



Audit Completion Report

Trafford Metropolitan Borough Council – year ended 31 March 2023

November 2024

Members of the Accounts and Audit Committee

Trafford Metropolitan Borough Council

Town Hall

Talbot Road

Stretford

M32 0TH

21 November 2024

Dear Committee Members,

Forvis Mazars
One St Peter's Square
Manchester
M2 3DE

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 26 June 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 1.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on +44 (0)161 238 9243.

Yours faithfully

Alastair Newall

Forvis Mazars LLP

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01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 26 June 2024.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

We intended to complete the audit for 2022/23 and planned resources to achieve this. Since then, The Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2022/23 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Page 13 outlines the progress we made towards completing our work. As a result of the backstop arrangements, we have determined there is insufficient time to complete all of our audit procedures. Significant areas of testing which will not be completed include property, plant and equipment valuations and the Council's group accounts. Consequently, we have not obtained all the assurance we require to issue an unqualified audit opinion on the Council's accounts. In our view the incomplete areas are areas which are pervasive to the financial statements as a whole, and as a result, we intend to issue a disclaimer opinion on the Council's accounts.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and no assurance is provided on the financial statements. The form and content of this report differs from the report which will have been seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate reporting one significant weakness in arrangements in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council's financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation of when and how this should be reported to the NAO.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our Council single-entity provisional materiality at the planning stage of the audit was set at £12.5m using a benchmark of 2% of gross operating expenditure.

Our provisional group materiality at the planning stage of the audit was set at £12.65m using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 26 June 2024.

Pages 8 to 12 outline the work we have completed with respect to these risks. Whilst we planned and completed work to address the risks of material misstatement we identified at the planning stage, we will not have completed our audit in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have reported these in section 3 of this report.

Audit Approach

Significant risks

Management override of controls Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

Work completed

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

Audit conclusion

We have not identified any matters to report to the committee.

Audit Approach

Significant risks continued

Net defined pension benefit asset valuation (Council and Group)

Description of the risk

The Council's single entity and group accounts contain material liabilities relating to the local government pension scheme administered by the Greater Manchester Pension Fund (GMPF), which had its last triennial valuation completed as at 31 March 2022.

The Council and its subsidiary rely upon an actuary, Hymans Robertson to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

Work completed

With respect to the Council single entity level risk, we have evaluated the design and implementation of any controls which mitigate the risk. In addition our procedures included:

- corresponding with the GMPF auditor to gain assurance on their audit of the fund;
- assessing the skill, competence and experience of the Fund's actuary, Hymans Robertson including a review of the actuary by our actuarial expert PWC;
- challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;
- reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by GMPF Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation; and
- obtaining appropriate assurance that the asset ceiling has been calculated in accordance with IFRIC 14, including reviewing the appropriateness of the assumptions and inputs used in the asset ceiling calculation.

As a result of the backstop arrangements, we have not completed our work with respect to the group level risk.

Audit conclusion

We have identified one material misstatement that has been amended within the financial statements. Additionally, we have identified one misstatement that has not been amended for in the financial statements on the basis of materiality. Further information of these misstatements can be found in section 3 of this report.

Audit Approach

Significant risks continued

Valuation of property, plant and equipment (Council and Group)

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.

As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct current value. In addition, as the valuations are undertaken through the year there is a risk that the fair value of the assets is materially different at the year end.

Although the Council engages a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PP&E, as a result of the significant judgements and number of variables involved. We have therefore identified the revaluation of PP&E to be an area of significant risk.

Work completed

We commenced our work on property, plant and equipment valuations and raised some queries with management. As a result of the backstop arrangements these queries will not be resolved before the backstop date. We will resolve these with management in subsequent years.

Audit conclusion

We have raised a recommendation in section 3 with respect to property, plant and equipment valuations.

Audit Approach

Significant risks continued

Valuation of investment property (Council and Group)

Description of the risk

The CIPFA Code requires that investment properties are subject to revaluation, their year end carrying value should reflect the current value at that date i.e. investment property shall be measured at fair value as at the balance sheet date.

The valuation of investment properties involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.

Work completed

With respect to the Council single entity level risk, we have evaluated the design and implementation of controls which mitigate the risk. In addition, our procedures included:

- assessing the skill, competence and experience, and objectivity and independence of the Council's internal valuer;
- reviewing the instructions issued to the internal valuers by management to ensure they comply with the Code requirements;
- consider whether the overall revaluation methodology used by the Council's valuers is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies
- assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- using relevant market and cost data to assess the reasonableness of the valuation at 31 March 2023; and
- sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuers as part of their valuations.

As a result of the backstop arrangements, we have not completed our work with respect to the group level risk.

Audit conclusion

We have not identified any matters to report to the committee.

Audit Approach

Enhanced risks continued

Valuation of long-term investments (Council)

Description of the risk

The valuation of the investments incorporates assumptions and estimates which impact on the reported value. The level of estimation uncertainty creates an enhanced audit risk.

The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2023. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements

Work completed

For a sample of investments, we reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.

Our approach to auditing the investment in Manchester Airport Holdings Limited included the involvement of the Forvis Mazars in-house valuation team.

Audit conclusion

We have not identified any matters to report to the committee.

Audit Approach

Outcome of Audit Work

This section outlines the work we have completed on the audit. It is important however to emphasise that our opinion is disclaimed consequently, no assurance is provided on the financial statements, or any area outlined in the table below.

Area	Status
Financial statement level work	●
Movement in Reserves Statement	●
Income	●
Expenditure	●
Cash flow statement	●
Investment properties	●
Property, plant and equipment	●
Investments	●
Debtors	●
Cash and cash equivalents	●
Loans and borrowings	●

Area	Status
Creditors	●
Leases	●
PFI	●
Pensions	●
Financial instruments	●
Collection fund	●
Provisions	●
Group accounts	●

Status key

- Not started
- Started not completed
- Completed

Audit Approach

Group audit approach

Group component	Planned audit approach	Key points or matters to report
Trafford Leisure CIC	●	<p>Our audit strategy memorandum outlined the following specific procedures to be performed by the group audit team:</p> <ul style="list-style-type: none"> • Audit of the company's defined benefit pension asset valuation; • Review of the group consolidation process. <p>As outlined on page 5 of this report, as a result of the backstop arrangements, we have not completed these procedures.</p>
Trafford Bruntwood LLP	●	<p>Our audit strategy memorandum outlined the following specific procedures to be performed by the group audit team:</p> <ul style="list-style-type: none"> • Audit of the company's investment properties; • Audit of the consolidation adjustment to the company's accounting policies to align with the Council's accounting policies • Review of the group consolidation process. <p>As outlined on page 5 of this report, as a result of the backstop arrangements, we have not completed these procedures.</p>
Trafford Bruntwood (Stamford Quarter) LLP	●	<p>Our audit strategy memorandum outlined the following specific procedures to be performed by the group audit team:</p> <ul style="list-style-type: none"> • Audit of the consolidation adjustment to the company's property, plant and equipment valuation to align with the Council's accounting policy; • Review of the group consolidation process <p>As outlined on page 5 of this report, as a result of the backstop arrangements, we have not completed these procedures.</p>
Trafford Bruntwood (Stretford Mall) LLP	●	<p>Our audit strategy memorandum outlined the following specific procedures to be performed by the group audit team:</p> <ul style="list-style-type: none"> • Audit of the company's investment properties; • Audit of the consolidation adjustment to the company's accounting policies to align with the Council's accounting policies • Review of the group consolidation process. <p>As outlined on page 5 of this report, as a result of the backstop arrangements, we have not completed these procedures.</p>

Full audit
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures
Performance of specific audit procedures on the component's financial information

Review procedures
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council's financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The audit report explains the basis of our disclaimer of opinion being the introduction of the backstop arrangements which require the Council to publish its audited 2022/23 financial statements by 13 December 2024.

The audit report does not report on other matters that would usually appear in an unmodified audit report.

These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Implications of the backstop arrangements

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Council's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance that the financial statements are free from material error .

Significant difficulties during the audit

Other than the significant matter relating to the timing of the backstop arrangements and the consequential impact on the completion of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Accounts and Audit Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations on internal control

We also report to you, our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

Our other internal control observations, as at the date of this report, are set out in this section. These have been reported to management directly and have been included in this report for your information.

Whether internal control observations merit attention by the Accounts and Audit Committee and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Our observations on internal control

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

Our testing of the valuation of land & buildings identified some areas of valuation methodology that appeared to be inconsistent with the RICS valuation guidance.

Potential effects

The asset valuations may not be materially accurate at the balance sheet date.

Recommendation

The Council should review the valuations methodology to confirm is it in line with the RICS valuation guidance.

Management response

The Council is currently reviewing Property, plant and equipment valuation policies with an external provider who will carry out future valuations in line with RICS guidance.

Summary of amendments to the financial statements

The Council's Director of Finance and Systems authorised the Council's draft financial statements for issue on 30/12/2023.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Accounts and Audit committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management has processed the amendments set out in the table below which exceed the trivial threshold for adjustment of £375k.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr Net pension asset			13,731	
Cr Net pension liability				13,731
Adjustment to reclassify the Teacher's unfunded pension liability from net pension asset to net pension liability in the balance sheet.				
DR: Place gross expenditure on net cost of services	7,014			
CR: Financing and investment expenditure		7,014		
Adjustment to reclassify service expenditure that was incorrectly shown in financing and investment expenditure.				
Aggregate effect of unadjusted misstatements	7,014	7,014	13,731	13,731

Summary of amendments to the financial statements

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention at the date of this report.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Net pension asset			2,315	
Cr: Unusable reserves- pensions reserve				2,315
Trafford's allocated share of the error identified by the Greater Manchester Pension Fund (GMPF) auditor as part of testing pension assets.				
Dr: Accruals			536	
Cr: Expenditure		536		
During our testing creditors we identified one sample items that related to 2023/24 but were recognised in 22/23. Applying our audit methodology we extrapolated these, and if the error was representative of the whole population, accruals and Cost of Services expenditure would both be misstated by £536k.				
Dr: Debtors (prepayments)			1,041	
Cr: Expenditure		1,041		
During our testing of expenditure, we identified two sample items that related to 2023/24 but were recognised in 22/23. Applying our audit methodology we extrapolated these, and if the errors were representative of the whole population, prepayments and Cost of Services expenditure would both be misstated by £1,041k.				
Aggregate effect of unadjusted misstatements		1,577	3,892	2,315

Summary of amendments to the financial statements

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- Note 1a - Expenditure and Funding Analysis- The general fund balance table has been amended to be consistent with the Movement in Reserves Statement
- Note 2 - Expenditure and Income Analysed by Nature- Various amendments have been made to correct classification misstatements due to incorrect coding. This includes amendments to the comparative 2021/22 figures
- Note 6 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty- Removal of Business Rates, Provisions, leases and PFI Arrangements as major sources of estimation uncertainty
- Note 6 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty- Inclusion of Property and investment property valuations as major sources of estimation uncertainty
- Note 8- Events after the reporting period- Inclusion of reference to the Virgin Media pension ruling as a non-adjusting event
- Note 12- Financing and investment income and expenditure- Narrative paragraph ii decrease in fair value of investment properties amended to £1.563m to be consistent with other areas of the accounts
- Note 15 - Investment properties- The note has been amended so that the brought forward figures agree to the signed prior year accounts
- Note 16- Financial Instruments- Other comprehensive income movement for MAH shares revaluation amended to £1.5m to be consistent with other areas of the accounts
- Note 17- Debtors- Long term debtors table- Various lines amalgamated in to 'other' line
- Note 19- Creditors and receipts in advance- Long term creditors table- Various lines amalgamated in to 'other' line
- Note 20- Provisions- Provisions table- Various lines amalgamated in to 'other' line
- Note 21- Usable Reserves- break down of capital grants unapplied reserve included in line with the requirements of the CIPFA code
- Note 22 - Unusable Reserves- Summary table – Capital adjustment account and pensions reserves figure amended to be consistent with the other tables in the note
- Note 22 - Unusable Reserves- Revaluation reserve table – table amended to show 'upward revaluation of assets' and 'downward revaluations' separately.
- Note 22 - Unusable Reserves- Pension reserves table- note amended to be consistent with other areas of the accounts
- Note 23 - The cash flows from operating activities- 'Depreciation/Impairment charged to I&E' figure amended to -£22.8m and 'Investment properties (Losses)/Gains' to -£1.563m to be consistent with other areas of the accounts
- Note 23c - The cash flows from operating activities- Interest received amended to £5.4m and interest paid to £8.6m to be consistent with other areas of the accounts
- Note 25- Reconciliation of liabilities table- Table amended to be consistent with the 'Cash Flow Statement- Financing Activities' note
- Note 28 (Officers' Remuneration) - officers >50k banding note- Note amended to remove senior officers from the banding table for 22/23 and 21/22 as they are shown separately in the senior officers note
- Note 28- Senior Officers Remuneration- amendments made to the senior officer figures to correct coding errors
- Note 29- External Audit Costs- current and prior year audit fees updated to show the correct fees.
- Note 31 - Grants and Other Income- Revenue Grants Credited to Services total amended to show £247m due to an adjustment of £7.2m linked to the double counting of grants within the note
- Note 32- related parties- References to the Manchester Airport Holdings Plc and MaST Liftco Limited have been removed as they are not related parties as per the CIPFA code. Reference to the Senior Leadership Team as a related party has been included in the note
- Note 34- Leases- Council as a Lessor table- Figures amended to correct the rental value used for the Manchester Airport land lease
- A number of typographical, signage, casting and spelling errors have also been corrected by management
- Removal of various immaterial notes, accounting policies and narrative throughout the accounts

Value for Money Arrangements

Value for Money Arrangements

Approach to Value for Money Arrangements

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in before 13 December 2024. We have included our draft commentary within this report see page 27 to 38.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2023 and have identified one significant weakness in arrangements and have made an associated recommendation. We provide further details on the identified significant weakness and our recommendation later in this section of our report.

Value for Money Arrangements

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks is outlined in the table below.

Risk of Significant Weakness in Arrangements	Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
<p>Financial sustainability</p> <p>During 2022/23, work began to update the Council's medium term financial plan for the period from 2023/24 to 2025/26. Increasing demand pressures together with inflationary pressures including in respect of good and services and payroll costs, means the budget gap for the 3 years of the strategy was £51m. This gap is offset by identified policy decisions intended to deliver savings, increases in council tax and other income and some use of reserves in 2023/24, leaving a residual budget gap of £17m for 2024/25 to 2025/26.</p> <p>The Council recognizes the use of reserves cannot continue in future years and requires further policy decisions in order to reduce the cost base of the Council to an appropriate and sustainable level. There is a risk that the Council will be faced with a Section 114 notice (which restricts the Council to essential spend only) if appropriate savings are not identified and the cost base reduced on a permanent basis. Our work in this area is continuing.</p>	<p>●</p>			<p>Work undertaken</p> <p>We have reviewed the arrangements the Council has in place for ensuring financial resilience, specifically that the medium-term financial plan has taken into consideration factors such as future funding sources and levels, levels of other income, salary and general inflation, demand pressures, and sensitivity analysis given the degree of variability in the above factors.</p> <p>We have also reviewed the arrangements in place to monitor progress delivering the 2022/23 budget and related savings plans, and how the Council proposes to address the cumulative deficit over the medium term as well as reviewing the decisions and actions taken / progress made against these plans.</p> <p>Conclusions</p> <p>Our overall conclusion is that there is a significant weaknesses in the Council's arrangements to deliver financial sustainability. See page 25 for further detail including our recommendation.</p>

Value for Money Arrangements

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified one significant weakness in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. This identified weakness has been outlined in the table below.

Identified significant weakness in arrangements	Financial Sustainability	Governance	Improving the 3Es	Recommendation for improvement
<p>Financial Sustainability</p> <p>The Council's budget for 2022/23 was balanced through the planned use of £11.4m of reserves to bridge funding gaps. The budget also included a requirement for £5.3m of planned savings and income generation.</p> <p>The Council underspent its 2022/23 revenue budget by £1.1m although in year monitoring forecasted an overspend for most of the year driven by inflation and pay pressures. This underspend at the year-end was achieved by measures, which included the adoption of an updated Minimum Revenue Provision policy which reduced the revenue expenditure by £4.4m, one-off non-recurrent savings and increased investment income due to higher interest rates. The Council delivered £3.8m of savings and additional income in the year, £1.5m under budget and used £11.4m of reserves in the year.</p> <p>The budget for 2023/24 was balanced through the planned use of £7.4m of reserves and required £11.8m of savings and additional income. The outturn for 2023/24 shows the Council delivered £11.8m of savings and additional income in line with budget plans however £7.4m of reserves were still needed to support the budget.</p> <p>In addition to the above, the Council's Medium Term Financial Strategy (MTFS) for 2024/25 to 2025/26 reported a budget gap of £17.1m.</p> <p>The Council has £9.5m of General Fund reserves and £13.2m of reserves earmarked for Medium Term Financial Plan (MTFP) Budget Resilience and Change at 31 March 2023. The Council forecasts the 'MTFP Budget Resilience and Change' reserve to reduce to £6.5m by 31 March 2026. Based on the Council's MTFS analysis the continued use of reserves is unsustainable, and further action is required to deliver Council services within the available resources.</p> <p>The Council has not addressed the underlying deficit within its budget through its saving and income generation plans, so has relied on the continued use of reserves and one-off measures to balance the budget. The unsustainable use of reserves and reliance on one-off measures to bridge the budget gap is evidence of a significant weakness in the Council's arrangements for financial sustainability</p>	<p>●</p>			<p>The Council should develop sustainable financial plans to ensure services can be provided within available resources.</p>

VFM arrangements Commentary

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Background to the Council's operating environment in 2022/23

Since March 2020 local authorities have faced a period of unprecedented challenge, both financially and economically, as they are responding to the impact of, and recovery from, the global Covid-19 pandemic. This led to significant changes in how the Council operates and delivers services to the residents and businesses of Trafford. Throughout the past three years, the Council has adapted to new ways of working in order to ensure the continuation of service delivery and the provision of new services to support the local communities through the pandemic.

The financial impact of the pandemic on the Council has been significant. During 2022/23 the Council continued to face additional costs and loss of income as a result of the pandemic, and received continued financial support from Government. The Council has continued to work to understand the longer-term impact of the pandemic, and to adapt its financial plans over the medium term.

In addition to dealing with the recovery from the Covid-19 pandemic, the war in Ukraine had an adverse impact on the UK economy, with resulting increases in energy costs, and supply chain issues. The Council faced further financial challenges in 2022/23 as a result of growing inflationary pressures within the UK economy coupled with the increasing demand for Council services. In response to these pressures it is essential the Council has timely and accurate financial reporting to members and senior management, and decision makers make prompt decisions to maintain the financial sustainability of the Council.

2022/23 Financial Performance

We have undertaken a high-level analysis of the financial statements, including the Movement in Reserves Statement and the Balance Sheet.

The Council's balance sheet saw significant movements from 2021/22. Overall, the Council's net assets increased from £356m to £752m at 31 March 2023. The most significant changes in the balance sheet relate to the Council's share of the pension fund, being in a net asset position for 2022/23 after previously being in a deficit position, and increases in the value of the Council's property, plant and equipment portfolio of £48m compared to the prior year. The material movements in the net pension position is consistent with other local authorities and is related to the

significant changes in interest rates and the discount rate applied by the actuary. The movements in property values are reflective of the Council's capital programme, and changes as a result of regular asset revaluations.

The Council's useable reserves have decreased from £154m at 31 March 2022 to £101m at 31 March 2023. Significant movements in and out of reserves include the following:

Contributions to Reserves:

- £5.74m to the Budget Support Reserve of benefit from prior years Business Rates and Council Tax surpluses
- £1.75m to the Finance and Systems Reserve for replacement of the core finance system
- £1.5m to Inflation Risk Reserve to cover potential costs of higher pay award
- £1.29m related to major long term project budgets
- £1.0m to replenish Reserves as planned following COVID

Contributions from reserves:

- £4.33m from Budget Support Reserve to support the budget
- £1.30m from the Strategic Investment Programme Reserve to smooth a shortfall in income caused by adverse trading conditions
- £2.13m from the Hospital Discharge and Adults Service Earmarked Reserves to support spending plans in these areas
- £7.1m drawn down from the COVID General Reserve for budget support
- £49.45m reduction in COVID-19 related reserves related to the balances of Government COVID-19 funding being drawn down as planned in connection with rates relief

The movements in earmarked reserves are consistent with the reserves policy set by the Council in year. The Council's reserves policy identifies the purpose of each reserve, for example whether the reserve is linked to the Council's strategic priorities or to support budget resilience. The policy also sets out the approval process for drawing down reserves. The approval process is determined by the type of reserve and involves officers of sufficient seniority in the decision to draw down the reserve.

Overall commentary on Financial Sustainability - continued

Financial planning and monitoring arrangements

The budget for 2022/23 was approved at the 16th February 2022 Council meeting. It set a net budget requirement of £192.57m. The initial budget for 2022/23 identified an overall gap of £20.14m. The Council addressed this gap through a combination of the following:

- additional funding of £3.39m from council tax income
- use of reserves to cover £7.10m of COVID-19 pressures and £4.33m of “business as usual” pressures
- service savings and income generation of £5.32m .

Throughout the year the Council regularly updated and presented its budget monitoring reports to members. Budget information and performance monitoring through the year remained up-to-date despite the challenging environment and allowed the Council to identify emerging pressures during the year in a timely way.

We have reviewed the Council’s budget setting papers for 2022/23 and confirmed the budget is linked to the updated Medium-Term Financial Strategy (MTFS) approved at the same meeting. It included details of key underlying assumptions including levels of inflation and pay increases alongside known changes to levies charged in respect of, transport, police and fire services.

Given the significant impact the pandemic had on the Council’s financial position, officers continued to update their understanding of the financial impact and ensured members were kept updated as the year progressed. This included identifying the emerging financial pressures and the steps being taken to address any resulting financial gap. The Council’s reporting included a consideration of the Council’s use of central government grants and the availability of reserves which could be applied to smooth the impact if required.

During the year, the Council reported its Budget Monitoring Report to the Executive on a regular basis, and the Accounts and Audit Committee received the reports three times during the year. We have reviewed a sample of the reports presented to members. These contained appropriate detail of the significant variances against budget and provided an update on the delivery against savings targets. They also contained appropriate information on the delivery of the approved capital programme, including explanations for both over and under spends against the budget profile. Emerging pressures were explained and potential impacts noted.

The Council reported its revenue outturn position for 2022/23 as an underspend of £1.1m although in year monitoring forecasted an overspend for most of the year driven by inflation and pay pressures. This underspend at the year-end was achieved by measures, which included the adoption of an updated Minimum Revenue Provision policy which reduced the revenue expenditure by £4.4m, one-off non-recurrent savings and increased investment income due to higher interest rates. The Council delivered £3.8m of savings and additional income in the year, £1.5m under budget and used £11.4m of reserves in the year.

Arrangements for the identification, management and monitoring of funding gaps and savings

The Council’s Medium Term Financial Strategy (MTFS) is a three-year plan which frames the choices the Council needs to make about the services it delivers and how it will deliver them. The MTFS underpins the organisational delivery of the Corporate Plan and helps to ensure decision making gives consideration to the future shape of the Council and its ongoing financial sustainability by setting out the resources available to deliver the Council’s priorities.

A key part of the MTFS is to highlight the budget gaps that need to be addressed by the Council in each of the years covered. The Council did this by forecasting the level of available resources and budget pressures, relating to both capital and revenue spending. It also provided information on the adequacy of reserves to support the future delivery of Council services.

The budget cycle commenced in June/July to update the MTFS. Regular workshops were held (August, September, October, December and January) with Corporate Leadership Team (CLT) and Members to present the gap and to develop savings programmes which were to be delivered over the short and medium term. Budget ownership is devolved so managers are engaged early in the process of identifying savings plans. Challenge to the process was provided by the Service Delivery Group (a sub-group of senior managers) and Strategic Finance Managers to ensure it is sufficiently robust. Saving plans were consulted on with the public and scrutinised by relevant Scrutiny Committees. Details of how the budget gap was planned to be closed was presented in the MTFS as part of the draft and final budget reports.

Overall commentary on Financial Sustainability - continued

Although the budget for 2022/23 and the updated MTFS included a series of planned savings and efficiencies, they were not at a sufficient level to avoid the use of reserves to deliver current level of services. The table below outlines the level of savings made and use of reserves to support the budget in 2023/23 and 2023/24. It demonstrates that the use of reserves played a significant role in bridging the funding gap in 2022/23 and 2023/24. Using reserves to bridge funding gaps is unsustainable and exposes the Council to the risk that services cannot continue to be delivered at the current level with the resources available.

	2022/23 (£000)	2023/24 (£000)
Planned saving proposals	5,320	11,760
Savings delivered	3,820	11,730
Planned use of reserves to support budget	11,430	7,400
Actual use of reserves to support budget	11,430	7,400

Arrangements and approach to 2023/24 financial planning and the Medium-Term Financial Strategy

The arrangements for the 2023/24 budget setting process have largely followed the arrangements in place for 2022/23.

The budget for 2023/24 and MTFS for the period 2024/25 to 2025/26 was approved at the 15 February 2023 Council meeting. The MTFS for the period identified a gross budget gap for the three- years, before applying policy choices, of £51.05m of which £24.86m related to 2023/24.

Using the methodology described above, the Council was able to close this gap and to set a balanced budget for 2023/24 at £209.38m. The Council addressed the gap through a combination of the following:

- additional funding of £5.69m from council tax income
- use of reserves of £7.41m
- service savings and income generation of £11.76m .

After the application of the above policy choices a residual budget gap of £17.08m remained of which £6.95m related to 2024/25 and £10.13m to 2025/26. We have reviewed the 2023/24 budget papers and confirmed the budget assumptions are sensible, realistic and properly applied based on the circumstances at the time the budget was set.

The MTFS also referenced a number of other financial challenges and areas of uncertainty. The Council highlights that the funding available to the Council is not sufficient to deliver sustainable services and that if this is not addressed the Council will struggle to deliver meaningful services and achieve a balanced budget. The report also mentions the potential national reset of the business rate retention scheme baseline which is now expected in 2026/27. This has potential to give rise to significant financial turbulence because of the high level of reliance on funding generated through the business rate retention schemes. Furthermore, recent economic uncertainty and potential higher pay awards present risks to the MTFS.

Overall commentary on Financial Sustainability - continued

The outturn for 2023/24 was an underspend of £2.039m as the Council continued to deal with additional demand particularly for child care placements and Children’s home to school transport. The effect of this increase demand was largely offset by favourable investment returns due to higher interest rates, an underspend on staff costs due to delays in recruitment and lower than budgeted energy costs.

The 2023/24 budget and MTFS report presented to Council recognises that the use of reserves to balance the budget is unsustainable in the medium term. The Council has limited reserves left to be able to support the budget in the medium term and absorb the impact of financial risks. The table below outlines the residual budget gap over the MTFS period against reserves as outlined in the budget reports. As the table shows, the Council forecasts its ‘MTPF Budget Resilience and Change’ reserve to be £6.54m by the end of the MTFS period. This reserve is the primary reserve available to support the budget and is insufficient to support the remaining MTFS budget gap of £17.08m. While the Council does have other useable reserves, these are earmarked for specific purposes for example to support strategic priorities and specific risks, and are less likely to be able to support the Council’s overall medium-term financial position. Based on the Council’s MTFS analysis the continued use of reserves is unsustainable, and further action is required to deliver Council services within the available resources.

The Council has not addressed the underlying deficit within its budget through its saving and income generation plans, so has relied on the continued use of reserves and one-off measures to balance the budget. This unsustainable use of reserves to bridge the budget gap is evidence of a significant weakness in the Council’s arrangements for financial sustainability (how the Council plans to bridge its funding gaps and identify achievable savings).

Based on the above considerations we have identified a significant weakness in the Council’s arrangements in relation to financial sustainability.

	2022/23 budget (£000)	2023/24 budget (£000)
Residual budget gap over MTFS period	18,400	17,080
Available reserves:	Actual at year end (31/03/23)	Estimate- end of MTFS period (31/03/26)
General fund	9,500	9,500
MTPF Budget Resilience and Change reserve	13,240	6,540
Other earmarked reserves	50,970	24,110

VFM arrangements Commentary

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on Governance

Risk management and monitoring arrangements

The Council has an established risk management system in place, which is embedded into the governance structure of the organisation. The Accounts and Audit Committee are responsible for ensuring that risk management arrangements are in place and are regularly reviewed to ensure they are working effectively.

Each directorate maintained and updated its own risk register, which fed into the strategic risk register at the organisation level. We have reviewed an example register and confirmed it is sufficiently detailed to allow for effective risk management, with each risk having an assigned risk owner and a risk score based on a probability and impact matrix. Where mitigating actions were identified they were assigned a risk owner and due date to provide accountability and allow for effective oversight of the risk. Each risk register is accompanied by a dashboard providing an ‘at-a-glance’ view of the risk activities within the function.

The corporate risk register provides the Council’s senior leadership team with oversight of the key risks faced by the organisation. Regular updates to it were taken to the Accounts and Audit Committee. From our attendance at these meetings, we have seen Members challenge the scores and key risk management activities to gain assurance about the effectiveness of the arrangements in place.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has a team of internal auditors, led by the Head of Internal Audit and a Counter Fraud and Enforcement Team. The annual Internal Audit plan was agreed with management at the start of the financial year and reviewed by the Accounts and Audit Committee prior to final approval. The 2022/23 Internal Audit plan was approved by the Accounts and Audit Committee on 22 March 2022.

The annual audit plans were based on an assessment of the risks the Council faces and were determined to ensure there was assurance over the overall adequacy and effectiveness of the Council’s framework of governance, risk management and internal control. We have reviewed the Internal Audit Plans for 2022/23 and confirmed work is planned on a risk-based approach. The risk rating of each audit area determines the frequency of audit, with key areas such as Financial

Systems, Governance, Schools, Other Business Risks being subject to annual audit procedures.

Internal Audit progress reports were presented to each Accounts and Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allowed the Committee to effectively hold management to account. At the end of the financial year the Head of Internal Audit provided an opinion on the overall adequacy and effectiveness of the Councils framework of governance, risk management and internal control environment.. For 2022/23 the Head of Internal Audit concluded that a reasonable level of assurance can be given that the Council’s control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

We have attended all Accounts and Audit Committee meetings. Through attendance at these meetings we have confirmed that the committee received regular updates on both internal audit progress and risk management in the form of risk registers. We have seen active member engagement from the audit committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

We have also reviewed meeting minutes from both Council and Executive meetings which evidence an appropriate level of member engagement and challenge.

VFM arrangements – Governance

Overall commentary on Governance- continued

Arrangements for budget setting and budgetary control

The Council has an approved set of budget principles which were used during the budget setting process. The key budget principles are:

- Budget Holders are defined as the Chief Executive, Corporate Directors, Directors, Heads of Service and Strategic Leads, together with any other Officer with the relevant delegated authority to control and monitor budgets. Budget Holders are consulted in the preparation of the budgets for which they are responsible and held accountable;
- Budget Holders are responsible for the day-to-day control of income and expenditure against a set budget for a cost centre, or group of cost centres that make up the area for which they have operational responsibility;
- As part of the monitoring process, Budget Holders must review regularly the effectiveness and operation of revenue budget preparation and ensure that any corrective action is taken.

Saving proposals and/or additional resources (i.e. income generation) were identified by services to support the balancing of the budget. Proposals were consulted on and scrutinised by the Scrutiny Committee prior to Executive approval for inclusion in the budget as part of balancing the budget. Proposals were informed by and aligned to the Council Plan and MTFs. Government announcements linked to the Council's future funding were a key part of the process. This included Government Spending Reviews, national budget announcements and Local Government Finance Settlement announcements. In addition, Executive decided on an appropriate level of Council Tax increase, taking all of the above into account, as well as the impact this has on residents to support the balancing of the Council's budget. We have reviewed the budget assumptions which are appropriate and are consistently applied.

The Council operated within an annual budget allocation, approved when setting the overall budget. To ensure that the Council in total did not overspend, each service was required to manage its own expenditure and income within the budget allocated to it (i.e. controllable budget). For the purposes of budgetary control by Budget Holders, their budget was split into controllable and non-controllable for a service area or cost centre, with the service managers being held accountable for the controllable elements of the budget.

Following approval of the budget, progress against targets were monitored on a regular basis including the preparation of monthly management reports and challenge on key variances to agreed budgets. Reports were taken to CLT and Executives (bi-monthly) and to CLT on high risk monthly. We have reviewed a sample of the finance reports that were prepared throughout 2022/23 which evidence that an appropriate level of detail is included to keep Directors, the CLT and members informed of any actual or potential overspends, including detail on how these areas were being managed.

Budgetary control was a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provided the mechanism to call to account managers responsible for defined elements of the budget. By continuously identifying and explaining variances against budgetary targets, the Council was able to identify changes in trends and resource requirements at the earliest opportunity, enabling remedial action to be taken, where necessary.

In addition to the above the Council's Director of Finance & Systems undertook regular reviews of the Council's Reserves Policy. In 2022/23 a key focus of the reserves policy was to mitigate the financial impact of the Covid-19 pandemic and inflationary pressures, and support the resilience of the Council's MTFs and transformation. We have reviewed the Council's reserves policy and confirmed it is based on appropriate assumptions.

Overall commentary on the Governance reporting criteria - continued

Decision making arrangements and control framework

The Council has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Corporate Governance Code, the Governance Framework, the Constitution and scheme of delegation.

The Code of Corporate Governance sets out the key principles which the Council is committed to, and which is the framework for the Council to conduct its business. It allocates to key officers' roles and responsibilities in respect of the corporate governance themes. In doing this, the framework sets out clearly the lines of accountability.

The constitution sets out that a decision is defined as a key decision if it is likely to be require expenditure or savings that are significant in the context of the Council's budget or the services provided or if it is likely to have a significant effect on communities living or working in an area comprising of two or more Council wards. Key decisions can be taken by the Executive, and Executive Member or an officer in accordance with the scheme of delegation.

The Council has an agreed Anti-Fraud and Corruption Policy and Strategy, Fraud Response Plan and Whistleblowing Policy . Details of how to report suspected fraud are included in the Council's Statement of Accounts and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Councils arrangements in place.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures set out within the Council's Constitution. A review of The Finance Procedure Rules is undertaken annually as part of the update of the Council's Constitution. Control is based on regular management information, management supervision, and a structure of delegation and accountability. If there are fundamental failures in internal control these are subject to investigation.

Regulator reviews

We reviewed the regulatory reports issued in respect of the Council, including by OFSTED and the Care Quality Commission (CQC).

Trafford's Children's Services function was inspected by Ofsted under the Inspection Local Authority Children's Service Framework in March 2019. The report from this inspection was published in May 2019 and it assessed the Council's service as "inadequate" overall. Ofsted undertook a service reinspection in November 2022, reported in January 2023 and this confirmed the service was no longer rated as inadequate.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.

VFM arrangements Commentary

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

Performance management

The Corporate Plan describes the Council’s vision and priorities for the Borough. It includes an overview of the strategies which provide the detail of what the Council will do and how it will work with communities and partners to deliver its ambitions for Trafford. During 2022 the Council reviewed its Corporate Plan to ensure it remained appropriate to support recovery from the Covid-19 pandemic. The updated Corporate Plan 2021-2024 focusses on three overarching strategic priorities intended to help the Borough recover being ‘Reducing health inequalities’, ‘Supporting people out of poverty’ and ‘Addressing our climate crisis’

Performance indicators to support the achievement of strategic priorities have been identified and are included within the Corporate Plan. The plan provides clarity about the specific tasks and performance indicators so all staff know what they have to achieve and how they contribute to the overall aims of the Council.

There was regular reporting of performance against the indicators so that the CLT and Members had a good understanding of how the Council was performing. We have reviewed the Annual performance report and a sample of the quarterly Corporate Plan reports and are satisfied these contain adequate detail to support performance management.

Arrangements for effective partnership working

The Council has a number of partnership and joint venture arrangements in place to support it in delivering services and achieving its priorities.

The Council was part of a pooled budget arrangement, with Trafford Clinical Commissioning Group and worked as part of the wider Greater Manchester health and care system to provide effective and joined up services for local people. Following the change to NHS structures and the move to a Greater Manchester Integrated Care Board, the Council continued to work constructively with the wider “system”. In doing so, the Council has engaged positively to support the development of the new integrated care system, and the Council’s Chief Executive has been appointed as the Place-Based Lead for the Borough. Governance arrangements for the new system continue to evolve, with the establishment of the Trafford Locality Board, to focus on the Trafford Locality Plan.

The Council has a major strategic partnership with Amey. This has been in place since 2015 when the Council’s grounds maintenance, highways and street lighting services, together with some professional services were transferred to Amey as part of the “One Trafford Partnership”.

The Council identified Key Performance Indicators for each of the areas within the contract, including minimum acceptable performance levels and target performance levels. Actual performance was monitored and reported on a regular basis in 2022/23. There are contractual mechanisms available to the Council to impose financial penalties where performance falls below acceptable levels and these were used in previous years.

The Council undertook a formal “seven year review” of the Amey contract. Arrangements were in place for reporting back to members throughout the period of the review. Members were informed about and agreed to the changes made to the strategic partnership which included some services coming back into the Council where this was most likely to deliver a better service outcome.

The Council also has a strategic partnership with Trafford Leisure CIC for the provision of services from Council owned facilities. 2022/23 was a challenging year but the Council remained committed to the service and agreed some significant investments in the facilities in line with its leisure strategy. The capital programme was updated and the programme of investment commenced.

The Council has three formal Joint ventures in place to support regeneration activities. These include the redevelopment of the former Kelloggs headquarters site in line with the Civic Quarter Masterplan and the redevelopments of Stretford Mall and Stamford Quarter in line with the Town Centre Masterplan.

As part of the Asset Investment Strategy the Council has an investment portfolio of investment loans, equity investments and investment property. The Council’s Asset Investment Strategy is linked to the Council’s corporate plan and outlines the investment requirements needed for the Council to be able to make an investment. The investment strategy is reviewed and approved each year by Executive and Council as part of the budget setting process.

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria – continued

The Investment Management Board is the Council's board that sets the strategic direction and has oversight of the investment strategy. Their responsibilities include the approval of the investment strategy and investment opportunities, performance monitoring, and risk management. This process is supported by an independent external advisor who provide advice on each investment decision and monitoring reports on performance.

The Council has put in place a clear governance framework for overseeing these arrangements. This includes risk and performance management so the Council can be actively engaged in decisions on a timely basis.

Arrangements for commissioning services

The Council is open to considering all options to deliver services. This means it commissions from other organisations where it is appropriate, and where it can achieve the same or better outcomes at reduced cost. The Council actively seeks to commission jointly with other public service agencies where possible.

The Council has a well-developed Procurement Strategy and approach which ensures that it complies with all legal and regulatory requirements as well as achieving best value in procurement processes. A Procurement Policy is in place which is available to all staff via the intranet.

The Council actively seeks partnerships with other local authorities in procurement activities and awards joint contracts where appropriate. The Council is a member of STAR Procurement which is a shared procurement service with Rochdale, Tameside and Stockport Councils. STAR reported back to the Council on a regular basis and we have seen evidence that this approach is delivering financial savings and social value requirements. Other councils are now joining STAR which reflects positively on the work it does.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

Appendices

A: Draft management representation letter

B: Confirmation of our independence

Appendix A: Draft management representation letter

One St Peter's Square
Manchester
M2 3DE
Xx/xx/xx

Dear Alastair,

Trafford Metropolitan Borough Council - Audit for Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Trafford Metropolitan Borough Council the Council and Group for the year ended 31 March 2023. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Appendix A: Draft management representation letter

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and fair value

I confirm that the methods, significant assumptions and the data used by the Council and Group in making the accounting estimates, including those measured at current and fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
 - o management and those charged with governance;
 - o employees who have significant roles in internal control; and
 - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Appendix A: Draft management representation letter

Future commitments

The Council and Group's has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2022/23 in relation to the Council and Group's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 8 to the financial statements fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 8 to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Appendix A: Draft management representation letter

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council and Group's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Graeme Bentley

s151 officer

Appendix B: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Contact

Forvis Mazars

Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

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