounds maintenance, £32k operational buildings (increase of £1k);</p> <ul style="list-style-type: none"> • There are also additional costs fully offset by additional specific COVID-19 grants of £305k Community Engagement and £328k for Public Protection/Economic Growth “pandemic contain” funding. <p>Other Forecast Variances £65k adverse, an adverse movement of £11k.</p> <p>Strategic Investment Programme £1.339m adverse, an adverse movement of £344k:</p> <p>The Strategic Investment Property Portfolio will deliver a net benefit to the revenue budget in 2021/22 of £6.24m. This is £1.339m lower than budgeted and is due to economic factors affecting some of the income, particularly from the town centre investments (see paragraph 37 for further details).</p>
Strategy & Resources	(163)	<p>Projected outturn variance £163k favourable, a favourable movement of £213k.</p> <p>This includes gross COVID-19 pressures of £526k, an adverse movement of £8k, offset by £481k included in the approved budget – a net COVID-19 pressure of £45k:</p> <ul style="list-style-type: none"> • Gross trading losses in the overall forecast outturn includes £268k in Catering (reduced by £6k), £119k in Cleaning (increase of £11k) and £49k in the Music Service (increase of £9k). There is a forecast net loss of income from staff parking of £60k and £15k expected loss of SLA income. There are also £15k of staff costs (reduced by £5k); • There is also £1.422m of forecast additional staff costs relating to the Modernisation, Communications and Human Resources teams which are wholly funded from COVID-19 related grants up to the end of March 2022. <p>Other Forecast Variances £208k favourable, a favourable movement of £221k, including:</p> <ul style="list-style-type: none"> • Staff costs are £252k less than budget across the Directorate (favourable movement of £202k) based on actual and forecast vacancies across the whole year, which is 3.8% of the total staffing budget; • SLA and other income above budget £108k (increase of £47k); • Other minor variances are net £26k overspent (adverse movement of £28k related to Breavement services offset by income above). These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which is expected to be achieved in full.

<p>Finance & Systems</p>	<p>227</p>	<p>These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which is expected to be achieved in full.</p> <p>Projected outturn variance £227k adverse, an adverse movement of £3k.</p> <p>Forecast COVID-19 Pressures £211k, adverse movement of £39k:</p> <p>This relates to additional unplanned costs associated with ICT staff, equipment and systems directly related to the COVID-19 pandemic.</p> <p>There are also additional costs fully offset by additional specific COVID-19 grants totalling £656k in Exchequer Services and £66k in ICT.</p> <p>Other Forecast Variances £16k adverse, a favourable movement of £36k:</p> <ul style="list-style-type: none"> • Staff costs are £176k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 2.2% of the total staffing budget, and an increase of £40k ; • Non COVID-19 related running costs are underspent by £21k, a favourable movement of £12k; • Income is £25k under budget, excluding the COVID-19 grant income above, a favourable movement of £8k. <p>These are offset by the budgeted Directorate-wide efficiency saving target of £188k.</p>
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Governance & Community Strategy	146	<p>Projected outturn variance £146k adverse, a favourable movement of £46k.</p> <p>This includes gross forecast COVID-19 pressures of £391k offset by £240k included in the approved budget, a favourable movement of £38k – a net COVID-19 pressure of £151k:</p> <ul style="list-style-type: none"> • Projected gross income losses due to COVID-19 are £307k (reduced by £22k) and includes £223k relating to Sale Waterside Arts Centre, £13k for events including Flixton House (reduced by £11k), land charges £31k and Registrar’s now £10k above budget (reduced by £10k). There is also a £50k loss of income expected from library lettings (reduced by £1k); • cost pressures total £84k (reduced by £16k) and relate to legal costs for fees and additional agency staff required due to the increase in caseload £100k, which is in line with budget, and an underspend in Library running costs due to grants of £16k. <p>Other Forecast Variances £5k favourable, a favourable movement of £8k:</p> <ul style="list-style-type: none"> • Forecast staff costs are £308k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 5.5% of the total staffing budget. This is an increase of £55k; • Running costs are forecast to be underspent by £45k, which has reduced by £20k. The underspend includes a reduction in court fees in legal services. • There is a projected shortfall in income of £156k compared to budget excluding the COVID-19 pressures above, which is £27k higher than last reported. The overall shortfall includes £34k in capital fee income which is related to staff vacancies, £75k shortfall in traded services (£27k increase) and £45k reduced grant income in electoral registration service. <p>The above is offset by the budgeted Directorate-wide efficiency saving target of £192k.</p>
Council-wide budgets	(292)	<p>Projected Outturn variance, £292k favourable, a favourable movement of £149k since Period 4</p> <p>Treasury Management</p> <p>Income totaling £392k was forecasted to be received during 2021/22 from monies invested in Manchester Airport Group in 2020 by the Council along with the other 9 Greater Manchester LAs for the provision of a new car parking facility. As a result of the current COVID-19 pandemic, returns will not be forthcoming and it is envisaged that once the current restrictions on air travel are relaxed then an income stream from this project will start to be received. To reduce the impact this will have on the treasury management</p>

projected outturn for 2021/22, a contribution from the Council's COVID-19 contingency budget will be applied. No change since period 4.

Greater Manchester Advance Pension Payment

A greater than expected saving of £150k above budget from the three yearly advance pension payment is forecast. A favourable movement of £50k since period 4.

Housing Benefit

The Housing Benefit budget is notoriously difficult to predict. At period 6 a pressure on the net Housing Benefit budget (payments made, less subsidy and overpayment recovery) of £279k is estimated, although there is a wide margin for error given the unknowns. It was considered prudent at the end of the last financial year to bolster the Housing Benefit Reserve by a figure of £500k and this will be drawn on to cover this in-year pressure, so no impact on the Council-wide outturn figure above. As the year progresses the accuracy of forecasts will improve.

Members Allowances

There is a projected saving of £25k on Members Allowances and running cost budgets, no change since P4.

External Audit fees

Following the approval of its 2020/21 audited annual report, the Public Sector Audit Appointments has redistribute a total of £5.6m amongst its members. For Trafford this refund will be £18k.

Council-wide Contingencies

a) Pay Award

On 27 July 2021 the National Employers, who negotiate pay on behalf of local authorities, made an improved, final pay offer to Council employees, a pay increase from 1 April 2021 of 1.75% (with 2.75% for those on the bottom pay point). However, this latest offer was rejected by the Unions and negotiations are still on-going.

The cost to Trafford of the above pay offer, had it been accepted, would be £1.145m. This would leave a shortfall of £980k above current budget assumptions, which would need to be met from within the general Council-wide contingency budget. This would now only leave £100k in the contingency budget for other unknown pressures during the year.

b) Sales, Fees and Charges Compensation Grant

Council-wide holds the budget provision for the Sales, Fees and Charges Compensation Grant to recompense the council for COVID related income losses limited for the first quarter of 2021/22. Income losses during the first quarter were lower than budget subsequently

		<p>resulting in a lower compensation grant estimated at £566k. This is an adverse movement of £314k since period 2. The shortfall will be met from the COVID-19 contingency of £1.5m.</p> <p>c) Greater Manchester Temporary Resting place</p> <p>£40k potential COVID-19 related costs above budget. This shortfall will be met from the COVID-19 contingency. No change since period 4.</p> <p>d) COVID-19 Contingency (temporary)</p> <p>The Council-wide contingency budget for 2021/22 includes £1.5m specifically for potential COVID-19 pressures. The current commitments against this allocation identified above leaves a balance of £502k remaining, an adverse movement of £314k since period 2.</p> <p>e) Transport Levy</p> <p>The final GMCA Transport levy set is lower than the budget agreed in February by £99k.</p> <p>f) Savings Programme</p> <p>The savings from the Voluntary Redundancy/Voluntary Severance scheme of £919k over the two year period 2021/23 (£708k in 2021/22 and £211k in 2022/23) is projected to fall short by £50k.</p> <p>Also, the take up from the 9-day Fortnight scheme has been lower than expected and the saving of £60k will not be fully realised, leaving a shortfall of £50k.</p> <p>However, these savings shortfalls will be managed within the pay element of the Council-wide contingency budget, which includes an allowance to cover the reduced savings from the lower than expected take up of the Voluntary Leave Scheme in 2021/22, £100k compared to the budget of £250k.</p>
Dedicated Schools Grant	1,913	<p>There has been an adverse movement of £703k on the DSG since Period 4.</p> <p>Underspends are expected in the Schools, Central Schools Services and Early Years blocks of £155k.</p> <p>The High Needs Block is currently projected to overspend by £2.07m (an adverse movement of £644k from P4). This will result in an estimated DSG reserve deficit relating to high needs of £2.07m at year end.</p> <p>The movement largely relates to £750k in out of borough placements, due to no capacity in borough and increasing complexity of needs and £140k favourable in SEN due to increased income from the Virtual School to cover tuition costs.</p> <p>There is a negative high needs block reserve of £181k, leaving an estimated overall DSG deficit of £2.251m at year end.</p>

		The service are reviewing what mitigations can be put in place to provide longer term savings with the intention to consult with the School Funding Forum in November and Executive in January.
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MTFP SAVINGS AND INCREASED INCOME

11. Given the financial pressures the Council continues to face, as identified in the Medium Term Financial Strategy, it is important that as much of the current savings programme is achieved in order to avoid recurrent shortfalls cascading into future years and increasing the budget gap.
12. The 2021/22 budget is based on the achievement of permanent base budget savings and increased income of £11.926m. A detailed review of the status of each saving is now undertaken on a monthly basis and a classification has been made using a “traffic light” system to highlight schemes at risk of not being achieved. Whilst some savings will be achieved through one-off alternative means/mitigating actions in the current year, a status has also been included on the risk of non-delivery falling into 2022/23.

Category	No of Schemes	% Schemes	Budget (£000's)	Forecast (£000's)	Variance (£000's)	Actuals Achieved to date (£000's)	Balance of Actuals (£000's)	Potential ongoing Impact on 22/23 (£000's)
Red	19	36%	(1,850)	(458)	1,392	(401)	(57)	929
Amber	16	18%	(4,242)	(4,142)	100	(2,658)	(1,484)	30
Green	26	46%	(5,834)	(4,463)	1,371	(4,459)	(4)	0
Total	61	100%	(11,926)	(9,063)	2,863	(7,518)	(1,545)	959

The latest forecast shows that the programme is currently expected to deliver savings of £9.06m, which is £2.86m below target, an adverse movement of £441k since Period 4. To date £7.52m has been achieved with £1.55m still to be achieved.

As previously reported in order to maintain robust challenge and focus attention on the delivery of the savings programme, the regular budget monitoring reports are supplemented by monthly updates to the Corporate Leadership Team. Alongside this, exception reports for savings yet to be achieved will be included in the period 8 monitor.

RESERVES

13. The usable reserve balance (unaudited) brought forward as at 1 April 2021 was £165.42m, excluding schools and capital reserves. Although the balance is substantial, the majority of this relates to COVID-19 reserves which are ring fenced to meet the 2020/21 Collection Fund shortfall. In addition, current budget plans have already assumed that £22.24m of reserves will be drawn down, including £2.80m in 2021/22 from the Budget Support Reserve and £8.34m in 2021/22 and £7.10m in 2022/23 from the COVID-19 General Reserve.
14. Details of the estimated balances and movements over the next three years was last presented in the draft budget report for 2022/2023 and a commitment was made to undertake a review to challenge and identify potential uncommitted resource as part of the final budget report. This ongoing exercise will also be used to indicate the extent that any balances could be used to partially meet the forecast outturn pressures for 2021/22.

COLLECTION FUND

Council Tax

15. During 2020/21 the challenges faced by COVID-19 placed considerable pressure on the Council Tax Collection Fund, largely related to a reduction in collection rates and an increase in Council Tax Support. The budget for 2021/2022 was set using assumptions that the impact of the pandemic would continue and an overall reduction of £3.24m was built in to reflecting higher take up of local council tax support, delays in new properties coming on line and lower collection rates. The Council's budget includes a Government backed Local Council Tax Support Grant of £1.65m to offset some of the costs associated with the higher take up of the scheme.
16. The discretionary Council Tax Hardship Scheme was extended for a further year, enabling all existing working age Council Tax Support (CTS) recipients registered as at 31st March 2021 to claim a discretionary Hardship award equivalent to the value of their 2021/2022 liability. The cost of this extension was met from an underspend from the Government sponsored hardship grant received in 2020/21. There are no plans to extend the scheme beyond the current financial year.
17. As at period 6, the projected outturn is in line with budget, however there is still a level of uncertainty in the forecast largely due to the volatility of the tax base and uncertainty in take up of the Local Council Tax Support Scheme, particularly given the wider economic uncertainty and the end of the Government's Job Retention Scheme. A prudent estimate has been made for the remainder of the year to arrive at the overall breakeven forecast. If the situation improves in the remaining six months of the year, this may deliver a positive outturn.
18. At this stage in the financial year the estimated outturn would be used to inform the changes in the base budget for the following financial year. There is an expectation that the overall reduction in 2021/2022 is one off and that the

Council Tax income will revert to prepandemic levels. Given that the Government's support grant of £1.65m will cease in 2022/2023, there is a risk of an ongoing budget pressure if the Local Council Tax Support Scheme does not reduce proportionately at the start of the next financial year. To reflect this risk a figure of £500k has been included in our draft budget plans for 2022/2023. Furthermore, consideration will be given in future monitors that any positive outturn as mentioned in the previous paragraph, be directed into a Council Tax reserve to smooth any volatility.

Business Rates

19. The 2021/2022 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £7.8m. Projecting business rates is by its nature complex and prone to variation, in addition the impact on COVID-19 has added further uncertainty to the accuracy of projections.
20. In order to support businesses with the impacts of COVID-19, the Government provided various rate relief packages, with 100% relief being given to retail, hospitality and Leisure sites until July 2021 and thereafter 66% until March 2022. The Council will be compensated for the loss in rates income via a Section 31 Grant paid into the General Fund. In addition, further Government support is being offered to businesses via a discretionary scheme administered by the Council for other businesses falling outside of the 100% relief scheme, however details of the scheme have yet to be finalised. Whilst the extension of such reliefs is welcomed news, it has added to the complexity of business rate monitoring.
21. When the budget for 2021/22 was set, an assumption was made that there would be a reduction in income from businesses of 5% over the year, this resulted in a reduction in the budget of £3.49m.
22. As at period 6, cash collection rate is better than anticipated, however this has been offset by an increase in empty properties and a reduction in the base income due to properties either being redeveloped or a change in use. Whilst estimates are still difficult to predict at this stage, the period 6 monitor is largely in line with budget. The volatility in the system, particularly the emerging pattern of the increase in the number of empty properties, will need to be considered as part of the final budget planning for the 2022/23 and beyond.
23. The estimated outturn figure includes a net contribution of £2.77m to the Greater Manchester Combined Authority (GMCA) under the business rates growth pilot scheme. Given the overall uncertainty in the financial landscape, discussions are ongoing with GMCA concerning the sharing arrangement and potential for a higher proportion of growth to be retained by each local authority as was the case in 2020/21.

Impact of COVID-19

24. The impact of the pandemic on the council's finances is anticipated to last for many years and the budget for 2021/2022 includes additional resources of £8.341m to help manage the continuing impact of the pandemic. Pressures were anticipated in client demand, lost income from our strategic investments in the Manchester Airport Group and from Sales, Fees and Charges. These were offset by Government backed support and use of reserves, based on assumptions at the time, that the pandemic would last for the first quarter of 2021/2022.
25. Due to the uncertainty of the impact of the pandemic the forecasting of pressures was particularly difficult in 2020/2021 and this situation continues to be the case. The COVID-19 pressures have become increasingly difficult to separate from business as usual activity and for ease of reporting, have only been shown within the service narratives where they can be isolated rather than a separate breakdown as was the case in 2020/21.
26. The Council continues to provide regular monitoring returns to the Government Departments which will be used at a national level to inform the debate on whether additional resources will be required over the medium term.

CAPITAL PROGRAMME

Approved Budget

27. The revised value of the indicative capital programme for 2021/22 to 2023/24 as at P4 was £437.67m which included £271.98m of asset investment fund and £165.68m relating to the general programme. Since then there has been an increase in the general programme of £1.01m to a total £166.69m relating to an increase in highways grant funding. The revised overall budget is now £438.68m
28. The revised capital programme budget for this financial year is £48.44m which is net reduction of £0.55m from the P4 position of £48.99m. This will be rephased into future years and will be reviewed as part of the budget monitor throughout the year. Table 4 below details the service analysis of the revised budget (P4) and current revised budget for 2021/22 (P6).

Table 4 - Capital Programme 2021/22	P4 Revised Approved Programme £m	Current Revised Programme £m	Period Movement £m
Service Analysis:			
Children's Services	12.79	12.79	-
Adult Social Care	4.49	4.49	-
Place	30.37	29.82	(0.55)
Governance & Community Strategy	0.08	0.08	-
Finance & Systems	1.26	1.26	-
General Programme Total	48.99	48.44	(0.55)

29. The current revised position of £48.44m (a reduction of £0.55m) is a result of the period 6 monitoring exercise, with the following the areas of re-profiling as follows;
- Place
 - New Chapel and Resomation Cremators scheme has re-profiling of £950k into future years as a result of significant delays in transferring the water retailer contract to meet waste requirements. Once the correct waste licences are in place, work on the resomation cremators can begin.
 - Net increase of £400k for Highways in year, due to the new grant referenced above. The remainder of the £1.01m is being re-profiled over later years in the programme.

Status, Progress of Specific Major Schemes

30. Updates will be provided on specific issues where there is a significant impact on delivery of the forecast programme in terms of timescales or within approved resources. In addition updates on larger schemes will be provided throughout the year.

Specific Issues

- **Additional Highways Grant**

When the initial budget was set in February 2021 the assumed level of highways grant was based on previous year's allocations.

When the formal notification for 2021/2022 was received, from the Department for Transport via GMCA there was a reduction of approximately £1.2m on the approved budget. This was an impact felt across other GMCA authorities and representation was made to GMCA on how this shortfall could be addressed. As a result GMCA have reallocated some of the Integrated Transport Block to provide each authority with an uplift in grant to minimise the impact of this reduction; this has led to additional grant now being received of £1.02m. The allocation of the grant will be the subject of a future report to the Executive.

- **Carrington Relief Road**

The current assumed costs of this scheme is £29.2m, with £15.1m of the funding currently included within the Capital Programme. This is funded from a combination of Homes England grant, Growth Deal and TFGM funding in addition to Section 106 contributions from the Council.

The Council will be undertaking a procurement for further design work to progress the scheme, costing £250k. This will be funded by an early drawdown of the approved grant, provisionally agreed by Homes England, as reported to the Executive in September 2021.

- **Basic Need**

At Executive in September 2021 an update was provided on the current position regarding school places required across the borough with an approved recommendation that the following schools expansions be delivered as part of the Capital Programme;

- Willows Primary School - £3.0m
- Templemoor Infant School - £1.8m
- Moorlands Junior School - £4.0m
- Davyhulme Primary School - £3.0m

Resources

31. The general capital programme is resourced by a combination of both internal and external funding and is detailed in the shown below (table 5):

Table 5 - Capital Programme Resources 2021-24	P4 Revised Approved Programme £m	Revised Programme £m	Variance £m
External:			
Grants	29.07	30.08	1.01
Contributions	2.32	2.32	0.00
Sub-total	31.39	32.40	1.01
Internal:			
Receipts requirement	5.61	5.00	(0.61)
Borrowing	10.28	9.33	(0.95)
Reserves & revenue contributions	1.71	1.71	0.00
Sub-total	17.60	16.04	(1.56)
Total Resourcing	48.99	48.44	(0.55)

32. The movement in resources of £0.55m relates to re-phasing of the Resomation scheme, £0.95m, and the addition of new highways grant, £1.01m, and related schemes £0.4m.
33. The Land Sales and Development Programmes are continuously reviewed and are updated for any know changes within the programme. A number of sites have recently been marketed and the results of the exercise will be reported in the the P8 monitor.
- At Executive in September 2021 a revised appraisal for Sale Magistrates was approved. This report recommended the inclusion of increased levels of social rented housing and an increased level of sustainability which with their associated costs and a revision to the overall construction costs to deliver a planning compliant scheme has led to a reduction in the assumed receipt from £3.0m to £1.0m. This has increased the overall deficit within the capital programme by £2.0m.
34. The current position now indicates an over-programmed level within the capital programme of £3.82m which is an increase of £2.91m from £913k that was in the original three year budget that was approved in February 2021. An update on this position will be provided as part of the next monitoring report and will take account of a number of sites that have recently been marketed.
35. The table below (table 6) highlights the overall level of over-programming and the in year surplus and deficits managed over the three year period of the

programme. The issue of over-programming will be addressed as part of the current capital programme bidding round.

Table 6 - Capital Programme Resources	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget Total
	£m	£m	£m	£m
General Programme Investment	48.44	77.24	41.01	166.69
Grants	30.08	59.51	26.05	115.64
External Contributions	2.32	3.60	2.80	8.72
Revenue and reserves	1.72	0.15	0.01	1.88
Prudential Borrowing	9.33	8.82	0.65	18.8
Shortfall in 20/21 Receipts	(3.38)	-	-	-3.38
Forecast Capital Receipts	5.93	5.60	9.68	21.21
Total Funding	46.00	77.68	39.19	162.87
Surplus / (Deficit)	(2.44)	0.44	(1.82)	(3.82)

Asset Investment Fund

36. In February 2020 approval was given to increase the Asset Investment Fund to £500m, supported by prudential borrowing, to support the Council's Investment Strategy. The transactions that have been agreed by the Investment Management Board to date have a total committed cost of £381.13m. The facility agreements at The Crescent (£44.26m) and phase one of the Hut Group (£30.20m) were repaid in 2020/21, and phase two of the Hut Group (£32.25m) was repaid in June 2021. This means the balance of the approved £500m which is available for further investment is £163.13m (table 8 next page).
37. These investments were budgeted to generate a net revenue benefit in 2021/22 of £7.61m. The forecast net income is £6.27m, a deficit of £1.34m compared to budget. Details of the components of the variance are shown in Table 7.

Table 7 - Asset Investment Strategy Period 6	Budget Variance £000
Net Income target	(7,609)
Pipeline Recycling Target	2,454
Variable Interest Rates	853
Joint ventures	950
HUT Group delay	632
Castle Irwell earlier draw	(194)
Reduced reserve contributions	(1,651)
HUT Group reserve smoothing	(632)
Pipeline Schemes	(1,073)
Net Income after mitigations	(6,270)
Deficit to income target	1,339

38. As part of the income shortfall mitigation, the Council has reviewed schemes currently in its pipeline, but not yet brought forward, for likelihood and benefit. From that review a prudent income forecast of £1.1m has been included against those schemes in 2021/22. This is reduction from the £1.4m forecast in the period 4 monitor, due to a reprofiling of pipeline schemes.

Table 8: Asset Investment Fund	Prior Years £m	Repayments £m	Commitment £m	Total £m
Total Investment Fund				500.00
Property Purchase:				
Sonova House, Warrington	12.17	-	-	12.17
DSG, Preston	17.39	-	-	17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84	-	-	10.84
The Fort, Wigan	13.93	-	-	13.93
Sainsbury's, Altrincham	25.59	-	-	25.59
Sub Total	79.92	-	-	79.92
Property Development:				
Sale Magistrates Court	4.80	-	-	4.80
Brown Street, Hale	6.79	-	2.04	8.83
K Site, Stretford Equity	11.00	-	1.25	12.25
Former sorting office, Lacy Street, Stretford	0.87	-	0.09	0.96
Care Home Purchase	2.23	-	-	2.23
Various Development Sites	0.43	-	-	0.43
Sub Total	26.12	-	3.38	29.50
Equity:				
Stretford Mall, Equity	8.82	-	-	8.82
Stamford Quarter, Equity	16.69	-	-	16.69
Sub Total	25.51	-	-	25.51
Development Debt:				
Bruntwood; K site	10.90		1.35	12.25
Bruntwood Shopping Centre	25.57	-	-	25.57
CIS Building, Manchester	60.00	-	-	60.00
The Hut Group	62.45	(62.45)	67.50	67.50
Castle Irwell, Salford	11.28	-	7.72	19.00
Sub Total	170.20	(62.45)	76.57	184.32
Total Capital Investment	301.75	(62.45)	79.95	319.25
Albert Estate Investment	17.62		-	17.62
Total Investment	319.37	(62.45)	79.95	336.87
Balance available				163.13

Issues / Risks

39. A key risk is the ability to deliver the revised capital programme in 2021/22, and this will continue to be closely monitored and reported throughout the year and as any significant issues may arise.
40. In addition, there is the risk that the level of Capital receipts that will be realised in the year and in future will be insufficient to fund the relevant schemes in the capital programme. A prudent approach to estimating these asset receipts and development returns will continue to be taken with only receipts that have a significant level of certainty being included in the resource forecasts.

Recommendations

41. It is recommended that that the Executive:

- note the updated positions on the revenue budget, collection fund and capital programme.

Other Options

No Applicable.

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance **DM**.....

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

DIRECTOR'S SIGNATURE ...

G. Bentley

Appendix 1

Service Review/Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (£000's)	Finance & Systems (£000's)	Governance & Community Strategy (£000's)	Council-wide (£000's)	Total (£000's)
Period 4 Outturn Report	42,456	65,108	31,065	5,539	7,666	6,160	21,478	179,472
Virements:								
Making Tax Digital budget - realign to Service					17		(17)	0
Events budget (Communications) to Customer Services (Access Trafford) – net running cost adjustment				(4)		4		0
THRIVE Contract budget			90	(90)				0
Total movements	0	0	90	(94)	17	4	(17)	0
Period 6 Outturn Report	42,456	65,108	31,155	5,445	7,683	6,164	21,461	179,472

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 November 2021
Report for: Discussion
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period August 2021 to October 2021.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period above.**
- **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
Email: mark.foster@trafford.gov.uk

Background Papers: None

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TRAFFORD
COUNCIL

Audit and Assurance Service Report August to October 2021

Date: November 2021

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between August 2021 and October 2021 and highlights progress against the 2021/22 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 2021/22.

2. Planned Assurance Work

Key elements of the 2021/22 Work Plan produced in March 2021 include:

- Fundamental Financial Systems reviews.
- Input to the 2020/21 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 plus input to processes in respect of the payment of business grants in relation to COVID-19.
- Audit reviews of other areas of business risk including audits of services and functions.
- Provision of guidance and advice to services across the Council.

3. Main areas of focus – August to October 2021

Work in this period has included progressing a number of planned internal audit reviews. This included a number of audit reviews of key financial systems. 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 in August to October 2021

There were 8 internal audit opinion reports issued in the period (5 final reports and 3 draft reports issued).

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

A listing of audit report opinions issued including overall findings plus a listing of draft reports produced is shown in Section 5.

5. Summary of Audit & Assurance Opinions Issued – August to October 2021

(See Appendix 3 for details of Audit opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/AG -Date Issued	COMMENTS
FINAL REPORTS ISSUED		
Level 4 Reports :		
Accounts Payable (Finance and Systems) / (Finance and Governance)	Reasonable * Assurance (GREEN) (10/9/21)	As part of the response to the pandemic, the Accounts Payable function implemented changes in procedures with the introduction of remote working and additional demand was placed on the team with the need to process COVID-19 related grant payments. Audit testing found overall that processes were found to be working effectively. The service has continued to progress with planned service improvement work. Of the previous 13 audit recommendations made, 5 are fully implemented, with the remaining 8 in progress / met in part. Planned actions include the further development of training documentation for system users.
Purchase Cards (Finance and Systems) / (Finance and Governance)	Reasonable * Assurance (GREEN) (10/9/21)	Purchase cards are used across a number of services, generally to enable one-off or low value purchases, online purchasing or from suppliers where payment is required upfront. The cards are administered by the Accounts Payable Team within Financial Management. The review included follow up of previous audit recommendations made. Although the impact of COVID-19 has delayed some planned developments such as in relation to training, good progress has been made in implementing recommendations with 5 of the previous 10 recommendations fully implemented with the other 5 having progressed with further developments to be made.
Treasury Management (Finance and Systems) / (Finance and Governance)	Substantial Assurance (GREEN) (28/9/21)	The Council's treasury management processes continue to achieve a high level assurance opinion. This includes the continued effective use of processes introduced at the start of the pandemic to accommodate remote working.
Level 2 Reports:		
Housing Waiting List (Place) / (Housing and Regeneration)	Substantial Assurance (GREEN) (27/9/21)	The audit review found that there were effective processes in place for ensuring the Housing Waiting List was maintained to ensure it is accurate, up to date and it is managed in accordance with the Housing Allocation Policy and other related policies and procedures.
Level 1 Reports:		
Holy Family Catholic Primary School (Children's Services) / (Education)	Substantial Assurance (GREEN) (22/10/21)	A good standard of governance and internal control arrangements were found to be in place. The roles and responsibilities of governors, sub-committees and key staff are clearly defined. Relevant school policies are reviewed on a regular basis. A small number of audit recommendations were made which have since been implemented.
DRAFT REPORTS		(Reports below to be finalised taking into account management responses and will be issued later in 2021).
Level 4 Reports:		
Social Value in Procurement		Draft findings from this follow-up audit review were shared with

(Finance and Systems) / (Finance and Governance)	management and a final report is due to be issued in November 2021 (Details will be included in the next Audit and Assurance update report).
Business Continuity (Authority-Wide) / (COVID-19 Recovery and Reform)	A follow up review setting out a position statement of progress made to date against previous audit recommendations was shared with management. This draft report sets out interim findings, both of progress to date and plans for future developments during the remainder of 2021/22.
Supporting Families Programme (Children's Services) / (Children's Services)	Draft findings were shared with management and the report is to be finalised. (Details will be included in the next Audit and Assurance update report).
<i>*Denotes this final report is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.</i>	

6. Other Assurance Work

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

- Completion of checks to provide assurance that the conditions attached to the receipt of the 2020/21 Disabled Facilities Grant have been complied with.
- Continuing to provide assistance to the Strategic Growth team in completing checks to support the processing of applications for the payment of grants to local businesses in respect of the COVID-19 Additional Restrictions (Discretionary) Grant Scheme.
- Working with CLT to update the strategic risk register with an update report being progressed for sharing in November 2021 with CLT and the Accounts and Audit Committee.
- Working to support Legal and Democratic Services in the process of finalising the 2020/21 Annual Governance Statement.

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 year to date, 15 of the 16 new recommendations made have been accepted (94%) compared to a service target of 95%. A number of other audits were in progress during the period and levels of acceptance of recommendations made in the subsequent reports will be reflected in the next Audit and Assurance update.

Implementation of Audit Recommendations

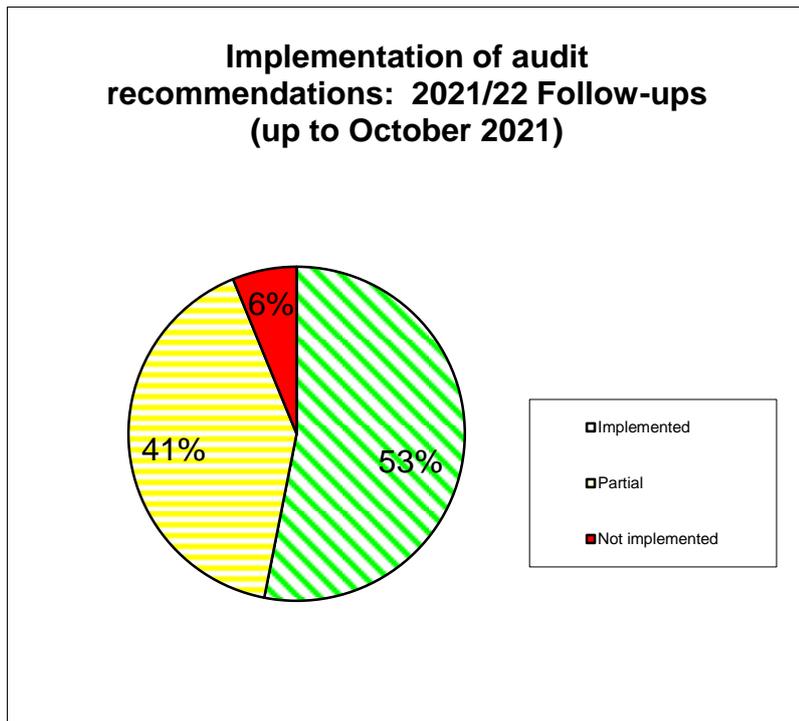
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

As shown under final reports issued in Section 5, follow up audits were completed in relation to the audit reviews of the Accounts Payable and Purchase Card systems.

In respect of three other audits previously completed, management were requested to provide an update on progress in implementing recommendations made. This was in relation to the following:

- Asset Investment Strategy (Authority-wide) – Of the 6 recommendations made, 5 have been implemented or not currently applicable, with the remaining recommendation in progress.
- St. Mary’s CE Primary School, Davyhulme (Children’s Services) – All 5 of the recommendations made have been implemented.
- Planning and Development (Place) – Of the 4 recommendations previously made, it was reported that 1 has been fully implemented, 2 are currently in progress and once completed the remaining recommendation is planned to be implemented

An overall analysis of audit recommendations followed up in 2021/22 to date is shown on the following chart. This is based on follow ups of 8 previous reviews covering a total of 83 recommendations.



There will be reporting of follow-ups completed up to the end of December 2021 in the next update and further follow-up of previous recommendations will be considered as part of audit planning.

8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2021/22 Operational Internal Audit Plan

As at 31 October 2021, 487 audit days were spent against 485 allocated days (See Appendix 1). A further 100 contingency days were in the 2021/22 Internal Audit Plan but some of this will be used to mitigate any loss of days from a vacancy that arose from 30 September 2021 following the departure of one of the Audit and Assurance staff, who left to take up a post at another local authority.

As part of the Internal Audit Plan, a target of 32 audit opinion reports was set to be produced during 2021/22 to final or draft stage. As at 31 October 2021, 13 reports has been produced with 8 of these issued to final stage. In addition to the 13 reports, a further 9 reviews were in progress and planning had commenced on a further 2 reviews. A further update on progress against the 2021/22 Internal Plan, including reports issued to date, will be provided in the next Audit update report to be presented to the Accounts and Audit Committee in February 2022.

9. Planned Work for November to December 2021

Areas of focus include :

- Issue of final reports for all reports listed in Appendix 2 where draft findings have been produced.
- Progression of other internal audit reviews as listed in Appendix 2.
- Follow-up of a number of audit reviews completed in 2020/21.
- Continuing to support CLT in updating the Strategic Risk Register with a report due to be shared with the Accounts and Audit Committee in November 2021.
- Ongoing work to support the National Fraud Initiative
- Following the departure of one of the Audit and Assurance staff in September 2021, a recruitment exercise is underway during the period to fill the vacancy.

2021/22 Operational Plan: Planned against Actual Work (as at 31 October 2021)

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2021/22</u>	<u>Planned Days (up to 31/10/21</u>	<u>Actual Days (as at 31/10/21)</u>
Financial Systems	<p>Completion of fundamental financial systems audit reviews</p> <p>See Appendix 2 for opinion reports issued and planned and Section 7 re follow-up work.</p>	150	66	73
Governance	<p>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.</p> <p>Advice / assurance in respect of governance issues.</p> <p>Work to date has included liaising with Democratic Services on the collation of both the Draft and Final versions AGS collated, including providing guidance and comments on the documents.</p>	25	18	15
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register.</p> <p>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.</p> <p>Strategic Risk update report completed and reviewed by CLT and the Accounts and Audit Committee in July 2021. A further refresh of the risk register commenced with a report to CLT and the Accounts and Audit Committee due in November 2021.</p> <p>Also See Appendix 2 for opinion reports produced and planned.</p>	45	26	22
Anti-Fraud and Corruption	<p>Co-ordinate the Council's activity in respect of the National Fraud Initiative ensuring work completed across services in investigating data matches is progressed in accordance with Cabinet Office requirements.</p> <p>Contributing to investigations of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and Corruption Strategy, including where</p>	60	35	39

	<p>applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</p> <p>Summary of work completed during the year to be set out in Annual Head of Internal Audit Report and an update on work supporting the National Fraud Initiative will be included in the next Audit and Assurance update report.</p>			
Procurement / Contracts/ Value for money	<p>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).</p> <p>See Appendix 2 for reports issued and planned.</p>	60	24	19
Information Governance / Information, Communications and Technology	<p>ICT Audit reviews and advice, including reviews conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews</p> <p>See Appendix 2 for reports issued and planned.</p>	80	36	37
Schools	<p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools: At least 12 school audits to be undertaken during the year</p> <p>Follow-up of progress for audits completed in 2020/21.</p> <p>See Appendix 2 for audit opinion reports issued and planned and Section 7 re follow-up work.</p>	140	89	99
Assurance – Other Business Risks	<p>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. <p>See Appendix 2 for audit opinion reports issued and planned.</p>	195	71	73
Grant claims checks / Data Quality	<p>Internal audit checks of grant claims / statutory returns and other checks as required (including in relation to COVID-19 business grant payments)</p> <p>Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off.</p>	95	85	75

	See Section 6 re COVID-19 business grant payments and Disabled Facilities Grant.			
Service Advice / Project Support	<p>General advice and guidance, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</p> <p>Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.</p>	60	35	35
TOTAL		910*	485	487

* Note there is a further contingency of 100 days within the 2021/22 Plan which is currently being used to mitigate any loss of audit days through a vacant audit post.

Audit Opinion Reports Issued and Planned 2021/22 (as at 31 October 2021)

<u>Category</u>	<u>Audit Opinion Reports</u>	<u>Status (where progressed by 31/10/21)</u>	<u>2021/22 IA Plan</u>
Financial Systems	<ul style="list-style-type: none"> - Accounts Payable System (Finance and Systems) - Accounts Receivable / Debt Recovery (Finance and Systems) - Treasury Management (Finance and Systems) - Council Tax (Finance and Systems) - Budgetary Control (Authority-wide/Finance and Systems) - Children's Social Care Payments System - Liquid Logic/ContrOCC (Children's Services) - Payroll (Strategy and Resources) - Asset Investment Strategy follow-up (Authority-Wide) - Adult Social Care Payments System (Adults' Services) - Adult Social Care Direct Payments (Adults' Services) 	<ul style="list-style-type: none"> Final report issued 10/9/21 In progress Final report issued 28/9/21 - - Final report issued 28/4/21 Review due to resume in November 2021 Follow-up assessment completed August 2021 In progress In progress 	<ul style="list-style-type: none"> Completed Draft findings to be shared by end of Quarter 3 2021/22 (Q3). Completed Timing to be agreed Timing to be agreed Completed Final report to be issued by Q4 Completed Final report to be issued by Q4 Final report to be issued by Q4
Risk Management	<ul style="list-style-type: none"> - Health and Safety (Strategy and Resources / Authority-wide) - Business Continuity follow up review 	<ul style="list-style-type: none"> - Draft interim report produced with further review in 2022/23 	<ul style="list-style-type: none"> Timing to be agreed Report to be finalised /Follow up- audit to be included in 2022/23 Internal Audit Plan
Procurement /Contracts /Value for money	<ul style="list-style-type: none"> - Social Value in Procurement – follow-up (STAR authorities – Trafford lead) (Finance and Systems) - Purchase cards follow-up audit (Finance and Systems) <p>(Any further reports to be issued during the year to be confirmed in liaison with STAR and partner authorities)</p>	<ul style="list-style-type: none"> Draft findings completed Final report issued 10/9/21 	<ul style="list-style-type: none"> Final report to be issued in Q3 Completed
Information Governance / ICT Audit	<ul style="list-style-type: none"> - ICT Service Management (Finance and Systems) - ICT Asset Management (Finance and Systems) - Cyber Security: Identification and Protection Systems (Finance and Systems / Authority-wide) - ICT Security in Schools (Finance and Systems / Children's Services) - Data breaches (Governance and Community Strategy/Authority-Wide) 	<ul style="list-style-type: none"> - In progress - Planning commenced Draft findings completed 	<ul style="list-style-type: none"> Timing to be agreed Draft report to be issued Q3 Timing to be agreed Reporting details to be agreed. Final report to be issued Q3
Schools	<ul style="list-style-type: none"> 12 School Audits (Children's Services) - Dayhulme Primary School - Gorse Hill Primary School - Kingsway Primary School 	<ul style="list-style-type: none"> Final report issued 21/6/21 Final report issued 13/7/21 Draft findings completed 	<ul style="list-style-type: none"> Completed Completed Final report to be issued Q3

	<ul style="list-style-type: none"> - Holy Family Catholic Primary School - St. Alphonsus RC Primary School - Moorlands Primary School - Victoria Park Junior School - St. Mary's C of E Primary, Sale - 4 other school audits to be undertaken in 2021/22. 	<ul style="list-style-type: none"> Final report issued 22/10/21 In progress In progress Planning commenced Planning commenced - 	<ul style="list-style-type: none"> Completed Final report to be issued Q3 Final report to be issued Q3 Start date to be confirmed Q3. Start date to be confirmed Q3 To commence in Q3/Q4.
Assurance – Other Business Risks	<ul style="list-style-type: none"> - Blue Badges (Governance and Community Strategy) - Cleaning Services (Strategy and Resources) - Recruitment Processes (Strategy and Resources) - Home to School Transport (Children's Services) - Special Educational Needs and Disability (Children's Services) - Housing Waiting List (Place) - Let Estates (Place) - Building Control (Place) - Outdoor Advertising (Place) - Safety at Sports Grounds (Place) - Licensing (Place) - Highways Inspection and Repairs (Place) - Section 106 Planning Agreements and Community Infrastructure Levy (Place) - Aids and Adaptations (Adult Services) - Deprivation of Liberty Safeguards System (Adult Services) <p>Added to 2021/22 Plan: -Supporting Families (Children's Services)</p>	<ul style="list-style-type: none"> - - - Planning commenced - Final report issued 27/9/21 In progress - - - - In progress - - - - Initial draft findings shared with management 	<ul style="list-style-type: none"> Timing to be agreed Timing to be agreed Timing to be agreed Final report to be issued by Q4 Timing to be agreed Completed Draft report to be issued Q3 Timing to be agreed Timing to be agreed Timing to be agreed Timing to be agreed Draft report to be issued Q3 Timing to be agreed Timing to be agreed Timing to be agreed Final report to be issued Q3

APPENDIX 3

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

Substantial Assurance	Green
Reasonable Assurance	Green
Limited Assurance	Amber
Low or No Assurance	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.
-

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 November 2021
Report for: Discussion
Report of: Audit and Assurance Manager

Report Title

Strategic Risk Register 2021/22 (November 2021 update)

Summary

The Accounts and Audit Committee is asked to consider this report which provides an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks.

Recommendation

The Accounts and Audit Committee notes the report.

Contact person for access to background papers and further information:

Mark Foster – Audit & Assurance Manager. Email: mark.foster@trafford.gov.uk
Peter Morris – Senior Audit & Assurance Officer. Email: peter.morris@trafford.gov.uk

Background Papers:

None

1. INTRODUCTION

- 1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.
- 1.2 In accordance with the Council's Risk Management Policy, the Corporate Leadership Team (CLT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.
- 1.3 This report is based on information provided by risk owners in October/November 2021 for each risk unless otherwise stated.

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

- 2.1 The Audit & Assurance Service liaises with CLT and senior managers to agree the risks to be included in the strategic risk register and provide updates on risks under their remit.
- 2.2 This report contains an update on each of the strategic risks, including recent developments relating to the risks and progress made in managing each risk.
- 2.3 There has been an increase in risk score for one of the risks since the previous strategic risk update report: Risk 1 – Medium Term Financial Position which shows an increase from a risk score of 20 (High) to 25 (High) since July 2021. Details relating to the risk are shown in Section 3.
- 2.4 The risk charts in section 2.6 show an analysis of the current strategic risks. The charts analyse the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are currently 15 strategic risks. For each risk, set out in Section 3, this includes the relevant Executive Portfolio and Service Directorate.
- 2.5 A further update on the Council's strategic risks will be reported to the Accounts and Audit Committee in the final quarter of 2021/22.

2.6 **Comparison of Risk Levels July 2021 and November 2021**

IMPACT **Risk Levels – July 2021**

Very High(5)			6	5	
High (4)			1	1	2
Medium (3)					
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD

IMPACT **Risk Levels – November 2021**

Very High(5)			6	5	1
High (4)			1	1	1
Medium (3)					
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD

High Risk
Medium Risk
Low Risk

3. Strategic Risks (November 2021)

Red	Amber	Green
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Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
1 (3)	Continuing uncertainty regarding the Council's medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes that are planned concerning the reform of local government funding (Fair Funding) and the review of the business rate retention system with a planned full reset of business rate baselines originally expected from April 2021 now delayed until possibly 2024/25 (Finance & Systems /	5	5	25 High	↑ Increase in risk	<p>2021/2022 Budget Position</p> <p>The latest period monitoring for 2021/22 (Period 6) is forecasting an outturn pressure of £2.42m largely associated with a shortfall in the budgeted savings programme and increases in demand in Children's and Adults. This figure also includes the release of substantial contingency items set aside to accommodate in year demand pressures.</p> <p>A sizeable savings programme of £11.93m was included in the 2021/22 budget of which £2.9m is forecast not to be achieved. The consequences of this shortfall will not only impact on the current financial year but will cascade into 2022/23 should they continue not to be met.</p> <p>A range of mitigating actions are in progress to reduce the estimated outturn pressure and these include discussions with Greater Manchester Combined Authority regarding the Business Rate growth pilot sharing agreement, a review of reserves, more frequent reviews of performance of the savings programme by CLT and a review of all non-essential spend.</p> <p>MTFS 2022/2027 and Budget 2022/23</p> <p>In October 2021 the Executive approved the updated 5 year budget strategy proposals including the draft revenue budget proposals for 2022/23 and the Medium Term Financial Strategy (MTFS) for the period 2023/27.</p> <p>The key summary of figures for the revenue budget, based on current estimates at the time were :</p> <ul style="list-style-type: none"> • The budget gap for the five years before applying any of the draft budget proposals is estimated to be £61.51m comprising:

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
	Finance and Governance).					<ul style="list-style-type: none"> ○ £54.41m of business as usual expenditure and funding pressures ○ £7.10m of COVID-19 pressures <ul style="list-style-type: none"> • For 2022/23. There is a gross budget gap of £21.752m consisting of £7.1m COVID-19 pressures and £14.7m BAU. • Plans to close the gap in 2022/23 consist of the one-off use of reserves to cover the impact of the Covid-19 related pressures of £7.1m with the business as usual pressures being addressed by £4.5m additional funding from Council Tax, and £5.5m income generation and savings proposals. • This position already assumes a significant use of earmarked reserves, a position which cannot be replicated in future years due to the limited levels of reserves available to the Council. Therefore, at this stage, a wide range of other budget proposals are under consideration to help bridge the remaining gap for 2022/23 and later years. The remaining gap is £4.65m and priority will be given to closing this before the final budget proposals are presented. A potential list of further opportunities for savings have been identified and will be explored further. • The risks posed by a downturn in the wider economy and the longer term impact of the pandemic will affect both service demand and potentially all of our major sources of income such as the Asset Investment Strategy, Business Rates and Council Tax. Many of these risks are usually managed within our earmarked reserve balances and as part of our obligations to set a balanced and robust budget, we will be reviewing in detail the levels of reserves before the final budget is agreed. <p>The figures above are currently being refreshed to take account of the outcome of the October</p>

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>2021 Spending Review but more detail is awaited when the Local Government Provisional Financial Settlement is announced in December 2021. The impact of the increases in inflation, National Living Wage and National Insurance Social Care Levy will need to be considered.</p> <p>Income from Strategic Investments of £7.6m is included in the budget, including £3.0m of anticipated income from recirculating previous investments which have been repaid. Due to the magnitude of the income anticipated from our strategic investments, a separate item has been included in the SRR.</p> <p>Impact of the Covid-19 pandemic The outbreak of the virus during 2020/21 had significant and far reaching implications on the Council and the way it has delivered its services during the response phase and how it will deliver them in the recovery phase.</p> <p>The impact has been felt across all Council services, which has placed a burden on expenditure, reduced income streams from fees and charges and impacted funding from council tax and business rates. The 2021/22 and 2022/23 budget included resources of £15.4m to address a number of anticipated ongoing COVID-19 pressures. Pressures continue to be monitored as part of the regular bi-monthly monitoring alongside business as usual activity.</p> <p>The forecasting of the ongoing impact of Covid is challenging given the long term consequences on many aspects of the Council's operations. Regular impact returns continue to be submitted to central government. No further resource relating to the impact of COVID-19 after 2022/23 was announced by the Government in the recent Spending Review (SR21) for the period 2022 to 2024.</p> <p>The demand in children's and adults social care, continues to be monitored carefully to identify the potential for latent demand within the system which was anticipated to be felt over the short to medium term. There continues to be a high level</p>

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>of uncertainty regarding the wider economic impact and how this will particularly affect business rates income although the SR21 announced further relief support for certain businesses to reduce the risk of a shortfall in income.</p> <p>The long term impact of the pandemic remains a significant risk for the Council in future years. The Council utilised its favourable outturn in 2020/21 and general COVID-19 support grants to bolster its COVID-19, Budget Support Reserves and specific earmarked reserves.</p> <p>The impact of COVID-19 and ongoing requirement to make significant business as usual savings reinforces the reason why the uncertainty in the medium term plans appears within the Council's Strategic Risk Register.</p> <p><u>Risk Mitigation</u></p> <p>The key activities below provide a further level of risk mitigation</p> <ul style="list-style-type: none"> • Introduction of more streamlined and focussed budget monitoring to the Executive on a bi-monthly basis. High risk areas of the budget continue to be monitored on a monthly basis. • Savings areas for 2021/22 and 2022/23 (draft) have/will be subject to public, staff and business consultation, equality impact assessment where necessary and a rigorous business case development and robustness review. Variations in both resource levels and savings are reviewed regularly for CLT and Executive to take remedial action. A review of all savings programmes is included in regular budget monitoring reports presented to CLT and the Executive. • The Council reviews its levels of reserves on a regular basis throughout the year (closedown, draft budget and final budget). This exercise has enabled the bolstering of those reserves (Budget

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>Support, Business Rates Risk, COVID Risk, Employment Rationalisation, General Reserve) to provide a prudent level of resilience to mitigate the risk of unknown COVID and BAU pressures over the medium term.</p> <ul style="list-style-type: none"> The 21/22 budget provides for a number of contingency items for potential covid pressures (delayed demand, prolonged impact on collection rates). Provision exists within the revenue budget to start to replenish reserves depleted during the pandemic (Strategic Investments in airport +£0.5m, Leisure Reserve+£0.3m). The impact of the pandemic is likely to be felt over many years and as such, in the preparation of our next budget round, the timescales of our Medium Term Strategy have been extended from a three year to a five year window. This foresight will allow the risks associated with such items as our commercial and strategic income to be considered and give sufficient flexibility and time to adapt given the levels of uncertainty. Engagement with Greater Manchester Combined Authority to review GM wide commitments seeking reprioritisation of uncommitted resource.
2 (1)	Significant disruption as a consequence of the COVID-19 outbreak (Authority-Wide)	5	4	20 High	↔ No change	<p>The Council is continuing to work to the GM Pandemic Strategic Response Plan in preparing a coordinated response to the COVID-19 outbreaks in Trafford. The governance arrangements have been set up with the Recovery Coordinating Group Chaired by the Chief Executive of the Council. This acts at the gold command level.</p> <p>Two boards are in place. A Health Protection Board, chaired by Eleanor Roaf (DPH) and a Public Engagement Board, now chaired by Cllr Freeman</p> <p>Six Silver level thematic groups are meeting bi-weekly chaired by Corporate Directors:</p>

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<ul style="list-style-type: none"> • Adults Health and Social Care, Chaired by Diane Eaton • Children's Health and Social Care and Education Chaired by Jill McGregor • Infrastructure & Economy – Chaired by Richard Roe • Infrastructure, Environment and Physical Activity – Chaired by Richard Roe • Staffing Digital and Modernisation chaired by Dianne Geary • Resourcing – Chaired by Angela Beadsworth <p>Terms of reference have been established for all the groups with the key areas that each group will oversee and provide assurance that these critical areas are being addressed. A number of sub groups / and time limited task groups have been established.</p> <p>The silver groups report monthly on progress and risk management. The frequency of meetings and reporting is monitored regularly.</p> <p>Additional resources have also been recruited to support the delivery of the recovery activity; reporting through The Health Protection Board</p> <p>There has been an ongoing communication programme for residents, staff and partners. New HR arrangements have been issued to staff to facilitate home working. ICT capacity has been enhanced through an increase in VPN licences. Directorates have updated their business continuity plans to focus on critical services. Major changes have been implemented to working practices to ensure that all staff whose job role allows them to work from home are able to do so. A range of programmes to support residents and businesses to mitigate economic impact have been introduced.</p> <p>The Health and Social Care Group has progressed both strategic and operational work providing support to Care Homes, Direct Payments services, Home Care, Drug and Alcohol services and Domestic Abuse and, training for care providers. Commissioners have sought assurance of business continuity from all</p>

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						<p>service providers. The group works closely with CCG , primary care and the Trafford Local Care Organisation</p> <p>The Children’s Social Care and Health is working towards trying to secure placement stability for Looked After Children, staffing resilience for maintaining front line critical services, children’s health and wellbeing, youth justice and cohesion and advising supporting school and educational settings.</p> <p>Plans for returning to the office progress to ensure colleagues return to a safe environment and staff returning to the Town Hall and Sale Waterside has increased However whilst rates of infection in Trafford remain high staff are still encouraged to work from home wherever possible avoid face to face meetings unless business critical to do so.</p> <p>The vaccination programme continues, led by the CCG, and while uptake is excellent overall, there are inequalities emerging within this, which we are working to address.</p> <p>The neighbourhood based community engagement team continues to work in localities on community engagement and behaviour change, and vaccination uptake in relation to COVID.</p>
3 (2)	Climate Change Emergency (Place / Sustainability and Climate Change)	5	4	20 High	↔ No change	<p>This considered to have a very high likelihood, in that all available indicators suggest that climate change is already occurring and will, if anything, become more prominent. The Impact is considered to be High as a minimum (very high without mitigation) as the consequence of climate change give rise to unpredictable and severe weather events – and events that occur with increasing regularity. These will in turn have significant impacts on our environment, economy and society. Examples could range from changing patterns of food production through to the financial to households and businesses. In short, the impacts are wide ranging and cross cutting in character</p>

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						<p>Climate Change can be addressed firstly through adaption (as it is already occurring) - actions designed to promote greater resilience to more extreme weather events. Secondly it can be addressed through mitigation – actions that are intended to slow or avoid the more severe climatic impacts. These are primarily focussed on reductions in local Carbon Emissions.</p> <p>To progress these matters the Council has prepared a draft Carbon Neutral Action Plan as a means of establishing actions to reduce emissions in Trafford. These will contribute to wider Low Carbon targets across Greater Manchester – and ultimately the UK as part of the National 25 year Environment Plan. The Trafford Air Quality and Climate Change Commission is now well established – and a new performance tool is managing progress. Activity is now focussed on businesses, which account for a significant portion of emissions – and most especially SME's. New staff have been recruited through 2021 and are now in post – thus improving the Council's overall capacity to address the issue.</p>
4	Trafford Council must ensure that it and 3 rd parties acting on their behalf are handling personal/ sensitive and commercial data securely both in technology and physical terms and in accordance with legislation and Trafford Council's	4	5	20 High	↔ No change	<p>Although there is an overarching risk score of 20 (High), this is made up of a number of constituent risks which make up the overall score i.e.</p> <ul style="list-style-type: none"> • Records Management – 20 High • Subject Access Requests (SAR) – 5 Low • Freedom of Information (FOI) / Environmental Information Regulations (EIR) – 20 High • Data Breaches – 15 Medium • Data Security Protection Toolkit – 20 High <p><u>Records Management</u></p> <p>A review of the Council's record management position has been undertaken with a view to identifying work streams and potential solutions. An options paper is being compiled which will set out recommended strategies around the following themes:</p> <ul style="list-style-type: none"> • Retention Schedule: Commit to an update of current subscription OR commence work internally on producing a bespoke Trafford

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	<p>policies and procedures. The following areas of risk have been identified:</p> <ul style="list-style-type: none"> • Compliance risks • SAR delays • FOI compliance • Data breaches • Mandatory Training <p>(Governance & Community Strategy / Finance and Governance)</p>					<p>Council records and retention schedule OR commission an external records management expert to producing a bespoke Trafford Council records and retention schedule.</p> <ul style="list-style-type: none"> • Offsite Storage: The Council's current offsite storage contract has been reviewed and a re-tendering exercise has been initiated to ensure VfM and attainment of fiduciary duties. • Hard Copy Files: An assessment of the Council's handling and storage of hard copy records had been underway but was paused as a result of the pandemic. The pandemic has altered the way in which employees are working. A further assessment will now be undertaken to explore the position and present recommendations around data cleansing and hard copy protocols. • Email management: recommendations regarding email management will be developed alongside IT colleagues. <p><u>Subject Access Requests (SAR)</u></p> <p>The Information Commissioners Office (ICO) had expressed concerns that the Council was failing to adhere to statutory deadlines in the processing of subject access requests (SAR's) subject to UK GDPR.</p> <ul style="list-style-type: none"> • SAR processing is an issue for most LAs across the UK and has resulted in an increase in complaints made to the ICO. • The Council responded by securing additional resource and establishing a task and finish group to address the issue. • As of January 2021, the Council had a backlog of approx. 149 SAR cases, with an average of 15 new cases being received each month. The IG team were processing an average of 7-10 SAR cases per month. • As of October 2021, the Council's backlog SAR cases has been reduced to 14, with an average of 27 SAR cases being processed by the IG team per month. • The IG team have also reduced the number of cases which exceeded the statutory response

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						<p>timescales from 104 in September 2020 to 21 in September 2021.</p> <ul style="list-style-type: none"> The ICO has been informed of the progress that has been made to date and the Council has now been formally notified that we will no longer be subject to inspection. Furthermore, the ICO have asked the Council to act as an exemplar to other LA's in sharing knowledge and approach to the processing of SAR's and how to tackle case backlogs. Work to continue improving SAR processes will continue. <p><u>Freedom of Information (FOI)/ Environmental Information Regulations (EIR)</u></p> <ul style="list-style-type: none"> The average compliance rate to date has been steadily decreasing month by month, reaching a rate of 41% (responded to within 20 working days) in September 2021. The target compliance rate (and ICO expectation) is 90%. Initial assessment of this performance shortfall has been undertaken with some immediate actions identified and work will continue to determine solutions both in the near term and longer term. Identified actions: Targeted collaboration with teams where delays are being experienced; Rota system implemented across the IG team to improve processing; Reporting mechanisms reviewed; Refocus of resource from SAR cases to FOIs. <p><u>Data Breaches</u></p> <p>Position Statement:</p> <ul style="list-style-type: none"> Since April 2021 to 6th October 2021, the Information Governance Team has received reports of 40 data breach incidents for investigation The most common types of data breach are: <ul style="list-style-type: none"> Email sent in error to wrong recipient. Letter posted to wrong recipient. Error in redaction of information. Excessive information shared with professionals by email.

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						<ul style="list-style-type: none"> - Documents left on office printers. - Documents lost to theft/burglary at employees home. - Lost information. - IT system glitches. • The majority of the cases logged at Severity level 3 were found to have risks mitigated through appropriate and timely measures taken and no risks were posed to the rights and freedom of affected individuals. <p>The Head of Governance is leading an ongoing review to improve processing and awareness of data incidents:</p> <ul style="list-style-type: none"> - Interim processes which have already been embedded across the IG Service are being developed further to determine more substantive permanent mechanisms of reporting, - Incident reviews and decision making across the process: <ul style="list-style-type: none"> ➤ IG team have weekly meetings with IG Officers to triage new data incidents. Enables more serious incidents to be progressed on an urgent basis. Ensures Incidents are allocated promptly for investigation. - There remains a risk from delayed oversight of data incidents, poor quality reporting and lack of accountability for reporting and recommendation implementation - As previously identified by internal audit the biggest issue to be addressed is “Squaring the circle” and ensuring that the IG Team’s recommendations are fully implemented – work ongoing to identify solutions: <ul style="list-style-type: none"> ➤ Recommendations are being reviewed to ensure that they are both practical and effective and to ensure that implementation and success can be measured ➤ Recommendations will be reviewed to ensure that they are tailored to common types of

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						<p>breaches. The common types of breaches have been evolved somewhat as a result of the pandemic and remote working</p> <ul style="list-style-type: none"> - A system to capture data around data incidents is now in place which will inform smarter reporting and increase transparency: <ul style="list-style-type: none"> ➤ There is a correlation between training take up and number of breaches originating from specific areas. ➤ Actions are being developed to secure commitment from the senior levels across target Directorates to ensure that data protection training is made a priority within agreed timescales. <p>Together, the above issues raise the following risks – legal/regulatory (non-compliance with legal requirements), reputational, financial, adverse publicity.</p> <p><u>Data Security Protection Toolkit</u></p> <ul style="list-style-type: none"> • This an annual piece of work that requires the Council to demonstrate that it is fully compliant with the minimum data protection standards in order to access and process information from NHS Digital. • This piece of work requires significant resource from both IG and ICT. Moreover, it requires the Council to corporately demonstrate commitment in areas such as data protection training and cyber security. • Our last submission was June 2021 and there were 4 areas where the Council did not meet the minimum standards. These consist of: <ul style="list-style-type: none"> - No Business Continuity Plan covering data and cyber security - Software that is unsupported - Need to ensure cyber security certification is in place for all IT system suppliers • The Council submitted an improvement plan in which we put forward proposals for

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						<p>addressing each of these areas with a deadline for compliance of 31st December 2021. An update report on progress to date, prepared by the Chief Digital Officer, is to be shared with CLT later in November 2021.</p> <ul style="list-style-type: none"> In previous years the Council has struggled to ensure that we have met the target for corporate data protection training: <ul style="list-style-type: none"> A new DSP Toolkit sub team to be established from within the IG team with clear roles and responsibilities Alternatives to the current data protection training modules are to be considered. Consideration being given to methods of ensuring that training is undertaken in a timely fashion.
5	<p>Demand for school places underestimated and/ or additional school places are not delivered to satisfy increased demand.</p> <p>(Children's Services / Children's Services).</p>	4	5	20 High	↔ No change	<p>In the normal admissions round for entry into reception and year 7 in September 2021 there were sufficient places in all areas for our residents.</p> <p>However in year applications continue at a high level, especially from families newly resident in Trafford, particularly with children arriving from Hong Kong.</p> <p>In-year applications for primary school places in Sale continue to be an issue. In Years 1,3,4,5 and 6 every school in Sale East and Sale West is full and additional children have been admitted above the published admission number.</p> <ul style="list-style-type: none"> This means that there are now insufficient places available in Sale to meet our general duty to provide a school place for our residents. Places above the admission number will continue to be allocated through the appeals process and fair access protocol in line with Trafford's determined admission arrangements Altrincham does have limited vacancies in every year group. In the Urmston Planning area every reception class is full and Infant Class Regulations limit the number of number of additional children that can be

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						<p>admitted except in a very few limited circumstances.</p> <p>School Places & Capital Group and Place Shaping Board have oversight of school place planning and school expansion projects. Key activity to mitigate risk:</p> <ul style="list-style-type: none"> • A capital scheme is underway at Firs Primary School to create 30 additional places from September 2022. • Proposals underway to permanently expand 4 schools from September 2024, 2 in Sale East (1 infant, 1 junior), 1 in Altrincham and 1 in Urmston • In Altrincham area, 15 additional places have been created as an emergency measure in Years 5 and 6 at Willows Primary School with the intention to propose a permanent expansion from 45 to 60 places in each year group. • Initial engagement with school in Sale West where may be possible to convert a specialist space into emergency places in Year 5 and 6. • Continue to update and review the most recent GP registration data, taking into account recent and planned housing development and pupil flows to the independent sectors and non-Trafford schools. • Annually review catchment areas for primary schools to ensure that the available places are targeted most effectively. • Implement EYES Schools Admission module for enhanced monitoring and reporting on in-year applications and impact of inbound migration. • Link in with DfE Place Planning Teams to monitor impact of inbound migration, particularly from Hong Kong and the Afghanistan resettlement scheme. • Fragmentation of governance arrangements makes it increasingly difficult to affect the allocation/availability of places in the secondary sector. Trafford is the Admissions Authority for

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						only one of its 19 secondary schools and, therefore, has limited direct powers in relation to place planning and admissions policies.
6	<p>Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</p> <p>(Place / Environment and Regulatory Services)</p>	4	5	20 High	↔ No change	<p>Following the Council's Overview and Scrutiny Committee review into the service delivery of Amey in 2018, a report to Executive on 28 October 2019 was submitted to agree the next steps. A business case was submitted and Trafford council will be taking the following option:</p> <ul style="list-style-type: none"> ▪ Consider alternative models of service delivery, including the development of a predominately In-House Service model, with a view to ending the contract with Amey. ▪ Should an amicable agreement not be reached with Amey that keeps the council whole and allows services to be undertaken without detriment by an in house or further procurement measure then the council shall continue the Amey contract and seek significant improvements to the delivery of existing services. <p>The Covid-19 Crisis has delayed the process of negotiation for this. Amey's performance during this period has continued to be generally good.</p> <p>Discussions between the Council and Amey could not satisfactorily or economically come to a solution to move to an in-House service model. In a paper to the Council in October 2020 the decision to move to the second option was taken. To achieve the significant improvements in the delivery of the contract, the council has subsequently activated the contractual 7 year review clause. This gives a six month review period (with member oversight and resident and stakeholder input) to recommend any changes to the contract for improvements and efficiencies. This process is still ongoing and is due to conclude in late 2021 due to COVID interference.</p>

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						It should be noted that the efficiencies needed for the 2021/22 COVID affected budgets were achieved with Amey's assistance.
7	Leisure Services (Place/ Authority wide)	4	5	20 High	↔ No change	<p>Following the easing of government restrictions all facilities operated by Trafford Leisure (CIC) reopened to the public in Spring 2021. Since the ending of restrictions on 19th July 2021, all facilities have remained open running a programme of activities alongside an online offer. While user numbers are increasing, facilities are operating at below full capacity.</p> <p>A review of the Council's Leisure Investment Strategy was completed by Max Associates and approved at the January 2021 Executive. This included the recommendation to further explore the options to refurbish Altrincham, Sale and Stretford Leisure Centres.</p> <p>Alliance Leisure have been appointed to assist with development of the refurbishment programme. Survey and cost analysis work is ongoing to provide a level of cost certainty and inform a further report to Executive in December 2021. Work has commenced on the immediate maintenance works identified including updated Fire Risk Assessments.</p> <p>The Council were successful in securing £550k of funding from the Leisure Recovery Fund, to offset some of the loss of income in the previous and current financial year.</p>
8	Economic Impact of Brexit and COVID-19 (Authority-wide)	4	4	16	↔ No change	<p>Update below was provided in July 2021 and a further update will be included in the next strategic risk update report in Q4 2021/22:</p> <p>On 23 June 2016, Britain voted in a referendum to leave the European Union (EU) and on 1 January 2021 the UK left the EU with a Trade Deal covering new rules for how the UK and EU will co-operate, and trade together.</p> <p>Under the Trade & Co-operation Agreement, tariff and quota free trade between the UK and EU will continue as a part of a bilateral trade agreement. However, it is important to note that there are certain issues around the regulatory framework, rules of origin, Northern Ireland</p>

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						<p>status and additional administrative requirements / bureaucracy that are likely to have a direct effect on businesses. For example, businesses must show where their goods were made and where the components in those products come from, to determine whether tariffs are levied on goods into the EU. Also British exporters must register to pay VAT in the EU countries they are exporting to. In addition, the ending of free movement of people from the EU to the UK could have an impact on recruitment and meeting skills gaps.</p> <p>A high level Transition Preparedness Plan identifying key priorities/issues for each Service area has been produced by the Transition Preparedness Group as a focus for activity going forward. The Preparedness Plan is a combination of actions and issues that are monitored and reviewed by the Group on regular basis. In light of the above, and the ongoing effects of the Covid crisis, a review of the previous Brexit Impact Assessment has been produced and a report was presented to the Council's Executive on 26 July 2021. This report also includes an update on the Inclusive Economy Recovery Plan.</p> <p>The Trafford Inclusive Economy Recovery Plan, approved by the Council's Executive in February 2021 complements the above and was produced in light of the effects of the pandemic on the economy and the need to set out key initiatives to steer the borough through recovery. The Plan has not only been set in the context of meeting key issues facing the borough, but also to be complementary to the work of the GM LEP Economic Vision and Build Back Better priorities which sets out to create a better opportunity for a strong and successful recovery.</p> <p>The Plan is a 'live' document and may be amended over time as circumstances changes and new issues arise. Meeting the challenges caused by the Covid pandemic and ensuring an effective recovery will not be easy and will require a strong partnership approach to tackle</p>

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						<p>the issues facing the local economy through to recovery and beyond.</p> <p>The Plan covers the following themes:</p> <ul style="list-style-type: none"> -Business Support and Sustainable Job Creation -Transition Preparedness -Green Economy and Sustainable Job Creation -Sustainable Jobs and Skills Growth for local residents -Inward Investment and Sustainable Job Creation -Funding and Growth -Strategic Sites Development and Job Creation -Improved Town Centres for Residents and Businesses -Increase Visitor Economy
9	<p>Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations.</p> <p>(Strategy and Resources / Finance and Governance).</p>	3	5	15 Medium	↔ No change	<ul style="list-style-type: none"> • Covid Safe risk management measures remain in place as staff return to the office in a managed way through the reintegration process. Measures supported by the testing and vaccination programmes. This is closely monitored with the current variant COVID rates increasing regionally and nationally. The risk management strategies include managing occupancy rates to allow for Covid Safe controls to remain effective and manage transmission, hybrid work style to support occupancy rates and staff wellbeing, COVID safe building measures for distancing, hygiene, face coverings and ventilation, access to PPE where required. Covid rapid testing available for all front line staff from TTH combined with a test and trace local system and refocused mental wellbeing support. • Current Health & Safety Policy and comprehensive arrangements in place. Subject to periodic review as required and available to the workforce via the intranet. • Health and Safety Audit programme in place across all Directorates and schools. This programme includes proactive monitoring of compliance with health & safety law and internal H&S management arrangements.

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						<ul style="list-style-type: none"> • Policy, arrangements, protocols and guidance for Directorates and schools updated to reflect legislative or organisational changes and any new or emerging risks (in addition, a targeted rolling programme is ongoing). • Health & Safety Unit (HSU) support in the comprehensive assessment and investigation, where required, of health and safety issues or incidents. Facilitates the effective management of risk and statutory compliance. • HSU support in responding to occupational health and workforce referrals to ensure the health, safety and welfare of staff. • Staff consultation processes in place to report and liaise on Health and Safety performance issues. • Competent HSU advisory service with advisors subject to continuing professional development requirements. • Employee Health and Wellbeing Strategy in place which incorporates ill health reduction and mental wellbeing support. • Online training available to support managers and schools in ensuring staff are competent to undertake tasks/role. • Arrangements in place for the health and safety assessment of providers/contractors prior to approval and for subsequent monitoring of performance. • HSU engagement in Health, Safety, Welfare and Security issues relating to the Council's Corporate and Let Estate through Corporate Landlord and associated focused audits and reviews.
10	The Council does not fulfil its statutory duties and all accompanying policy requirements in terms of identifying and safeguarding vulnerable children.	3	5	15 Medium	↔ No change	<p>Safeguarding children is an area of Council responsibility that requires constant high levels of vigilance to guard against the risk of harm or abuse to children that could have been prevented through early help, identification, assessment and support.</p> <p>Trafford Children's Services was inspected under the Inspection Local Authority Children's Service Framework in March 2019 and received an overall rating of inadequate. The sub-judgements were Requires Improvement for children in need of protection, Requires Improvement for children in care and care-</p>

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	(Children's Services / Children's Services).					<p>leavers and Inadequate for Leadership. Following this judgement a number of actions are in place:</p> <ul style="list-style-type: none"> • An Improvement Board has continued to be in place with an Independent Chair (DfE) and attended by senior politicians and senior officers from the Council and key partners. • A full and comprehensive Improvement Plan is being implemented, this is continually reviewed and updated in line with our internal findings from quality assurance • Progress towards improvement continues to be monitored by the Department of Education regularly through the Involvement of our Improvement Advisor and DfE link officer. • Most recent DfE review in September 2021 highlighted that: <i>The progress of improvement continues at a steady pace with continued strong corporate, political and partner commitment. The permanent senior leadership team are now well established. There is now a good line of sight to practice, both through the council performance, quality assurance systems and practice forums that have been developed and increasingly through the Trafford Strategic Safeguarding Partnership.</i> • A monthly REACT meeting continues to take place with DfE regarding LA response to vulnerable children during the Covid pandemic. Our performance relating to visits to children open to CSC, vulnerable children attending school has been consistently strong during the past several months. The DfE report that they are assured that we are seeing our children are safe. • Ofsted have conducted a Monitoring Visit (28th - 29th September 2021) which will be published in due course. They found that leaders have an accurate picture of the service through effective governance and

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				15		<p>reporting. There has been instability in the social work workforce which is compounded by weaknesses in first line management and oversight by Safeguarding Children Unit (Conference Chairs) meaning that there has been an impact upon children in terms of drift and delay. There were no cases formally raised where children were felt to be at risk during the visit.</p> <ul style="list-style-type: none"> • The Quality Assurance framework is embedded across the service which is contributing to an accurate view about the quality of practice. • The Service Re-design is being implemented from 4th October 2021. Workers will move into their new teams with current caseloads which will transition over the next 6-8 weeks to where they 'belong'. • During Covid-19 we have maintained processes to focus on keeping children safe and maintaining placement stability for our cared for children. Our 'Sit-Reps' show an improving picture of resilience in all services (average 80%). There have been regular Incident meetings and sub-groups to ensure safe delivery of practice. We have issued guidance and reminders to staff, initiated an extensive Work from Home programme, used a monitoring process to measure our performance and continued with key aspects of our Improvement Journey.
11	A successful Cyber Security Attack could lead to sensitive data being compromised , denial of access to the Council's computing services or severe degradation	3	5	15 Medium	↔ No change	<p>The Council is subject to cyber-attacks daily, but a range of technical solutions and processes are in place to protect Trafford's IT systems and data. The volume and level of sophistication of these attacks is increasing so the Council needs to continuously review and improve how it protects systems and data. The National Cyber Security Centre reported increased cyber threats during the COVID-19 crisis as criminals take advantage of vulnerabilities.</p> <p>The increase in home working poses security challenges, but solutions have been put in place to maintain cyber security. The rollout of Microsoft Teams and the Pulse Virtual Private</p>

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	or loss of control of those services. (Finance & Systems / Finance and Governance)					<p>Network (VPN) have helped protect the Council's data and systems.</p> <p>There remains a significant risk that the Council's defences could be breached even with effective tools and approaches in place, so it is equally important to ensure the processes for dealing with an attack are effective.</p> <p>A detailed assessment of the Council's and CCG's cyber security technical solutions and processes was completed in 2020 by Internal Audit. Response to the recommendations was delayed due to the Covid-19 crisis. Responses have now been provided and the final report completed. An improvement plan has been agreed and activities allocated to the IT teams.</p> <p>Other controls and activities are:</p> <ul style="list-style-type: none"> • An internal cyber security group has been formed which meets quarterly to review and manage the Council and CCG's cyber defences and processes. Progress against the audit review recommendations is monitored at the IT quarterly security meetings. • IT Managers have attended the National Cyber Security Centre / iNetwork Cyber Resilience Training Programme. • Trafford is actively sharing information about potential cyber threats with partners including the North West Warning, Advice and Reporting Point (WARP) and nationally with the NHS CareCert service. • The Network People (TNP) provide Trafford Council with specialist security advice to help develop, manage, and monitor Trafford's security defences and incident response. • Public Services Network (PSN) compliance is maintained which includes annual vulnerability penetration testing of both the internal and external networks. The most recent test was conducted over the summer 2021 and a remediation plan is being compiled.

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						<ul style="list-style-type: none"> • A phishing awareness campaign has been delivered during 2021 by Purplephish to all Council employees and Councillors. The campaign provides employees with ongoing and regular security awareness training and has successfully raised awareness of phishing risks. This subscription service was extended for another year in July 2021 which runs through to July 2022. • The IT Service have undertaken a cyber audit on the Trafford IT environment in conjunction with the Ministry of Housing, Communities and Local Government (MHCLG). A Cyber Treatment Plan has been agreed following the audit with planned improvement supported by MHCLG funding. • The MHCLG and internal audits have identified applications exist on the Trafford network that are no longer supported by the software vendor. The unsupported applications are therefore not protected from the latest security threats. The IT Service will work with directorates and business areas to identify alternative solutions so that the risk can be removed.
12	<p>Delay in completing the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption.</p> <p>(Authority-wide)</p>	3	5	15 Medium	<p>↔ No change (See comments)</p>	<p>A report was presented to CLT to note the delays in progressing the Council's Business Continuity (BC) Plan and the actions required to move this work forward. This included the support needed for Council wide commitment to the development of a BCP and for the identification of a project resource.</p> <p>The report also highlighted the inter dependency between the Council's IT Disaster Recovery Plan (DRP - managed by the IT and Digital Service) and individual services' Business Continuity Plans. A separate report by the Chief Digital Officer, was also presented to CLT in September 2021 updating on the work to date and planned actions in relation to development of a DRP and to strengthen cyber security.</p> <p>Following this meeting the BC Programme was relaunched, with the Director of Growth & Regulatory Services assigned as the Senior Responsible Officer (SRO), Emergency Planning</p>

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						<p>Manager as Programme Manager, project management resource provided by the Modernisation Team and subject matter expertise from the GMCCRU. A project plan was drawn up, based on the following timeframe:</p> <p>Phase 1 Staff engagement & governance (Aug – Oct 2021). Briefing paper to CLT due 3rd November</p> <p>Phase 2 BIA workshops & clinics (Oct - Dec 2021). Starting with Place and moving to Adults, Corporate Strategy and Children's.</p> <p>Phase 3 Development & testing of BCPs (Jan -Mar 2022). Further details have been provided to the Audit Team on how these support delivery of the outstanding audit recommendations.</p> <p>Phase 1 of the BC Programme is now underway, with the work scheduled to be completed by the end of March 2022. Internal Audit will continue to monitor progress, and following completion of the programme it is proposed that a post implementation review will be conducted by Audit in Quarter 1 2022/23. This will provide additional assurance to support the Annual Governance Statement Improvement Plan, Strategic Risk Register and the NHS DSPT self-assessment.</p> <p>Please also refer to comments relating to Risk 1 COVID-19 and Risk 11 'Cyber Security Attack'.</p> <p>With the above developments it is expected that the overall risk level should reduce and a possible reduction in risk score will be considered as the programme progresses through the rest of 2021/22.</p>
13	Asset Investment Strategy (Finance & Systems / Finance and Governance).	3	5	15 Medium	↔ No change	<ul style="list-style-type: none"> • In February 2020 the Council agreed to an increase to the Investment Fund to £500m and to date £377m of commitments have been made. • Current commitments against the Fund: As at 31/3/21 total commitments against the Fund are £336m and this included for the repayment of the senior debt facility related to The Crescent regeneration scheme during

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						<p>2020/21. The uncommitted balance on the Fund was £164m.</p> <ul style="list-style-type: none"> This investment to date has already provided a net benefit to support the revenue budget of £1.67m, £3.12m and £6.37m in 2018/19, 2019/20 and 2020/21 respectively and is projected to contribute £6.27m in 2021/22. The returns in 2021/22 are approximately £1.3m lower than originally forecast and the specific reasons for this relate predominantly to the impact of the Covid-19 pandemic on some of our key town centre retail asset acquisitions and also the impact on income when investments are repaid caused by timing differences in identifying new investments to provide a replacement revenue stream. More specific detail is provided in the period 6 budget monitoring report presented to Executive in November. A list of the current commitments as at 31/3/21 is detailed below:- <table border="1"> <thead> <tr> <th>Asset Investment Fund</th> <th>Total £m</th> </tr> </thead> <tbody> <tr> <td>Total Investment Fund</td> <td>500.00</td> </tr> <tr> <td>Property Purchase:</td> <td></td> </tr> <tr> <td>Sonova House, Warrington</td> <td>12.17</td> </tr> <tr> <td>DSG, Preston</td> <td>17.39</td> </tr> <tr> <td>Grafton Centre incl. Travelodge Hotel, Altrincham</td> <td>10.84</td> </tr> <tr> <td>The Fort, Wigan</td> <td>13.93</td> </tr> <tr> <td>Sainsbury's, Altrincham</td> <td>25.59</td> </tr> <tr> <td>Sub Total</td> <td>79.92</td> </tr> <tr> <td>Property Development:</td> <td></td> </tr> <tr> <td>Sale Magistrates Court</td> <td>4.80</td> </tr> <tr> <td>Brown Street, Hale</td> <td>8.82</td> </tr> <tr> <td>K Site, Stretford Equity</td> <td>12.25</td> </tr> <tr> <td>Former sorting office, Lacy Street, Stretford</td> <td>0.96</td> </tr> <tr> <td>Care Home Purchase</td> <td>2.23</td> </tr> <tr> <td>Various Development Sites</td> <td>0.43</td> </tr> <tr> <td>Sub Total</td> <td>29.50</td> </tr> <tr> <td>Equity:</td> <td></td> </tr> <tr> <td>Stretford Mall, Equity</td> <td>8.82</td> </tr> <tr> <td>Stamford Quarter, Equity</td> <td>16.69</td> </tr> </tbody> </table>	Asset Investment Fund	Total £m	Total Investment Fund	500.00	Property Purchase:		Sonova House, Warrington	12.17	DSG, Preston	17.39	Grafton Centre incl. Travelodge Hotel, Altrincham	10.84	The Fort, Wigan	13.93	Sainsbury's, Altrincham	25.59	Sub Total	79.92	Property Development:		Sale Magistrates Court	4.80	Brown Street, Hale	8.82	K Site, Stretford Equity	12.25	Former sorting office, Lacy Street, Stretford	0.96	Care Home Purchase	2.23	Various Development Sites	0.43	Sub Total	29.50	Equity:		Stretford Mall, Equity	8.82	Stamford Quarter, Equity	16.69
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					<ul style="list-style-type: none"> • To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets. • Each year all investments are reviewed as part of a risk assessment process by our advisors together with an annual valuation. This review takes account of the rental market, financial health of the tenants and whether anything is likely to impact on future income streams. Since the outbreak of Covid-19 more frequent reviews have been undertaken to identify the potential risk to income streams. The impact is mitigated to some extent due to the broad range of asset classes in the Council's portfolio, including offices, retail and industrial assets. The vast majority of income is derived from tenants that are considered to be low, or below average, risk according to credit agencies Experian and Dunn and Bradstreet. In respect of the loan portfolio, these are made at prudent loan to value levels and to borrowers of good covenant. • The annual revaluation exercise is used to determine if an appropriate level of debt repayment is being made. It is inevitable there will be changes in valuation year on year but the risks of downward movements in value are being mitigated through a diversified portfolio of assets. • Further risk mitigation is being undertaken through the bolstering of a "Risk Reserve" through the ring-fencing of an element of the returns and an allowance for debt repayment 																										

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>(in accordance with national regulations). The reserve level was £5.98m as at 31/3/21.</p> <ul style="list-style-type: none"> • All investments are scrutinised by an Investment Management Board which includes cross-party representation. • When evaluating potential opportunities extensive legal and property due diligence is undertaken which places a significant emphasis on security and liquidity and includes for example an assessment of the financial strength of the tenants and market sector, length of unexpired lease, location, asset condition and residual land value. • Coronavirus has had a marked impact on global economies with a significant impact on stock markets worldwide and cuts in interest rates. The impact of this on the Council's investments has been closely monitored and regular updates have been received from our external advisors. It is inevitable that there has been an impact on rental streams, particularly from some of our town centre investments. This impact has been closely monitored and reported through the Council's bi-monthly financial reporting process. • As certain investments are repaid the programme relies on these being replaced by suitable alternatives. The budget for 2021/22 assumes that new schemes will deliver £3m of benefit. Should this not occur, pressure will be faced in the annual revenue budget. This risk has been partially mitigated by the inclusion of a balance within the calculation of the minimum level of General Reserve, based on an assumed risk that 25% may not be delivered. • As part of the Asset Investment Programme, the Council has entered into three joint venture arrangement with Bruntwood Works to acquire three key sites in the Borough, namely the former Kellogg's HQ site in Old Trafford, Stretford Mall and the Stamford Quarter. The primary reason for acquisition of the assets was for regeneration and no assumptions are included in the budget for any additional income from the assets to support Council services. Significant master planning and options appraisal work is

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						currently being undertaken around each assets and further updates will be provided to the Executive throughout the course of the year.
14	Loss / absence and retention of senior managers to the organisation. (Strategy and Resources / Finance and Governance).	3	5	15	↔ No change	<ul style="list-style-type: none"> • Strengthening of the senior leadership team – through introduction of Assistant Director level posts to aid succession planning for senior leadership roles. • Professional coaching is available for all managers/senior managers across the organisation to support them in leading and engaging their staff through transformational change and/or to support leaders with their health and wellbeing. • An EPIC People Manager offer is in place to ensure managers are conversant with all People management responsibilities. • A succession planning strategy approach helps to retain key skills, whilst up-skilling staff to take on higher graded roles. This approach has yielded several internal succession appointments. Successors will continue to be identified at senior manager level and targeted development initiatives provided to ensure that we are equipped to flex our workforce to react to resource and skills gaps. Each successor will also have access to a coach. • A refreshed performance management approach to the PDR process has been developed and launched. The framework makes clear reference to career development conversations (Broaden, Deepen, Step Up), which should support us to identify senior management potential early. • Trafford Let's Talk Leaders events are in the diary throughout 2021/22 to enable our senior managers to hear from our corporate leaders, keynote speakers, benefit from networking opportunities and sharing learning. • EPIC values and a supporting behaviour framework have been developed in line with Trafford's vision aligned to corporate priorities. • Pro-active attendance management strategy developed and will be rolled out across Trafford with and EPIC manager Module to support the implementation of knowledge and skills.

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<ul style="list-style-type: none"> • A Health & Well-being strategy is in place with actions to maintain and improve employee morale and well-being. • Corporate Wellbeing Principles have been defined and regularly promoted along with support and resources advertised on our newly created health, safety and wellbeing pages. • Internal resources available to bespoke development plans for senior leaders identified at risk or potential for future/ready for growth. • Fully funded and supported apprenticeships/qualifications available from operational manager level to MBA level.
15	<p>Failure of the Adult Safeguarding Service.</p> <p>(Adult Services / Adult Social Care).</p>	3	4	12 Medium	↔ No change	<ul style="list-style-type: none"> • The responsibility for Adults has been transferred to Adult Social Care through the Principal Social Worker role (May 2019). • Serious Case Review Panel (Adults) reviewed and in place, has completed several Learning Reviews, a Safeguarding Adults Review (SAR) has been published, more SAR's have now been commissioned and Independent Authors procured. Learning from these processes will be rolled out to staff. Learning review sessions are being delivered to staff across Adult Social Care (ASC). • Staffing challenges across the service continue which could impact the delivery of safeguarding responses. Work is ongoing with colleagues in HR to support in recruitment and retention of staff. • The process of handling provider notifications has been revised. The notifications will be sent to the Commissioning team giving greater oversight of issues across the care market. • All referrals received into the Safeguarding Hub are risk assessed on the day of receipt. • The Daily Risk Meeting continues to be held on a daily basis with input from ASC, CSC, GMP, Mental Health and Achieve. • There is a discrete Adult Protection Line for members of the public to directly contact social care to raise safeguarding concerns.

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						<ul style="list-style-type: none"> • Phase 2 of the Adult Safeguarding Consultation has commenced with work being completed to progress the Safeguarding Hub into a Multi-Agency Safeguarding Hub with GMP, Probation, and TDAS forming part of the MASH and continued work being completed to on-board, GMMH, Achieve, Housing and Health Services • Considerable work completed on incoming safeguarding referrals resulting in significant improvement in the timeliness of allocation. • Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards (DoLS) e-learning available for all staff and use is monitored. • Member training has been completed regarding safeguarding. • All deprivation of liberty safeguarding assessments now allocated immediately due to changes in process and improved staffing arrangements. • Planning work is underway for the implementation of new legislation on Liberty Protection Safeguards. • Applications to the court of protection for community deprivation arrangements completed. • Revised internal joint Legal and Social Care Coroners process introduced January 2019. Review completed June 2019. Now embedded in to practice. • Legal/Adult Social Care Surgeries introduced to enable proactive planning with legal services to reduce risk of safeguarding, DoLS etc. • Joint Quality Improvement Board re-established with Trafford Clinical Commissioning Group. Jointly chaired by DASS (Trafford Council) and Chief Nurse supported by primary care, pharmacy to track and support quality improvement in care homes, homecare, deliver improvements in practice, and embed learning and overall aims to improve quality and safeguarding of vulnerable adults in Trafford. • During Covid-19 risk increased as referrals reduced – similar to patterns nationally and similar to patterns in NHS re: A&E use etc. Mitigation – Daily screening and situation

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						<p>advice, adverts on Council Website, media, signposting etc., leaflets in letter boxes, tracking referrals in place, regular contact with residents known to social care, community hubs in place across the borough to support those people shielding and in need of access to food, medication, information and advice including welfare rights advice via CAB, Adults recovery plan underway.</p> <ul style="list-style-type: none"> • Reports on safeguarding incidents, by individual provider, to be introduced and joint work completed with the commissioning team to enhance market improvement plans. Ongoing developments to be added intelligently and data supported. • Data intelligence improvement work being completed with performance and the TSSP to enhance safeguarding data collection. • Annual Safeguarding plan completed. • Annual report for safeguarding Board completed. • SAR process fully embedded into Trafford Strategic Safeguarding Board (TSSB). • Target monitoring areas set by DASS and chair of Joint Quality Improvement Board to include neglect, falls and medication errors, and providers operating below the good or outstanding and improvement plans/support implemented in readiness for restart of CQC inspection regime. • Co-chairing approach to Multi-Agency Risk Assessment Conferences (MARAC) introduced and review of MARAC carried out to strengthen the domestic abuse response in Trafford. • The Safeguarding Hub was launched on the 7th of June 2021, creating one central point for all safeguarding referrals into Adult Social Care. The Safeguarding Hub will also be responsible for managing organisational safeguarding and complex safeguarding issues such as self-neglect and hoarding, coercion and control, and capacitated adults who are making unwise decisions where the risk is remaining or increasing and previous attempts to engage have failed. The Safeguarding Hub will also represent Adult Social Care at multi-agency meetings such as

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						<p>the Daily Risk Meeting, MARAC, MAPPA, and Prevent.</p> <ul style="list-style-type: none"> We have introduced a new quality assurance framework and accreditation tool (SPARQ) within the Supported Living service and will be extending this approach across Ascot House and Care at Home July onwards. This new assurance process complements our safeguarding policy and procedures. We are also exploring a post to provide leadership governance and support to all provider services.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 November 2021
Report for: Decision
Report of: Director of Finance and Systems

Report Title

Process for the appointment of the External Auditor

Summary

The purpose of this report is to set out proposals for appointing the Council's external auditor for the five-year period from 2023/24.

Recommendation

The Accounts and Audit Committee is requested to consider the options for the procurement of external audit services and support the preferred option; to opt into the sector-led option through Public Sector Auditor Appointments (PSAA) for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Contact person for access to background papers and further information:

Name: Graeme Bentley – Director of Finance and Systems
Contact: Graeme.bentley@trafford.gov.uk

Name: Mark Foster – Audit and Assurance Manager
Contact: mark.foster@trafford.gov.uk

Background Papers:

Local Audit and Accountability Act 2014

Implications:

Relationship to Corporate Priorities	The scope of the work of External Audit may cover all of the Council's corporate priorities.
Relationship to GM Policy or Strategy Framework	Trafford Council has liaised with other GM Councils to review options available in considering recommended actions.
Financial	The Local Audit and Accountability Act 2014 states that a "relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year." The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. A decision therefore needs to be made to consider the appointment covering the audit of the accounts from 2023/24 onwards to ensure the Council meets these statutory requirements. This report sets out recommended steps.
Legal Implications	See Financial Implications
Equality/Diversity Implications	N/A
Sustainability Implications	N/A
Carbon Reduction	N/A
Staffing/E-Government/Asset Management Implications	N/A
Risk Management Implications	N/A
Health and Safety Implications	N/A

1 Introduction

- 1.1 The Local Audit and Accountability Act 2014 (the Act) at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.” The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts.
- 1.2 In 2017 the Council opted into the ‘appointing person’ national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 1.3 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During 2021/22 all local government bodies need to make decisions about their external audit arrangements for accounting periods from 2023/24.
- 1.4 The closing date to opt in to the PSAA arrangement is 11 March 2022. This enables procurement and award of contracts by the statutory deadline of 31 December 2022.
- 1.5 This report sets out the options open to the Council and the basis of officers’ recommendation to the Accounts and Audit Committee to opt into the national arrangement with PSAA.

2 Background

- 2.1 There is a requirement under the Local Audit and Accountability Act 2014 for all local government and NHS bodies in England to locally appoint their external auditors.
- 2.2 There are three options open to the Council under the Act which are:
 - Option 1: Make a stand-alone appointment as Trafford Council
 - Option 2: Establish local joint procurement arrangements
 - Option 3: Opt-in to a sector led body appointed by the Secretary of State under the Act - Public Sector Audit Appointments (PSAA) Limited.
- 2.3 New appointments for auditors need to be made by December 2022 regardless of which option is chosen.
- 2.4 In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, the decision on opt-in must be taken by Council (“full authority”).

3 Review of Options

- 3.1 A review of options was presented to the Accounts and Audit Committee and Council in 2017 to support the decision to opt in to the PSAA arrangements. The basis for that decision has not fundamentally changed in the intervening period and in summary the pros and cons of the options are:

Option 1: Make a stand-alone appointment as Trafford Council

- 3.2 This option requires the Council to appoint an Audit Panel, separate in role and membership to the Accounts and Audit Committee, to oversee the procurement and management of the external audit contract. It requires the whole or majority of the membership to be independent of the Council and this means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
- 3.3 This approach requires additional capacity and expertise to administer the process and to deliver the functions of the Panel. It will also result in the costs of tendering being borne solely by the Council.
- 3.4 The option limits the market influence that the Council has through the letting of a standalone contract and it is not guaranteed that firms will submit tenders for this work given widely reported capacity issues in the market and given they will also be competing as part of the PSAA arrangement. This presents a risk of being unable to make an appointment by the statutory deadline. In addition, the Council could not take advantage of the 'economy of scale' created through joint or national procurement.
- 3.5 This option does enable the Council to determine cost, quality and social value weightings in its procurement process whereas opting into PSAA will require us to align with their scoring and appointment processes.

Option 2: Establish local joint procurement arrangements

- 3.6 In 2017 an option was explored to establish Greater Manchester level procurement arrangements. Whilst affording greater economies of scale this approach does largely present the same risks and opportunities as the stand-alone option. It also increases the risk that firms will not bid as they are at heightened risk of having a conflict of interest at one of the authorities. The option has been discussed with Greater Manchester Treasurers and the consensus is that this presents a high level of risk, with relatively low benefits compared to option 3.

Option 3: Opt in to PSAA

3.7 PSAA was the option selected in 2017 for the reasons set out below. Given challenges and capacity in the market and the need to maintain a high quality of external audit provision, there is an even stronger case that this option will produce better outcomes and will be less burdensome for the Council, compared to procurement undertaken locally because:

- collective procurement reduces overall costs for the sector and for individual authorities compared to smaller local procurements and contract management arrangements;
- there is no requirement to establish a specific Council auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term; and
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement.

3.8 Key features of the PSAA approach are:

- contracts let under the PSAA opt-in will run for five years;
- contracts between PSAA and the audit firms will require firms to deliver audits compliant with the National Audit Office (NAO) Code of Audit Practice;
- the number of firms eligible to undertake local public audit is regulated through the Financial Reporting Council and the Recognised Supervisory Bodies (RSBs). Only appropriately accredited firms will be able to bid for appointments;
- PSAA will manage current and potential future conflicts of interest rather than the Council having to re-procure contracts should such conflicts arise;
- opting into the PSAA will remove the need to set up an auditor panel in addition to the Council's Accounts and Audit Committee;

- in addition to working with the LGA, a stakeholder advisory panel with representative organisations for councils, police and fire bodies ensures ongoing influence and engagement with PSAA;
 - PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members;
 - scale fees will vary in line with the additional work needed which reflects risk and complexity (scale is set following consultation with opted in bodies);
 - PSAA will manage variation requests and approve where appropriate; and
 - This approach is supported and endorsed by the LGA.
- 3.9 The main downside with Option 3 is the inability to determine the evaluation criteria that will be used for procurement. However, given that the audit approach is mandated through standards and guidance there is minimal flexibility in the scope of work requested.
- 3.10 The PSAA route was adopted by 484 of 494 bodies in the previous exercise. Feedback from across Greater Manchester and North West authorities is that they will be adopting this same approach in 2022.

4 Next Steps

- 4.1 Subject to Accounts and Audit Committee comments, a report will be provided to Council seeking approval for the preferred option. This will reference the comments of the Accounts and Audit Committee. In order to meet the 11 March 2022 deadline, a decision to take option 3 needs to be taken at a meeting of the Council before this date.

5 Recommendation

- 5.1 The Accounts and Audit Committee is requested to consider the options for the procurement of external audit services and support the preferred option to opt into the sector-led option through PSAA for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 November 2021
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2021/22

Summary

This report sets out the work plan for the Committee for the 2021/22 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 2021/22 work programme.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Email: mark.foster@trafford.gov.uk

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
22 July 2021	Agree Committee's Work Programme for 2021/22 Training workshop arranged outside of the meeting on the 2020/21 Financial Outturn and Statement of Accounts.					
	- 2020/21 Head of Internal Audit Annual Report	- Annual Audit Letter 2019/20 - Audit Strategy Memorandum 2020/21 - Audit Progress Report	- Strategic Risk Register Report	- 2020/21 Draft Annual Governance Statement - Accounts and Audit Committee 2020/21 Annual Report to Council		-Treasury Management update (Annual Performance Report 2020/21) -2020/21 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn Reports
September 2021	- Internal Audit Monitoring Report	- 2020/21 Audit Progress Update	- Strategic Risk Update: Asset Investment Strategy	- 2020/21 Annual Governance Statement		- 2021/22 Budget Monitoring Report (Period 4 report)

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (Including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts/Financial Management
25 November 2021	- Internal Audit Monitoring Report	- 2020/21 Audit Completion Report (Mazars) - External Auditor Appointment Process (Report of Director of Finance and Systems)	- Strategic Risk Register Report. (Also see Financial Management – Insurance Performance Report 2020/21)		- Counter Fraud and Enforcement Team Update Report	- Approval of Annual Statement of Accounts 2020/21 - Treasury Management : 2021/22 Mid-Year Performance Report - Insurance Performance Report 2020/21 - 2021/22 Budget Monitoring Report (Period 6)
2 February 2022	Treasury Management training to be arranged.					
	- Internal Audit Monitoring Report	- 2020/21 Annual Audit Letter - Audit Progress Update	- Strategic Risk update: Cyber Security		(Ant-Fraud update, within Internal Audit monitoring report)	- Treasury Management Strategy - 2021/22 Budget Monitoring Report (Period 8)
22 March 2022	- 2022/23 Internal Audit Plan / Internal Audit Charter and Strategy	- Audit Strategy Memorandum (for year-ending 31 st March 2022)	- Strategic Risk Register Report	- Report on arrangements for 2021/22 Annual Governance Statement		- 2021/22 Budget Monitoring Report (Period10) -Accounting Policies - Procurement update (STAR)

