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AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 25 September 2024

Time: 6.30 pm

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. **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.

3. **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 4pm on the working day prior to the meeting. Questions must be within the remit of the Committee or be relevant to the items appearing on the agenda and will be submitted in the order in which they are received.

4. **MINUTES** 1 – 6

To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 26th June 2024.

5. **PUBLIC HEALTH STRATEGY RISK UPDATE**

To receive a report from the Public Health Consultant.

6. **AUDIT PROGRESS REPORT** 7 – 22

   To receive a report from the External Auditor, Forvis Mazars.

7. **TREASURY MANAGEMENT BRIEFING** Verbal Report

   To receive a presentation from the Head of Financial Management.

8. **2023/24 TREASURY MANAGEMENT ANNUAL PERFORMANCE** 23 - 70

   To receive a report from the Executive Member for Finance, Change and Governance and Director of Finance and Systems.

9. **BUDGET MONITORING REPORT 2024/25 - PERIOD 4** 71 - 130

   To receive a report from the Executive Member for Finance, Change and Governance and the Director of Finance and Systems.

10. **2024/25 AUDIT AND ASSURANCE SERVICE UPDATE REPORT - APRIL TO JUNE 2024** 131 - 142

    To receive a report from the Audit and Assurance Manager.

11. **ACCOUNTS AND AUDIT COMMITTEE WORK PROGRAMME 2024/25** 143 - 158

    To receive a report from the Audit and Assurance Manager.

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

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

SARA TODD
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), J. Lloyd (Vice-Chair), J.M. Axford, J. Brophy, G. Carter, M.J. Welton, Platt, S. Zhi, O.J. Baskerville and K Glenton.

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

Stephanie Ferraioli, Democratic Officer
Email: stephanie.ferraioli@trafford.gov.uk

This agenda was issued on **Tuesday, 17 September 2024** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

26 JUNE 2024

PRESENT

Councillors: B Brotherton (Chair), J Lloyd (Vice-Chair), J Axford, K Glenton, O Baskerville, M Welton.

In attendance

David Wright	Counter Fraud Manager
Alistair Newall	External Auditor, FORVIS MAZARS
Dave Muggeridge	Head of Financial Management
Mark Foster	Audit and Assurance Manager
Harry Callaghan	Democratic Officer
Stephanie Ferraioli	Democratic Officer

1. ATTENDANCES

An apology for absence was received from Councillor Brophy, Carter and Zhi.

2. DECLARATION OF INTEREST

There was no declaration of interest against any of the items on tonight's' Agenda.

3. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions from members of the public were received.

4. MINUTES

RESOLVED – That the minutes of the meeting held on 19th March 2024 be noted as a true and correct record.

5. COUNTER FRAUD TEAM ANNUAL REPORT 2023/24

The Counter Fraud Manager updated the Committee in changes in the team from the previous year informing that now the Council Mitigation team will be overseen by the Council Exchequer, however the Counter Fraud team's remit remains the same in relation to investigating revenue matters such as Council Tax fraud and Council Tax discount and exemption schemes and the team continues to investigate the Business Support Grants to make sure there are no abuses of finances.

He continued illustrating the case studies in the report demonstrating the success of the investigations relating to council tax and business rates.

Another part of the work that the team carries out is data matching where information such as business rates data or council tax data is shared with other public bodies. They work with other partners such as Greater Manchester Police and other authorities identifying where different details are sometimes submitted by the same resident which without the data matching work would never be discovered.

This can be seen in case study 3 of the report where the tenant of a premises had applied to two different authorities submitting different details to each and as part of a subsequent investigation, it was found that over £80,000 had been falsely claimed relating to Small Business Rates Relief and Small Business Fund Grants. The overpayments have since been recovered and the case is to go to Crown Court later in 2024.

During a different investigation it was also uncovered that a member of staff employed by Trafford Council on a full time basis was also working for another authority at the same time along with taking on extra shifts which would be physically impossible to do and it transpired they were claiming sick leave from one authority whilst working at the other. The employee was dismissed with immediate effect after a disciplinary hearing.

RESOLVED – That the update be noted.

6. 2023/24 DRAFT ANNUAL GOVERNANCE STATEMENT

The Democratic Officer presented the draft Annual Governance Statement for 2023/24 on behalf of the Legal and Governance team.

Members reviewed the draft document and asked that further detail be considered for inclusion regards the climate emergency, such as actions being taken and outcomes e.g. regards transport emissions.

RESOLVED – That the report be noted and the updated version submitted back to Committee later in the year for final approval.

7. AUDIT AND STRATEGY MEMORANDUM 2022/23

The External Auditors updated the Committee stating that the team was adopting a high-level summary of audit approach and working to a tight timetable given that the 2022/23 audits need to be completed by September 2024 which is reflected on page 24 of the report presented tonight. Whilst there have been delays, they have a clear timetable that they are working to in order to catch up and complete the audit by required timescales.

He drew attention to 4 significant risks stated in the report around areas of judgement and large values which have been known from previous years and remain virtually the same. Section 5 of the report presents the approach to the Council's Value for Money arrangement describing the risk to the Council's financial sustainability position.

The External Auditor also informed the Committee that it is the Actuary that will be calculating the value of the pension asset coming from staff being members of GMPF, which is a very complex task and has been a significant risk for every authority over the last ten years.

RESOLVED – That the report be noted.

8. 2023/24 ANNUAL HEAD OF INTERNAL AUDIT REPORT

The Audit and Assurance Manager informed the Committee that the Annual Head of Internal Audit report has been produced, as required by the Public Sector Internal Audit Standards. The report provides an opinion on the standard of the control and risk management arrangements in place for 2023/24. The report provides details of the various internal audit work undertaken during the year.

The opinion is based on the outcome of the various audits completed during the year and other sources of assurance. The overall opinion concluded that, overall, a reasonable level of assurance can be given that the control environment, encompassing internal control, risk management and governance, is operating to a satisfactory standard.

In addition to completing audit reviews, in term of other work undertaken during the year, the Audit and Assurance Manager explained how the team had worked with CLT to facilitate the updating of the strategic risk register; liaised with Legal and Governance to contribute to the AGS and worked with the Counter Fraud team, as referred to earlier in the meeting. Guidance has been issued to schools in respect of IT security and governance during he year. Details of work completed during the year are set out from page 67 of the report.

The team had set a target of completing 30 audits per year and met the target by the end of March 2024. The team were assessed by CIPFA as part of an external quality assessment in 2022/23 and it was reported in June 2023 that Internal Audit was operating in general conformance with the Public Sector Internal Audit Standards. On page 80 of the report, this sets out actions taken since the assessment to ensure there is continued conformance with the standards.

RESOLVED – That the report be noted.

9. STRATEGIC RISK REGISTER UPDATE REPORT – JUNE 2024

The Audit and Assurance Manager reminded that the report is part of the regular updates provided throughout the municipal year keeping Members up to date with any changes in the strategic risk register. This latest update was produced in collaboration with Corporate Directors, Heads of Service and Managers with information provided in May and June 2024.

The Audit and Assurance Managers explained that the 17 risks on the register relate to each Council directorate and each risk has its own action plan details attached as set out from page 96 of the report. Key changes since the last update back in March 2024 refer to two risk scores that CLT have recently updated as per page 94 of the report and namely: Risk 6 - Leisure Investment Programme presents a slight decrease from a high 20 to a medium 15 and Risk 16 – Adult Safeguarding presenting an increase from 8 to medium 10 to align with other organisations. Further updates on the risk changes will be provided throughout the year.

Members raised queries about Risk 5 (Public Health strategic risk) and also Risk 12 (Asset Investment Strategy) and were informed that updates will be provided at future meetings.

RESOLVED:

1) That an update on the Public Health Risk be provided at the next meeting, to include coverage of links with the ICB.
2) That the report be noted.

10. ACCOUNTS AND AUDIT COMMITTEE 2023/24 ANNUAL REPORT

The Audit and Assurance Manager informed that the report informs on the Committee's work from last year. It was noted that the Chair will present at the next Council meeting in July 2024, updating on how the Committee met its responsibilities during the previous year.

RESOLVED – That the report be noted.

11. ACCOUNTS AND AUDIT COMMITTEE WORK PROGRAMME 2024/25

The Audit and Assurance Manager proposed the work programme for the current municipal year in order to meet the Committee's responsible for the year ahead and reminded that the programme is flexible and can be amended with Members' suggestions and that future training and briefings will be added as they become available.

He also informed that the next Accounts and Audit Committee meeting will be reinstated to the 25th September date as opposed to the October date in order to finalise the 2022/23 audit accounts.

Members asked to add coverage in the work programme to include Ethical Banking and were informed that this is normally covered in the Treasury Management items.

RESOLVED:

1) That consideration is given to including details regards arrangements in respect of ethical banking as part of the work programme.
2) That the report be noted.

12. URGENT BUSINESS (IF ANY)

There was no urgent business to be discussed.

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Protecting investment in prevention

Update for Accounts and Audit Committee
25th September 2024

Claire Robson, Public Health Consultant
Helen Gollins, Director of Public Health

Risk and current context

- Preventing ill health and disease before it starts is vital to supporting a thriving population, reducing health inequalities, and delaying the need for health and social care services

- System efforts are being increasingly focused on short term-crisis intervention because of a triple deficit: growing population health deficit, performance and quality deficit and underlying financial deficit

- To protect the residents of Trafford from health harms and support an improvement in health outcomes, Trafford Council must safeguard the current budget for prevention of ill health and early intervention.

TRAFFORD COUNCIL

What do we mean by prevention?

GM Prevention and Early Intervention Framework:
A comprehensive and whole system approach

NHS Greater Manchester

A comprehensive, whole system approach to population health, prevention and early detection, consisting of a system-wide approach to health creation and delivery of a person-centred upstream social model of care

- **Shaping GM as a place conducive to good health by working together to address the root causes of ill health**
- **Enabling people to live healthier lives by mobilising comprehensive approaches to tackling behavioural risk factors**
- **Scaling up secondary prevention across all parts of the NHS to allow the early detection of risk and early diagnosis of illness**
- **Supporting people to live well by optimising the treatment and management of health conditions**

Leading to

Better outcomes

- Healthy Life Expectancy and Life Expectancy
- Inequalities and variation in health outcomes and experiences
- Avoidable demand and cost
- Increased economic & social productivity due to better health

Everybody has an opportunity to live a good life

Tackling inequalities and reducing unwarranted variation

GM Fairer Health for All Framework and CORE20PLUS5

Harnessing the following system characteristics

Person and community centred approaches	Strategic Intelligence / PH Management	Whole system partnerships/ collaboration	Public Service Reform / Integration	A highly skilled and prevention focused workforce	Clinical Excellence and Leadership	Finance, contracting and accountability rebalanced towards prevention and early detection	Evidence, research, technology and innovation

Why invest in Public Health and Prevention?

"Local and national public health interventions are highly cost-saving. Cuts to public health budgets in high income countries therefore represent a **false economy**, and are **likely to generate billions of pounds of additional costs** to health and social care services and the wider economy...

"If we take the lower, conservative CBR [cost-benefit ratio] figure of 8.3, this would suggest that the opportunity cost of the recent £200 million cuts to public health funding in England is likely to be eightfold higher, in the region of **£1.6 billion**."

Masters et al, 2017

TRAFFORD COUNCIL

Prevention pays - for every **£1** invested in…

Alcohol and Drug treatment

Alcohol- a SROI of **£3**, increasing to **£21** over 10 years. (Source)

Drugs - SROI of **£4**. Increasing to **£26** over 10 years. (Source)

Smoking cessation

Every person who stops smoking saves the Trafford system £557 per year. The cost of smoking to social care is £49.6m per year.

For every £1 spent, **£10** is saved in future health care costs and health gains (Source)

Mental Health/ Suicide prevention

SROI of **£39.11** after 10 years.

A narrower health, local authority and police perspective still finds a ROI of **£2.93** over 10 years (Source)

Food-related ill health

£5.55 saving to the local authority in social care costs and economic benefit of additional employment after 3 years.

Increases to **£12.68** over 10 years.

Sexual health

Long-acting reversible contraception gives system wide savings of £48; **Stopping LARC would result in 106 more unplanned pregnancies p/y**

STI online kits save £2.07 for every £1 spent

C-cards and condoms in schools return **£11.3** and **£6.70** respectively (Source)

Health inequalities

in Public Health interventions, **£14** will be returned to the wider health and social care economy

Prevention pays - for every **£1** invested in...

Dementia

Home exercise and community referrals for people with early dementia have a social return on investment (SROI) between **£3.46 to £5.94** (Source)

Falls

Home assessment and modification interventions and falls management exercises have a SROI of **£7.34** and **£2.28** respectively in terms of health/social care savings and quality of life gains (Source)

Domestic abuse

Refuge services, community outreach and independent domestic violence advocacy services, return **£8.24** and outreach services **£26.35** in SROI. (Source)

Physical activity

Sport and physical activity shows **£3.28** worth of social, economic and health impacts over a year. (Source)

Oral health

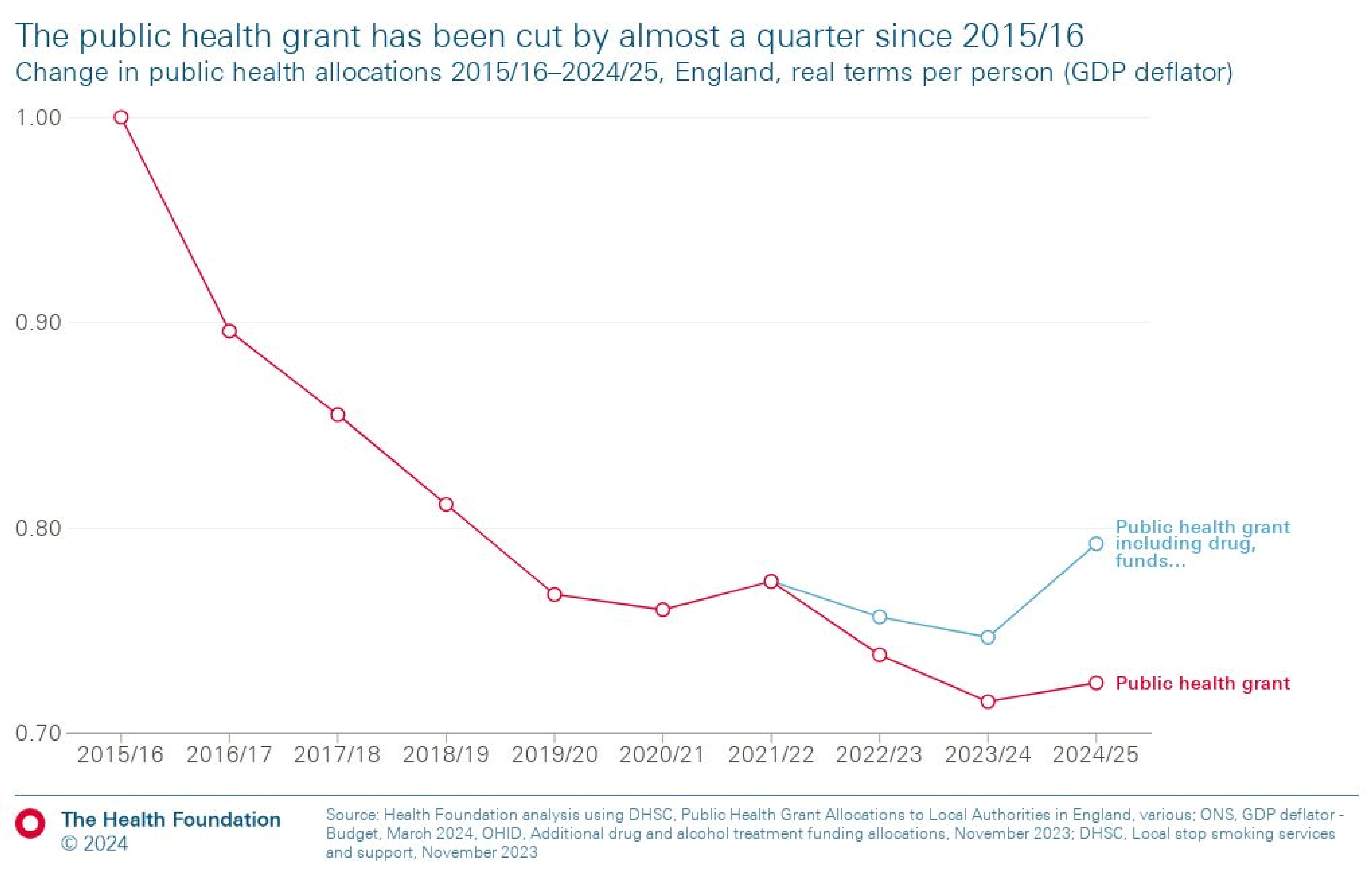
Targeted supervised tooth brushing returns **£3.06** after 5 years. (Every £1 on water fluoride returns **£12.71** after 5 years). (Source)

Examples of local impact of prevention

- **National Child Measurement Programme** shows that the slope of inequality in reception children for prevalence of both overweight and obesity has narrowed over the past five years.
- **Vaccination uptake in North Trafford improved significantly** following targeted work by Public Health and Voice of BME
- **Sexual health** Without services to prevent and treat STIs, we would have more cases of HIV, more infertility, stillbirths, ectopic pregnancies, pelvic inflammatory disease, depression and neurological and cardiovascular disease. At least 1,369 infections could be missed per year without services.

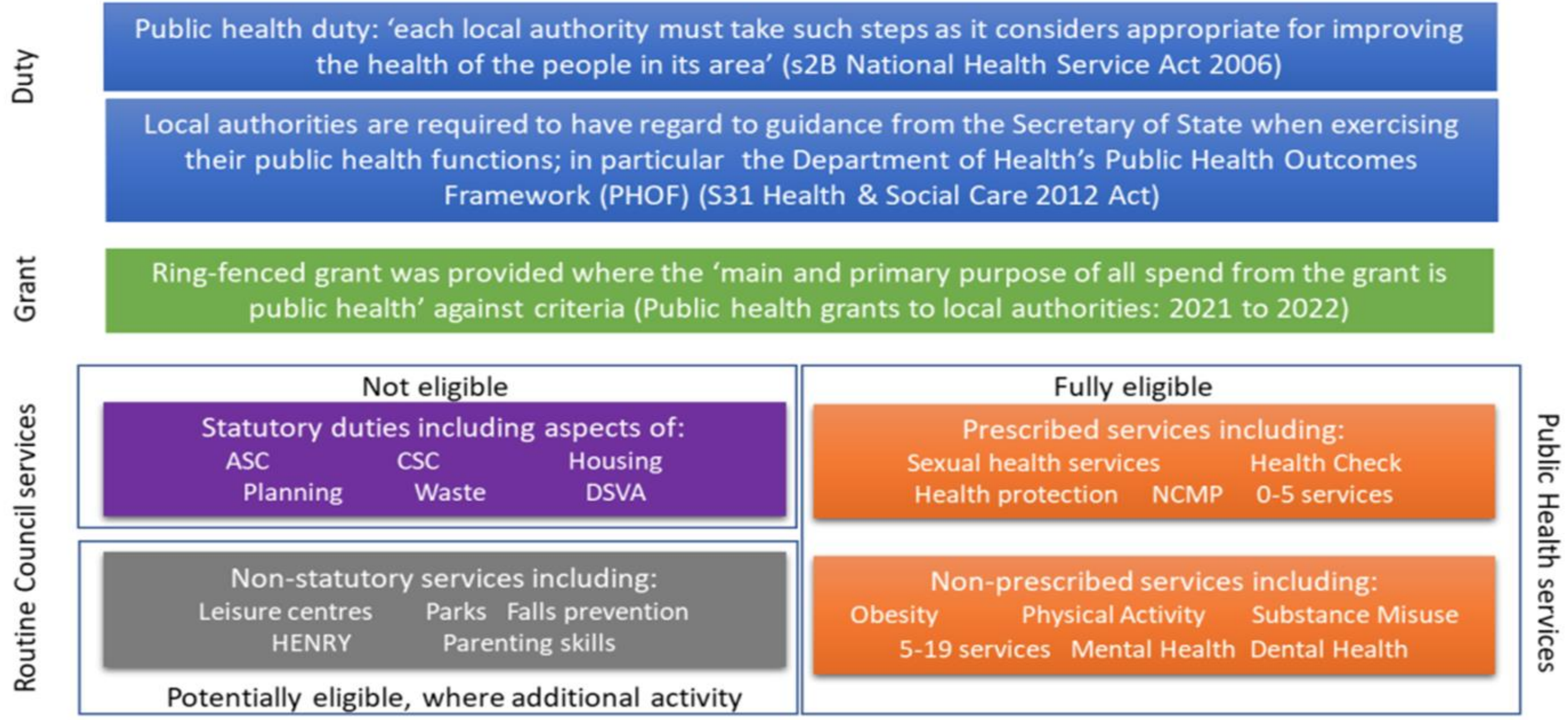
TRAFFORD COUNCIL

We need to protect the public health budget



Protecting Public Health budget

Local Authorities in GM receive a notional public health grant annually. This grant must be used to discharge public health functions[1]. Public health ring-fenced grant 2023 to 2024: local authority circular - GOV.UK (www.gov.uk).

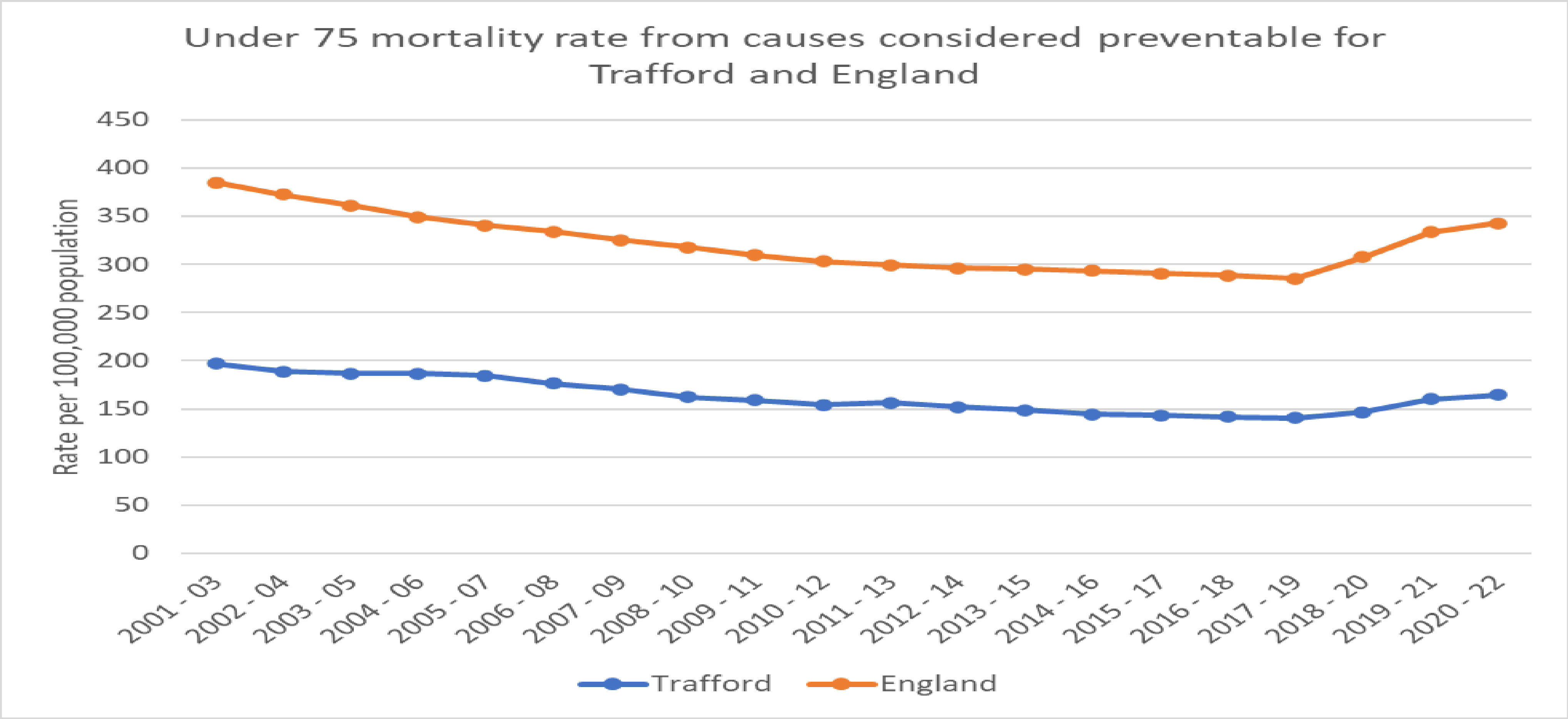


Public Health funding per head of population by GM LA

Local authority name	Revised FY 2024 to 2025 PHG allocation	FY 2024 to 2025 allocation per head (£)
Manchester	58,312,714	103.9
Salford	23,841,209	88.1
Wigan	28,538,068	85.6
Bolton	24,052,030	83.1
Rochdale	19,023,927	83.0
Oldham	18,625,284	76.5
Tameside	17,009,818	73.4
Bury	12,990,675	66.7
Stockport	17,666,661	59.2
Trafford	13,935,891	57.3

NB: With corporate deductions and corporate contributions, Trafford's allocation per head equates to £52.80.

How is Trafford performing?



Prevention is a core pillar within the GM Sustainability Plan

NHS Greater Manchester

The Pillars of Sustainability and the phases of work

NHS Greater Manchester

In order to achieve a sustainable system, we need to act on:

Cost improvement	System Productivity	Reducing prevalence	Proactive care	Optimising care
Cost Improvement Plans (CIPs) leading to financial sustainability through Financial Sustainability Plans (FSPs) These cover each NHS Provider and the ICB as statutory organisations with duties to achieve financial balance	**Multi-provider/system activities to improve the financial position** For example: • **System-wide plans** - maximising the effective use of the system's estate; and driving digital transformation	**Maintaining the population in good health and avoiding future costs through prevention** • Work across full range of prevention to tackle the wider determinants of ill health • Through the Multi-Year Prevention Plan	**Addressing the top modifiable risk factors, and delivering evidence based, cost effective interventions** • **Year 1 focus on CVD and Diabetes** - as a significant driver of morbidity, mortality, demand and cost • Through the Multi-Year Prevention Plan	**Transforming the model of care through system actions** For example: • **Health and Care Service review** - priorities include Dermatology, Ophthalmology, and Neurorehabilitation • **Strategic commissioning plans**

Page 18

Build the infrastructure for a whole system preventative approach	Work with partners to shape GM as a place conducive to good health	Tackle the key modifiable behavioural risk factors that influence health	Investment in prevention, underpinned by evidence and evaluation	Develop the system capability to scale and spread	Develop the financial mechanism for left shift of investment, supported by ROI analysis

Comprehensive Prevention and Early Intervention at scale

continuous improvement

Local mitigations we are taking to protect prevention spend

1. Effective use of resource-ensuring PH budget is spent appropriately

2. Development of system wide prevention strategy and business case to
    - Consolidate current offer
    - Align to Adult Social Care and Children's services demand to support sustainability of services
    - Position prevention strategically so that it has profile and prominence alongside care services
    - Demonstrate effectiveness through monitoring and sharing outcomes

TRAFFORD COUNCIL

Summary key messages

- Prevention pays dividends - stemming demand over longer term for acute services, accruing return on investment across the system (not just health)
- In current fiscal challenges need to safeguard against budget cuts to prevention. Ringfencing Public Health grant for early intervention and prevention is important
- We need to work as a system (Local authority, ICB, VCFSE) to protect investment in, and delivery and evaluation of, cross cutting functions that enable prevention and early intervention such as community engagement, social prescribing, neighbourhood networks

TRAFFORD COUNCIL

Audit Progress Report

Trafford Metropolitan Borough Council

September 2024

Contents

01

Audit progress

Audit progress

Purpose of this report

This report provides the Accounts and Audit Committee with information about progress in delivering our responsibilities as your external auditors for Trafford Metropolitan Borough Council (the Council) for the year ending 31 March 2023.

Audit for the year ending 31 March 2023

Financial statements Audit

The fieldwork stage of our audit for the year ended 31 March 2023 commenced in July. We are currently in the progress of completing our detailed testing. The below table outlines the outstanding areas of work:

Pooled budgets We have received the working papers we need to complete this section and are in the process of finalising our work.	
Expenditure cut off testing We are completing the final elements of this work. All requested information has been provided.	
Investment properties Work on this section is substantially complete. We are awaiting a response to the standard audit letter from the valuer to complete this section. This area is still subject to review by the manager and engagement lead.	
Property, plant and equipment valuations Our work has raised queries on the Council's approach to valuing its assets which we are discussing with the finance team.	
Property, plant and equipment additions We are awaiting evidence for two sample items to complete this section.	

Status

- Significant items outstanding
- Small number of items remain outstanding or in progress

Audit progress

Short term investments
We are waiting for a direct confirmation for one sampled investment to be returned by the bank..

Debtors
We are awaiting evidence for one sample item to complete this section.

Cash and cash equivalents
We are waiting for a direct confirmation for one sampled school account to be returned by the bank.

Pensions
We are completing our work on the group net pension asset and the Council pension ceiling adjustment.

Financial instruments
We are completing the final elements of this work. All requested information has been provided.

Provisions
We are completing the final elements of this work. All requested information has been provided.

IT general controls testing
We are completing the final elements of this work. All requested information has been provided.

Technical review of the financial statements
We will complete our technical review of the financial statements upon receipt of an updated set of financial statements.

Group accounts
We are in the process of working through this section. With respect to group property valuations, we've requested valuation reports and supporting evidence but have not yet commenced the work.

Status

- Significant items outstanding
- Small number of items remain outstanding or in progress

Audit progress

Reviews and completion Following the resolution of the above queries we will finalise our audit completion work including manager and engagement lead reviews.	🔴
Financial statements, Annual Governance Statement and letter of representation We will complete our review of the final financial statements upon receipt of the signed version of the accounts, Annual Governance Statement and letter of representation.	🔴
Whole of Government Accounts (WGA) We will complete the required WGA work once we have given our audit opinion on the accounts.	🔴

Status

🔴	Significant items outstanding
🟡	Small number of items remain outstanding or in progress

Value for money arrangements

Our work on value for money arrangements is well progressed. We plan to complete and report our VFM arrangements work for 2023/23 alongside our audit opinion on the 2022/23 accounts.

02

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy (‘CIPFA’)		
1	CIPFA Bulletins	CIPFA has recently issued two Bulletins to provide further guidance on the financial reporting requirements.
National Audit Office (‘NAO’)		
2	NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees	The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid.
3	NAO insight: Good practice in annual reporting	Transparent, timely, and clear annual reporting in the public sector has never been more important. A good annual report is a key opportunity for bodies in the public sector.
4	NAO overview: Department for Levelling Up, Housing & Communities 2022-23	The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO’s examinations of DLUHC and related bodies in the sector in England and DLUHC’s Annual Report and Accounts.
Department for Levelling Up, Housing and Communities (‘DLUHC’)		
5	Addressing the local audit backlog in England: Consultation response	This consultation sought views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing. The consultation closed on 7 March 2024. The Government has now released the consultation response.
6	Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision	The duty to make Minimum Revenue Provision (‘MRP’) is an important component of the Prudential Framework. The purpose of this consultation is to seek views on the revised Guidance and final proposed amendments to the Regulations. The consultation ran from 21 December 2023 to 16 February 2024.
Other		
7	Forvis Mazars – Preparing for the Procurement Act 2023	The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies. Our latest article provides an in-depth overview of the new Procurement Act.
8	Forvis Mazars – Understanding the new ‘Failure to Prevent Fraud’ Offence in a Public Sector context	The UK Government has recently announced a new corporate criminal offence – the 'failure to prevent fraud' offence – within the Economic Crime and Corporate Transparency Act 2023.

National publications

CIPFA

1. CIPFA Bulletins

Bulletins issued by CIPFA, with the assistance of CIPFA panels, provide practitioners with topical guidance on specific issues and accounting and reporting developments. CIPFA has issued the following Bulletin's in recent months:

CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements

This bulletin covers the closure of accounts for the 2023/24 year and provides further guidance and clarification to complement the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2023/24 Code Guidance Notes.

Link: CIPFA Bulletin 17 Closure of the 2023/24 Financial Statements

CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement

CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement is intended to provided clarity to those authorities with at least one set of unaudited financial statements for prior years, and their external auditors, on the update of the annual governance statement ('AGS').

Link: CIPFA Bulletin 16 Local audit delays and the publication of the annual governance statement

National publications

NAO

2. NAO insight: Digital transformation in government: a guide for senior leaders and audit and risk committees

The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid. The guide identifies seven areas where the more persistent obstacles stand in the way of successful digital transformation in government and have grouped them into three themes:

- Constraints of the existing environment
- Under-estimating the scope of early work
- Lack of skills and leadership

Digital transformation in government: a guide for senior leaders and audit and risk committees

3. NAO insight: Good practice in annual reporting

Transparent, timely, and clear annual reporting in the public sector has never been more important.

A good annual report is a key opportunity for bodies in the public sector to:

- weave a compelling narrative that resonates with the public
- serve as a tool for accountability by shedding light on how taxpayer’s money has been spent
- equip stakeholders with information to hold organisations to account.

The list is not definitive but should provide ideas on content and format for all bodies in both the public and private sector as they plan their annual reporting for 2023-24.

Good practice in annual reporting

National publications

NAO

4. NAO overview: Department for Levelling Up, Housing & Communities 2022-23

The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts. DLUHC spends around £33 billion each year to support people, places and communities.

Department for Levelling Up, Housing & Communities 2022-23

forvis mazars

National publications

DLUHC

5. Addressing the local audit backlog in England: Consultation Response

Between 8 February and 7 March 2024 the then Department for Levelling-Up Housing and Communities (DLUHC) consulted on amending the Accounts and Audit Regulations 2015 as part of measures to tackle the backlog of unaudited local body accounts in England.

The proposals consulted upon included setting a statutory backstop date to clear the backlog of unaudited accounts up-to-and-including financial year 2022/23. They also included setting backstop dates for financial years 2023/24 to 2027/28 to enable the local audit system to recover.

All the named stakeholders were consulted, there were 191 responses. A breakdown of the type of respondent and organisation they responded on behalf of is included at Annex A found in the following link: Addressing the local audit backlog in England: Consultation response - GOV.UK (www.gov.uk)

On 30 July 2024, the government announced its intentions to pursue proposals to address the local audit backlog. On the 9th September the government laid in parliament two pieces of legislation which will give effect to these proposals. A key aspect of the proposals is to require Category 1 bodies, such as the Council, to publish audited financial statements by a series of backstop dates. The proposed backstop dates, per the announcement, are as follows:

- Financial years up-to-and-including 2022/23: 13 December 2024
- Financial year 2023/24: 28 February 2025
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

Further information can be found at the following link: Written statements - Written questions, answers and statements - UK Parliament

National publications

DLUHC

6. Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

The duty to make Minimum Revenue Provision (‘MRP’) is an important component of the Prudential Framework. Where local authorities finance capital expenditure from debt, they must set aside an amount of money each year to ensure their debt liabilities can be repaid. In practice, the application is more complex, but when it operates effectively it should ensure that local authorities do not borrow more than they can afford.

The purpose of the consultation was to seek views on the revised Guidance and final proposed amendments to the Regulations. The proposed changes to the Regulations remain substantively the same as previously consulted on in the June-July 2022 consultation, with some minor changes to reflect responses. The Guidance provides detailed interpretation and outlines the government’s expectations of how the Regulation requirements should work in practice.

The consultation ran from 21 December 2023 to 16 February 2024 however the link provides information on the key issues that were consulted on.

Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

Other

7. Forvis Mazars – Preparing for the Procurement Act 2023

The Procurement Act 2023 is set to transform the procurement procedures for public sector bodies in the UK by:

- Enhancing transparency in procurement processes, requiring greater disclosure of information about procurement opportunities;
- Improving efficiency by introducing new measures such as electronic procurement platforms; and
- Promoting fairness to ensure all suppliers have equal access to government contracts.

Our latest article provides an in-depth overview of the new Procurement Act, including when it will be implemented, key provisions and how public sector organisations can prepare.

Preparing for the Procurement Act 2023

8. Forvis Mazars – Understanding the new 'Failure to Prevent Fraud' Offence in a Public Sector context

The UK Government has recently announced a new corporate criminal offence – the 'failure to prevent fraud' offence – within the Economic Crime and Corporate Transparency Act 2023.

Fraud is currently the most common crime in the UK, and this new offence is designed to drive a cultural shift, encouraging organisations to improve their prevention procedures and reduce instances of fraud. It strengthens existing powers to fine and prosecute organisations for fraud committed by their employees and agents, closing loopholes that have allowed organisations to avoid prosecution in the past.

This new offence holds large organisations, both in the public and private sectors, accountable for fraudulent activities committed by their employees or agents.

'Failure to Prevent Fraud' in the Public Sector

Contact

Forvis Mazars

Alastair Newall
Director
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Agenda Item 8

TRAFFORD COUNCIL

Report to:	**Accounts & Audit Committee 25th September 2024** **Executive 21st October 2024** **Council Meeting 20th November 2024**
Report for:	**Information**
Report of:	**The Executive Member for Finance, Change and Governance and the Director of Finance and Systems**

Treasury Management Annual Performance 2023/24 Report

Summary

This report outlines the main treasury management activities undertaken during 2023/24 as follows:

- All legislative and regulatory requirements, including all treasury management prudential indicators have been complied with.
- The average level of external debt and interest rate payable for 2023/24 was £312.6m and 2.50% and this compares to £318.2m & 2.71% in 2022/23.
- The average level of treasury investments for 2023/24 was £67.3m with a rate of return of 5.16% compared with 2022/23 when the equivalent figures was £119.6m and 2.27% respectively.
- The outturn position for the Council's Treasury Management function was a favourable outturn of £2.65m, largely due to higher-than-expected returns on short-term investments yielding an additional £1.4m of income. A contribution has been made towards the Interest Rate Smoothing Reserve of £1.49m to absorb a potential increase in borrowing costs over the short-term.

Recommendations

That the Accounts & Audit Committee note the treasury management activities undertaken in 2023/24 and recommend that both Executive and Council also note the report.

Contact person for background papers:
Frank Fallon – Finance Manager Place & Central Services

Background papers: None

<table>
<tr><th colspan="2">CORPORATE PRIORITIES AND GOVERNANCE CONSIDERATIONS</th></tr>
<tr><td>The Best Start for our Children and Young People</td><td rowspan="5">The Treasury Management function ensures that the Council has sufficient financing available to fund the activities which support the Council's Corporate Priorities.

Further any additional net interest income derived from Treasury activities can be used to support the revenue budget and front line services.</td></tr>
<tr><td>Healthy and Independent Lives for Everyone</td></tr>
<tr><td>A Thriving Economy and Homes for All</td></tr>
<tr><td>Address the Climate Crisis</td></tr>
<tr><td>Culture, Sport and Heritage for Everyone</td></tr>
<tr><td>Relationship to GM Policy or Strategy Framework</td><td>Not applicable</td></tr>
<tr><td>Financial Considerations</td><td>The net outturn for treasury management was a favourable variance to budget of £2.65m and details of this are provided at paragraph 10.1.</td></tr>
<tr><td>Legal Implications:</td><td>Treasury Management activities are subject to requirements detailed in legislation, Ministry of Housing, Communities and Local Government (MHCLG), Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice. The report sets out details of compliance in respect of these requirements.</td></tr>
<tr><td>Equality/Diversity Implications</td><td>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.</td></tr>
<tr><td>Sustainability Implications</td><td>The Investment Strategy was updated in February 2024 to confirm that the Council will only place funds with institutions which are signatories to the UN Principles for Responsible Banking, or are UK Government or Local Government bodies. The UN Principles for Responsible Banking are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.</td></tr>
<tr><td>Resource Implications e.g. Staffing / ICT / Assets</td><td>Not applicable</td></tr>
<tr><td>Risk Management Implications</td><td>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</td></tr>
</table>

	interest rates are avoided.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable
Socioeconomic duty Implications	Not applicable

Executive Summary

During 2023/24, the Council achieved compliance of its legislative and regulatory requirements via the following activities:

Economic position (Section 2)

- Inflation, although reducing, stayed above central bank targets and the UK economic outlook remained relatively weak.
- Starting the financial year at 7.8%, the annual CPI measure of UK inflation reduced gradually to 4.2% in November 2023, where it stabilised, with the final rate of 3.8% in March 2024.
- As the inflation rate remained above the Bank of England (BOE) target of 2%, the BOE Monetary Committee raised the Bank Rate three times to a peak of 5.25% by August 2023, from 4.25% in March 2023.

Debt (Section 5)

- Total loan debt rose from £318.2m as at 31.03.2023 to £332.8m by 31.03.2024. The increase comprises one new £34m PWLB loan and the repayment of one PWLB loan (£4.3m) and the Dexia (LOBO) loans (£15.0m).
- Loan interest totalling £8.2m was paid of which £3.7m related to external loans associated with the Asset Investment Programme. This loan interest is recharged to the AIP at a higher rate reflecting the latest commercial cost of borrowing.
- Average rate of interest payable was 2.50% in 2023/24 and compared to 2.71% in 2022/23 a drop of 0.11%.
- Level of under-borrowing was £86.6m at 31.03.2024 which represents a decrease of £3.4m from the 31.03.2023 closing position of £90.0m.
- Statutory borrowing limits, the authorised limit and operational boundary, were not breached.

Investments (Section 6)

- The high interest rate environment of 2023/24 resulted in the Council receiving a greater level of investment income in year than that originally budgeted for.
- Total level of investments fell from £70.4m at 31.03.2023 to £47.8m at 31.03.2024 a movement of £22.6m due to cash surpluses being utilised in advance of any new external borrowing, which would be costly.
- The average rate of return for all investments in 2023/24 was 5.16% which resulted in a return of £3.50m, £1.40m above budget. This average rate was 0.09% or £0.06m above the recognised performance indicator of 1 month SONIA which was 5.03%.
- All investments were repaid on time without issue and undertaken in accordance with the approved strategy.

Prudential Indicators and limits (Section 8 and Appendix E)

- No breaches to any of these limits occurred.

1. BACKGROUND

1.1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

1.2. For the financial year 2023/24, the Accounts & Audit Committee together with the Executive and Council received the following three reports:

- annual treasury management strategy for the year ahead (issued February 2023)
- mid-year update report (issued November / December 2023)
- annual outturn report describing the activity undertaken (September 2024 this report).

1.3. The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

1.4. It is confirmed that in accordance with the requirement of the Code, prior scrutiny of all the above treasury management reports is undertaken by the Accounts & Audit Committee before they are reported to the Executive and Council.

1.5. Figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.

1.6. For reference a list of abbreviations used within the report has been provided and can be found in Appendix F.

1.7. 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);
- Related Treasury Issues (Section 7);
- Prudential and Performance indicators (Section 8);
- Outlook 2024/25 (Section 9);
- 2023/24 Summary Outturn position (Section 10);
- Appendices including details of abbreviations used in the report.

2. MAJOR ECONOMIC HEADLINES

2.1. A brief summary of the main events which occurred during 2023/24 are highlighted below for reference;

- Starting the financial year at 7.8%, the annual CPI measure of UK inflation reduced gradually to 4.2% in November 2023, where it stabilised, with the final rate of 3.8% in March 2024. RPI followed a similar pattern during the year, starting at 11.4% in April 2023, reducing to 4.3% by March 2024.
- As the inflation rate remained above the Bank of England (BOE) target of 2%, the BOE Monetary Committee raised the Bank Rate three times a peak of 5.25% by August 2023, from 4.25% in March 2023. As the 12-month inflation rate began to fall during 2023/24, no further increases in the rate occurred, with a reduction to 5.00% being implement in August 2024.
- Over the period the 5-year UK benchmark gilt yield rose from 3.53% to peak at 5.13% in July before ending the financial year at 3.88%. Over the same timeframe the 10-year gilt yield rose from 3.53% to peak at 4.73% before falling back to 3.94%, while the 20-year yield rose from 3.89% to 5.14% and then declined to 4.38%. The Sterling Overnight Rate (SONIA) averaged 5.03% over the period.
- The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022, although a growth of 0.7% was reported for the first quarter of 2024.
- Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England’s forecast.

3. INTEREST RATES

3.1. Within the 2023/24 Treasury Management Strategy, a forecast for interest rates was provided which indicated that rates were expected to continue to rise to a peak of 4.50% during the year. Actual interest rates seen in the period rose above this forecast, with the growth in the rates seen across all periods from April 2023 to March 2024, as shown in the table below.

	2023/24	2023/24	1 April 2023	31 March 2024
	Forecast Average	Actual Average	Actual	Actual
	%	%	%	%
Bank Rate	4.50	5.03	4.25	5.25
Investment Rates				
3 month	4.50	5.41	4.50	5.38
1 Year	4.60	5.54	4.89	5.11
Loan Rates				
5 Year	4.20	4.99	4.33	4.69
25 Year	4.40	5.33	4.69	5.22
50 Year	4.30	5.08	4.40	5.01

3.2. The expectation for interest rates within the treasury management strategy for 2023/24 was that the Bank Rate would continue on an upwards path and the Bank Rate did increase, ending the year at 5.25% and since the end of the year the Bank Rate was reduced to 5.00% (August 2024). Forecasted decreases are likely when the Bank of England's Monetary Policy Committee meet in the second half of 2024.

4. TREASURY POSITION

4.1. The Council's Treasury Management in-house team actively ensure that:

- All transactions are carried out in accordance with the current Scheme of Delegation,
- All borrowing has been carried out in accordance with the Council's current Debt Strategy and Prudential Indicators,
- All investments placed have been done so in accordance with the criteria stipulated within the current Investment strategy,
- Security for investments and the management of risks within all treasury management activities is maintained,
- Access to funds is available at all times enabling all payments to be made on time preserving the Council's reputation and
- Procedures and controls to achieve these objectives are in place and that these are reported to members as detailed in the background section and through officer activity as highlighted in the annual Audit and Assurance report.

4.2. The table below shows the loan and investment positions at the beginning and end of 2023/24 for reference:

	31 March 2024		31 March 2023	
	Principal (£m)	**Avg. Int. Rate %**	**Principal (£m)**	**Avg. Int. Rate %**
DEBT				
- PWLB	311.8	2.53	282.2	2.39
- Government Loans - Salix	0.0	0.0	0.0	0.0
- Market	21.0	4.79	36.0	4.56
Total debt	***332.8***	**2.67**	***318.2***	**2.63**
CFR (to finance past capital expenditure)	(422.8)		(412.0)	
Other Long Term Liabilities (PFI)	*3.4*		*3.8*	
Over/ (under) borrowing	***(86.6)***		***(90.0)***	
INVESTMENTS				
- Instant access	29.9	5.27	26.3	4.07
- Call account	1.3	5.14	0.0	0.0
- Term deposit	0.0	0.00	27.4	3.92
- CCLA	4.6	5.34	4.7	4.65
- Asset Investment Strategy(AIS) (Albert Estate)	12.0	n/a	12.0	n/a
Total investments	***47.8***	**4.89**	***70.4***	**3.95**

4.3. Whilst the table at paragraph 4.2 details the position as at the beginning and end of 2023/24 the average position for 2023/24 and 2022/23 was as follows:

	2023/24		2022/23	
	Principal	**Interest Rate**	**Principal**	**Interest Rate**
Average Debt	£312.6m	2.50%	£318.2m	2.71%
Average Investment *	£67.3m	5.16%	£119.6m	2.27%

* Excludes Asset Investment Strategy

5. BORROWING POSITION

5.1. As highlighted in paragraph 4.1 above, part of the Council's treasury management remit is to address any potential borrowing needed to be taken to fund the capital expenditure programme. This may result in funds being borrowed by the in-house treasury management team from external bodies, such as the Government, through the PWLB, the money markets or utilising temporary cash resources which the Council may have.

5.2. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This represents capital spend, not yet paid for by revenue or other capital resources, incurred from current and prior years' activities reflecting the level of the Council's indebtedness.

5.3. During 2023/24, the Council maintained an under-borrowed position as highlighted in the table at paragraph 4.2 which means that the capital borrowing needed was not fully funded with new loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was deemed prudent due to the increased cost of new external borrowing in the current economic environment and the availability of internal funds. External borrowing may be taken later to replace this internal funding, should the terms of the new loans and cost implications of the borrowing be commensurate with the financial plans of the Council.

5.4. To safeguard the Council's finances, the level of CFR is not allowed to rise indefinitely, and statutory controls are in place to ensure that any borrowing costs incurred are charged to revenue over the useful life of the asset. The Council is required to make an annual revenue charge called the Minimum Revenue Provision (MRP) and this reduces the CFR and effectively is a repayment of borrowing. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

5.5. The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts) or
- charging more than the statutory revenue charge MRP each year through a Voluntary Repayment Provision (VRP).

5.6. The Council's CFR includes PFI and any leasing schemes held on the balance sheet, which increase the overall borrowing need. No borrowing is required against these schemes as a borrowing facility is included in the contract.

5.7. During 2023/24 the Council repaid one PWLB loan totalling £4.3m at an average rate of 6.62% due to natural maturity and the two LOBO loans with Dexia totalling £15m were also repaid at an average rate of 4.24%. In the year to March 2024 the Council undertook £34m of new borrowing.

5.8. As at 1 April 2023 there was no short term debt outstanding. The use of an overdraft facility provided by the Council's bank is available, although unutilised as this is an expensive form of borrowing and would result in higher interest costs.

5.9. The level of under borrowing reduced from £90.0m as at 31 March 2023 to £86.6m at 31 March 2024. This under borrowing has been largely driven by using cash balances to support the Asset investment Strategy. This process could create additional financial risk should the Council need to borrow from an external source to fund these investments given the increase in borrowing costs. This additional risk is offset, however, as the business case for these investments is priced accordingly to afford additional borrowing cost from income received.

5.10. The Director of Finance and Systems can confirm that during 2023/24 the Council's level of gross external borrowing did not exceed its CFR thereby ensuring its long term borrowing levels are prudent, only taken for capital purposes and not used to support revenue expenditure.

5.11. From the table at paragraph 4.2 the level of external debt increased during 2023/24 from the opening position of £318.2m to close at £332.8m and due to the following transactions:

Lender	Principal – New	Principal – (Repayment)	Average Interest rate	Notes
Long Term				
PWLB	£34.0m		4.26%	Early Repayment
Dexia		£(15.0)m	4.24%	Early Repayment
Sub total	**£34m**	**£(15.0)m**		
Short Term				
PWLB		£(4.3)m	6.62%	Natural maturity
Sub total	**£0.0m**	**£(4.3)m**		
Grand total	**£34.0m**	**£(19.3)m**		

5.12. From the total debt outstanding of £332.8m, £0.4m is administered on behalf of Greater Manchester Probation Service which leaves £332.4m in respect of the Council's own long-term requirement and a maturity profile of the Council's debt can be found at Appendix B & C for reference.

5.13. Gross loan interest paid during 2023/24 totalled £8.2m and of this £3.7m related to external loans associated with the Asset Investment Strategy, which was subsequently recharged to the programme. The balance of interest paid of £4.5m related to loans associated with the historic borrowing used to fund the capital programme and within the MTFP budget provision.

6. INVESTMENT POSITION

6.1 The Council's investment policy is governed by the DLUHC guidance which has been implemented within the annual investment strategy approved by Council in February 2023. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

6.2 Using this information the Council's in-house treasury management team is able to produce an approved lending list in order to ensure investments are only placed with low risk institutions. Funds are invested for a range of periods reflecting cash flow requirements together with counterparty limits as set out in the approved investment strategy ensuring that an excessive level of funds are not placed in a single counterparty.

6.3 The Director of Finance and Systems can confirm that:

- during the year all investment activity conformed to the approved strategy,
- the approved limits within the Annual Investment Strategy were not breached,
- the Council had no liquidity difficulties and
- in-line with previous years, security and liquidity of its investments remained the overall priorities followed by optimum return (yield) consummate with this approach.

6.4 In 2023/24 the Council maintained an average balance of £62.6m of internally managed funds (this figure excludes £4.7m placed in the Property Fund managed externally by CCLA group) earning an average rate of return of 5.12% which generated £3.15m in investment interest. This return was £1.39m above the agreed budget figure of £1.76m and 0.09% above the performance indicator of the average SONIA 1 Month rate of 5.03%.

6.5 With regards to the Council's long-term investments, in 2015, £5m was placed into the CCLA Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2023 the value of these units, were £4.74m however this has since fallen to a value of £4.55m at 31 March 2024.

6.6 The market background for commercial property improved marginally in 2023/24 and was more stable, in contrast to the very challenging backdrop of 2022/23. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but the retail and offices sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices. The outlook for this fund is steady growth in value in 2024/25.

6.7 In response to the implementation in 2018/19 of IFRS 9 into the CIPFA Code of Practice on Local Authority Accounting, any movement in valuation would normally have to be taken and reflected in full to the Council's revenue account. As a consequence of this change to the CIPFA Code of Practice DLUHC put in place a 5 year statutory override effective from 1 April 2018. This override has since been extended for a further two years to 31st March 2025. The Council will use this override facility to account for any changes in the value of this investment during this period thereby avoiding any adverse movements being taken to the revenue account in full during the year they occurred.

6.8 After the expiry of this override any fall in valuation could place a burden on the Council's revenue account. The value of this investment will be closely monitored to ensure that the likelihood of this happening is minimised.

6.9 Annualised returns generated from the CCLA property fund in 2023/24 (gross of fees on the original value invested) were 5.34% and this compares with that achieved in 2022/23 of 4.65%.

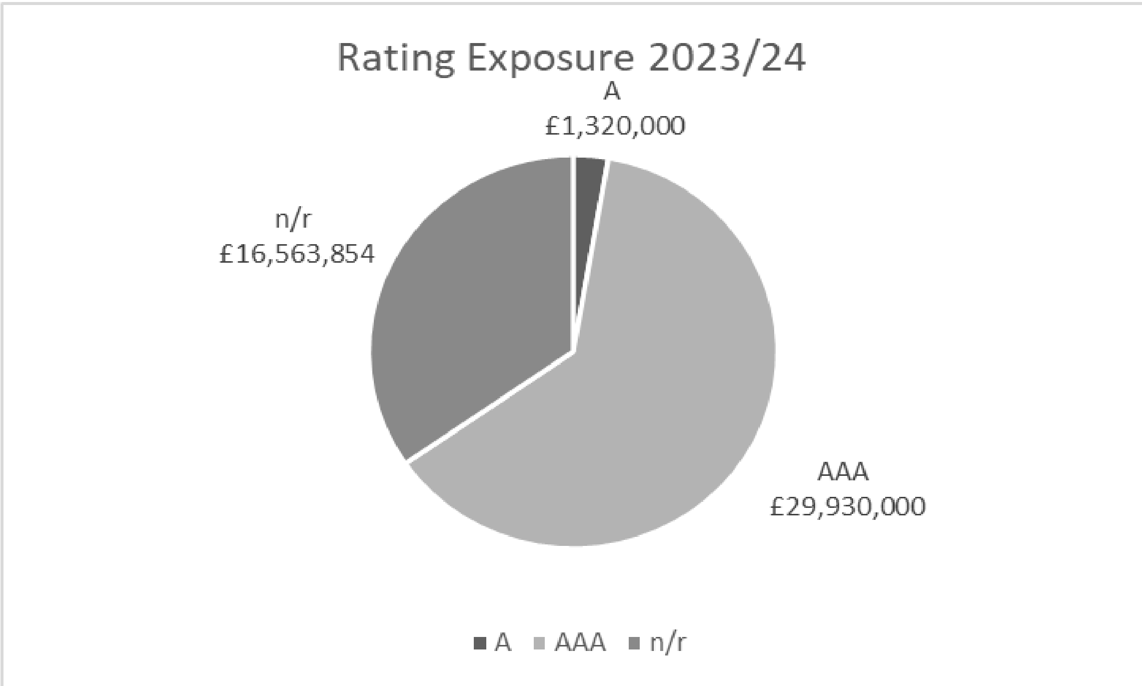
6.10 When the rates of return for both short and long term investments are combined, this produces an average level invested of £67.3m, generating a rate of return of 5.16% worth £3.48m which is £1.35m above budget and 0.12% or £0.37m above the performance indicator of the average SONIA 1 Month rate of 5.03%.

6.11 In addition to the £5m CCLA investment, the Council in August 2019 undertook a further long term investment when it 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. A sale of part of the estate resulted in a partial early repayment to the Council of £5.6m, in April 2022, reducing the facility to £12.0m.

6.12 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate £3.15m of income.

6.13 Levels of funds available to be invested on a daily temporary basis are subject to a number of factors such as timing in the form of monies being received ahead of spend requirements and progress on the Capital Programme.

6.14 The graph below provides a breakdown of the Council's investments placed as at 31 March 2024 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D



7. RELATED TREASURY ISSUES

7.1 Member training – In accordance with the Code, Members are responsible for ensuring effective scrutiny of the treasury management strategy and policies takes place. To be able to do so effectively, a member training session was provided by the Council's advisors Arlingclose and in-house staff to members of the Accounts and Audit Committee on 23 January 2024 via the Teams facility.

7.2 Following three rounds of consultation, the Ministry of Housing, Communities and Local Government (MHCLG) published its final consultation response, amendment regulations and revised statutory guidance on Minimum Revenue Provision (MRP). There are three main changes:

• Local authorities cannot exclude any amount of their Capital Financing Requirement (CFR) from their MRP calculation, unless by an exception set out in law.

• Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP, with specific exceptions for capital loans and leased assets.

• For capital loans given on or after 7th May 2024, sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding minus any expected credit loss.

Changes will take effect from the 2025/26 financial year, except in respect of expected credit losses which take effect from the 2024/25 year.

The Council's MRP Policy will require changing accordingly, with an update to be provided for approval in the 2024/25 Mid-Year Treasury Report.

8. PRUDENTIAL AND PERFORMANCE INDICATORS

8.1 It is a statutory duty for the Council to determine and keep under review the Council's Prudential Indicators as approved within the Treasury Management Strategy for 2023/24.

8.2 During the year ended 31 March 2024, the Council operated within these indicators and these are shown in Appendix E for reference.

9. OUTLOOK 2023/24

9.1 CPI inflation rose to 2.2% in July 2024, form 2.0% in June 24 and the Bank's MPC expects this to rise to 2.75% in the second half of this year, as declines in energy prices last year fall out of the annual comparison and reveal more clearly the prevailing persistence of domestic inflationary pressures. Wage growth has fallen but remains elevated and services inflation is higher than had been expected.

9.2 Since the end of 2023/24, the Bank of England has reduced the base rate from 5.25% in March 2024 to 5.00% in August 2024. It is expected that this rate will be reduced again towards 4.50% by the end of the 2024/25 financial year.

9.3 The previous growth in the Bank Rate has increased the cost to the Council to borrow but has also increased the return on any investments undertaken. The Treasury team will look to manage cash flows to minimise the need for borrowing and maximise any investment return.

10. 2023/24 SUMMARY OUTTURN POSITION

10.1 Activities undertaken as part of the treasury management function are subject to many factors beyond the control of the Council impacting on actual performance e.g. worldwide economic and political events and interest rate movements. The table below reflects the summarised outturn position compared to that originally forecasted for reference;

Treasury Management 2023/24	Budget £000	Outturn £000	Variance £000
DEBT			
Loan Interest	8,349	8,207	(142)
MRP	4,406	5,502	1,096
PFI Interest & Premium	1,046	1,046	0
Other Costs	916	159	(757)
Sub-total	**14,717**	**14,914**	**197**
INVESTMENTS			
Investment Interest & other net interest receipts	(2,054)	(3,457)	(1,403)
MAH Ltd – Main Share dividend Loan interest and car park dividend	 0 (3,500)	 (323) (3,783)	 (323) (283)
Sub-total	**(5,554)**	**(7,563)**	**(2,009)**
RESERVES			
Contribution to / (from) Interest Smoothing Reserve	2,937	1,765	(1,172)
Other Reserve/provision Transactions	(351)	(351)	**0**
Sub-total	**2,586**	**1,414**	**(1,172)**
Internal Recharge - Loan Interest	(6,868)	(6,441)	427
Internal Recharge - MRP	(2,356)	(2,449)	(93)
Sub-total*	**(9,224)**	**(8,890)**	**334**
TOTAL	**2,525**	**(125)**	**(2,650)**

* The above figures reflect all associated debt servicing costs in respect to the Council's Asset Investment Programme are self-financing i.e. paid for from the income stream generated from the investment;

10.2 The average investment interest rate at the time of setting the budget was 4.15% and increased to 5.25% by the end of the year. This saw a subsequent increase in the average investment rate, which generated additional investment income of £1.4m. A contribution of £1.8m has been made to the Council's Interest Rate Smoothing Reserve, to mitigate against adverse borrowing or investment market conditions in future years.

10.3 The application of the Interest Smoothing Reserve will, should it be needed over the forthcoming years, be applied to finance future cash implications arising from:

- The increased cost of future borrowing in a high interest environment
- Potential adverse changes in investment interest rates,
- Short term temporary borrowing funding requirements and
- Non-treasury management activities which have an impact on cash flows.

Other Options

This report is a mandatory report which has been produced in order to comply with Financial Regulations and relevant legislation and provides an overview of transactions undertaken during 2023/24. There are no other options to consider.

Consultation

There are no 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.

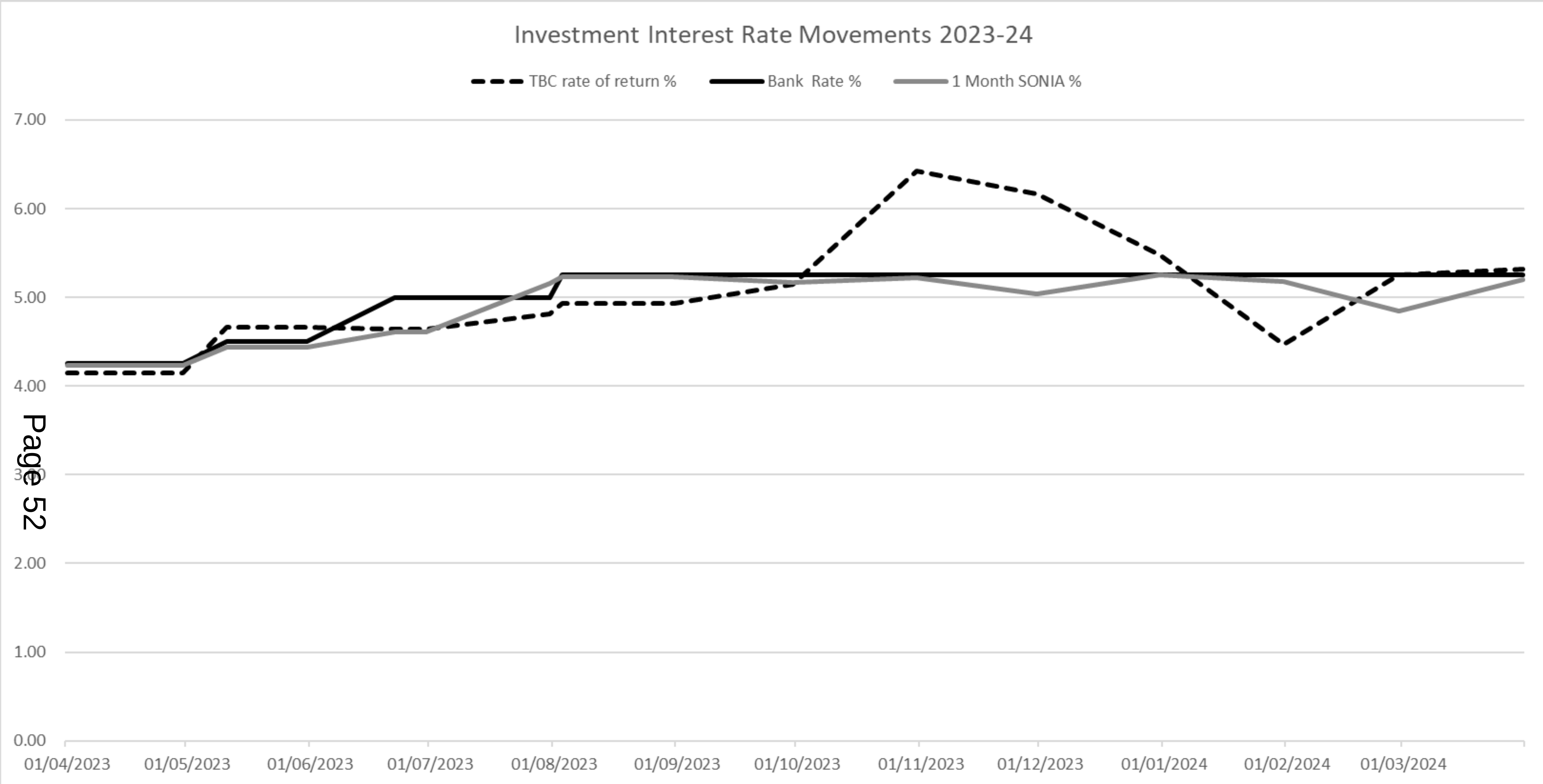
Finance Officer Clearance **DM**

Legal Officer Clearance **EM**

DIRECTOR'S SIGNATURE **GB**

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

Appendix A


Investment Interest Rate Movements 2023-24
TBC rate of return %
Bank Rate %
1 Month SONIA %
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
01/04/2023
01/05/2023
01/06/2023
01/07/2023
01/08/2023
01/09/2023
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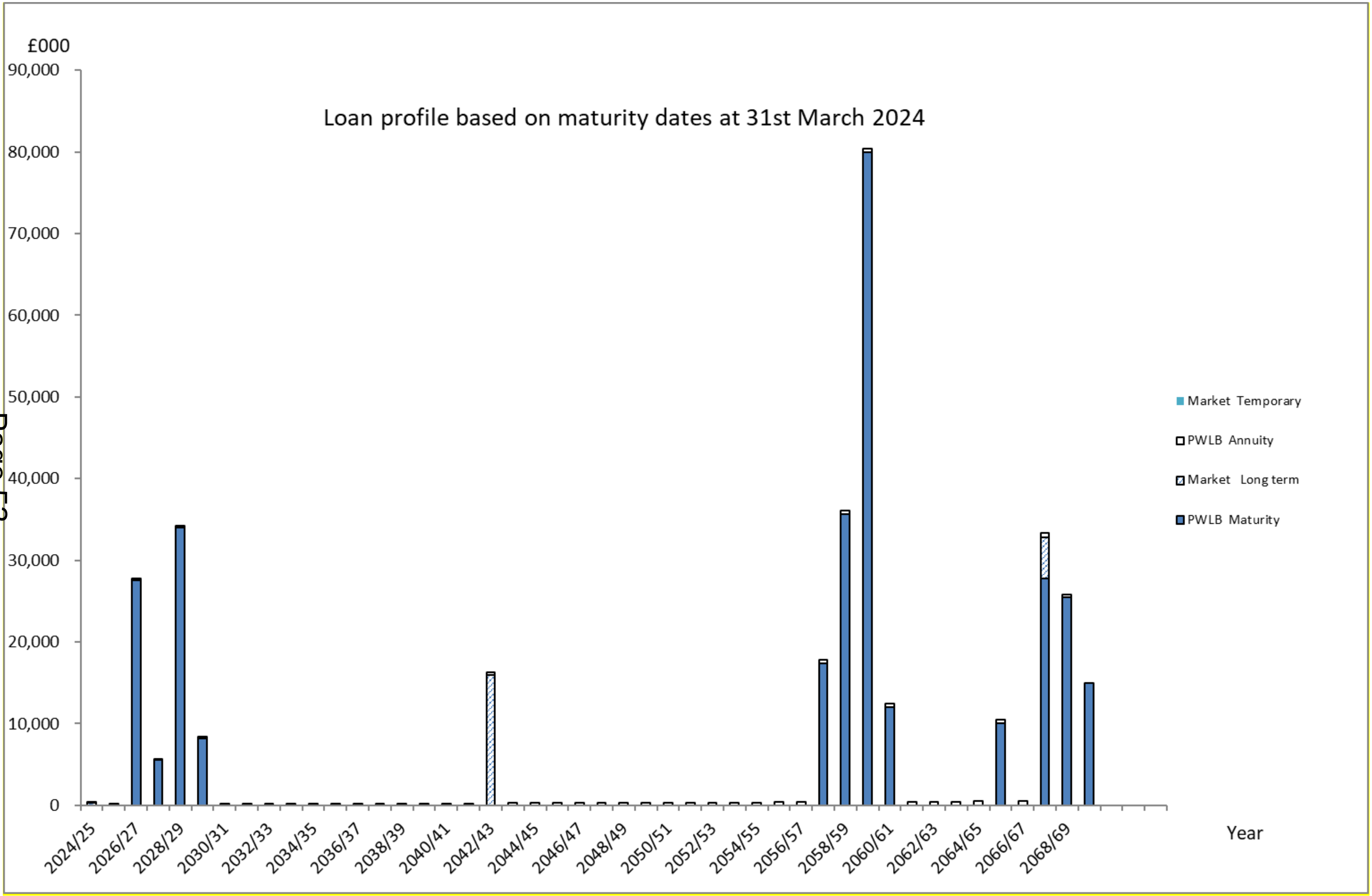
01/02/2024
01/03/2024



£000
Loan profile based on maturity dates at 31st March 2024
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
2024/25
2026/27
2028/29
2030/31
2032/33
2034/35
2036/37
2038/39
2040/41
2042/43
2044/45
2046/47
2048/49
2050/51
2052/53
2054/55
2056/57
2058/59
2060/61
2062/63
2064/65
2066/67
2068/69
Year
Market Temporary
PWLB Annuity
Market Long term
PWLB Maturity

Appendix B

Appendix C

Maturity Profile

Debt portfolio:

	31 March 2024 (£m)	31 March 2023 (£m)
Under 12 months	0.1	19.3
12 months and within 24 months	0.2	0.1
24 months and within 5 years	67.5	33.5
5 years and within 10 years	9.1	9.1
10 years and above	255.9	256.2
Total	**332.8**	**318.2**

Investment portfolio:

	31 March 2024 (£m)	31 March 2023 (£m)
Instant Access	31.2	26.3
Up to 3 Months	0.0	27.4
3 to 6 Months	0.0	0.0
6 to 9 Months	0.0	0.0
9 to 12 months	0.0	0.0
Over 1 year	16.6	16.7
Total	**47.8**	**70.4**

Appendix D

Breakdown of Investments

Counterparty	Amount (30 Sept 2023) £	Amount (31 March 2024) £	Long Term Credit Rating
Money Market Fund			
Aberdeen	3,000,000	4,150,000	AAA
CCLA	3,000,000	4,150,000	AAA
Federated Investors	5,450,000	4,790,000	AAA
Insight	3,000,000	4,150,000	AAA
Invesco Aim	5,000,000	4,250,000	AAA
Legal & General	5,400,000	4,290,000	AAA
Morgan Stanley	3,000,000	4,150,000	AAA
Sub total	*27,850,000*	*29,930,000*	
Notice Accounts			
Lloyds 1 Day Notice	355,000	320,000	A
Sub total	*355,000*	*320,000*	
Term Deposit			
Australia and New Zealand Bank	3,000,000	0	A
Development Bank of Singapore	3,000,000	0	A
First Abu Dhabi Bank	5,500,000	0	A
National Bank of Kuwait	5,000,000	0	A
Renfrewshire Council	5,000,000	0	A1
Lancashire County Council	3,000,000	0	Not rated
Sub total	*24,500,000*	*0*	
Property Funds			
Church Commissioners Local Authority	4,676,816	4,553,854	Not rated
Sub total	*4,676,816*	*4,553,854*	
Other			
Asset Investment Programme	12,010,000	12,010,000	Not rated
Sub total	*12,010,000*	*12,010,000*	
Total	**69,391,816**	**47,813,854**	

The above table shows the level of investments placed as at 30 September 2023 (the last time Members were provided with this information) and 31 March 2024.

Appendix E

Prudential Indicators for 2023/24

Indicator	Indicator set by Council	Actual
Authorised Borrowing Limit Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.	£618.4m	£332.8m
Operational Boundary Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.	£598.4m	£332.8m
Upper limits on fixed interest rates **Maximum** limit of net fixed interest rate exposure - debt less investment	£9.5m	£5.6m
Upper limits on variable interest rates **Maximum** limit of net variable interest rate exposure – debt less investment	£1.0m	£0.0m
Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be taken for capital purposes. During 2023/24 the Director of Finance and Systems can confirm that this indicator was complied with.		
Maturity structure of fixed rate borrowing These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.	Indicator set by Council	Actual
Under 1 year (this includes the next call date for Market loans)	40%	0%
1 year to 2 years	40%	0%
2 years to 5 years	40%	20%
5 years to 10 years	40%	3%
10 years to 20 years	40%	5%
20 years to 30 years	40%	1%
30 years to 40 years	70%	45%
40 years and above	90%	26%
Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment.	£100m	£67.3m

Performance Indicators for 2023/24

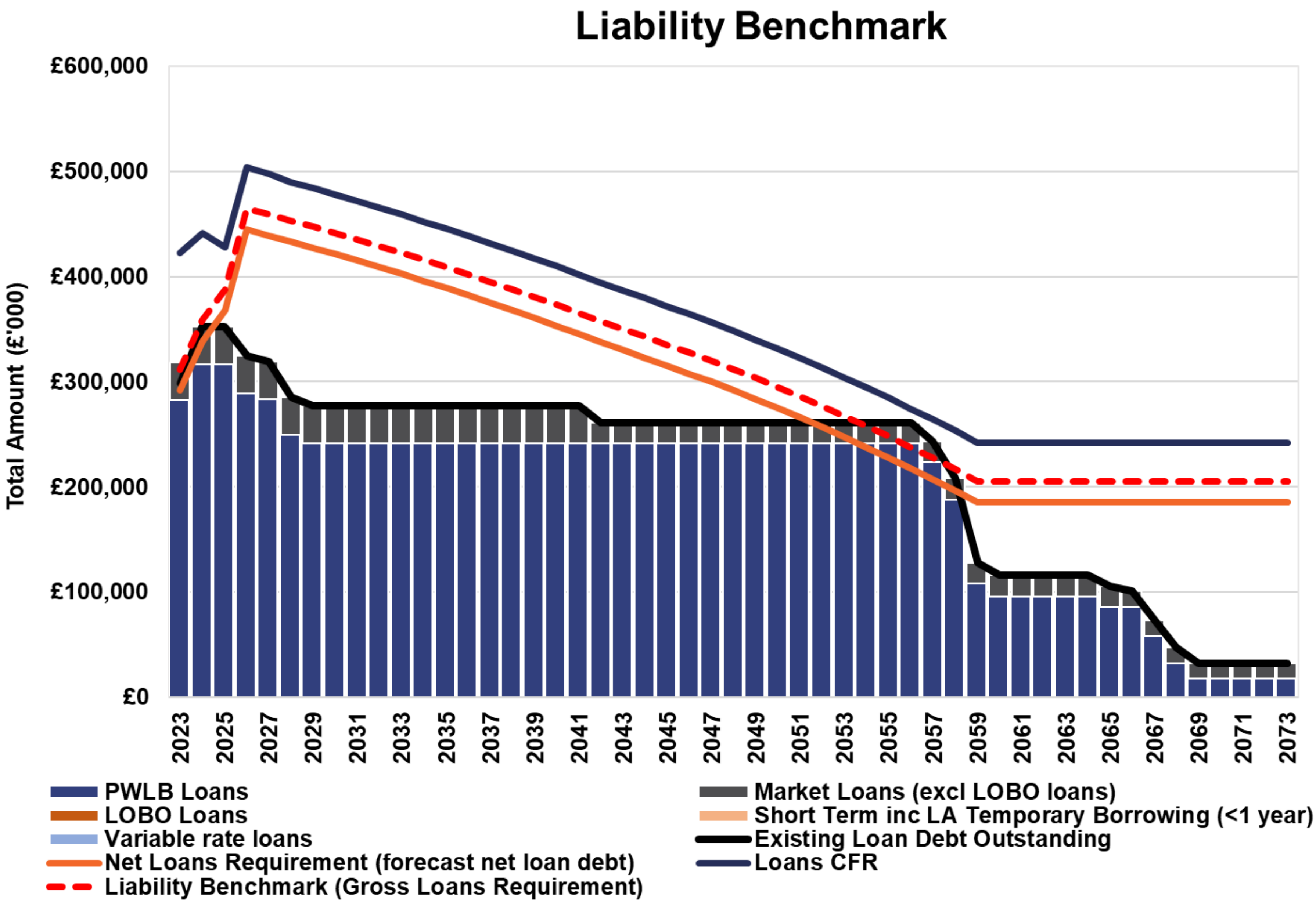
Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.05%	Max 0.04% (31 March 2024)
Liquidity – investments available within 1 week notice	£5m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	0.03 months (31 March 2024)
Yield – Investment interest return to exceed SONIA 1 Month **BID** rate (exclude CCLA)	Average SONIA 1 Month: 5.03%	Average rate of return for 2023/24 was 5.16%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	100% 0%

Liability Benchmark

In the update to the Treasury Management Code made in December 2021, a requirement has been made for the Council to estimate and measure its liability benchmark.

The liability benchmark is a measure of how well the existing loans portfolio matches the Council's planned borrowing needs. The purpose of this prudential indicator is to compare the Council's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the red (dashed) line).

If the black line is below the red (dashed) line, the existing portfolio outstanding is less than the loan debt required, and this shows the Council will need to borrow to meet the shortfall. If the black line is above the red (dashed) line, the Council will (based on its current plans) have more debt than it needs, and the excess will have to be invested. The chart therefore tells the Council how much it needs to borrow, when, and to want maturities to match its planned borrowing needs.



Liability Benchmark
£600,000
£500,000
£400,000
£300,000
£200,000
£100,000
£0
Total Amount (£'000)
2023
2025
2027
2029
2031
2033
2035
2037
2039
2041
2043
2045
2047
2049
2051
2053
2055
2057
2059
2061
2063
2065
2067
2069
2071
2073
PWLB Loans
Market Loans (excl LOBO loans)
LOBO Loans
Short Term inc LA Temporary Borrowing (<1 year)
Variable rate loans
Existing Loan Debt Outstanding
Net Loans Requirement (forecast net loan debt)
Loans CFR
Liability Benchmark (Gross Loans Requirement)

APPENDIX F

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CCLA: Church Commissioners Local Authority - manage investments for charities, religious organisations and the public sector

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

DLUHC: the Department for Levelling Up, Housing and Communities - the Government department that directs local authorities in England.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies which meet annually to discuss issues such as global economic governance, international security and energy policy consisting of United States, Canada, France, Germany, Italy, Japan and the United Kingdom.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets.

IFRS 9: is an International Financial Reporting Standard (**IFRS**) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments and contains three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

LG: Link Group – independent organisation which provides advice and guidance on all treasury matters including government legislation.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MAH Ltd: Manchester Airport Holdings Limited - is a holding company which is owned by the ten metropolitan borough councils of Greater Manchester and an Australian investment fund IFM Investors.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

MTFP: A Medium Term Financial Plan is a key part of the Council's Policy and Budget Framework and sets out the strategic approach to the management of its finances.

OBR: Office for Budget Responsibility is a non-departmental public body funded by the UK Treasury that the UK government established to provide independent economic forecasts and independent analysis of the public finances

OECD: Organisation for Economic Co-operation and Development is an intergovernmental economic organisation with 37 member countries, founded in 1961 to stimulate economic progress and world trade

PEPP: Pandemic emergency purchase programme is the ECB's monetary policy measure initiated in March 2020 which is a temporary asset purchase programme of private and public sector securities.

PFI: Private Finance Initiative is a way of financing public sector projects through the private sector.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: Quantitative Easing - is a monetary policy whereby a central bank (e.g. Bank of England) buys government bonds or other financial assets in order to inject money into the economy to expand economic activity.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

UK: United Kingdom.

US: United States of America.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition)

TRAFFORD COUNCIL

Report to:	**Accounts & Audit Committee 25th September 2024** **Executive 21st October 2024** **Council Meeting 20th November 2024**
Report for:	**Information**
Report of:	**The Executive Member for Finance, Change and Governance and the Director of Finance and Systems**

Treasury Management Annual Performance 2023/24 Report

Summary

This report outlines the main treasury management activities undertaken during 2023/24 as follows:

- All legislative and regulatory requirements, including all treasury management prudential indicators have been complied with.
- The average level of external debt and interest rate payable for 2023/24 was £312.6m and 2.50% and this compares to £318.2m & 2.71% in 2022/23.
- The average level of treasury investments for 2023/24 was £67.3m with a rate of return of 5.16% compared with 2022/23 when the equivalent figures was £119.6m and 2.27% respectively.
- The outturn position for the Council's Treasury Management function was a favourable outturn of £2.65m, largely due to higher-than-expected returns on short-term investments yielding an additional £1.4m of income. A contribution has been made towards the Interest Rate Smoothing Reserve of £1.49m to absorb a potential increase in borrowing costs over the short-term.

Recommendations

That the Accounts & Audit Committee note the treasury management activities undertaken in 2023/24 and recommend that both Executive and Council also note the report.

Contact person for background papers:
Frank Fallon – Finance Manager Place & Central Services

Background papers: None

CORPORATE PRIORITIES AND GOVERNANCE CONSIDERATIONS	
The Best Start for our Children and Young People	The Treasury Management function ensures that the Council has sufficient financing available to fund the activities which support the Council's Corporate Priorities. Further any additional net interest income derived from Treasury activities can be used to support the revenue budget and front line services.
Healthy and Independent Lives for Everyone	
A Thriving Economy and Homes for All	
Address the Climate Crisis	
Culture, Sport and Heritage for Everyone	
Relationship to GM Policy or Strategy Framework	Not applicable
Financial Considerations	The net outturn for treasury management was a favourable variance to budget of £2.65m and details of this are provided at paragraph 10.1.
Legal Implications:	Treasury Management activities are subject to requirements detailed in legislation, Ministry of Housing, Communities and Local Government (MHCLG), Chartered Institute of Public Finance & 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	The Investment Strategy was updated in February 2024 to confirm that the Council will only place funds with institutions which are signatories to the UN Principles for Responsible Banking, or are UK Government or Local Government bodies. The UN Principles for Responsible Banking are a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the 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
Socioeconomic duty Implications	Not applicable

Executive Summary

During 2023/24, the Council achieved compliance of its legislative and regulatory requirements via the following activities:

Economic position (Section 2)

- Inflation, although reducing, stayed above central bank targets and the UK economic outlook remained relatively weak.
- Starting the financial year at 7.8%, the annual CPI measure of UK inflation reduced gradually to 4.2% in November 2023, where it stabilised, with the final rate of 3.8% in March 2024.
- As the inflation rate remained above the Bank of England (BOE) target of 2%, the BOE Monetary Committee raised the Bank Rate three times to a peak of 5.25% by August 2023, from 4.25% in March 2023.

Debt (Section 5)

- Total loan debt rose from £318.2m as at 31.03.2023 to £332.8m by 31.03.2024. The increase comprises one new £34m PWLB loan and the repayment of one PWLB loan (£4.3m) and the Dexia (LOBO) loans (£15.0m).
- Loan interest totalling £8.2m was paid of which £3.7m related to external loans associated with the Asset Investment Programme. This loan interest is recharged to the AIP at a higher rate reflecting the latest commercial cost of borrowing.
- Average rate of interest payable was 2.50% in 2023/24 and compared to 2.71% in 2022/23 a drop of 0.11%.
- Level of under-borrowing was £86.6m at 31.03.2024 which represents a decrease of £3.4m from the 31.03.2023 closing position of £90.0m.
- Statutory borrowing limits, the authorised limit and operational boundary, were not breached.

Investments (Section 6)

- The high interest rate environment of 2023/24 resulted in the Council receiving a greater level of investment income in year than that originally budgeted for.
- Total level of investments fell from £70.4m at 31.03.2023 to £47.8m at 31.03.2024 a movement of £22.6m due to cash surpluses being utilised in advance of any new external borrowing, which would be costly.
- The average rate of return for all investments in 2023/24 was 5.16% which resulted in a return of £3.50m, £1.40m above budget. This average rate was 0.09% or £0.06m above the recognised performance indicator of 1 month SONIA which was 5.03%.
- All investments were repaid on time without issue and undertaken in accordance with the approved strategy.

Prudential Indicators and limits (Section 8 and Appendix E)

- No breaches to any of these limits occurred.

1. BACKGROUND

1.1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

1.2. For the financial year 2023/24, the Accounts & Audit Committee together with the Executive and Council received the following three reports:

- annual treasury management strategy for the year ahead (issued February 2023)
- mid-year update report (issued November / December 2023)
- annual outturn report describing the activity undertaken (September 2024 this report).

1.3. The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

1.4. It is confirmed that in accordance with the requirement of the Code, prior scrutiny of all the above treasury management reports is undertaken by the Accounts & Audit Committee before they are reported to the Executive and Council.

1.5. Figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.

1.6. For reference a list of abbreviations used within the report has been provided and can be found in Appendix F.

1.7. 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);
- Related Treasury Issues (Section 7);
- Prudential and Performance indicators (Section 8);
- Outlook 2024/25 (Section 9);
- 2023/24 Summary Outturn position (Section 10);
- Appendices including details of abbreviations used in the report.

2. MAJOR ECONOMIC HEADLINES

2.1. A brief summary of the main events which occurred during 2023/24 are highlighted below for reference;

- Starting the financial year at 7.8%, the annual CPI measure of UK inflation reduced gradually to 4.2% in November 2023, where it stabilised, with the final rate of 3.8% in March 2024. RPI followed a similar pattern during the year, starting at 11.4% in April 2023, reducing to 4.3% by March 2024.
- As the inflation rate remained above the Bank of England (BOE) target of 2%, the BOE Monetary Committee raised the Bank Rate three times a peak of 5.25% by August 2023, from 4.25% in March 2023. As the 12-month inflation rate began to fall during 2023/24, no further increases in the rate occurred, with a reduction to 5.00% being implement in August 2024.
- Over the period the 5-year UK benchmark gilt yield rose from 3.53% to peak at 5.13% in July before ending the financial year at 3.88%. Over the same timeframe the 10-year gilt yield rose from 3.53% to peak at 4.73% before falling back to 3.94%, while the 20-year yield rose from 3.89% to 5.14% and then declined to 4.38%. The Sterling Overnight Rate (SONIA) averaged 5.03% over the period.
- The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022, although a growth of 0.7% was reported for the first quarter of 2024.
- Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England’s forecast.

3. INTEREST RATES

3.1. Within the 2023/24 Treasury Management Strategy, a forecast for interest rates was provided which indicated that rates were expected to continue to rise to a peak of 4.50% during the year. Actual interest rates seen in the period rose above this forecast, with the growth in the rates seen across all periods from April 2023 to March 2024, as shown in the table below.

	2023/24	2023/24	1 April 2023	31 March 2024
	Forecast Average	Actual Average	Actual	Actual
	%	%	%	%
Bank Rate	4.50	5.03	4.25	5.25
Investment Rates				
3 month	4.50	5.41	4.50	5.38
1 Year	4.60	5.54	4.89	5.11
Loan Rates				
5 Year	4.20	4.99	4.33	4.69
25 Year	4.40	5.33	4.69	5.22
50 Year	4.30	5.08	4.40	5.01

3.2. The expectation for interest rates within the treasury management strategy for 2023/24 was that the Bank Rate would continue on an upwards path and the Bank Rate did increase, ending the year at 5.25% and since the end of the year the Bank Rate was reduced to 5.00% (August 2024). Forecasted decreases are likely when the Bank of England’s Monetary Policy Committee meet in the second half of 2024.

4. TREASURY POSITION

4.1. The Council’s Treasury Management in-house team actively ensure that:

- All transactions are carried out in accordance with the current Scheme of Delegation,
- All borrowing has been carried out in accordance with the Council’s current Debt Strategy and Prudential Indicators,
- All investments placed have been done so in accordance with the criteria stipulated within the current Investment strategy,
- Security for investments and the management of risks within all treasury management activities is maintained,
- Access to funds is available at all times enabling all payments to be made on time preserving the Council’s reputation and
- Procedures and controls to achieve these objectives are in place and that these are reported to members as detailed in the background section and through officer activity as highlighted in the annual Audit and Assurance report.

4.2. The table below shows the loan and investment positions at the beginning and end of 2023/24 for reference:

	31 March 2024		31 March 2023	
	Principal (£m)	**Avg. Int. Rate %**	**Principal (£m)**	**Avg. Int. Rate %**
DEBT				
- PWLB	311.8	2.53	282.2	2.39
- Government Loans - Salix	0.0	0.0	0.0	0.0
- Market	21.0	4.79	36.0	4.56
Total debt	***332.8***	**2.67**	***318.2***	**2.63**
CFR (to finance past capital expenditure)	(422.8)		(412.0)	
Other Long Term Liabilities (PFI)	*3.4*		*3.8*	
Over/ (under) borrowing	***(86.6)***		***(90.0)***	
INVESTMENTS				
- Instant access	29.9	5.27	26.3	4.07
- Call account	1.3	5.14	0.0	0.0
- Term deposit	0.0	0.00	27.4	3.92
- CCLA	4.6	5.34	4.7	4.65
- Asset Investment Strategy(AIS) (Albert Estate)	12.0	n/a	12.0	n/a
Total investments	***47.8***	**4.89**	***70.4***	**3.95**

4.3. Whilst the table at paragraph 4.2 details the position as at the beginning and end of 2023/24 the average position for 2023/24 and 2022/23 was as follows:

	2023/24		2022/23	
	Principal	**Interest Rate**	**Principal**	**Interest Rate**
Average Debt	£312.6m	2.50%	£318.2m	2.71%
Average Investment *	£67.3m	5.16%	£119.6m	2.27%

* Excludes Asset Investment Strategy

5. BORROWING POSITION

5.1. As highlighted in paragraph 4.1 above, part of the Council's treasury management remit is to address any potential borrowing needed to be taken to fund the capital expenditure programme. This may result in funds being borrowed by the in-house treasury management team from external bodies, such as the Government, through the PWLB, the money markets or utilising temporary cash resources which the Council may have.

5.2. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This represents capital spend, not yet paid for by revenue or other capital resources, incurred from current and prior years' activities reflecting the level of the Council's indebtedness.

5.3. During 2023/24, the Council maintained an under-borrowed position as highlighted in the table at paragraph 4.2 which means that the capital borrowing needed was not fully funded with new loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was deemed prudent due to the increased cost of new external borrowing in the current economic environment and the availability of internal funds. External borrowing may be taken later to replace this internal funding, should the terms of the new loans and cost implications of the borrowing be commensurate with the financial plans of the Council.

5.4. To safeguard the Council's finances, the level of CFR is not allowed to rise indefinitely, and statutory controls are in place to ensure that any borrowing costs incurred are charged to revenue over the useful life of the asset. The Council is required to make an annual revenue charge called the Minimum Revenue Provision (MRP) and this reduces the CFR and effectively is a repayment of borrowing. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

5.5. The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts) or
- charging more than the statutory revenue charge MRP each year through a Voluntary Repayment Provision (VRP).

5.6. The Council's CFR includes PFI and any leasing schemes held on the balance sheet, which increase the overall borrowing need. No borrowing is required against these schemes as a borrowing facility is included in the contract.

5.7. During 2023/24 the Council repaid one PWLB loan totalling £4.3m at an average rate of 6.62% due to natural maturity and the two LOBO loans with Dexia totalling £15m were also repaid at an average rate of 4.24%. In the year to March 2024 the Council undertook £34m of new borrowing.

5.8. As at 1 April 2023 there was no short term debt outstanding. The use of an overdraft facility provided by the Council's bank is available, although unutilised as this is an expensive form of borrowing and would result in higher interest costs.

5.9. The level of under borrowing reduced from £90.0m as at 31 March 2023 to £86.6m at 31 March 2024. This under borrowing has been largely driven by using cash balances to support the Asset investment Strategy. This process could create additional financial risk should the Council need to borrow from an external source to fund these investments given the increase in borrowing costs. This additional risk is offset, however, as the business case for these investments is priced accordingly to afford additional borrowing cost from income received.

5.10. The Director of Finance and Systems can confirm that during 2023/24 the Council's level of gross external borrowing did not exceed its CFR thereby ensuring its long term borrowing levels are prudent, only taken for capital purposes and not used to support revenue expenditure.

5.11. From the table at paragraph 4.2 the level of external debt increased during 2023/24 from the opening position of £318.2m to close at £332.8m and due to the following transactions:

Lender	Principal – New	Principal – (Repayment)	Average Interest rate	Notes
Long Term				
PWLB	£34.0m		4.26%	Early Repayment
Dexia		£(15.0)m	4.24%	Early Repayment
Sub total	**£34m**	**£(15.0)m**		
Short Term				
PWLB		£(4.3)m	6.62%	Natural maturity
Sub total	**£0.0m**	**£(4.3)m**		
Grand total	**£34.0m**	**£(19.3)m**		

5.12. From the total debt outstanding of £332.8m, £0.4m is administered on behalf of Greater Manchester Probation Service which leaves £332.4m in respect of the Council's own long-term requirement and a maturity profile of the Council's debt can be found at Appendix B & C for reference.

5.13. Gross loan interest paid during 2023/24 totalled £8.2m and of this £3.7m related to external loans associated with the Asset Investment Strategy, which was subsequently recharged to the programme. The balance of interest paid of £4.5m related to loans associated with the historic borrowing used to fund the capital programme and within the MTFP budget provision.

6. INVESTMENT POSITION

6.1 The Council's investment policy is governed by the DLUHC guidance which has been implemented within the annual investment strategy approved by Council in February 2023. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

6.2 Using this information the Council's in-house treasury management team is able to produce an approved lending list in order to ensure investments are only placed with low risk institutions. Funds are invested for a range of periods reflecting cash flow requirements together with counterparty limits as set out in the approved investment strategy ensuring that an excessive level of funds are not placed in a single counterparty.

6.3 The Director of Finance and Systems can confirm that:

- during the year all investment activity conformed to the approved strategy,
- the approved limits within the Annual Investment Strategy were not breached,
- the Council had no liquidity difficulties and
- in-line with previous years, security and liquidity of its investments remained the overall priorities followed by optimum return (yield) consummate with this approach.

6.4 In 2023/24 the Council maintained an average balance of £62.6m of internally managed funds (this figure excludes £4.7m placed in the Property Fund managed externally by CCLA group) earning an average rate of return of 5.12% which generated £3.15m in investment interest. This return was £1.39m above the agreed budget figure of £1.76m and 0.09% above the performance indicator of the average SONIA 1 Month rate of 5.03%.

6.5 With regards to the Council's long-term investments, in 2015, £5m was placed into the CCLA Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2023 the value of these units, were £4.74m however this has since fallen to a value of £4.55m at 31 March 2024.

6.6 The market background for commercial property improved marginally in 2023/24 and was more stable, in contrast to the very challenging backdrop of 2022/23. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but the retail and offices sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices. The outlook for this fund is steady growth in value in 2024/25.

6.7 In response to the implementation in 2018/19 of IFRS 9 into the CIPFA Code of Practice on Local Authority Accounting, any movement in valuation would normally have to be taken and reflected in full to the Council's revenue account. As a consequence of this change to the CIPFA Code of Practice DLUHC put in place a 5 year statutory override effective from 1 April 2018. This override has since been extended for a further two years to 31st March 2025. The Council will use this override facility to account for any changes in the value of this investment during this period thereby avoiding any adverse movements being taken to the revenue account in full during the year they occurred.

6.8 After the expiry of this override any fall in valuation could place a burden on the Council's revenue account. The value of this investment will be closely monitored to ensure that the likelihood of this happening is minimised.

6.9 Annualised returns generated from the CCLA property fund in 2023/24 (gross of fees on the original value invested) were 5.34% and this compares with that achieved in 2022/23 of 4.65%.

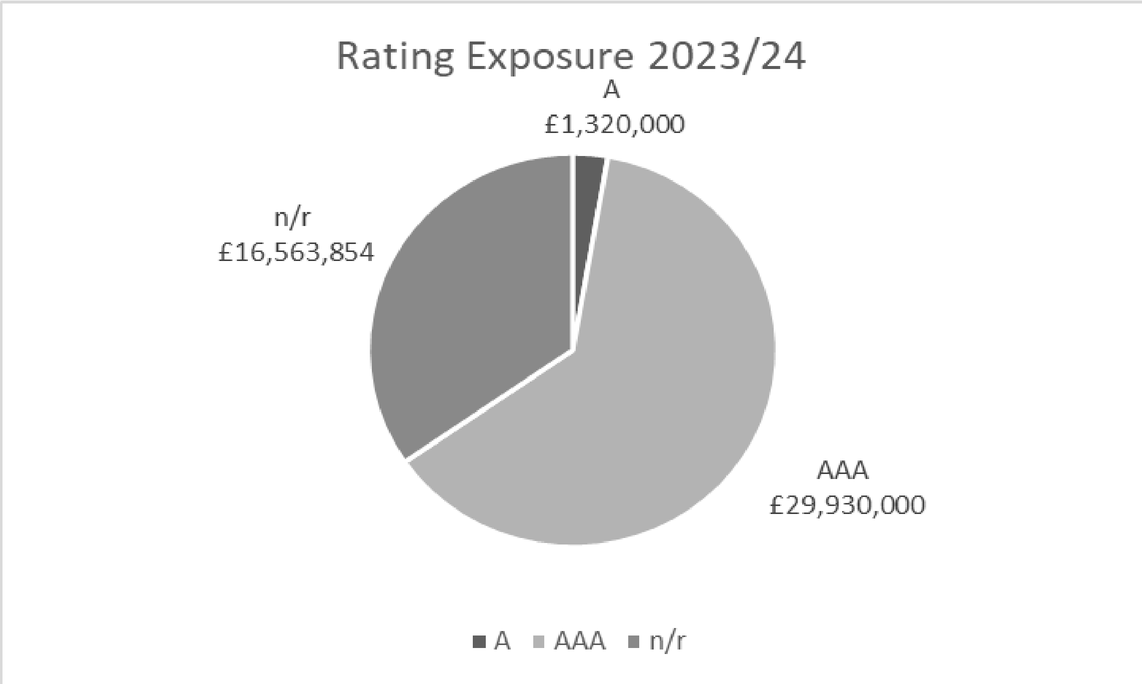
6.10 When the rates of return for both short and long term investments are combined, this produces an average level invested of £67.3m, generating a rate of return of 5.16% worth £3.48m which is £1.35m above budget and 0.12% or £0.37m above the performance indicator of the average SONIA 1 Month rate of 5.03%.

6.11 In addition to the £5m CCLA investment, the Council in August 2019 undertook a further long term investment when it 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. A sale of part of the estate resulted in a partial early repayment to the Council of £5.6m, in April 2022, reducing the facility to £12.0m.

6.12 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate £3.15m of income.

6.13 Levels of funds available to be invested on a daily temporary basis are subject to a number of factors such as timing in the form of monies being received ahead of spend requirements and progress on the Capital Programme.

6.14 The graph below provides a breakdown of the Council's investments placed as at 31 March 2024 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D



7. RELATED TREASURY ISSUES

7.1 Member training – In accordance with the Code, Members are responsible for ensuring effective scrutiny of the treasury management strategy and policies takes place. To be able to do so effectively, a member training session was provided by the Council's advisors Arlingclose and in-house staff to members of the Accounts and Audit Committee on 23 January 2024 via the Teams facility.

7.2 Following three rounds of consultation, the Ministry of Housing, Communities and Local Government (MHCLG) published its final consultation response, amendment regulations and revised statutory guidance on Minimum Revenue Provision (MRP). There are three main changes:

• Local authorities cannot exclude any amount of their Capital Financing Requirement (CFR) from their MRP calculation, unless by an exception set out in law.

• Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP, with specific exceptions for capital loans and leased assets.

• For capital loans given on or after 7th May 2024, sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding minus any expected credit loss.

Changes will take effect from the 2025/26 financial year, except in respect of expected credit losses which take effect from the 2024/25 year.

The Council's MRP Policy will require changing accordingly, with an update to be provided for approval in the 2024/25 Mid-Year Treasury Report.

8. PRUDENTIAL AND PERFORMANCE INDICATORS

8.1 It is a statutory duty for the Council to determine and keep under review the Council's Prudential Indicators as approved within the Treasury Management Strategy for 2023/24.

8.2 During the year ended 31 March 2024, the Council operated within these indicators and these are shown in Appendix E for reference.

9. OUTLOOK 2023/24

9.1 CPI inflation rose to 2.2% in July 2024, form 2.0% in June 24 and the Bank's MPC expects this to rise to 2.75% in the second half of this year, as declines in energy prices last year fall out of the annual comparison and reveal more clearly the prevailing persistence of domestic inflationary pressures. Wage growth has fallen but remains elevated and services inflation is higher than had been expected.

9.2 Since the end of 2023/24, the Bank of England has reduced the base rate from 5.25% in March 2024 to 5.00% in August 2024. It is expected that this rate will be reduced again towards 4.50% by the end of the 2024/25 financial year.

9.3 The previous growth in the Bank Rate has increased the cost to the Council to borrow but has also increased the return on any investments undertaken. The Treasury team will look to manage cash flows to minimise the need for borrowing and maximise any investment return.

10. 2023/24 SUMMARY OUTTURN POSITION

10.1 Activities undertaken as part of the treasury management function are subject to many factors beyond the control of the Council impacting on actual performance e.g. worldwide economic and political events and interest rate movements. The table below reflects the summarised outturn position compared to that originally forecasted for reference;

Treasury Management 2023/24	Budget £000	Outturn £000	Variance £000
DEBT			
Loan Interest	8,349	8,207	(142)
MRP	4,406	5,502	1,096
PFI Interest & Premium	1,046	1,046	0
Other Costs	916	159	(757)
Sub-total	**14,717**	**14,914**	**197**
INVESTMENTS			
Investment Interest & other net interest receipts	(2,054)	(3,457)	(1,403)
MAH Ltd – Main Share dividend Loan interest and car park dividend	 0 (3,500)	 (323) (3,783)	 (323) (283)
Sub-total	**(5,554)**	**(7,563)**	**(2,009)**
RESERVES			
Contribution to / (from) Interest Smoothing Reserve	2,937	1,765	(1,172)
Other Reserve/provision Transactions	(351)	(351)	**0**
Sub-total	**2,586**	**1,414**	**(1,172)**
Internal Recharge - Loan Interest	(6,868)	(6,441)	427
Internal Recharge - MRP	(2,356)	(2,449)	(93)
Sub-total*	**(9,224)**	**(8,890)**	**334**
TOTAL	**2,525**	**(125)**	**(2,650)**

* The above figures reflect all associated debt servicing costs in respect to the Council's Asset Investment Programme are self-financing i.e. paid for from the income stream generated from the investment;

10.2 The average investment interest rate at the time of setting the budget was 4.15% and increased to 5.25% by the end of the year. This saw a subsequent increase in the average investment rate, which generated additional investment income of £1.4m. A contribution of £1.8m has been made to the Council's Interest Rate Smoothing Reserve, to mitigate against adverse borrowing or investment market conditions in future years.

10.3 The application of the Interest Smoothing Reserve will, should it be needed over the forthcoming years, be applied to finance future cash implications arising from:

- The increased cost of future borrowing in a high interest environment
- Potential adverse changes in investment interest rates,
- Short term temporary borrowing funding requirements and
- Non-treasury management activities which have an impact on cash flows.

Other Options

This report is a mandatory report which has been produced in order to comply with Financial Regulations and relevant legislation and provides an overview of transactions undertaken during 2023/24. There are no other options to consider.

Consultation

There are no consultation requirements in respect of this report.

Reasons for Recommendation

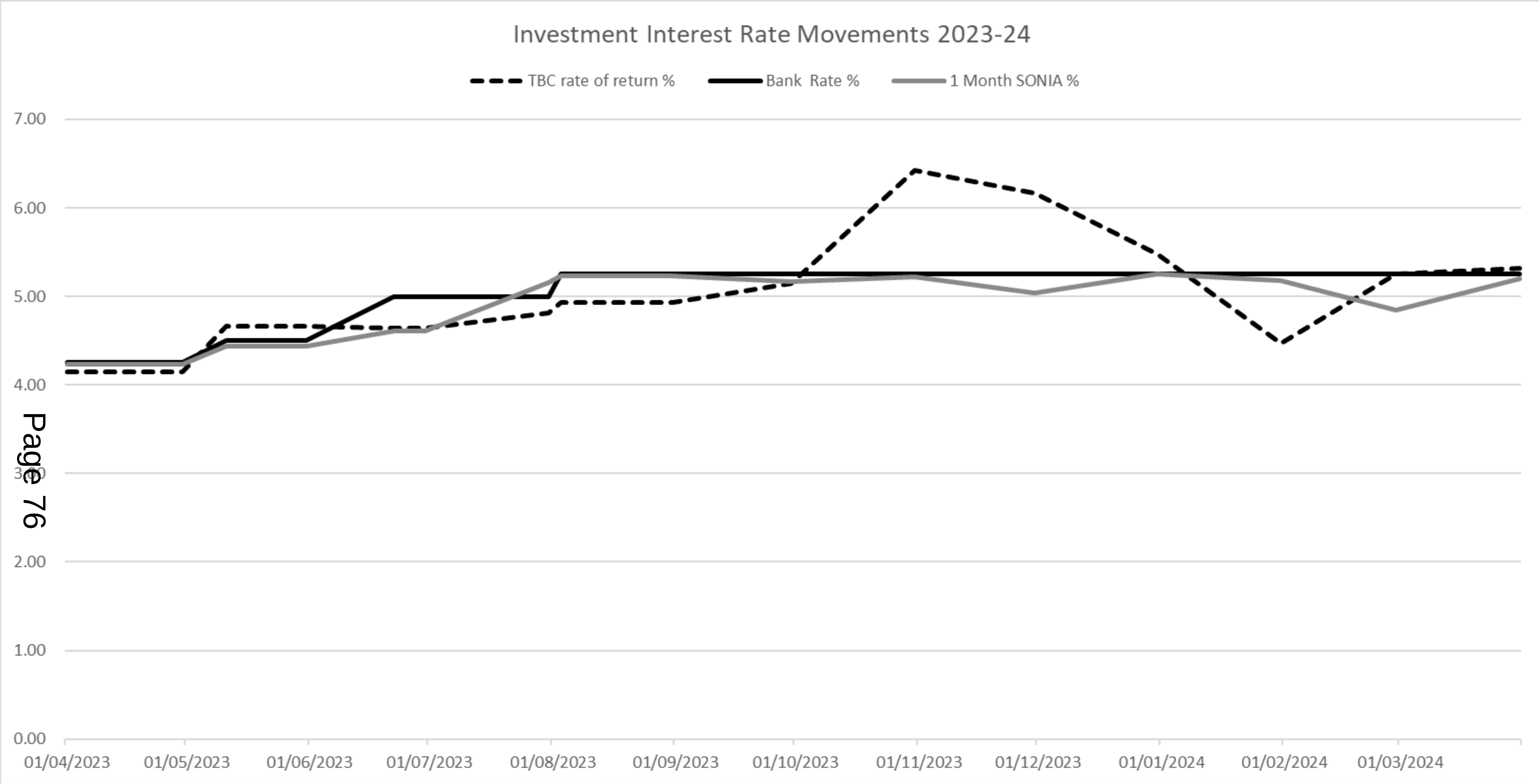
The report is a mandatory report which has been produced in order to comply with the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.

Finance Officer Clearance **DM**

Legal Officer Clearance **EM**

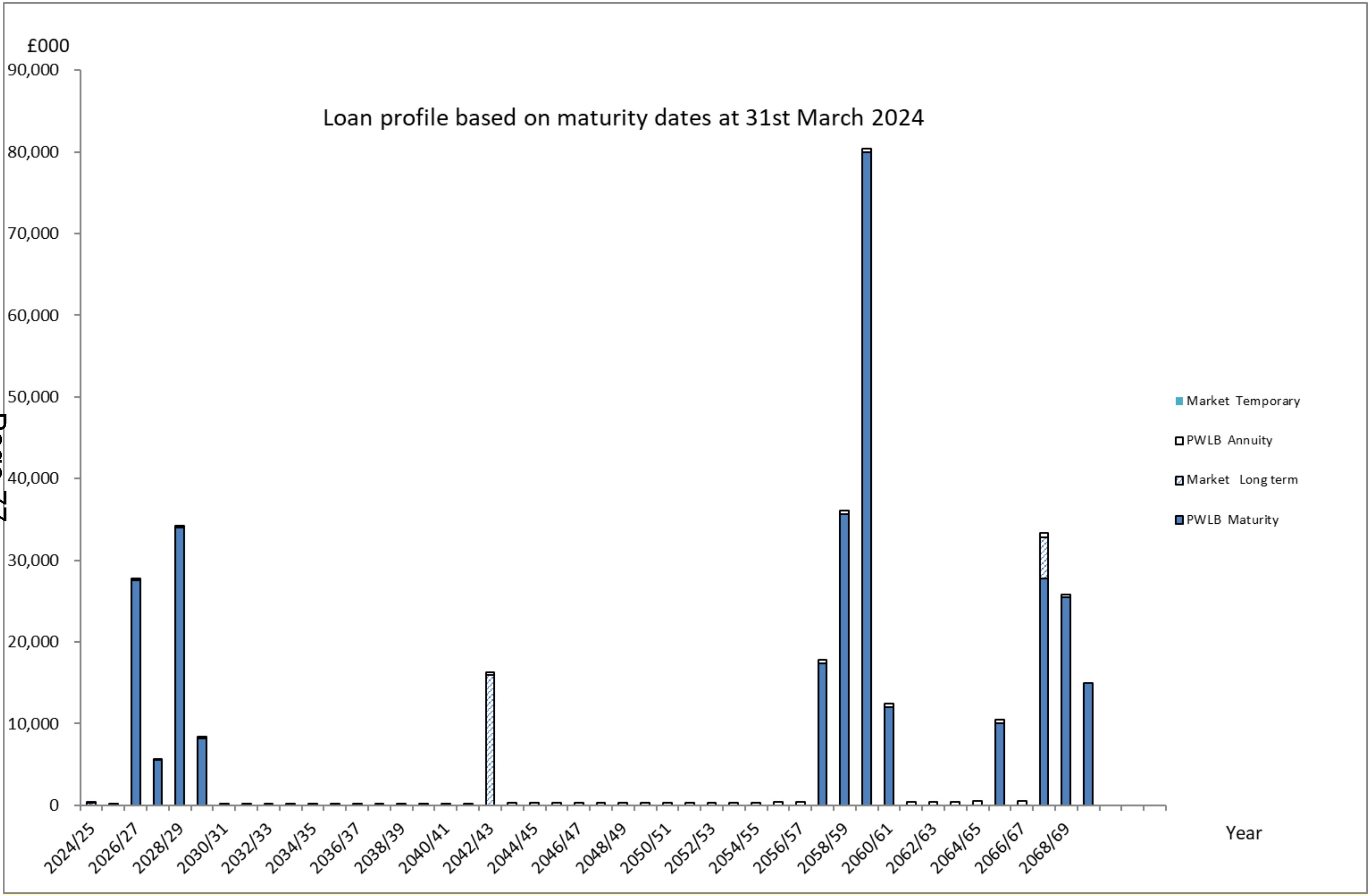
DIRECTOR'S SIGNATURE **GB**

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.


Investment Interest Rate Movements 2023-24
TBC rate of return %
Bank Rate %
1 Month SONIA %
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
01/04/2023
01/05/2023
01/06/2023
01/07/2023
01/08/2023
01/09/2023
01/10/2023
01/11/2023
01/12/2023
01/01/2024
01/02/2024
01/03/2024

Appendix A

Appendix B



£000
Loan profile based on maturity dates at 31st March 2024
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
Market Temporary
PWLB Annuity
Market Long term
PWLB Maturity
2024/25
2026/27
2028/29
2030/31
2032/33
2034/35
2036/37
2038/39
2040/41
2042/43
2044/45
2046/47
2048/49
2050/51
2052/53
2054/55
2056/57
2058/59
2060/61
2062/63
2064/65
2066/67
2068/69
Year

Maturity Profile

Debt portfolio:

	31 March 2024 (£m)	31 March 2023 (£m)
Under 12 months	0.1	19.3
12 months and within 24 months	0.2	0.1
24 months and within 5 years	67.5	33.5
5 years and within 10 years	9.1	9.1
10 years and above	255.9	256.2
Total	**332.8**	**318.2**

Investment portfolio:

	31 March 2024 (£m)	31 March 2023 (£m)
Instant Access	31.2	26.3
Up to 3 Months	0.0	27.4
3 to 6 Months	0.0	0.0
6 to 9 Months	0.0	0.0
9 to 12 months	0.0	0.0
Over 1 year	16.6	16.7
Total	**47.8**	**70.4**

Appendix D

Breakdown of Investments

Counterparty	Amount (30 Sept 2023) £	Amount (31 March 2024) £	Long Term Credit Rating
Money Market Fund			
Aberdeen	3,000,000	4,150,000	AAA
CCLA	3,000,000	4,150,000	AAA
Federated Investors	5,450,000	4,790,000	AAA
Insight	3,000,000	4,150,000	AAA
Invesco Aim	5,000,000	4,250,000	AAA
Legal & General	5,400,000	4,290,000	AAA
Morgan Stanley	3,000,000	4,150,000	AAA
Sub total	*27,850,000*	*29,930,000*	
Notice Accounts			
Lloyds 1 Day Notice	355,000	320,000	A
Sub total	*355,000*	*320,000*	
Term Deposit			
Australia and New Zealand Bank	3,000,000	0	A
Development Bank of Singapore	3,000,000	0	A
First Abu Dhabi Bank	5,500,000	0	A
National Bank of Kuwait	5,000,000	0	A
Renfrewshire Council	5,000,000	0	A1
Lancashire County Council	3,000,000	0	Not rated
Sub total	*24,500,000*	*0*	
Property Funds			
Church Commissioners Local Authority	4,676,816	4,553,854	Not rated
Sub total	*4,676,816*	*4,553,854*	
Other			
Asset Investment Programme	12,010,000	12,010,000	Not rated
Sub total	*12,010,000*	*12,010,000*	
Total	**69,391,816**	**47,813,854**	

The above table shows the level of investments placed as at 30 September 2023 (the last time Members were provided with this information) and 31 March 2024.

Appendix E

Prudential Indicators for 2023/24

Indicator	Indicator set by Council	Actual
Authorised Borrowing Limit Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.	£618.4m	£332.8m
Operational Boundary Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.	£598.4m	£332.8m
Upper limits on fixed interest rates **Maximum** limit of net fixed interest rate exposure - debt less investment	£9.5m	£5.6m
Upper limits on variable interest rates **Maximum** limit of net variable interest rate exposure – debt less investment	£1.0m	£0.0m
Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be taken for capital purposes. During 2023/24 the Director of Finance and Systems can confirm that this indicator was complied with.		
Maturity structure of fixed rate borrowing These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.	Indicator set by Council	Actual
Under 1 year (this includes the next call date for Market loans)	40%	0%
1 year to 2 years	40%	0%
2 years to 5 years	40%	20%
5 years to 10 years	40%	3%
10 years to 20 years	40%	5%
20 years to 30 years	40%	1%
30 years to 40 years	70%	45%
40 years and above	90%	26%
Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment.	£100m	£67.3m

Performance Indicators for 2023/24

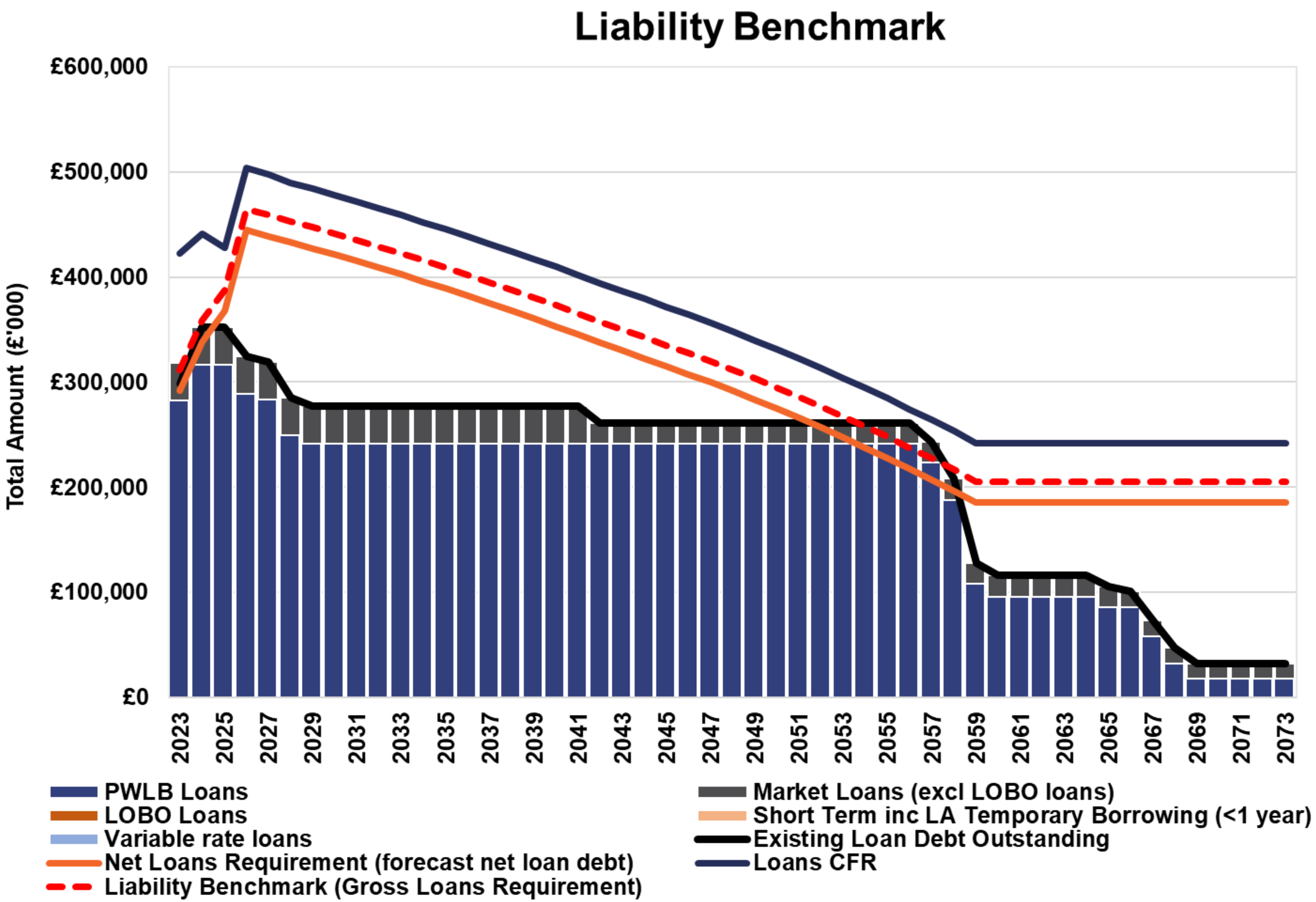
Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.05%	Max 0.04% (31 March 2024)
Liquidity – investments available within 1 week notice	£5m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	0.03 months (31 March 2024)
Yield – Investment interest return to exceed SONIA 1 Month **BID** rate (exclude CCLA)	Average SONIA 1 Month: 5.03%	Average rate of return for 2023/24 was 5.16%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	100% 0%

Liability Benchmark

In the update to the Treasury Management Code made in December 2021, a requirement has been made for the Council to estimate and measure its liability benchmark.

The liability benchmark is a measure of how well the existing loans portfolio matches the Council's planned borrowing needs. The purpose of this prudential indicator is to compare the Council's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the red (dashed) line).

If the black line is below the red (dashed) line, the existing portfolio outstanding is less than the loan debt required, and this shows the Council will need to borrow to meet the shortfall. If the black line is above the red (dashed) line, the Council will (based on its current plans) have more debt than it needs, and the excess will have to be invested. The chart therefore tells the Council how much it needs to borrow, when, and to want maturities to match its planned borrowing needs.



Liability Benchmark
Total Amount (£'000)
£600,000
£500,000
£400,000
£300,000
£200,000
£100,000
£0
2023
2025
2027
2029
2031
2033
2035
2037
2039
2041
2043
2045
2047
2049
2051
2053
2055
2057
2059
2061
2063
2065
2067
2069
2071
2073
PWLB Loans
Market Loans (excl LOBO loans)
LOBO Loans
Short Term inc LA Temporary Borrowing (<1 year)
Variable rate loans
Existing Loan Debt Outstanding
Net Loans Requirement (forecast net loan debt)
Loans CFR
Liability Benchmark (Gross Loans Requirement)

APPENDIX F

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CCLA: Church Commissioners Local Authority - manage investments for charities, religious organisations and the public sector

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

DLUHC: the Department for Levelling Up, Housing and Communities - the Government department that directs local authorities in England.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies which meet annually to discuss issues such as global economic governance, international security and energy policy consisting of United States, Canada, France, Germany, Italy, Japan and the United Kingdom.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets.

IFRS 9: is an International Financial Reporting Standard (**IFRS**) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments and contains three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

LG: Link Group – independent organisation which provides advice and guidance on all treasury matters including government legislation.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MAH Ltd: Manchester Airport Holdings Limited - is a holding company which is owned by the ten metropolitan borough councils of Greater Manchester and an Australian investment fund IFM Investors.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

MTFP: A Medium Term Financial Plan is a key part of the Council's Policy and Budget Framework and sets out the strategic approach to the management of its finances.

OBR: Office for Budget Responsibility is a non-departmental public body funded by the UK Treasury that the UK government established to provide independent economic forecasts and independent analysis of the public finances

OECD: Organisation for Economic Co-operation and Development is an intergovernmental economic organisation with 37 member countries, founded in 1961 to stimulate economic progress and world trade

PEPP: Pandemic emergency purchase programme is the ECB's monetary policy measure initiated in March 2020 which is a temporary asset purchase programme of private and public sector securities.

PFI: Private Finance Initiative is a way of financing public sector projects through the private sector.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: Quantitative Easing - is a monetary policy whereby a central bank (e.g. Bank of England) buys government bonds or other financial assets in order to inject money into the economy to expand economic activity.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

UK: United Kingdom.

US: United States of America.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition)

TRAFFORD COUNCIL

Report to: **Executive**
Date: **16th September 2024**
Report for: **Information**
Report of: **Executive Member for Finance, Change and Governance and the Director of Finance and Systems**

Report Title:

Budget Monitoring 2024/25 Period 4 (April 2024 to July 2024)

Summary:

The purpose of this report is to inform Members of the 2024/25 projected outturn figures relating to both Revenue and Capital budgets.

It also summarises the projected outturn position for Council Tax and Business Rates.

The report is divided into three parts:

- **Part 1** – Provides at "At a Glance" high level summary of the key aspects of the budget monitoring position.
- **Part 2** – An Executive Narrative of the Projected Outturn and Outlook
- **Part 3** – A list of annexes containing specific detail on the individual directorate positions, capital programme, savings programme and schools' budgets.

Recommendation(s)

It is recommended that the Executive:

a) Note the report and the estimated revenue outturn position showing a budget overspend of £4.21m, an adverse movement of £1.97m from Period 2.
b) Note the update on the three-year Capital Programme as detailed in Section 6 and Annex 3.
c) Note the reallocation of resources to deal with issues identified at Stretford Library (Annex 3)
d) Note the use of reserves to supplement capital works at Covershaw Lane (Annex 3)
e) Approve the increase in grant level for Homeowner grants (Annex 3)
f) Note the management actions and mitigating actions as detailed in Paragraph 2 of Part 2 in the delivery of a balanced budget and effective financial management.

<u>Contact person for access to background papers and further information</u>:

Name :David Muggeridge, Head of Financial Management
Extension: 4534

Background Papers: None

CORPORATE PRIORITIES AND GOVERNANCE CONSIDERATIONS	
Reducing Health Inequalities	Non arising out of this report
Supporting People out of Poverty	Non arising out of this report
Addressing our Climate Crisis	Non arising out of this report
Relationship to GM Policy or Strategy Framework	Expenditure is aligned to meet the priorities with the Corporate Plan which is aligned to the GM policy and strategy where required.
Financial Considerations	It is the responsibility of the Executive to operate within the budgetary framework set by the Council when it agreed the budget for 2024/25 at the Council Meeting on 21 February 2024. Revenue and capital expenditure to be contained within available resources in 2024/25.
Legal Implications:	Non arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable
Socioeconomic duty Implications	Not applicable

PART 1 - At a Glance Executive Summary

This Period 4 report provides an "At a Glance Executive Summary" which focuses on a high level summary of the estimated outturn. Supporting annexes provide detailed explanations and movements.

At a Glance Sections

- Section 1 - Revenue Service Budget Outturn and Variance
- Section 2 - Revenue Funding General Fund Budget Outturn and Variance
- Section 3 - Collection Fund – Business Rates and Council Tax
- Section 4 - Earmarked Reserve movements
- Section 5 - Delivery of in-year savings programme
- Section 6 - Capital and Asset Investment Programme and Prudential Indicators
- Section 7 - Dedicated Schools Grant Outturn

Total Revenue Budget 2024/25

Approved Revenue Budget	Projected Outturn at Period 4
£217.99m (*)	**£4.21m Overspend**

Movement since Prior Period

£1.97m Adverse

(*) The Net Revenue Budget increased since that agreed in February 2024 at Council from £217.83m to £217.99m as a result of a late notification of an increase in the Public Health Grant allocation of £157k. Full Council also approved delegated authority to the Director of Finance and Systems to vary the net Revenue Budget for any changes in the assumed level of this grant.

Section 1- Revenue Service Budget

Revenue Service Budget 2024/25

Approved Revenue Service Budget

£217.99m

Projected Outturn at Period 4

£4.21m Overspend

Comprising of

Overspend on Directorate Budgets

£3.54m

Overspend on Council Wide

£665k

Movement since Prior Period

£1.97m Adverse

Revenue Service Totals	2024/25 Budget £000	Projected Outturn £000	Full Year Variance £000	Change from Prior Period £000
Children's Services	55,866	56,238	372	62
Adult Services	59,341	60,645	1,304	543
Public Health	13,684	13,508	(176)	(176)
Place	37,933	39,743	1,810	34
Strategy & Resources	10,768	10,787	19	(30)
Finance & Systems	10,466	10,354	(112)	(91)
Legal & Governance	4,047	4,374	327	247
Total Directorate	192,105	195,649	**3,544**	**589**
Council-wide budgets	25,885	26,550	665	1,385
Total Budget	217,990	222,199	**4,209**	**1,974**

Directorate Budgets	Variance £000	Movement from Prior Period
Children's placements	680	355
Children's Home to School Transport	(126)	(35)
Running costs – S17 payments (Childrens)	154	24
Children's income	(234)	46
Adults' demand	135	(335)
Adults' running costs	317	26
Staffing (Childrens, Adults, Public Health)	(157)	(339)
Staffing (all other areas)	(1,053)	(112)
General efficiency target (Place and Central)	1,009	0
Strategic Property	1,090	0
Energy costs	(99)	60
Planning income	247	(41)
Building control income	224	0
Projected underachievement of savings	1,082	852
Other	275	88
Directorate Budget Sub-Total	**3,544**	**589**
Council Wide		
Treasury Management	(746)	(26)
Inflation 24/25 pay award	48	0
Contribution from Inflation Risk Reserve	(48)	0
Housing Benefit/Temporary Accommodation	1,603	1,603
Contribution from Housing Benefit Risk Reserve	(403)	(403)
Council Wide Other	211	211
Council Wide Sub-Total	**665**	**1,385**
Net Service Budgets	**4,209**	**1,974**

Further details on individual directorate positions are included at **Annex 1**.
A summary of major variances is included in the Executive Summary in **Part 2**.

Section 2 – Revenue Funding Budget – General Fund

Revenue Funding Budget 2024/25

Approved Revenue Funding Budget	Outturn at Period 4
Business Rates £84.18m	Business Rates on budget
Council Tax £128.23m	Council Tax on budget
Reserves £5.58m	Reserves on budget
Total **£217.99m**	**Nil variance**

Movement since prior Period

Nil

The Revenue Funding General Fund Budget comprises of income from Business Rates, Council Tax and Reserves.

The General Fund budgets for Business Rates and Council Tax are fixed at the beginning of the year. In-year income from Business Rates and Council Tax is monitored through the Collection Fund (see next section). Any surplus or deficit on the Collection Fund is either distributed or collected in the following financial year. The Business Rate and Council Tax Risk Reserves are available to smooth the impact if a deficit is forecast.

Section 3 – Collection Fund Business Rates and Council Tax

Business Rates and Council Tax

Total Budget

Business Rates £84.18m

Council Tax £128.23m

Business Rates	Council Tax
Outturn **nil variance**	Outturn **nil variance**

Council Tax

The Period 4 monitor reports a nil variance outturn. In 2023/24 there was an in-year pressure due to a high volume of discount and exemption cases. Consequently, the budget for 2024/25 was increased which appears to be sufficient as the number of discount and exemption cases is broadly in line with budget.

It is possible there may be a favourable variance on Council Tax Support, however this may be due to a backlog in cases. A detailed review of Council Tax Support will be undertaken and a position will be reported at Period 6.

Business Rates

As in previous years, there is a significant risk in forecasting the temporary pressures caused by delays in major refurbishments, changes and new sites at the Trafford Centre. The Business Rate Risk Reserve will be utilised should the need arise, to smooth any timing issues in the delivery of benefits and to mitigate any unforeseen risk.

Section 4 – Earmarked Reserves

Earmarked Reserves

Opening Balance April 2024	Estimated Balance March 2025
£79.90m	**£61.14m**

Estimated decrease in the year

£18.76m

A detailed update on reserves was provided in the Period 12 outturn for 2023/24 and a detailed review will be undertaken again in preparation of the draft 2025/26 budget later in the year.

The decrease is largely due to the planned use of Budget Support Reserve and planned smoothing of benefits from Business Rates for 2024/25.

Section 5 – Delivery of in-year savings programme

Savings Programme 2024/25

Savings Target	Forecast Savings
£6.55m	**£5.56m (83%)**

Forecast Outturn Below Target by

£1.08m

Further details in **Annex 2**

There are 24 savings schemes with a savings target of £6.55m. Within the Period 2 budget monitor 14 of these savings with a value of £3.73m were classified as amber rated, whereby management action was still required to achieve delivery of the saving. Exception reports have been presented to Finance and Change Board but at this point there is some concerns about the deliverability of the full extent of the savings programme.

At this stage a prudent assumption is that approximately £1.08m of the programme is unlikely to be delivered in 2024/25; as part of the exception reporting, consideration will be focused on what mitigating actions can be implemented.

Period 4 forecasts indicate 6 schemes will fall short of this target by £1.08m (17%):

- Place - Strategic Estates - £230k
- Adults - Bad debt provision - £50k
- Adults - Reduction in demographic growth budget - £200k
- Adults - Living your best life - £290k
- Adults - Reablement review - £200k
- Adults - Carer resilience - £112k

Section 6 – Capital Programme

Capital Programme 2024/2027

Capital Programme 2024/27 at P2
£192.81m

Revised Capital Programme 2024/27 at P4
£193.24m

Increase in 2024/27 programme
£430k

- Additional library improvement grant funding of £360k for Sale Library.
- A small number of additional section 106 contributions totalling £20k.
- Removal of £50k of funding for solar panel installation works at schools now being funded utilising Schools Devolved Formulae Capital funding.
- Total works of £150k to be undertaken at Covershaw Lane, Partington, in part funded by a £50k virement from the serviceability budget within current approved highways capital programme and an additional £100k identified from earmarked reserves relation to the One Trafford Partnership.

2024/25 Performance to Date and Funding

	2024/25 P4 Revised Budget £m	2024/25 P4 Actuals £m	Performance Against Budget £m
Children's Services	12.48	1.19	9.51%
Adult Social Care	3.76	1.12	29.68%
Place	53.72	10.22	19.02%
Governance and Community	0.11	0.00	0.00%
Finance & Systems	3.04	0.57	18.80%
General Programme Total	**73.11**	**13.09**	**16.68%**
Grants	44.42		
External Contributions	4.77		
Revenue and Reserves	3.75		
Prudential Borrowing	12.86		
Forecast Capital Receipts	4.19		
Deficit (in year)/Overprogramming	3.12		
Overall Funding	**73.11**		

Specific Scheme Update

- Stretford library requires works to manage health and safety issues costing £40k this will be funded by virement from previously approved Watling Gate scheme of £160k.
- Covershaw Lane, Partington has been fully closed due to its condition. An initial £150k has been identified from the current programme and existing reserves for this work.
- Approval sought to increase homeowner grant levels for essential works from £3k to £6k.

Prudential Indicators

Currently the Council are operating within the approved boundaries agreed by Council in February, with further details on the specific Prudential indicators within Annex 3

Section 7 – Schools Related Expenditure

Dedicated Schools Grant

Schools, Central and Early Years Blocks - Forecast **Underspend £415k**
High Needs Block - Forecast **Overspend £10.72m**

Total Outturn
£10.31m adverse

DSG Reserve
Combined Deficit brought forward April 2024 overdrawn £9.72m
Of which High Needs overdrawn £11.16m
Estimated combined deficit at year end £20.03m
Of which High Needs overdrawn £21.89m

Details in **Annex 1**

Schools Related Expenditure (Dedicated Schools Grant is a separate ring-fenced account and not part of general outturn detailed above) – There is a net in year overspend across all four grant blocks of £10.31m. An overspend of £10.72m in the High Needs Block has been offset by an underspend of £415k on the remaining blocks.

The overspend in 2024/25 will result in a year end accumulated DSG deficit of £20.03m, consisting of a High Needs deficit of £21.89m, offset by a surplus on other blocks of £1.86m.

It is expected that LA's balance their in-year spending by 2025/26, it is unlikely that Trafford will be able to do that. In addition, it is not sustainable for the Council to carry the deficit as it is having significant impact on the Council's cash flow. It is estimated to cost the Council £1m in lost interest/additional borrowing costs.

The statutory override for the accumulated DSG ends from 1st April 2026, which means that if this is not extended, the deficit will transfer back to the Council's total General Fund Earmarked Reserves. This situation cannot go unresolved and positive action is needed to provide a solution to this growing national problem.

Work continues to take place on the DSG deficit management plan with proposals and options being discussed with the DfE. Work continues with the High Needs sub-group on a range of mitigations. There will be a dedicated finance session in the Autumn where learnings from Delivering Better Value and Safety Valve Authorities will be used to challenge our deficit management plan.

PART 2 – Executive Narrative Summary of Estimated Outturn and Outlook

Revenue Outturn Summary

1. There is a net projected outturn overspend of £4.21m for the year, an adverse variance of £1.97m from Period 2.

1.1. As with previous early period monitoring reports, a cautious approach is generally taken when preparing forecasts. Assumptions are made that vacant positions will be filled successfully, which as the year progresses does not always transpire. Likewise, the contingency budgets, held within service areas and Council Wide are released with caution in the early stages of the year.

1.2. This Period 4 monitoring report can be used to give a general direction of travel and highlight any significant areas of concern which may not just impact on the current year, but also when preparing future budgets. A projected outturn overspend of £4.21m demonstrates that close financial management is needed during 2024/25 considering the already significant budget gap in the Medium Term Financial Plan for 2025/26 and the limited earmarked reserves. The main areas of concern identified in the Period 4 monitor are:

- Asset Investment Strategy £1.09m (shortfall in income compared to target). Investments are forecast to generate a net benefit to the revenue budget in 2024/25 of £4.94m, which is a shortfall of £1.09m against the net budget of £6.04m
- £1.08m projected underachievement of savings
- £0.68m Children's placements
- £1.20m Temporary Accommodation Pressure
- £0.16m various areas (incl. shortfall in Planning and Building Control income)

1.3. A projection of £1.08m for underachievement of savings is a significant concern as it not only causes financial pressure in 2024/25 but the pressure is also likely to cascade into future years. In addition, a further £2.60m of savings are classified as Amber in terms of risk of delivery. It is crucial that savings are carefully monitored, and robust actions are put into place to ensure all savings are delivered in full. To aid the delivery of savings detailed progress and exception reports will be presented on a regular basis to the Finance & Change Board.

1.4. On a positive note, Children's Home to School Transport is forecasting £126k favourable variance which suggests the additional £1.5m added to the budget in 2024/25 is sufficient.

1.5. The increasing deficit on the High Needs Block within the schools DSG budget continues to be an area of particular concern. Combining the estimated in year overspend of £10.72m with the brought forward deficit of £9.72m results in an estimated High Needs Block deficit of £21.89m. It is expected that LA's balance their in-year spending by 2025/26 and it is unlikely that Trafford will be able to do that. This is a national issue and work continues to take place on the DSG deficit management plan with proposals and options being discussed on a regular basis with the DfE. Although it is currently treated as an issue held outside of the Council's General Fund until 1st April 2026, the fact that the Council has been required to direct its own cash resources to make up the shortfall in grant is having an adverse impact on cashflow and investment returns.

1.6. Regarding the net outturn position, the following issues are worthy of being highlighted along with issues to consider on their impact on future plans:

Service underspends include:

- **Treasury Budget - £746k underspend,** £26k favourable variance from Period 2**.** The Council has managed its cash balances to delay the need to borrow while investing any surplus cash to generate investment income to support the revenue budget.
- **Staffing budgets** net forecast **underspend of £1.210m**, £451k favourable variance from Period 2. This is due to some management controls on non-frontline service recruitment and service restructures. This underspend was a significant factor in the overall favourable outturn in the last financial year and it is possible that this figure will increase further as the year progresses due to difficulties in recruitment. Whilst significant underspends on staffing budgets are welcomed from a finance perspective, they should not become a recurrent theme if the recruitment exercises are successful.
- **Home to School Transport - £126k underspend,** £35k favourable variance from Period 2**.** Following a significant overspend in 2023/24 £1.5m was added to the 2024/25 budget. At this stage of the year, it appears the additional budget is sufficient to cover forecasted costs.
- **Children's Income - £234k favourable,** £46k adverse variance from Period 2. The adverse movement is due to training income not being achieved and reduced income from ICB within Early Help commissioned budgets. It is worth noting that there is £563k of income built into the projections from the ICB, however there is a risk this may not be received due to pressures on ICB budgets.
- **Energy costs - £99k underspend,** £60k adverse movement. This indicates the new contract, energy saving measures and additional resources were sufficient to manage the ongoing impact of an increase in energy costs. The adverse movement is due to one-off backdated bills from prior years.

Pressures include:

- **Children's placements £680k overspend**, £355k adverse movement from Period 2 mainly due to new placements, delayed step downs and increase in costs associated with young people on remand. The forecast outturn includes estimated spend of £675k for any new placements but also assumes savings will be made against an identified cohort of children. Each placement is reviewed monthly at a High-Cost Placement Clinic to ensure that expected savings will be made, RAG ratings are reviewed and reflected in the monitoring position. It is assumed that the £500k savings target will be met.

- **Running costs – S17 payments (Childrens) - £154k overspend,** £24k adverse movement from Period 2**.** There was a £772k overspend in this budget in 2023/24 and consequently £500k was added to the 2024/25 budget. Managers have been instructed to ensure that authorisation is sought for essential spend only within this area of the budget and close analysis of the spend continues.
- **Adults demand - £135k overspend,** £335k favourable variance from Period 2. This budget remains high in complexity and volatility as it is in part driven by wider system pressures in health in addition to direct adult social care demands. Within this projection there is a contingency of £773k to mitigate rising costs because of increasing complexity of existing clients and demand from new clients.
- **Adults running costs - £317k overspend**, a £26k adverse movement from Period 2**.** £222k adverse variance in the DOLS service due to increasing demand for external Best Interest Assessments and £95k adverse variance due minor variations across the service budget.
- **General efficiency target - £1.01m.** There is a general service budget efficiency target of £1.09m across Place and Central Services. This efficiency target is to reflect a general expectation that services will underspend in all areas because of vacancy management and reductions in general administration such as travel and stationery supplies.
- **Local Government Pay Award –** It should be noted that the local government pay award negotiations for 2024/25 have not been finalised. The NJC pay claim of 10% compares with an employer offer of a minimum of 2.5% or £1,290. The cost of the employer offer is 4.01% compared with a 4% budget assumption and would result in a **£48k budget pressure which would be met from the Inflation Risk Reserve.** Each additional 1% represents circa +£1.0m. A 10% increase in the pay budget would not be sustainable within the current budget plans.
- **Planning and Building Control Income - £247k** (£41k favourable movement) **and £224k** (no movement) **overspend respectively** due to a shortfall in planning and building control applications.
- **Strategic Investment Programme - £1.09m overspend.** The investments made through the Council's Asset Investment Strategy are forecast to generate a net benefit to the revenue budget in 2024/25 of £4.94m, which is a shortfall of £1.09m against the net budget of £6.04m. This deficit is mainly attributable to the early repayment of the debt facility at Sunlight House, which had been expected to provide £0.72m of net income in year. This facility was repaid early, and in full, after the borrower's option to do so was exercised. The Council will seek additional investment opportunities during the year to recycle repaid funds and generate additional income.

- **Savings not met - £1.08m adverse,** £852k adverse movement from Period 2**.** Estates savings have been rephased across the next two years with an anticipated shortfall of £230k this year. Work is ongoing to mitigate this pressure, such as from several ongoing business rate appeals. £852k of Adult Social Care savings are not forecast to be met and no mitigating action has been identified at this stage. See Annex 2 for more detail.

- **Housing benefit - £1.20m pressure**. The pressure is largely due to the significant costs associated with B&Bs and temporary accommodation. In 2023/24 there was a £497k overspend which was neutralized by a draw down from the Housing Benefit Risk Reserve. As a result of this, and in anticipation of ongoing increases to the number of B&Bs and other temporary accommodation cases, £400k was added to the 2024/25 budget. Given the demand for temporary accommodation seen since setting the budget, this budget growth is insufficient. On average the volume of B&B accommodation is forecast to be c40% higher during 2024/25. To compound the pressure on the budget other accommodation is being sourced to ensure residents do not remain in B&B units longer than 6 weeks; exceeding this duration gives risk of legal challenge. Current forecasting indicates that the budget will be exceeded by £1.2m, after the application of £400k from the Housing Benefit Risk Reserve but this position is extremely volatile. To control costs a temporary accommodation strategy has been developed which has looked at opportunities to source cheaper accommodation either through leasing, direct property acquisition using prudential borrowing and by utilising external funding, for example the Local Authority Housing Fund. The position will be closely monitored but if costs cannot be controlled further then it is likely to require further budget growth in 2025/26.

- **Other net adverse movements of £275k across all areas**, £88k adverse movement from Period 2**.** £209k of this pressure is from additional legal fees particularly relating to caseload demand from Social Care.

- **Council Wide Other - £211k overspend,** £211k adverse movement from Period 2. The projected cost of Trafford's share of the South Manchester Coroners' service is currently expected to be £141k higher than budget. This includes a projected one-off cost to Trafford of £77k relating to the planned refurbishment of the Coroner's building in Stockport later this financial year. The remaining pressure of £70k relates to other minor net variances.

- **Other considerations - Contingency Budgets**
  Within the estimated outturn there are several contingency budgets held back to absorb any unforeseen changes in demand for the remainder of the year. Contingency budgets of £675k and £763k remain in Children's and Adults client placement budgets. £1.02m remains of the general Council Wide contingency after £236k of commitments have been made.

Revenue Budget Funding and Collection Fund

1.1. Council Tax

1.1.1. At Period 4 it is difficult to forecast a likely outturn given the patterns of cash collection, claims for Council Tax Support and exemptions have not yet matured. Initial reports indicate a nil variance; a detailed update will be provided at Period 6.

1.1.2. There is a Council Tax Risk Reserve of £0.28m and should there be any significant shortfall in income it will be utilised to smooth any impact.

1.1.3. The ongoing impact of any recurrent shortfall will need to be considered when preparing the 2025/26 budget.

1.2. Business Rates

1.2.1. Like Council Tax, it is difficult at Period 4 to forecast an outturn therefore a detailed update will be provided at Period 6.

1.2.2. As in previous years, there is a significant risk in forecasting the temporary pressures caused by major refurbishments, changes, and new sites at the Trafford Centre. The Business Rate Risk Reserve will be utilised to smooth any timing issues in the delivery of benefits. Work is continuing to look at the future health of rateable value and how ongoing developments may impact this.

1.3. Earmarked Reserves

1.3.1. A full review of all reserves was completed as part of the 2024/25 budget preparations and supplementary review during the 2023/24 closedown and was reported in detail in the final budget report presented to Council in February 2024 and Period 12 Outturn Report. A further update will be provided at the time the draft budget is prepared.

2. Summary

2.1. The projection of a £4.21m overspend has potential to impact on the financial sustainability of the Council, given the low level of unallocated reserves. It is therefore imperative that mitigating action is identified to avoid what would be an unplanned use of reserves of £4.21m. The management action undertaken during 2023/24, which included a policy on vacancy management and a review of all non-essential spend, undoubtedly had a positive effect in managing services within the budget. The fact that an adverse outturn is forecast in 2024/25 and there is a substantial budget gap faced over the medium term would indicate that these policies should remain in place for the foreseeable future.

2.2. The recommended management actions are as follows:

- The current management action, which included a policy on vacancy management and a review of all non-essential spend will remain in place for the foreseeable future.
- Significant staffing underspends have been evident in the last two financial years and the vacancy factor/general budget efficiency factor was increased to reflect this. As the staffing vacancies are filled, attention needs to be paid on the adverse impact this has on the delivery of the wider vacancy factor.
- As part of the work being undertaken by the Finance and Change Board in the preparation of the 2025/26 budget, to identify if any savings plans which can be brought forward to the current financial year.
- To continue to provide additional focus and challenge on recurrent pressures within demand led budgets, such as Child placements and Home to School Transport. This will include a review of alternative delivery models.

2.3. In addition to the above, the Council's Corporate Leadership Team will identify further mitigating actions that will be reviewed at the Finance and Change Board on 18 September. This will also include a review of any remaining contingency budgets. Also, the Finance & Change Board will monitor the delivery of the in-year savings programme closely including identification of further mitigations to offset the non-delivery of savings.

Recommendations

It is recommended that the Executive:

a) Note the report and the estimated revenue outturn position showing a budget overspend of £4.21m.
b) Note the update on the three-year Capital Programme as detailed in Section 6 and Annex 3.
c) Note the reallocation of resources to deal with issues identified at Stretford Library (Annex 3)
d) Note the use of reserves to supplement capital works at Covershaw Lane (Annex 3)
e) Approve the increase in grant level for Homeowner grants (Annex 3)
f) Note the management actions and mitigating actions as detailed in Paragraph 2 of Part 2 in the delivery of a balanced budget and effective financial management.

Other Options

No Applicable.

Consultation

Not Applicable

Reasons for Recommendation

To inform Members of the 2024/25 projected outturn figures relating to both Revenue and Capital budgets and summarise the projected outturn position for Council Tax and Business Rates.
Approve is sought to increase the level of Homeowner grant as the uptake of this grant is low, as it has become apparent that £3,000 is no longer sufficient to complete the majority of works due to rising costs for materials and labour.

Key Decision : No

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

DIRECTOR'S SIGNATURE ……… G. Bentley …

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

PART 3 - Annexes

Annex 1

Main variances, changes to budget assumptions and key risks

The main variances contributing to the projected overspend of £4.21m, any changes to budget assumptions and associated key risks are highlighted below:

Table: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	372	**Projected outturn variance £372k adverse, adverse variance of £62k from Period 2.** Below is the projected position on children's placements and other budget areas. • £311k over budget on children's placements (note 1) • £88k under budget on staffing (note 2) • £126k under budget on home to school transport (note 3) • £275k over budget on other running costs and income across the service (note 4) **Note 1** Children's placements are expected to overspend by £311k. This is an adverse movement of £311k. The reasons for this variance are as follows: • £478k new placements • £55k moved from another placement type • £234k new step-up • £388k delayed step-down • £185k price changes These are offset by £384k step downs, moves taking place, children leaving care and £645k contingency utilised. This includes estimated spend of £675k for any new placements but also assumes savings will be made against an identified cohort of children. Each placement is reviewed monthly at a High Cost Placement Clinic to ensure that expected savings will be made, RAG ratings are reviewed and reflected in the monitoring position. It is assumed that the £500k savings target will be met. There is a risk that the income received from health that has been built into the projections (£563k) will not be received due to pressures on ICB budgets. The numbers of children as at the end of July compared to those at the end of May are as follows: • children in care 357, a decrease of 22

		• child protection 176, a decrease of 50 • children in need 718, an increase of 71 **Note 2** The favourable variance in staffing is £88k, this is a favourable movement of £318k from P2 due to staff being temporarily funded from SEND Change Programme and some historical costs being funded by the ICB. **Note 3** The projected underspend on Home to School Transport is £126k. This is a favourable variance of £35k from P2. **Note 4** The adverse variance in running costs and income across the service is £275k, an adverse variance of £104k from P2 as outlined below: • £14k favourable variance on Partington & Sanyu nurseries, a favourable variance of £10k from P2; • £523k adverse variance in running costs, an adverse movement of £68k due to: ➢ S17 costs £154k adverse, an adverse movement of £24k since P2. This is due to: ▪ Payments required for support at home which delayed entry in to care; ▪ Costs relating to a data breach which has now been resolved; ▪ Accommodation costs for 2 families with no recourse to public funds; and ▪ Support worker costs for a young person with complex mental health needs. ➢ Other costs £369k adverse, an adverse movement of £44k since P2 – this is due to increased cost of placements required for 2 young people on remand being placed in the community; and an increase in legal/expert costs. • £234k favourable variance on income, an adverse movement of £46k due to training income not being achieved and reduced income from the ICB within Early Help commissioned budgets.

Adult Services	1,304	**Projected outturn variance £1.304m adverse and adverse movement of £543k from period 2.** Below is the projected position on Adult clients and other budget areas. • £937k adverse variance on Adults Clients, a £467k adverse movement from period 2 (note 1) • £317k adverse variance on staffing and running costs, an adverse movement of £26k from period 2 (note 2) • £50k underachievement of savings relating to Adult Social Care bad debt provision, an adverse movement of £50k from period 2 **<u>Note 1</u>** Adults Clients £937k adverse variation. This budget remains high in complexity and volatility as it is in part driven by wider system pressures in health (including across Greater Manchester ICB) in addition to direct adult social care demands: • increasing demand in our demographics (living longer, complexities of long Covid, increasing numbers of young people with complex needs). • supporting the NHS with rapid discharges from hospitals as they continue to manage the backlog of patients waiting treatments. • increased mental health support. • increasing demand on our teams for adults who lack capacity and are unable to consent to their care & support arrangements. • assessing the impact of the cost of living and inflationary pressures on client contributions. • workforce pressures across the health and social care system. Packages of Care – The projected outturn position is a £135k adverse variance, a favourable movement of £335k from period 2. Within this projection is a contingency of £763k to mitigate rising costs because of increasing complexity of existing clients and demand from new clients. Savings – The savings target for 24/25 is £1.714m and it is anticipated that only £912k of this target will be achieved in this financial year resulting in an in-year budget pressure of £802k. The projected savings to be achieved are significantly less than originally anticipated due to delays in the implementation of the projects linked to the targets. The projected achievement of savings will be closely monitored throughout the financial year and updates will be provided in future monitoring reports. The service is actively working on revised business cases for 25/26 incorporating slippage from 24/25 savings proposals.

		Discharge to Assess – The 24/25 Local Authority Discharge Grant allocation for the Council is £1.922m. The grant is provided to enable local authorities to continue to expediate hospital discharges. There is a requirement to pool the grant into the Better Care Fund along with the £1.918m ICB Discharge funding received by NHS Greater Manchester ICB. The overall Hospital Discharge budget for the Trafford Locality is £3.840m for the financial year. The Hospital Discharge fund presents risks to the Local Authority in this financial year, this is due to commitments in the BCF being included against the ICB element of the funding that are incurred by the LA in the first instance. The Council is expected to receive £423k from the ICB discharge fund to cover the costs of reablement, however this could be subject to change if ICB costs exceed what has been included in the Hospital Discharge plan. Any reduction in monies received from the ICB discharge fund will result in a pressure on the Adult Social Care budget for which mitigation will be required. The 23/24 monitoring reports referred to a specific risk to the Council from the Intermediate Care service at Ascot House. The Council is continuing to mitigate the pressure through its allocation from the LA discharge fund. The Council and NHS Greater Manchester ICB have jointly requested consultancy to review the service utilising funding and support from the LGA. The aim of the review is to provide an objective appraisal of. • the current intermediate care and discharge to assess provision at Ascot House. • the current contractual and governance obligations to establish jointly agreed new governance structure for intermediate care and discharge to assess provisions, particularly for Ascot House with agreed roles and responsibilities. • current capacity and demand metrics with recommendations on future system and patient needs. • an improvement implementation plan with clear and tangible recommendations for how to achieve best outcomes for those exiting hospital on these pathways based on the above outcomes, with a focus on financial and operational sustainability. The review is due to reach its conclusion by October 2024 at which point the Council and ICB will review the findings and agree the appropriate course of action. **<u>Note 2</u>** The projected outturn position for staffing and running costs is a £367k adverse variance. The breakdown of the adverse variance is as follows:-

		• £222k adverse variance in the DOLS service due to increasing demand for external Best Interest Assessments £173k and the cost of additional agency support £49k. • £95k adverse variance due on running costs and minor variations across the service budget. • £50k adverse variance due to projected underachievement of savings. Within the £367k variance is an assumption that the £1.010m vacancy factor included within the budget will be achieved in full by the end of the financial year. Also included within the £367k net variance is £135k of funding from Homes for Ukraine. Savings – The savings target for 24/25 of £50k for bad debt provision. It is assumed that the savings target will not be achieved in this financial year as Adults Social Care debt levels continue to rise in this financial year.

Public Health	(176)	Public Health is forecasting a £176k favourable variance as at period 4 a favourable movement of £176k from period 2. This is due to projected expenditure on staffing below budget of £69k and £107k favourable variance on running costs.
Place	1,810	**Total forecast outturn variance £1.810m adverse, an adverse movement of £34k.** **Place Revenue Budget £720k adverse, adverse movement of £34k:** • There are projected shortfalls in income of £192k in Parking Services (due to the now open Regent Road car park being later than expected) (increased by £55k), and £224k Building Control (unchanged). • The Planning service is a ringfenced account and has a shortfall in income of £247k, which is offset by an underspend of £73k in staffing, running costs and reserve contributions. This is a forecast net overspend of £174k for the year (reduced by £32k). • Property costs are £139k above budget which includes for ongoing security at Trafford Town Hall and Sale Waterside (reduced by £46k mainly due to lower PFI costs). The timeframe for introducing enforcement of moving traffic offences has taken longer than originally anticipated leading to a forecast budget pressure of £175k this year. Sport and leisure contracts and business rates are £35k above budget (increased by £12k). Other running costs are £2k overspent (adverse movement £14k). • Energy costs are forecast to be £99k below budget (£60k less due to one-off backdated bills from prior years). The underspend reflects the ongoing success of the revised purchasing strategy adopted from April last year. There are also the continuing effects of energy saving measures to reduce consumption. • Estates savings have been rephased across the next two years with an anticipated shortfall of £230k this year. Work is ongoing to mitigate this pressure, such as from a number of ongoing business rate appeals. • Additional projected income above budget Altair £120k, airport rent £98k, other let estate £38k and outdoor media advertising £87k (increased by £20k) • Staff vacancies for the year are currently estimated at £355k (excluding the ringfenced Planning account) (increased by £9k) which is approximately 3.6% of the staffing budget. This is offset by the Directorate-wide efficiency saving of £346k.

		Strategic Investment Programme £1.09m adverse, no change; The investments made through the Council's Asset Investment Strategy are forecast to generate a net benefit to the revenue budget in 2024/25 of £4.94m, which is a shortfall of £1.09m against the net budget of £6.04m. This deficit is mainly attributable to the early repayment of the debt facility at Sunlight House, which had been expected to provide £0.72m of net income in year. This facility was repaid early, and in full, after the borrower's option to do so was exercised. The Council will seek additional investment opportunities during the year to recycle repaid funds and generate additional income.
Strategy & Resources	19	**Total forecast outturn variance £19k adverse, a favourable movement of £(30)k.** • Staff costs are estimated to be £347k less than budget across the Directorate based on actual and forecast vacancies across the whole year (reduced by £6k), which is 3.5% of the total staffing budget. • Running costs are forecast to be £22k overspent, including ICT equipment. • Income is projected to be £70k above budget (increased by £36k). This relates to trading services - net £29k Bereavement Services (increased by £11k), £29k Catering and Cleaning (increased by £25k) and £12k from the Music Service. These are offset by the budgeted Directorate-wide efficiency saving target of £414k.
Finance & Systems	(112)	**Total forecast outturn variance £(112)k favourable, a favourable movement of £(91)k.** • Staff costs are estimated to be £352k less than budget across the Directorate based on actual and forecast vacancies for the whole year (increased by £156k), which is 3.4% of the total staffing budget. • Running costs are forecast to be overspent by £12k (increased by £7k). • Income is projected to be £21k above budget (adverse movement of £58k due to lower grants in Exchequer Services). These are offset by the budgeted Directorate-wide efficiency saving target of £249k.

Legal and Governance	327	**Total forecast outturn variance £327k adverse, adverse movement of £247k.** • Staff costs are estimated to be £1k above budget (adverse movement of £47k) and includes for agency costs covering vacancies and service demand. • Running costs are projected to be overspent by £288k, which has increased by £209k. This relates to additional legal fees, particularly relating to caseload demand from social care. • There is a projected shortfall in income of £38k compared to budget (reduced by £9k). This includes £74k in land charges (increased by £5k) and £22k in capital fee income which is related to staff vacancies. This is offset by SLA and other income of £25k above budget assumptions (£4k increase) and £33k from Registration Services (£10k increase).
Council-wide	665	Projected Outturn variance, £665k adverse, an adverse movement of £1.385m since period 2. **Treasury Management** Due to the continuing high interest environment, the Council has managed its cash balances to delay the need to borrow while investing any surplus cash to generate investment income to support the revenue budget. This careful cash management is forecast to provide a saving of £746k in treasury costs in 2024/25, a small favourable movement since period 2 of £26k. **Pay Award** The local government pay award negotiations for 2024/25 have not been finalised. The NJC pay claim of 10% compares with an employer offer of a minimum of 2.5% or £1,290. The cost of the employer offer is 4.01% compared with a 4% budget assumption and would result in a £48k budget pressure which would be met from the Inflation Risk Reserve in year. Each additional 1% represents circa +£1.0m. A 10% increase in the pay budget would not be sustainable within the current budget plans. **Housing Benefit** In 2023/24 there was a £497k overspend which was neutralized by a draw down from the Housing Benefit Risk Reserve. As a result of this and in anticipation of ongoing increases to the number of Bed & Breakfast and other temporary accommodation cases £400k was added to the 2024/25 budget. The pressure within the Housing Benefit Subsidy budget is continuing to increase in 2024/25. This is largely as a result of the continuing and increasing costs of Bed and Breakfast (B&B) accommodation, where rents paid are significantly higher than the Government's Local Housing Allowance (LHA) rate.

		Since the start of 2024/25 the average rents in the Private Sector have increased by over 7% whereas the level of rent at which the Council can claim subsidy is still fixed at the 2011 Government rate. The actual volume and length of such claims has also increased significantly in the period up to the end of July 2024 compared to 2023/24. As a result of this the Council is currently striving to increase the portfolio of temporary accommodation both in and outside the borough to reduce the cost pressures and numbers in B&B accommodation. In terms of the overall projected outturn the net cost (payments made, less subsidy and overpayment recovery) is estimated to be £1.6m. After using the remaining Housing Benefit Risk Reserve of £403k this overspend reduces to £1.2m. **Coroner's Budget** The projected costs of Trafford's share of the South Manchester Coroners' service is currently expected to be £141k higher than budget. This includes a projected one-off cost to Trafford of £77k relating to the planned refurbishment of the Coroner's building in Stockport later this financial year. **Contingency** The Council holds a contingency of £1.26m which includes a reduction of £500k from 2023/24 as part of our budget plans. Commitments to date include a £200k shortfall in digital savings accumulated from 2022/23 and 2023/24 following a delay of savings associated with the ICT strategy. At this stage of the year the remaining balance of the contingency is £1.02m and it has been assumed this will be fully committed. Other minor net variances of £70k.

Dedicated Schools Budget	10,307	**Projected Outturn variance - £10.307m adverse.**

P4 monitoring	Grant £000	Forecast outturn £000	P4 Variance £000
Schools Block	215,423	215,096	(327)
Central Schools Services Block	1,496	1,408	(88)
High Needs Block	42,618	53,340	10,722
Early Years Block	29,853	29,853	0
TOTAL DSG	**289,389**	299,697	10,307

The DSG is expected to overspend by £10.307m, this is an adverse movement of £69k from P2.

The Schools Block is expected to underspend by £327k, this is a favourable variance of £74k from P2. This is due to Growth Fund demand being less than the allocation received because the funding is lagged, so in 23/24 reserves were utilised to fund the demand. This underspend will be held in reserve for future years Growth and it is expected that some of the reserve will be required to fund the 25/26 National Funding Formula.

The Central School Services Block (CSSB) is expected to underspend by £88k due to an under spend on the Admissions budget due to receipt of Homes for Ukraine Grant which is being utilised to support staff working with these families and a reimbursement from the DfE of a charge for Licences for schools.

The High Needs Block is expected to overspend on the budget set by £359k however, the budget set was £10.363m more than the grant allocation received, therefore the in year over spend is £10.722m, an adverse movement of £223k.

The variances to budget are as follows:

- Education Health Care Plans (EHCPs) £459k overspend. The number of EHCPs is 4% higher than anticipated when the budget was set. No variance from P2.
- Small Specialist Classes £232k underspend. There was a plan to open 20 extra primary SSC places from September 24

but the project timeline slipped and the 2 schools have since withdrawn. Another round of expressions of interest has been run to identify new partners. A secondary project has also slipped with expected delivery now September 26. No variance from P2.

- Behaviour and Attendance & other central SEN budgets £71k under spend, adverse variance of £20k due to additional top up funding being required for Trafford Alternative Education Provision (TAEP).
- Special Schools - £56k overspend, adverse variance of £56k from P2 due to additional top ups being required.
- Further education placements (Trafford College) - £146k overspend due to more places being funded for out of borough pupils than we have received in the import/export adjustment – this is lagged and if the additional 50 pupils are there in the new academic year from September, the funding will be received next financial year.

There is a brought forward negative high needs block reserve of £11.164m, leaving an overall estimated deficit of £21.886m at year end.

DSG Reserve	**1 April 2024 £000**	**P4 Forecast outturn £000**	**31 March 2025 Projection £000**
Schools Block (SB)	(1,045)	(327)	(1,372)
Central Schools Services Block (CSSB)	(400)	(88)	(488)
High Needs Block (HNB)	11,164	10,722	21,886
Early Years Block (EYB)	1	0	1
TOTAL DSG Reserve (surplus)/deficit	**9,720**	**10,307**	**20,027**

The annual cost to the Council of servicing this debt is approximately £1.0m.

There is the risk that the number of EHCPs will continue to grow and dependence on costly out of borough places will increase as

		capacity in borough isn't sufficient, which will impact on our ability to reduce the deficit. The mitigations that have been identified to address these risks are as follows: • Develop support in schools through the Local Authority SEND Inclusion Service which is made up of Educational Psychology Service (EPS), SEN Advisory Service (SENAS) and Sensory Impairment Support Service (TSISS); • Prioritise inclusive practice in Trafford to reduce the demand for EHCPs and build parental confidence through the development of high quality training, self-evaluation materials and an evidence-based design process; • Review the effectiveness of existing LA commissioned contracts, develop a SEND Commissioning strategy that is overseen through a joint commissioning steering group, ensure strong connectivity with the integrated care board; • Roll out the Graduated Approach to SEND across EY settings and schools aimed at the early identification of children's needs and delivery of appropriate support to manage demand for EHCPs; • Ensure the staffing structure for SEND casework is appropriate; • Ensure robust sufficiency & placement planning through the use of the High Needs Capital Provision allocation to provide places in both primary and secondary settings in the future. There will be a dedicated finance session in the Autumn where learnings from Delivering Better Value and Safety Valve Authorities will be used to challenge our deficit management plan. Councils throughout the country face an accumulated deficit of £3.2bn. 38 LAs have entered 'safety valve' agreements with the government where they receive extra funding in return for an agreement to cut SEND deficits. Work continues to take place on the DSG deficit management plan with proposals and options being discussed further with the DfE in August. Work continues with the High Needs sub-group on the above mitigations. The statutory override for the DSG ends in 2025/26 which means that if this is not extended, the deficit will transfer back to the

		Council's total Earmarked Reserves, which has serious financial implications for the authority.

Savings Programme

ANNEX 2

Theme/Title	Service Area	Budget 2024/25 £000's	Outturn Projection 2024/25 £000's	Gross Variance 2024/25 P4 £000's	Mitigating action undertaken in year £000's	Overall net variance in year after mitigating action £000's	Description of Saving	Financial RAG 24/25	Financial RAG 25/26	Financial RAG comments
Children Placements	Children's	(500)	(500)	0	0	0	Continuation of demand management approaches and review of placements for looked after children	GREEN	AMBER	Although the saving is expected to be achieved in 24/25, it will be difficult to continue to make further savings from this budget in future years.
Children's Services – Investing in our Children – Family Help Savings Proposal	Children's	(50)	(50)	0		0	Continuation of the service redesign	GREEN	AMBER	The payment of this grant depends on meeting clear performance measures against 10 outcomes and 34 criteria being implemented alongside regression checks. Grant funding for future years is reliant on the achievement of the outcomes and is therefore not guaranteed. Rigorous monitoring against the measures is in place.

Re-shaping of Directorate Management Team	Children's	(104)	(104)	0		0	Review of Directorate Management Team structure	GREEN		Saving has been identified - no saving in 25/26
Youth Engagement Service/Youth Justice	Children's	(97)	(97)	0		0	Complete a review of the service as part of the service re-design programme	GREEN		Saving has been identified - no saving in 25/26
Sub-Total Children's		**(751)**	**(751)**	**0**	**0**	**0**				
Weight Management	Adults	(28)	(28)	0		0	Reduce the prevalence of community obesity and thereby reduce long-term health conditions that result and the support required.	AMBER	AMBER	There are no concerns on the achievement of this saving, it will be achieved across the financial year.
Bad debt provision - Adults Social Care	Adults	(50)	0	50		0	Review level of contribution to bad debt provision	RED	AMBER	The achievement of this saving is contingent on achieving a minimum of breakeven outturn position on the Adults clients budget. The P4 position is currently reporting an overspend position

										therefore it is not expected that this will be achieved.
Reduction in demographic growth budget	Adults	(200)	0	200		0	Reduction in demographic growth budget	RED	AMBER	The achievement of this saving is contingent on achieving a minimum of breakeven outturn position on the Adults clients budget. The P4 position is currently reporting an overspend position therefore it is not expected that this will be achieved.
Living Your Best Life	Adults	(300)	(10)	290		0	Transformation of services for people with a learning disability and people with Autism with strengthened links to transitions.	AMBER	AMBER	Minimal savings have been achieved to date however there is a dependence on the Community Learning Disability team to carry out assessments of client needs in order to facilitate step downs. It is very likely the remaining saving will not be met owing to a delay in the transfer of support to commissioned provision for one scheme and challenges in finding alternative solutions for two further schemes. A revised business case in Sept 24 will assess impact on 25/26.

Improving Lives Everyday	Adults	(250)	(250)	0		0	Review of low cost care packages	AMBER	AMBER	This project has seen delays in implementation but has now commenced.
Reablement Review	Adults	(600)	(400)	200		0	Review of externally commissioned reablement services.	AMBER	AMBER	Data shows that there has been an improvement in performance in this area however this needs to remain constant throughout the financial year in order to achieve the outcomes required to reach the savings target.
Carer Resilience	Adults	(336)	(224)	112		0	The project proposes the developing of an intensive evidence-based model of support for carers of people with dementia, in order to improve the experience of being carer for someone with dementia and delay residential care	AMBER	AMBER	This project requires management action throughout the financial year.
Sub-Total Adults		**(1,764)**	**(912)**	**852**	**0**	**852**				

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Strategic Investment Income	Place	(370)	(370)	0		0	Investment Programme - Recycling of receipts to maintain net income at achievable levels	AMBER	AMBER	Savings were delivered in 2023/24. Programme remains at risk in 24/25 given the wider economic uncertainty.
Review of operational and strategic estates	Place	(390)	(160)	230		230	Efficiency review of operational estate and lease/rent reviews to ensure full cost recovery across the Council's estate	AMBER	AMBER	Some savings have been re-profiled to 2025/26. There is potential to reduce the shortfall in 24/25 from other measures such as business rate appeals.
Sale Water Park	Place	(10)	(10)	0		0	Review service provision and cost recovery	GREEN	GREEN	
Investment Income	Place	(450)	(450)	0		0	Dividend income from LLP with Bruntwood (Lumina)	GREEN	AMBER	Will be achieved in 24/25. 25/26 will depend on the ongoing commercial performance.
Waste Reserves	Place	(500)	(500)	0		0	Review of Waste reserves	GREEN	GREEN	
Amey 7 year review	Place	(100)	(100)	0		0	Income generated through contract	GREEN	GREEN	

							changes following the Amey 7 year review			
Sub-Total Place		**(1,820)**	**(1,590)**	**230**	**0**	**230**				
Traded Services - Star	Finance & Systems	(50)	(50)	0		0	Traded Services income - increase in contributions to offset pay and cost inflation.	GREEN	GREEN	
Sub-Total Finance & Systems		**(50)**	**(50)**	**0**	**0**	**0**				
Traded Services - Catering & Cleaning	Strategy & Resources	(498)	(498)	0		0	Review Traded Services income - increase in charges to offset pay and cost inflation.	AMBER	AMBER	Currently on target although net income can fluctuate during the year due to external factors such as inflation and trading performance
Review of Sale Waterside Arts Centre	Strategy & Resources	(75)	(75)	0		0	Improve effective use of asset and business development	AMBER	AMBER	Currently on target although net income can fluctuate during the year due to external factors such as inflation and trading performance
Review Music Service	Strategy & Resources	(187)	(187)	0		0	Continue to remove the remaining Corporate overhead	AMBER	AMBER	Currently on target although net income can fluctuate during the year due to external factors such

							subsidy and continue with expansion of offer with a view to broadening reach			as inflation and trading performance
Sub-Total Strategy & Resources		**(760)**	**(760)**	**0**	**0**	**0**				
Smart Working	All	(400)	(400)				To be achieved by a combination of measures associated with smart working	AMBER	AMBER	The majority of the saving will be from the management vacancy pause. It is assumed the saving will be made in full
Release of Treasury Smoothing Reserve	All	(500)	(500)				Release of Treasury Smoothing Reserve	GREEN	GREEN	saving met from the release of smoothing reserve
Reduction in central contingency	All	(500)	(500)				Reduction in central contingency	GREEN	GREEN	Sufficient capacity within the central contingency to meet this saving in full
Sub-Total Council Wide		**(1,400)**	**(1,400)**	**0**	**0**	**0**				
TOTAL SAVINGS AND INCOME PROPOSALS		**(6,545)**	**(5,563)**	**1,082**	**0**	**1,082**				

Approved Budget

1. The overall value of the indicative capital programme for 2024/25 to 2026/27 capital programme was restated in the P2 monitor to £192.81m which was an increase of £38.25m from the approved budget of £154.56m from February 2024. This was due to reprofiling of expenditure from 2023/24 of £30.50m and a £7.75m increase in several funding streams, as detailed in the P2 report.

   This position has changed further to £193.24m, an increase of £0.43m, which relates to the following:

   - Additional library improvement funding of £360k for creation of a cultural hub at Sale library.
   - A small number of additional section 106 contribution to support schemes within the place directorate of £20k.
   - Removal of £(50)k of support for solar panel installation works at schools which is now being funded through school DFC balances already included with the programme.
   - Addition of £100k earmarked from reserves to fund highway works at Covershaw Lane, Partington.

   The table below details the change in the original approved budget to the current position reported as part of this monitoring report.

	Budget £m's
Approved Three Year Capital Programme (February 2024)	**154.56**
Reprofiled Budget (Reported in 2023/24 Outturn)	30.50
Increase in funding	7.75
Revised P2 Budget	**192.81**
Increase in funding	0.43
Revised P4 Budget	**193.24**

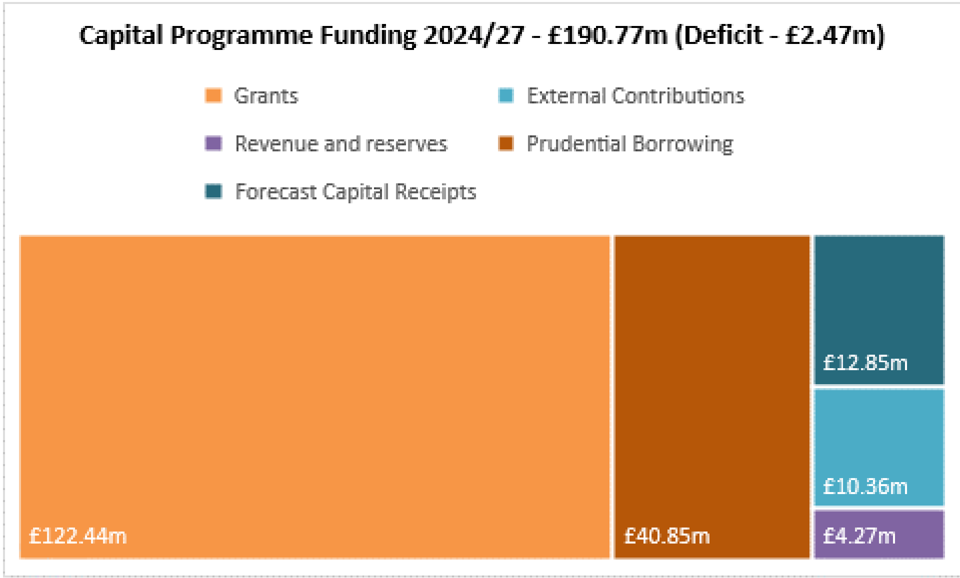
2. The increase to the originally approved budget, detailed above, gives a level of programme which would be unrealistic to deliver in full for this financial year. An exercise has, therefore, been undertaken to reprofile the resources more appropriately. This review is detailed within this report and is now at a level which is considered both deliverable and affordable, taking factors such as inflation and forecast levels of available receipts into account.

3. The revised capital programme budget for this financial year is £73.11m and is detailed in the following table along with the re-phasing of the remaining years of the three-year capital programme.

	2024/25 Revised Budget	2025/26 Revised Budget	2026/27 Revised Budget	TOTAL BUDGET
Service Analysis:	£m	£m	£m	£m
Children's Services	12.48	27.18	16.89	56.55
Adult Social Care	3.76	3.09	2.69	9.54
Place	53.72	36.76	29.37	119.85
Governance and Community	0.11	0.25	-	0.36
Finance & Systems	3.04	2.09	1.81	6.94
General Programme Total	**73.11**	**69.37**	**50.76**	**193.24**

Approved Programme Funding

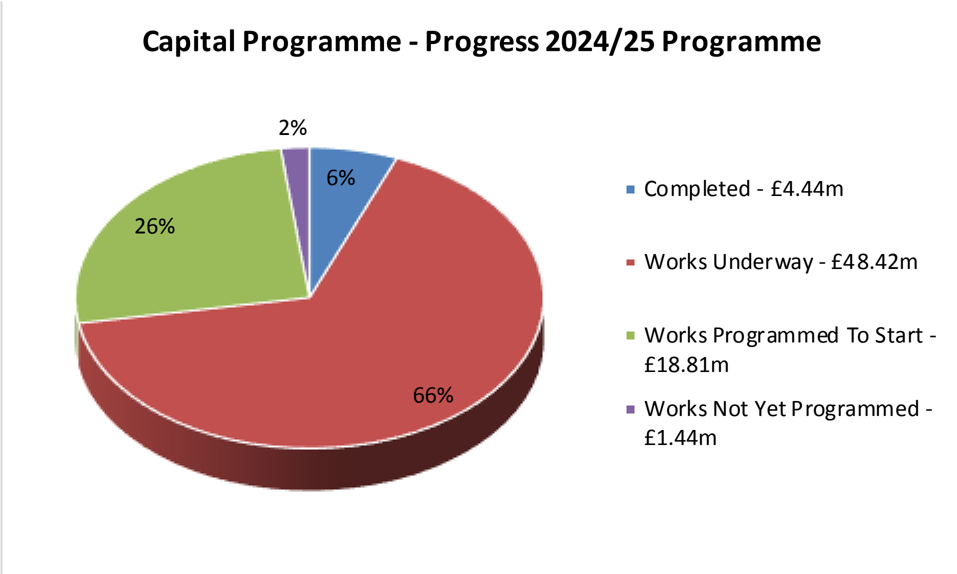
4. The general capital programme is resourced by a combination of both internal and external funding, detailed in the table below. The overall funding of the three-year capital programme includes a deficit of £2.47m, a level of deficit approved by Council in February 2024 (this is deemed a prudent level of overprogramming by the Council's s151 officer, given the likelihood of some slippage in the overall programme).



Scheme Performance

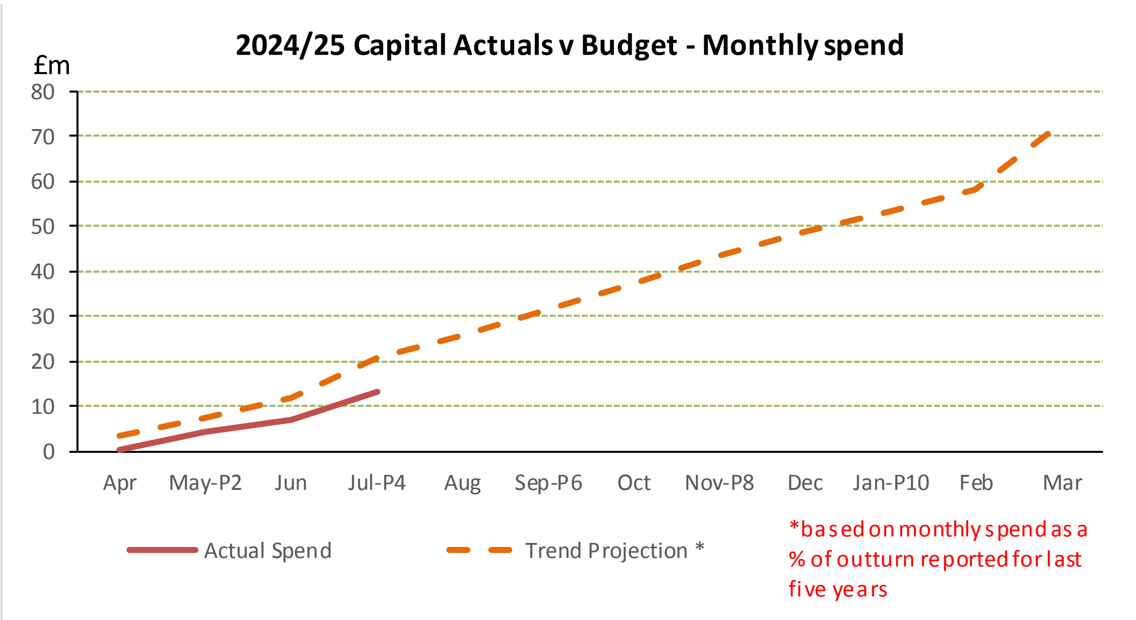
5. Capital schemes by their very nature are delivered over extended periods of time (often over multiple financial years), with stages that can include design and planning, procurement and appointment of contractors, delivery stage, and completion.

Each scheme included in the programme has a progress status assigned for monitoring purposes. The following graphic illustrates the overall percentage of schemes within each stage of progress.



Works identified as not yet programmed will be subject to review by the Capital Programme Board along with progress of schemes both underway and programmed to start.

6. To date this financial year there has been spend of £13.09m. It is to be noted that as with many services that are provided there will be an element of lag within this figure with work being undertaken and invoices not yet received, paid or subject to verifications. The table below shows the spend to date against a historically trended cost projection.



*Trend projection is based on monthly % of spend
Included within Appendix A specific schemes are detailed, with profiling of remaining budgets, spend to date and progress status.

Specific Scheme Comments

7. The condition of Stretford Library roof has deteriorated, with the library currently managing leaks which pose health and safety issues. Work has been planned for September to resolve these current issues with a cost estimate of £40k. To fund this, approval was sought through the Director of Place and the Director of Finance and Systems with the delegated powers to allocate previously approved but uncommitted resources from the Watling Gate scheme.

8. The condition of the highway at Covershaw Lane, Partington has led to full closure. An initial £50k was allocated from the approved serviceability capital budget, however current estimate of immediate works to re-open the road is circa £150k, in order to expedite the opening of the road the additional £100k has been earmarked in existing reserves relating to the One Trafford Partnership.

9. **Approval Required** - The Housing Standards Team have a yearly grant allowance to allocate to homeowners who cannot afford to carry out essential works to their property. There is a total of £15,000 in the yearly budget for this grant, plus any underspend from the £5,000 housing standards empty property budget, with a single grant maximum of £3,000 per property. The successful applicants are means tested and prioritised for those most in need, previous works have included roofing repairs, provision of heating and hot water, and replacement of damaged windows. These grants are funded from capital receipts.

   The uptake of this grant is low, but in the last few years it has become apparent that £3,000 is no longer sufficient to complete the majority of works, due to rising costs for materials and labour. This has meant that some homeowners have not progressed with the grant as they could not afford to make up the remainder of the costs required that would not be covered by the grant.

   It is proposed that the maximum grant allocation is increased from £3,000 to £6,000 to allow the Council to assist homeowners in need with required works. It is hoped that this increase will mean that the homeowners most in need can be assisted by the grant. This doesn’t change the overall approved budget for this scheme.

Asset Investment Fund

10. Asset Investment Fund currently stands at a maximum approved limit of £500m, supported by prudential borrowing, to support the Council's Investment Strategy. The transactions that have been agreed by the Investment Management Board (IMB) to date have a total current committed cost of £371.8m, of which £273.3m has currently been expended. The balance of the approved £500m which is available for further investment is £128.2m.

Asset Investment Fund	Prior Years Spend £m	Repayments £m	Actual Spend 2024/25 £m	Future Years Commitment £m	Total £m
Property Purchase	62.5	0.0	0.0	0.0	62.5
Property Development	12.3	0.0	0.2	1.2	13.4
Equity	45.7	0.0	0.3	8.1	54.1
Development Debt	154.7	(27.1)	20.7	89.5	237.8
Total Capital Investment	**275.2**	**(27.1)**	**21.1**	**98.7**	**367.9**
Treasury Investments	17.6	(13.6)	0.0	-	4.0
Total Investment	**292.9**	**(40.7)**	**21.1**	**98.7**	**371.8**

11. The forecast net income level is £4.94m, which is a shortfall of £1.09m against the targeted net income of £6.04m. This deficit is mainly attributable to the early repayment of the debt facility at Sunlight House, which had been expected to provide £0.72m of net income in year. This facility was repaid early, and in full, after the borrower's option to do so was exercised. The Council will seek additional investment opportunities during the year to recycle repaid funds and generate additional income.

Issues / Risks

12. A key risk is the ability to deliver the revised capital programme in 2024/25, and this will continue to be closely monitored and reported throughout the year and as any significant issues may arise.

13. 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.

Appendix A

This Appendix details individual programs of work and provides details about the progress of schemes. The total approved budget is that for the delivery for the whole scheme not just that detailed as part of the three-year capital programme.

SCHOOLS

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
SCHOOLS								
Basic Need - School Places	10,197	-	15	560	4,037	5,600	Rolling	Programme of works currently being developed for known allocations.
Altrincham College	12,776	124	70	2,500	6,152	4,000	Mar-27	This scheme is still at the planning stage with the aim of starting on site at the end of this year. There is still the potential for movement within the programme which is dependent on planning and placing orders for mobile classrooms ahead of the main works
Broadoak School (PAN increase of 60)	6,800	-	40	200	4,600	2,000	Sep-26	This scheme still needs planning approval and funding agreements require signing off. The aim is to get these works complete for use in September 2026
Devolved Formula Capital	2,075	-	153	804	649	622	Rolling	Resources managed by schools
Capital Maintenance Grant	11,863	-	381	3,760	5,441	2,662	Rolling	Ongoing programme of small maintenance works
High Needs Send Grant	5,670	-	86	369	3,301	2,000	Rolling	Programme of works currently being developed for known allocations
Brentwood School - SEND	6,550	207	442	3,843	2,500	-	Sep-25	Works are due to start imminently, with them needing to be completed for pupils in September 2025.
Childcare Grant	561	-	-	361	200	-	-	Programme of works currently being developed
Sub-total	**56,492**	**331**	**1,187**	**12,397**	**26,880**	**16,884**		

CHILDREN'S SERVICES

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
CHILDREN'S SERVICES								
Hayeswater Centre - Improving outdoor provision	29	-	-	29	-	-	Dec-24	On Target to be spent this year
Liquid Logic - Children's & Delegation Portals	135	127	-	8	-	-	-	Complete – Awaiting final costs
Foster Carers – Adaptations to Registered Social Landlord Properties	350	-	-	50	300	-	Mar-26	Programme of works currently being developed with RP's
Sub-total	**514**	**127**	**-**	**87**	**300**	**-**		
TOTAL CHILDRENS SERVICES	**57,006**	**458**	**1,187**	**12,484**	**27,180**	**16,884**		

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ADULTS SERVICES

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Disabled Facility Grants	8,783	-	1,114	3,295	2,794	2,694	Rolling	Ongoing programme of home adaptations
Right Care for You	102	-	-	102	-	-	Mar-25	On Target to be spent this year
Our Place, Sale (Kara House) - Safety Works	570	-	-	270	300	-	Sep-25	Works expected to commence this financial year.
Liberty Protection Safeguards (Liquidlogic updates)	97	26	-	71	-	-	Mar-25	On Target to be spent this year
Shawe Road, Urmston - Refurbishment works	100	82	-	18	-	-	-	Complete - Awaiting final costs
Liquid Logic - Updates	70	67	2	3	-	-	-	Complete - Awaiting final costs
TOTAL ADULT SERVICES	**9,722**	**175**	**1,116**	**3,759**	**3,094**	**2,694**		

PLACE – CORPORATE LANDLORD

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Public Building Repairs & Compliance Prog - Appendix 3	1,209	-	75	694	475	40	Rolling	Ongoing programme of work with main element of works being undertaken at Tatton house.
Sale Waterside/ Trafford Town Hall Improvements	193	57	3	86	50	-	Mar-26	Ongoing programme of works
Altrincham Market House Improvements	100	-	-	100	-	-	-	This allocation is held for any potential works needed.
Watling Gate - Preservation/Conservation	122	4	-	18	100	-	-	An element of these resources re allocated to PBR for Stretford Library works, requirement for remaining resources to be assessed.
Estates Savings Requirements	645	-	-	-	645	-	-	Resources allocated for works at School Road and Market Street - these are currently delayed as linked to LAHF phase 3 which still requires approval.
De-Carbonisation Programme	3,962	3,550	56	412	-	-	Dec-24	The main works are now finished but there has been an element of snagging that required sorting, we now awaiting confirmation that works are complete and final invoicing for remaining costs.
Claremont Centre Works	70	-	-	-	70	-	-	Works still to be identified.
Corporate Building Security Review	272	2	-	270	-	-	Nov-24	Works Underway
Clarendon House - Development works	120	-		120	-	-	-	Complete – Awaiting final costs
TOTAL	**6,693**	**3,613**	**134**	**1,700**	**1,340**	**40**		

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PLACE – REGENERATION AND STRATEGIC PLANNING

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Town Centre Loans Fund	276	-	-	100	100	76	Rolling	Loans payable when applications are submitted.
9/11 Market Street, Altrincham – Redevelopment	239	-	-	-	239	-	-	Development of commercial areas of building (which this budget is for) to be linked with LAHF funded residential developments.
Altrincham Town Centre - Public Realm Works	6,684	6,663	15	21	-	-	-	Complete - Awaiting final costs
UK Shared Prosperity Fund Programme	654	5	5	649	-	-	Mar 25	A number of initiatives are being delivered throughout the year including: Greening Trafford Park : Public realm works in Stretford and Sale : Installation of outdoor gyms : Shop Improvement Grants
Future High Street Fund	19,133	12,953	2,417	5,680	500	-	Nov 24	Most of the works being undertaken utilising these resources have now been completed with the remaining works being undertaken by Bruntwood on the elements around Stretford town centre.
TOTAL	**26,986**	**19,621**	**2,437**	**6,450**	**839**	**76**		

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PLACE – BEREAVEMENT SERVICES

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Altrincham Crematorium - Replacement cremator	710	-	213	710	-	-	Aug-24	On target, works nearing completion.
TOTAL	**710**	**-**	**213**	**710**	**-**	**-**		

PLACE – LEISURE AND SPORT

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Altrincham Leisure Centre	23,100	14,045	2,458	9,055	-	-	Dec- 24	On target to be spent this year
Partington Sports Village - Levelling Up Fund	22,705	1,606	167	3,491	17,608	-	Mar-26	Work on the main element of the scheme is anticipated to start imminently with completion in line with current grant approvals of March 26.
Leisure Strategy - Refurbishment and Essential Works	28,218	339	22	538	1,341	26,000	-	The use of these resources is still being developed, to meet the requirements of the leisure strategy.
Football Facility Provision	2,294	904	1,046	1,390	-	-	Sep-24	On target, works nearing completion.
Timperley Sports Club - Artificial Pitch	638	132	506	506	-	-		Complete
Longford Park Sports - Track Replacement	532	-	-	532	-	-	Mar-25	Awaiting update on progress of this scheme
Altrincham Golf Course	100	28	-	72	-	-	Mar-25	On target to be spent this year
Parks - Tennis Courts Programme	466	-	25	200	266	-	Sep-25	Works is currently taking place and Longford Park and Ashton Park, Sale.
TOTAL	**78,053**	**17,054**	**4,224**	**15,784**	**19,215**	**26,000**		

PLACE – HOUSING SERVICES

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Assistance to Owner Occupiers	26	8	-	16	10	-	Rolling	Grants payable when bids are submitted
Housing Standards / Empty Property Initiatives	30	-	-	20	10	-	Rolling	Grants payable when bids are submitted
Local Authority Housing Fund	5,815	3,272	852	2,543	-	-	Mar-25	On target to be spent this year
TOTAL	**5,879**	**3,280**	**852**	**2,579**	**20**	**-**		

PLACE – INTERGRATED TRANSPORT

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Integrated Transport Schemes	1612	263	78	1,349	-	-	Rolling	Ongoing programme of works
Mayors Cycling and Walking Challenge Fund	20,000	4,757	729	8,733	6,160	350	Rolling	There are a number of individual elements of work being funded through this funding steam, work this year is expected to be undertaken on the A56, Chester Road and Seymour grove
Residents Parking Scheme	500	395	-	105	-	-	Mar-25	On target to be spent this year
Boroughwide - Boundary / Village Entry Signs	105	20	2	85	-	-	Mar-25	On target to be spent this year
Electric Vehicle Charging Points	500	54	-	246	200	-	Sep-25	Works have commenced on this scheme
TfGM funded CRSTS Projects	544	89	45	455	-	-	Mar-25	On target to be spent this year
Moving Traffic Offences - Boroughwide Cameras	465	-	-	-	465	-	-	Scheme elements still to be developed
TOTAL	**23,726**	**5,578**	**853**	**10,973**	**6,825**	**350**		

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PLACE – PARKING SERVCIES

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Parking Services	289	224	6	65	-	-	Mar-25	On target to be spent this year
TOTAL	**289**	**224**	**6**	**65**	**-**	**-**		

PLACE – COMMUNITY SAFETY

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
CCTV Transformation Programme - Phase 2	563	427	53	136	-	-	Mar-25	On target to be spent this year
CCTV Cameras - Fly-tipping Prevention	160	-		-	160	-	-	No progress has been made on this scheme
TOTAL	720	427	53	136	160	-		

PLACE – STRUCTURAL MAINTENANCE

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SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Highways Structural Maintenance	9,206	-	684	3,682	2,612	2,912	Rolling	Delivery of in excess of 51 projects planned throughout the year with 13 already completed so far.
Surface Dressing & Treatment Programme	1,000	-	5	500	500	-	Rolling	Main element of works to be undertaken over July and August.
Additional Pot Hole Funding	515	437	-	78	-	-	Mar-25	On target to be spent this year
Network North Additional Maintenance	738	-	17	738	-	-	Feb- 25	New grant allocations for 23/24 and 24/25 - programme agreed to deliver 13 projects this year.
CRSTS - Key Route Network Programme	4,501	4,193	-	-	308	-	Jul-25	Remaining works scheduled to be undertaken early in the next financial year.
Street Lighting	1,130	-	125	830	300		Rolling	Ongoing programme of works
Bridge Assessments and Strengthening	713	-	94	713			Rolling	Ongoing programme of works
Carrington Junction and Relief Road	15,071	4,361	329	7,710	3,000		Rolling	Option are being assessed around the delivery of the rationalisation element of the scheme.
TOTAL	32,874	8,991	1,254	14,251	6,720	2,912		

PLACE – ENVIRONMENTAL SERVICES AND GREENSPACES

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Parks Infrastructure	459	-	16	359	100	-	Rolling	Work is being undertaken across multiple sights delivering a programme of works on drainage, surface repairs, patching and potholes and lighting, there has been a delay IN design works to enable certain elements of the schemes.
Play Area Refurbishment	397	-	171	297	100	-	Rolling	There a number of schemes currently underway Stamford Park, Hullard Park and Lostock with work at Ashton Park complete.
Countryside Infrastructure	63	46	-	17	-	-	Mar-25	On target to be spent this year
Longford Park (HLF BID)	1,099	209	-	300	590	-	-	The scheme is awaiting confirmation of award of Heritage Lottery Funding Grant, once confirmed this will be reflected in the programme and a programme of delivery will be developed.
Parks Mandatory Signage	60	57	-	3	-	-	Mar-25	On target to be spent this year
Wilding Trafford	77	72	-	5	-	-	Mar-25	On target to be spent this year
Allotments - Infrastructure Programme	40	6	5	34	-	-	Mar-25	On target to be spent this year
Rainwater Harvesting	45	-	-	5	40	-	-	Works still to be undertaken.
Gorse Hill Park, Stretford - Improvements	50	-	-	-	50	-	Oct-26	It is not anticipated that these works will commence until into the next financial year
Marje Kelly Park, Stretford - Improvements	50	-	-	-	50	-	Oct-26	It is not anticipated that these works will commence until into the next financial year
Outdoor Sports - S106 Funded	53	-	-	-	53	-	-	Schemes being developed
Green Infrastructure S106 Funded	255	68	-	-	255	-	-	Proposed uses of this funding are being developed with schemes that have green infrastructure elements being considered to utilise these resources.
Food Waste Collection Programme	449	-	-	49	400	-	-	Implementation plan being drawn up. Report to Executive in November to approve.
TOTAL	**3,097**	**390**	**192**	**1,069**	**1,638**	**0**		

TOTAL PLACE SERVCIES	**179,030**	**59,178**	**10,219**	**53,717**	**36,757**	**29,378**		

GOVERNANCE AND COMMUNITY STRATEGY

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
Customer Services								
Sale Library – A Cultural Hub	357	-	-	108	249	-	Jul-25	This scheme is currently going through the procurement process and once complete a programme of works will be finalised.
TOTAL GOVERNANCE AND COMMUNITY	**357**	**-**	**-**	**108**	**249**	**-**		

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FINANCE AND SYSTEMS – ICT

SCHEMES	TOTAL APPROVED SCHEME BUDGET £000	PREVIOUS YEARS SPEND £000	CURRENT YEARS SPEND £000	REVISED BUDGET 2024/25 £000	REVISED BUDGET 2025/26 £000	REVISED BUDGET 2026/27 £000	EST COMP DATE	SCHEME COMMENTS
SAP Systems Landscape - Upgrades	250	28	-	72	150	-	-	Work is currently being undertaken to get cost certainty and update the profiling of resources.
CRM - Update/Replacement	2,097	915	370	1,182	-	-	Oct-24	Work on this scheme is progressing well with October being the go live date.
Device Replacement Programme	1,150	-	-	350	400	400	Rolling	A significant order for 400 laptops has just been placed with the requirement for more being needed
Content Management System	140	-	-	40	100	-	Mar - 26	Scheme rephased with work not yet commenced.
Unsupported Server O/S Migration	134	51	11	21	62	-	-	Work is currently being undertaken to get cost certainty and update the profiling of resources.
Network Replacement	551	263	12	288	-	-	Mar-25	On target to be spent this year

ITrent Replacement	270	13	-	257	-	-	Mar-25	Work on this scheme has commenced
Info Management Serv for Regulatory Serv	610	195	-	215	200	-	Mar-25	On target to be spent this year
Cloud and Data Centre Strategy	510	-	-	-	510	-	-	Requirements for this allocation are being reassessed an update will be provided at P6
Cloud Telephony and Unified Communications	110	-	-	40	70	-	-	Requirements for this allocation are being reassessed an update will be provided at P6
Security Infrastructure - Perimeter Firewall	240	-	118	240	-	-	Mar-25	On target to be spent this year
SAP - ERP Replacement Project	2,000	-	-	30	560	1,410	Mar-27	Work has not yet started on this scheme, but it is anticipated that it will go live in April 27.
RFC - ContrOcc Direct Debits system	20	9	-	11	-	-	Mar-25	On target to be spent this year
Systems & Data Architecture	85	-	-	85	-	-	Mar-25	On target to be spent this year
Business Intelligence - Data Warehouse	200	128	-	72	-	-	Mar-25	On target to be spent this year
Digital Inclusion / Digital Skills	50	32	11	18	-	-	Mar-25	On target to be spent this year
Development / Low Code Solution	301	237	34	64	-	-	-	Work is currently being undertaken to get cost certainty and update the profiling of resources.
IT and Digital Service Transformation	40	-	-	-	40	-	Mar-25	On target to be spent this year
Telephony System / Disaster Recovery	50	-	15	50	-	-	-	Complete – Awaiting final costs
TOTAL FINANCE AND SYSTEMS	**8,808**	**1,871**	**571**	**3,035**	**2,092**	**1,810**		
TOTAL CAPITAL PROGRAMME	**254,923**	**61,682**	**13,093**	**73,103**	**69,372**	**50,766**		

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Prudential Indicators – 2024/25 **Annex 3b**

The Prudential Code for Capital Finance in Local Authority was reviewed and updated following a consultation with Local Authorities in November 2021. The Code requires that the Council report and monitor Prudential Indicators on at least a quarterly basis during the financial year. The objectives of the Prudential Code and indicators are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and to support and record local decision making in manner that is publicly accountable.

The prudential indicators cover the three areas in which the Council is required to report and monitor; Capital Expenditure, External Debt, and Affordability. The indicators are approved and set by the Council in February each year as part of the wider budget setting process. These indicators are then reviewed and restated during the year as part of the periodical budget monitoring.

Summary as at Period 4

Capital Expenditure Indicators

Since February, the updated indicators for Capital Expenditure show a decrease £1.78m in capital spend in 2024/25. This is in-line with the reprofiling of spend within the programme, as detailed within this report, as certain schemes will now incur costs in later years. The expenditure for the Investment Strategy has been reprofiled to match the cashflows of ongoing property developments which the Strategy is funding, which have expenditure in the later years of the programme.

External debt indicators

The External Debt indicators for Period 4 are confirmations that the Council are operating within the agreed boundaries for Treasury Management activity as set by Council in February. The debt levels are forecast to increase due to the anticipation that the Council will borrow funds before the end of the financial year to address the level of internal borrowing.

Affordability indicators

The ‘Finance Costs to Net Revenue Stream’ forecast for 2024/25 is currently in-line with the forecast included in the budget.

Capital expenditure indicators:

- **Estimates of capital expenditure**; Actual total capital expenditure for previous financial year and estimates of spend for the following three years. Variances found here from the approved indicator level to the current forecast level are due to revisions to the programme, reported through the regular Capital Budget Monitoring and approved by the Executive.
- **Estimates of capital financing requirement;** this reflects the estimated need to borrow for capital investment (i.e., the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).

Prudential Indicators – Capital Expenditure	2024/25			2025/26	2026/27
Period 4 2024/25	**Original Forecast**	**Current Forecast**	**Variance**	**Forecast**	**Forecast**
	£m	**£m**	**£m**	**£m**	**£m**
Capital Expenditure					
Capital expenditure - General Programme	74.89	73.11	(1.78)	69.37	50.76
Capital expenditure - Investment Strategy	77.31	58.85	(18.46)	150.09	7.82
Capital expenditure - Total	**152.20**	**131.96**	**(20.24)**	**219.5**	**58.59**
Capital Financing Requirement (CFR)	**519.41**	**461.58**	**(57.83)**	**567.01**	**592.88**

External debt indicators

- **Authorised limit for external debt;** This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing and any potential effects arising from bringing “off balance sheet” leased assets onto the balance sheet in compliance with IFRS 16.
- **Operational boundary for external debt;** calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year and is not a limit.
- **Gross debt and the capital financing requirement;** The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years **but ensures that borrowing is not undertaken for revenue or speculative purposes.**

Prudential Indicators -	2024/25			2025/26	2026/27
Period 4 2024/25	Approved Limit	Current Forecast	Variance to Limit	Approved Limit	Approved Limit
	£m	£m	£m	£m	£m
External Debt					
Authorised limit for external debt - Capital Programme	280.00	128.82	(151.18)	310.0	310.0
Authorised limit for external debt - Investment Strategy	370.00	260.00	(110.00)	420.0	500.0
Authorised limit for external debt - Other long-term liabilities	3.40	3.38	(0.02)	3.0	2.6
Authorised limit for external debt - Total	**653.40**	**392.20**	**(261.20)**	**733.0**	**812.6**
Operational boundary for external debt - Capital Programme	260.00	128.82	(131.18)	290.0	290.0
Operational boundary for external debt - Investment Strategy	370.00	260.00	(110.00)	420.0	500.0
Operational boundary for external debt - Other long-term liabilities	3.40	3.38	(0.02)	3.0	2.6
Operational boundary for external debt - Total	**633.40**	**392.20**	**(241.20)**	**713.0**	**792.6**
Forecast capital financing requirement (CFR)		**461.58**			
Actual external debt (£m): at 31/07/24		**336.20**			
Forecast external debt (£m) at 31/3/25		**392.20**			
Forecast Over-borrowed/(Under-borrowed)		(69.38)			
Is Actual/Forecast Debt below the CFR?		**YES**			

Affordability indicators

- **Estimates of financing costs to net revenue stream;** this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream. This demonstrates the affordability and proportionality of that borrowing by comparing it to the Council's net revenue stream as a whole.
- **Estimates of net income from commercial and service investments to net revenue stream;** This indicator compares income from commercial investments to the Council's net revenue stream. As before, this comparison allows for consideration for the Council reliance on that income and its proportionality.

Prudential Indicators - Period 4 2024/25	2024/25			2025/26	2026/27
	Forecast	P4 Forecast	Variance	Forecast	Forecast
	%	%	%	%	%
Affordability					
Financing Costs to net revenue stream	1.0%	1.0%	0.0%	1.8%	2.7%
Net Income for commercial and service investments to net revenue stream	8.0%	7.5%	(0.5%)	7.8%	7.2%

Affordability - Financing Costs to Net Revenue Stream (Detailed Table)	2024/25 P4 Forecast £k
Net Revenue Stream	214,039
Net Financing Costs *	2,177
Net Financing Costs to NRS	**1.00%**
Gross Financing Costs	16,735
Gross Investment Interest Income	(14,557)
Net Financing Costs	**(2,177)**
Using **Gross** Financing Costs to NRS	7.82%

The prudential indicator requires a comparison between Net Financing Costs and the Net Revenue Budget, however this does not demonstrate fully the risk due to the high levels of investment income that the Council generates. The Gross Investment Interest Income and Gross Financing Costs are more appropriate measure of risk as this is the amount of exposure the council needs to meet.

Local indicators

Local Indicators are indicators that are not statutorily required but are included in the Council's suite of capital indicators to provide additional transparency and reporting information. The indicators below relate to forecast activity and performance in the Council's Asset Investment Strategy (AIS). The rolling investment nature of the AIS means that income is forecast to decrease in later years as investments mature, to be replaced by new investments within the pipeline yet to be agreed.

The Council has previously used income from its investments to contribute to a Risk Reserve, which had a balance of £11.31m at the end of 2023/24.

Local Indicators	2024/25	2025/26	2027/28
2024 to 2025	£m	£m	£m
Asset investment Strategy			
Gross Income	14.1	14.5	13.1
Financing Costs	10.2	10.6	10.2
Risk Reserve			
Net contributions to/(from) Risk Reserve	(5.0)	(1.6)	(1.3)
Forecast Risk reserve balance at year end	6.3	4.7	3.4

TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee**
Date: **25 September 2024**
Report for: **Information**
Report of: **Audit and Assurance Manager**

Report Title

Audit and Assurance Report for the Period April to June 2024.

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 April to June 2024

Date: **September 2024**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April 2024 and June 2024 and highlights progress against the 2024/25 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 2024/25.

2. Planned Assurance Work

Key elements of the 2024/25 Work Plan, produced in March 2024, include:

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

3. Main areas of focus – April to June 2024

Work in the quarter included focus on issuing a number of audit reports in relation to Children's Services. There were audit follow-ups completed and a number of audits progressed in relation to various service areas including Adults, IT and Digital, and Catering Services. All audit reports completed in the period are listed in Section 5 and other key areas of audit work undertaken referred to in Section 6 and 7.

4. Summary of Assurances April to June 2024

There were 6 internal audit opinion reports produced in the period (4 final reports and 2 draft reports).

In respect of the 4 final reports issued, 2 of these reports included audit opinions, 1 being a "Substantial" level of assurance and the other "Reasonable". The 2 other final reports were advisory reports completed following issues raised by the respective services. The 2 draft reports (as at the end of June) have since been issued as final reports with findings to be included in the July to September 2024 update (noting opinion levels for these 2 reviews were "Substantial" and "Reasonable" respectively).

(See Section 5 for a listing of reports issued, together with a summary of findings).

5. Summary of Audit & Assurance Opinions Issued – April to June 2024

(See Appendix 2 for details of Audit opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION R/A/G -Date Issued	COMMENTS
FINAL REPORTS ISSUED		
Level 3 Reports:		
Children's Social Care Payments (Children's Services) / (Children and Young People)	Reasonable* (10/5/24)	The purpose of the review was to review the effectiveness of controls in operation in relation to the systems and processes for managing social care payments in Children's Services. It was noted that there were some areas of good progress since the last audit review, including the introduction of a training officer to support system training and guidance. There continues to be scope to develop the use of the ContrOCC system for reporting of management information and use in relation to budget monitoring. Whilst some progress has been made regards 16 of the 17 recommendations made in the previous audit review, issues identified for continued improvement highlight 8 recommendations going forward in this latest report. There will be further internal audit review work as part of future audit plans to assess progress in progressing the areas for development identified.
Supporting Families Programme (Children's Services) / Children and Young People)	Substantial (11/6/24)	Greater Manchester local authorities undertake periodic audits to provide assurance that local systems and processes meet the minimum standards of the Supporting Families Programme. The Supporting Families Programme (SFP) is a national programme with the aim to enable the most disadvantaged families with complex problems to turn their lives around. A set of Greater Manchester standards were defined to represent the core features of the national delivery model whilst allowing for flexibility in local practice. The audit reported that there was evidence to demonstrate that each of the standards were being met. In addition, developments had been made with planned actions through the year with 2 previous recommendations being implemented in respect of processes for identifying eligibility for the programme and also in respect of recording outcomes for closed cases. In liaison with the GMCA, a further recommendation was being progressed in respect of developing performance monitoring through sharing of data with partners.
DRAFT REPORTS		
Level 1 Reports:		
All Saints Catholic Primary School (Children's Services) / (Children and Young People)		As at the end of June 2024, a draft report setting out findings from the review had been shared with the Headteacher. Since then, a final report has been issued, which will be reported as part of the July to September 2024 Audit and Assurance update report.
Victoria Park Infants School (Children's Services) / (Children and Young People)		As at the end of June 2024, a draft report setting out findings from the review had been shared with the Headteacher. Since then, a final report has been issued, which will be reported as part of the July to September 2024 Audit and Assurance update report.

OTHER REPORTS	DATE COMPLETED	DESCRIPTION / COMMENTS
Advisory Report: Household Support Fund (Finance and Systems)	(23/4/24)	Audit provided advice following a request by Exchequer Services to review processes for the processing of applications and payments in respect of the Free School Meals holiday award payments scheme. Advice was provided regards possible enhancement to existing checks regards eligibility and payments being made. It is noted that Exchequer Services will further review processes, once account is taken later in 2024/25 of future funding of the schemes and implementation of new systems.
Advisory Report: Youth Engagement Services (Children's Services)	(15/5/24)	Audit provided advice following a request by Finance and Systems to assist in reviewing systems and records in relation to controls on payment processes managed through the Youth Engagement Services imprest account. Some recommendations were made to improve controls in place, including updating and sharing procedural guidance to staff and introducing independent checks of expenditure claims being made through the imprest account.
**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.*		

6. Other Audit and Assurance Work

In addition to the progression of internal audit reviews, other work undertaken during the period has included the following:

- Ongoing support to facilitate the review of the Council' strategic risk register (an update report was provided to CLT and the Accounts and Audit Committee in June 2024).
- Liaison with Legal and Governance to provide some advice and input to the Draft Annual Governance Statement 2023/24 issued in June 2024.
- Further to support by Internal audit and Counter Fraud teams to an investigation, liaison with Human Resources to agree details sent out in the staff bulletin regards ensuring compliance with the Employee Code of Conduct in respect of taking a second job outside of the Council.

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 quarter, all of the 16 recommendations made have been accepted. 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

Internal audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations.

See Section 5 regards the 2 final audit reports in respect of Children's Social Care Payments and Supporting Families which included follow-up of previous recommendations made.

In respect of 3 other audits previously completed, the relevant services were requested to provide an update on progress in implementing audit recommendations made. The following details were reported:

- Bereavement Services (Strategy and Resources) - 3 of the 4 previous recommendations made had been implemented with 1 recommendation currently being progressed at the time of review.
- Waste Services (Place) - All of the 4 previous recommendations had been implemented.
- Outdoor Advertising (Place) - 3 of the 4 previous recommendations had been implemented with 1 recommendation currently being progressed at the time of review.

Further follow-up work of previous audits is being undertaken and on overall analysis of outcomes from audit recommendations followed up in 2024/25 up to 30 September 2024 will be included in the Q2 Audit and Assurance update.

8. Performance against Audit & Assurance Annual Work Plan

Progress to date:

Appendix 1 shows a summary of work completed as at 30 June 2024 against planned in respect of the 2024/25 Operational Internal Audit Plan.

As included in the 2024/25 Internal Audit Plan, it was planned that a target of 6 reports (comprising opinion reports, advisory reports and grant sign-offs) were to be completed in Q1 of 2024/25 to final or draft stage. As referred to in Section 5, 6 reports were actually produced. It is planned for the remainder of the year that at least 6 reports per quarter are produced.

The next update on progress against the 2024/25 Internal Plan, including reports issued, will be included in an update for Quarter 2 to be shared with CLT and the Accounts and Audit Committee in November 2024.

9. Planned Work for July to September 2024

Areas of focus include:

- Issue of final audit opinion reports for the following audits - Adults' Direct Payments, IT Service Management System, Catering Services, Victoria Park Infants School, All Saints Catholic Primary School.
- Issue of a draft audit opinion report in relation to Housing Standards.
- Issue of an advisory report in relation to processes regards Care Leaver payments
- Commencement of other audit reviews in the Audit Plan including budgetary control.
- Completion of grant checks in relation to Highways Maintenance funding in line with requirements from the Department for Transport and the Greater Manchester Combined Authority.
- In liaison with CLT, commence work in late September on a further update of the strategic risk register with an update report due to be shared with the Accounts and Audit Committee at its meeting on 21 November 2024.
- Undertaking a recruitment exercise for a vacant Senior Audit and Assurance Officer post.
- Consideration of any developments in relation to changes in Internal Audit Standards. It is expected that a consultation is to commence by CIPFA in September 2024 regards the replacement of the Public Sector Internal Audit Standards following changes to Global Internal Audit Standards. Expected changes are expected to come in to effect from 1 April 2025.

APPENDIX 1

2024/25 Operational Plan: Planned against Actual Work (as at 30 June 2024)

Category	Planned work	Work completed (as at 30/6/24)	2024/25 IA Plan
Financial Systems	**Audits of fundamental financial systems reviews and advice in relation to systems and procedures.** **Audit Reports planned to be issued in 2024/25 include the following:** **- Children's Social Care Payments (Children's Services)** **- Accounts Receivable (Finance and Systems)** **- Payroll (Strategy and Resources)** **- Budgetary Control (Finance and Systems/Authority-wide)** **- Purchase Cards (Finance and Systems)** **Other audits to commence in 2024/25 include:** **-Accounts Payable (Finance and Systems)** **-Council Tax (Finance and Systems)**	 -Final report issued 10/5/24 -Draft advisory report shared - - - - -	 -Completed -Final report to be issued Q2 -Planning to commence Q3 -Commenced August 2024 -Planning to commence Q3 -Planning to commence Q4 -Planning to commence Q4
Governance	**Corporate Governance / AGS (Legal and Governance) – to liaise with Legal and Governance, including providing comment on processes supporting the AGS, and its content with reference to the CIPFA/SOLACE Governance framework and guidance.** **Advice / assurance in respect of governance issues and ongoing liaison with services to consider further audit reviews.**	-Work to date has included liaising with Legal and Governance providing feedback on, and input to, the content of the 2023/24 Draft AGS issued in June 2024.	-Support to Legal and Governance regards the process for finalising the AGS alongside the audited accounts and in respect of planning for the collation of the 2024/25 AGS.
Corporate Risk Management	**Facilitating, and reviewing the effectiveness of, the maintenance of the Council's strategic risk register.** **Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.** **Follow-up of previous audit reviews to include:** **- Business Continuity (Place/Authority-wide)**	-Facilitated strategic risk update report presented to Accounts and Audit Committee in June 2024 -	-Next strategic risk register update to commence in September 2024 with report to be shared at the November 2024 Accounts and Audit Committee. -Follow-up audit update to be

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	- Health and Safety (Strategy and Resources)	-	requested in Q3 -Follow-up audit update to be requested in Q2.
Anti-Fraud and Corruption	**Co-ordinate the Council's activity in respect of the National Fraud Initiative in accordance with Cabinet Office requirements.** **Contributing to investigations of referred cases of suspected theft, fraud or corruption. Other work to support the Anti-Fraud and Corruption Strategy, including working with other relevant services to review existing strategy, policies and guidance.**	-Reporting of outcomes from the National Fraud Initiative exercise completed, with details reported as part of the 2023/24 Annual Head of Internal Audit Report at the June 2024 Accounts and Audit Committee. Above reporting included reference to Internal Audit support to investigation work undertaken in 2024.	-Preparation for the 2024/25 National Fraud Initiative exercise commenced in Q2.
Procurement / Contracts/ Value for money Page 153	**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).** **Audit Opinion Reports to include:** **STAR:** **- Social Value** **(Other audits for 2024/25 to be confirmed later in 2024)** **Other:** **- Parking Enforcement contract** **- Joint Ventures (Bruntwood)**	- - -Attendance at annual contract monitoring review meeting in April 2024	-Future work and timing to be agreed. -Planned to commence Q4 -Review in Q2/3 of processes re leases and rent collection (Altrincham).
Information Governance / Information, Communications and Technology	**ICT Audit reviews and advice.** **Planned audits to include:** **- IT Service Management (issue of final report)** **- Access Management** **- Vulnerability Management** **- IT Disaster Recovery** **- Asset Management** **Information governance reviews and advice. To include:** - **Audit of processes to support management of risk in relation to data**	-Liaison re draft report - - - - -	-Final report issued August 2024 -Planned to commence Q3 -Timing to be agreed -Timing to be agreed -Planning to commence Q4 -Planned to commence Q3

	breaches.		
Schools	**Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.** **Audit reviews of schools: At least 8 school audits to be completed during the year (Children's Services). Final audit opinion reports expected to be issued include:** **- All Saints Catholic Primary*** **- Victoria Park Infants School** **- Bowdon Church School** **- Woodheys Primary School** **- Altrincham C of E Primary School** **- Templemoor Infants** **- Seymour Park Community Primary** **- Moss Park Primary** **(Any other audits to commence or be planned in by the end of 2024/25 to be confirmed).** **Follow-up of progress for all school audits completed in 2023/24 with updates to be obtained from management.**	 -Draft findings shared -Draft findings shared - - - - - - -	 Final report issued July 2024 Final report issued July 2024 Commenced July 2024 Planned to commence Q3 Planned to commence Q4 Planned to commence Q4 Planned to commence Q4 Planned to commence Q4 Broadheath Primary follow-up completed in July 2024 (Other school audit follow-ups to be completed in Q2/3/4)
Assurance – Other Strategic and Service Risks	**Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes new audit reviews, follow up audits and gaining assurance from service updates.** **Audits to commence in 2024/25 with reports to be issued during 2024/25 or Q1/2 of 2025/26:** - **Catering Services (Strategy and resources)** - **Blue Badges (Strategy and Resources)** - **Libraries Service (Strategy and Resources)** - **Complaints (Strategy and Resources / Authority-wide)** - **Recruitment (Strategy and Resources)** - **Supporting Families (Children's Services) *** - **Home to School Transport (Children's Services)** - **Schools Admissions (Children's Services)**	 -In progress - - - - -Final report issued 11/6/24 - -	 -Final report issued Aug. 2024 -Planned to commence Q3 -Timing to be agreed -Planned to commence Q4 -Planned to commence Q4 -Completed -Planned to commence Q3 -Planned to commence Q3

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	- **Hayeswater Contact Centre (Children’s Services)** - **Care Leaver payments (Children’s Services)** - **Section 17 payments (Children’s Services)** - **Deprivation of Liberty Safeguards (Adult Services)** - **Adaptations (Adult Services)** - **Direct Payments (Adult Services)** - **Let Estates (Place)** - **Building Control (Place)** - **Housing Standards (Place)** - **Tree Unit (Place)** - **Section 106 / Community Infrastructure Levy (Place)** **Follow-up of previous audit reviews where internal audit reports have been issued in 2023/24 to include:** - **Bereavement Services (Strategy and Resources)** - **Cleaning Services (Strategy and Resources)** - **Sale Waterside Arts Centre (Strategy and Resources)** - **Outdoor Advertising (Place)** - **Safety at Sports Grounds (Place).** - **Waste Services (Place)**	- -In progress - - - -Draft report shared - - -In progress - - - Follow-up update completed. - - - Follow-up update completed. - - Follow-up update completed.	-Timing to be agreed -Draft findings shared Q2 -Planned to commence Q2 -Planned to commence Q3 -Planned to commence Q3 -Final report to be issued Sep 2024 -Planned to commence Q3 -Planned to commence Q2 -Draft report to be issued Q2 -Timing to be agreed - Planned to commence Q3 -Completed -Update to be requested Q3 -Update to be requested Q2 -Completed -Update to be requested Q2 -Completed
Grant claims checks / Data Quality	**Internal audit checks of grant claims / statutory returns and other checks as required.** **Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off. To include:** **- Disabled Facilities Grant (Adult Services)** **- Local Transport Capital Block Funding (Pothole Fund) 2023/24 (Place)** **- Food Waste Collections-Capital Transitional Grant (Place)**	- - -	-Work commenced in September 2024 with checks / sign off to be completed by 31/10/2024. -Work commenced in August 2024 with check/sign off to be completed by 30/9/2024. Timing to be confirmed.
Service Advice / Projects	**General advice and guidance, both corporately and across individual service areas. Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.**	Work undertaken up to 30/6/24 includes: -Guidance as listed under Section 6 regards the Employee Code of Conduct -Advisory reports issued as listed in Section 5.	

APPENDIX 2

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 September 2024**
Report for:	**Information**
Report of:	**Audit and Assurance Manager**

Report Title

Accounts and Audit Committee – Work Programme – 2024/25

Summary

This report sets out the work plan for the Committee for the 2024/25 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 2024/25 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**
26 June 2024	Agree Committee’s Work Programme and consider training in 2024/25					
	- 2023/24 Head of Internal Audit Annual Report	- External Audit Strategy Memorandum	- Strategic Risk Register Report	- 2023/24 Draft Annual Governance Statement - Accounts and Audit Committee 2023/24 Annual Report to Council	- Counter Fraud Team Update Report	-2023/24 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn Reports (circulated to Members in July 2024 after the report shared with the Executive)
25 September 2024	Training: Treasury Management – briefing as part of meeting					
	- Internal Audit Monitoring Report (Q1 2024/25)	- External Audit Progress Report	- Strategic risk update: Public Health Investment			-Treasury Management update (Annual Performance Report 2023/24) - 2024/25 Budget Monitoring, project updates and Prudential Indicator Reports (Period 4)

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**
21 November 2024	- Internal Audit Monitoring Report (Q2 2024/25)	-2022/23 Audit Completion Report -2022/23 Auditor's Annual Report -2023/24 Auditor's Strategy Memorandum	- Strategic Risk Register Report. - Strategic Risk update: Asset Investment Strategy (See Financial Management – Insurance Performance 2023/24)			-Annual Statement of Accounts 2022/23 - Treasury Management: 2024/25 Mid-Year Performance Report - 2023/24 Insurance Performance Report - 2024/25 Budget Monitoring, project updates and Prudential Indicator Reports (Period 6)

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	**External Audit**	**Risk Management**	**Governance (Including Annual Governance Statement)**	**Anti- Fraud & Corruption Arrangements**	**Accounts/Financial Management**
5 February 2025	Training briefing to be arranged before meeting - Treasury Management					
	- Internal Audit Monitoring Report (Q3 2024/25)	-2023/24 Audit Completion Report -2023/24 Auditor's Annual Report	-Strategic risk update: Cyber Security	- 2023/24 Final Annual Governance Statement	(National Fraud Initiative update, within Internal Audit monitoring report)	-Annual Statement of Accounts 2023/24 - Treasury Management Strategy - 2024/25 Budget Monitoring, project updates and Prudential Indicator Reports (Period 8) - Procurement update (STAR)
18 March 2025						
	- 2025/26 Internal Audit Plan / Internal Audit Charter and Strategy	- External Audit Progress Report	- Strategic Risk Register Report - Strategic risk update: Climate change emergency			- 2024/25 Budget Monitoring, project updates and Prudential Indicator Reports (Period10) -Financial Management Code update -Accounting Policies