

# **ACCOUNTS AND AUDIT COMMITTEE**

**28<sup>th</sup> September 2022**

## **PRESENT**

Councillor B. Brotherton (in the Chair).

Councillors G. Carter, S. Ennis, W. Hassan, D. Morgan; R. Thompson and M. Whetton; and Mrs. J. Platt.

## In attendance

Director of Finance and Systems (Mr. G. Bentley),  
Head of Financial Management (Mr. D. Muggeridge),  
Audit and Assurance Manager (Mr. M. Foster),  
Counter Fraud & Enforcement Manger (Mr. D. Wright)  
Audit and Assurance Manager (Mr. M. Foster),  
Audit Partner (Ms. K. Murray) (Mazars)  
Governance Officer (Ms. S. Ferraioli).

## **1. ATTENDANCES**

Apologies for absence were received from Councillor Lloyd.

## **2. QUESTIONS FROM MEMBERS OF THE PUBLIC**

It was noted that no questions were received from members of the public.

## **3. DECLARATION OF INTEREST**

It was noted that no declaration of interest was disclosed by Members.

## **4. MINUTES**

RESOLVED - That the minutes of the meeting held on 20<sup>th</sup> July 2022 be approved as a correct record and signed by the Chair.

## **5. COUNTER FRAUD & ENFORCEMENT TEAM (CFT): 2021/22 ANNUAL REPORT**

Members received the annual report from the Counter Fraud and Enforcement Manager who informed that the team have had a very busy and productive year and that they have also provided administrative support for business grants received

in the year and have been heavily involved in the investigation of fraudulent applications made to the authority. They have also been busy investigating single tax payer claims that contradicted data that highlighted numerous individuals residing at the property where single tax payer discount was being claimed. The team have also been working with the Business Rates team which tidied in with the business grants work, as several businesses had been claiming small business rates when in fact they failed to disclose the ownership of several other premises either within the borough or outside.

The recovery work the team has been involved in amounted to the sum of £242,000 for 2021/2022 and it is expected that the same figure will be generated this year and possibly even a higher amount will be recovered by the team via their investigations. The Litigation side of team have also recovered a large sum of money owed to the authority which for the period of 2021/2022 amounted to just over £1,000,000.

Mr Wright highlighted a case study where a company upon investigation was found to own many premises in the borough but only claimed for one. He did not mention the company name but he has informed Members that it was a well known company and that it was only through the threat of litigation that they had been able to recover the amount owed in full, paid in two instalments. This amounted to £54,000.

Councillor Thompson enquired whether Mr Wright was aware of the percentage of fraudulent applications for business support grants and when did he expect the investigation to reach an end. Mr Wright informed that despite the figures looked really high it was actually a small percentage of applications that they have found to be fraudulent. He was hopeful that unless new schemes were introduced they should be able to reach the end of their investigation within this current year.

Councillor Carter thanked Mr Wright and team for the work that is being done and asked how the work compared with the cost of running the team and is the Council in a position to impose fines in order to recover funds in terms of fraudulent activity.

Mr Wright informed that there are indeed some authorities who have introduced fines of up to £75 for failure to disclose council tax discounts changes. At the time of setting the team up, they had explored the possibility of introducing similar fines but it was proved too expensive to collect and administer said fines and thus fines are not normally the rule. The team is made up of six members with the aim of generating more income than it costs to run, however in extreme cases they would explore the merit of prosecution and a couple of cases they are handling at present are going through potential legal action.

Councillor Whetton congratulated the team and said it was encouraging to hear of such progress. He stated that fraud was awful especially at a time of particular difficulty for the whole nation. He asked if the team were aware of the reason for the increase in fraudulent claims. Mr Wright replied that there could be a number of reasons as to why the applications increased. However the reason for uncovering more fraudulent claims was indeed due to the work the team was undertaking otherwise there was a

strong possibility that the tax payer would not have reported the changes as quickly as they should have or even at all.

Councillor Morgan also thanked the team for their great work. He stated that surely prevention was better than the recovery and therefore what were the key lessons that could have been passed on to the rest of the Finance team and the wider Trafford Council team in order to prevent these situation from arising. Mr Wright believed that the prevention work carried with the business grants as new schemes were introduced had gone a long way to prevent fraudulent applications as more background checks were introduced as well as requesting more information from businesses.

Councillor Hassan enquired if the amount recovered is the same amount that was issued and would it go back into the same budget. Mr Wright confirmed this was case.

The Chair thanked Mr Wright for the very interesting report and stated that he was hopeful the team not only recovered such successful amounts but also acted as a deterrent.

RESOLVED – That the report be noted.

## **6. EXTERNAL AUDIT PROGRESS REPORT – SEPTEMBER 2022**

Ms Murray from the Audit firm Mazars confirmed receiving the accounts report from the Council's Finance team in July 2022 and that in order for the right staff to carry out their work in full this would be conducted during the period of October and November 2022; so the actual audit will commence in a couple of weeks and the team will report to the November Committee.

Ms Murray highlighted that the second part of the report submitted at this Committee was formed of a list of publications which is for Members' attention to help them fulfil the governance responsibility. However, she proceeded to draw Members attention to the second publication on the list which is the department's recent updated *Guidance on Capital Receipts* which reminds that there is some flexibility in the use of some capital receipts when disposing of assets.

Councillor Thompson enquired whether Ms Murray could provide examples of what the capital receipts could be spent on. The Director of Finance and Systems, Mr Bentley replied that they were fully aware of the flexible use of capital receipts but have not used this over the last few years due to the demand on the Council's supported capital requirements on fixed assets. This year it may be applied to a small degree, to help fund the small transformation team. He informed that this was an expenditure that allowed longer term benefits.

RESOLVED:

- 1) That Members read the updated Guidance on Capital Receipts publication.
- 2) That a full report be submitted in November 2022.

## **7. BUDGET MONITORING REPORT 2022/23 – PERIOD 4 (APRIL – JULY 2022)**

The Director of Finance and Systems presented a report for Period 4 which is an update on the Council's position against the projected expenditure to year end, compared to the budget. He informed that it is not a good position at present but that most authorities across the country were in a similar financial situation.

The projected August spend presented a slight improvement as projected at Period 2 which was due to the benefit from the interest rate changes. The Council controllable net budget of £192,000.000 presented in table 1 of the report, shows an overspend of around £900,000 which affects mostly the Children Services, an area of continued concern for Trafford.

There are difficulties in maintaining the level of income due to service pressure within the budget position as seen in previous years which Mr Bentley already highlighted at previous meetings. Some contingencies measures put into the budget for 2022/23 can be released now as they were put in as a temporary measure to recover the perceived impact of covid. For instance the car parking income will return as will the planning income.

Mr Bentley stated that the impact of inflation is really the main factor that will affect more the budget in relation of pay for staff. They had budgeted for a 2% pay rise at the beginning of the year, however current negotiations if agreed will mean a 6% rise.

He also stated that the other volatile projection is the cost of energy, which remains a real concern despite they had budgeted for a significant increase in costs. They continue to liaise with the Council's energy provider and other authorities to secure best rates.

Given the expected pressures when they set out the budget at the beginning of the financial year, Mr Bentley informed that they had set aside a small Reserves budget of £3,000.000 to reduce the pressures. Some relief is also presented by the collection of business rates.

Councillor Whetton enquired whether the original forecast through the collection of council tax and business rates could be achieved. Mr Bentley stated that they will review the situation in February once the financial year has matured and they will work on this prior to Period 6, ideally they would be able to inform further before Christmas.

It is important to note that the debt that is being recovered now is from ten years ago and so the rate at which cash is being recovered will vary within the next two three years.

Councillor Thompson stated that inevitably we will see the real impact on people from next year when the council tax will rise.

Councillor Carter enquired about unachieved savings and Mr Bentley explained that they were investigating to see what efficiencies could be obtained via the implementing of digital services. They have identified a programme and are looking at how to utilise this across services. There was a slight delay in the programme which is why the

figures are presented as unachieved savings. Work is continuing and will be presented as additional savings in future.

Councillor Carter also enquired about the possibility of receiving additional government funding to help cover some of the costs. Mr Bentley stated that there was little scope for expecting any relevant additional funding.

Councillor Ennis stated that he was aware the Council was in the process of developing a Warm Bank and enquired whether there was any budgeting issues in relation to that. Mr Bentley stated he was not aware of any issues and would report back at next meeting.

The Chair thanked Mr Bentley for the comprehensive report.

**RESOLVED:**

- 1) That the report be noted.
- 2) That any budget issues relating to the Council's Warm bank be presented at the next meeting in November.

## **8. INSURANCE PERFORMANCE REPORT 2021/22**

Members received the annual Insurance Performance Report and were reminded that the Council is self insured as it were up to the sum of £250-275,000 in order to keep costs to a minimum and that should there be more than one claim amounting to £750,000 or above then the insurance provider would be needed to provide for said amount.

The revenue budget is set aside to cover the amount of historic claims yet to be paid and the insurance reserve of about £1,500,000 is set aside to cover the possibility of three large insurance claims be presented at the same time. A legacy of the insurance company set up by local government that wound up about ten years ago.

The insurance reserve was increased this year by £89,000 to cover for potential emerging claims which resulted from the year underspend.

The past year saw a reduction in claims possibly due to the lockdown during covid.

However a case for Vicarious Liability where the employer is responsible for the employee's actions, is currently underway which would potentially result in a future large claim.

Councillor Whetton enquired about personal injuries claims received three years after the incident and whether there were any concerns given that the way employees are working is changing with more home working. He then enquired whether any cost projection had been made in relation to the cost of filling potholes in the road as opposed to paying out damage to property claims. Mr Muggeridge stated that the Council is aware of the risks the current homeworking arrangements pose and they are now offering a full work environment assessment and will provide equipment as if

the employee were working in the office to mitigate the risks of any future claims. This has been publicised on the website and the next step will be to ensure that the employees are fully trained and take the necessary breaks.

In terms of the potholes, Mr Muggeridge informed that it was a typical risk versus spend situation and where the pay-out for vehicle damage was relatively minor. Highways are assessing the cost of possibly millions of pounds to fill all the potholes versus the risk of paying out for vehicle damage which would be relatively small.

The Chair thanked Mr Muggeridge for his report.

RESOLVED – That the annual report be noted.

## **9. AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2022**

Mr Foster presented Members with a report as a way of a first update in terms of progress for the 2022/23 year and said that a more informed analysis will be available for the next Committee meeting in November.

He also informed Members that the team's work was progressing in line with the projected plan. In addition they will work with Mr David Wright and other partners around the national fraud initiatives to help submit data to the Cabinet Office for future data matching.

Councillor Whetton stated that Mr Foster and his team were the unsung heroes doing a lot of hard work behind the scene in these difficult times. The Chair also thanked Mr Foster and the team for their hard work.

RESOLVED:

- 1) That the report be noted.
- 2) That a more in depth analysis be provided at the next meeting in November.

## **10. ACCOUNTS AND AUDIT COMMITTEE – WORK PROGRAMME – 2022/23**

RESOLVED – That Members note the programme set out for the Committee.

## **11) URGENT BUSINESS (IF ANY)**

RESOLVED - That no urgent business to discuss was received.

## **12) EXCLUSION RESOLUTION (IF REQUIRED)**

RESOLVED – That no exclusion was to be noted.

The meeting commenced at 6.30 p.m. and finished at 7.47 pm.