



TRAFFORD
COUNCIL

**AGENDA PAPERS MARKED 'TO FOLLOW' FOR
ACCOUNTS AND AUDIT COMMITTEE**

Date: Wednesday, 19 November 2014

Time: 6.30 pm

**Place: Committee Rooms 2 and 3, Trafford Town Hall, Talbot Road, Stretford,
M32 0TH**

A G E N D A	PART I	Pages
5.	2013/14 ANNUAL AUDIT LETTER To receive a report from the Council's External Auditor	1 - 10
6.	AUDIT COMMITTEE UPDATE To receive a report from the Council's External Auditor	11 - 30
8.	BUDGET MONITORING ACTION PLAN To consider a report of the Director of Finance	31 - 58
9.	BUDGET MONITORING REPORT To consider the following report of the Executive Member for Finance and Director of Finance	59 - 98
11.	AUDIT AND ASSURANCE REPORT FOR THE PERIOD JULY TO SEPTEMBER 2014 (Q2) To note a report of the Audit and Assurance Manager	99 - 110

THERESA GRANT

Chief Executive

Membership of the Committee

Councillors M. Whetton (Chairman), Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, B. Brotherton, D. Butt and T. Ross.

Further Information

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

Ian Cockill, Democratic Services Officer

Tel: 0161 912 1387

Email: ian.cockill@trafford.gov.uk

This agenda was issued on **Tuesday, 11 November 2014** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

The Annual Audit Letter for Trafford Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2014

19 November 2014

Mick Waite
Director/Engagement Lead
T 0161 234 6347
E mick.j.waite@uk.gt.com

Helen Stevenson
Manager
T 0161 214 6354
E helen.l.stevenson@uk.gt.com



Agenda Item 5

Contents

Section	Page
1. Key messages	3
Appendices	
A Key issues and recommendations	5-7
B Summary of reports and audit fees	8

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Trafford Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we presented at the Accounts and Audit Committee on 2 April 2014. The audit was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 3</p> <p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 25 September 2014 to the Accounts and Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • we received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable • the draft accounts and working papers were of good quality, as confirmed by by our central technical team's initial review of the financial statements, and finance staff responded promptly to all audit queries • we examined the provision for business rates appeals and discussed the detailed methodology. In our view the provision for unknown appeals (£20.5m) appeared very prudent, particularly in relation to estimates for unknown appeals expected in years 6 and 7 of the 2010 valuation list. We did not consider the value, however, to be materially misstated • the audit did not identify any adjustments that affected the Council's reported financial position. We identified a number of amendments to correct classification errors and to enhance disclosures and presentation. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014. Despite some weaknesses in budget monitoring arrangements in adult social care services mentioned later in this letter, the Council's overall corporate management arrangements and services outcomes were sufficiently robust to support an unqualified VfM conclusion.</p>

Key messages

Whole of Government Accounts	We reviewed the consolidation pack that the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
Certification of grant claims and returns	We are currently reviewing the council's Housing Benefit subsidy claim, for which the certification deadline is 30 November 2014.
Audit fee	Our audit fee for 2013/14, excluding grant certification work and VAT, was £171,119. This was £15,000 more than our planned fee for the year, and the fee for 2012/13, which was £156,119. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The CIPFA Code of Practice on Local Authority Accounting for 2013/14 requires that "the items within a class of property, plant and equipment are re-valued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be re-valued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. Valuations shall be carried out at intervals of no more than five years."</p> <p>The Council re-values land and buildings assets as a minimum every five years, but has no documented arrangements to show how it ensures that items within a class are re-valued simultaneously, or that revaluations of classes of assets are completed within a short period. We have confirmed that there is no evidence that valuations recognised in the balance sheet are materially different to their carrying fair value.</p> <p>Recommendation: The Council should ensure and document that its current arrangements for the revaluation of property, plant and equipment meet the requirements of the CIPFA Code.</p>	Medium	<p>The interpretation and implementation of the Code of Practice with regard to the simultaneous revaluation of assets within the same class of assets, is subject to ongoing debate at a regional and national level between local government finance officers and CIPFA. The discussions are centred on the practicalities and resource implications of revaluing all assets within the same class over a time period which is only defined within the code as "a short period of time". The Council supports the spirit of the code in aiming to ensure that all classes of assets are not materially misrepresented, however either a change to the Code or further guidance on its practical implementation are awaited before action is taken. As valuations can take time to commission and complete, an ongoing open dialogue with the Council's auditors on this matter will also take place in order to avoid the issue arising in next year's audit.</p> <p>Responsible officer: Finance Manager (Financial Planning) Due date: ongoing</p>
2.	<p>The Council included a £36.8m provision as an estimate of likely business rateable value appeals against current valuation office (VO) assessments (against the 31 March 2010 listing). This was made up of:</p> <ul style="list-style-type: none"> £16.3m for those appeals received and not settled as at 31 March 2014 (known), and £20.5m for likely additional appeals (unknown) as at 31 March 2014 against the current 2010 valuation list. This runs over the 7 year period up to March 2017, whereas the previous 2005 list only ran for 5 years. 	Medium	<p>Given the significance of potential financial impact. The Council's approach to the calculation of the provision for appeals, provides a more stable platform for future financial planning. As recommended the Council agrees to keep under review the underlying data, assumptions and methods of calculation when estimating future provision levels.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
2 (cont) Page 6	<p>We were satisfied that the methodology adopted and the value of the provision for known appeals was reasonable. We had reservations about evidence to support assumptions for unknown appeals that could potentially be received up until March 2017. The Council included a provision for £7.2m as an estimate for potential appeals received in years 6 and 7 that looks very prudent and is not well supported by evidence.</p> <p>It is particularly difficult to predict appeals not yet received based on applying past data to current rateable values. Overall we were satisfied that the provision overall was materially correct, as we accept that there will be some appeals received for years 6 and 7.</p> <p>Recommendation: The Council should reassess the value of its provision for rateable value appeals as more information becomes available on levels of appeals being made.</p>	Medium	<p>Responsible office: Finance Manager (Financial Planning) Due date: Upon provision evaluation</p>
3	<p>There were serious weaknesses in arrangements to monitor and manage the budget within adult social care services (ASC), which involved some internal misreporting and late identification of an ASC service deficit of £3.7m for the year. The Council carried out a thorough review of the events and circumstances, and agreed a clear action plan to address the control weaknesses identified. The review, confirmed that the misreporting and failings in budget management were not symptomatic of wider problems across the Council's services. Our own forensic review of the Council's investigation confirmed that the conclusions reached and recommendations made were reasonable. The Council has agreed an action plan to address the weaknesses identified.</p> <p>Recommendation: The Council needs to monitor closely, and regularly report, progress to confirm successful implementation of recommended actions to address weaknesses in ASC budget monitoring and management.</p>	High	<p>A number of investigations and reviews have taken place which have included working closely with the Accounts and Audit Committee, the Council's external Auditors, and other independent experts. A wide range of actions have been determined which are in the process of being implemented. A formal reporting process has been instigated and updates on actions will be presented to Accounts and Audit Committee, Executive and the Corporate Management Team during the year.</p> <p>Responsible office: Director of Finance Due date: Various (as per agreed plan)</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date										
<p>4</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 7</p>	<p>The internal misreporting and budget mismanagement reported above, resulted in incorrect assumptions for demand-led ASC services being built into the 2014/15 base budget. The extent of the potential budget gap was about £6.5m for 2014/15. So the Council was left with a significant challenge to achieve a balanced budget for 2014/15.</p> <p>The Council has identified additional cost savings measures during 2014/15 to meet the potential budget. It also has put in place arrangements through the on-going revision to the medium term financial plan (MTFP), to identify and approve recurrent savings to secure the Councils medium term financial position</p> <p>Recommendations:</p> <p>The Council should monitor closely and report on the additional cost savings measures during 2014/15 to minimise the calls on reserves.</p> <p>The Council needs to identify and approve recurrent savings in the revised MTFP to secure financial resilience in the medium term.</p>	<p>High</p>	<p>A realigned budget proposal for 2014/15 was agreed by Executive on 24th September 2014. The realignment consisted of</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Additional in-year CFW Savings</td> <td style="text-align: right;">(2,500)</td> </tr> <tr> <td>In-year savings across Council-Wide budgets (June 14 forecast)</td> <td style="text-align: right;">(568)</td> </tr> <tr> <td>One off budget saving from Equal Pay Provision and proceeds of Urmston Town Centre</td> <td style="text-align: right;">(2,300)</td> </tr> <tr> <td>Temporary increase in base budget met from General Reserve</td> <td style="text-align: right;"><u>(1,582)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">(6,950)</td> </tr> </table> <p>The additional savings proposals of a minimum of £2.5m within CFW are being monitored within the current arrangements, with updates being reported on a monthly basis to the Transformation Board and summaries covered within the period monthly monitoring reports presented to Executive and Council. The full effect of the budget pressures relating to demand led services within ASC has been included within our medium term financial plans and recurrent savings have subsequently been proposed within our draft budget proposals for 2015/16 which are currently being consulted on.</p> <p>Responsible officer: Head of Financial Management Due date: Ongoing (according to agreed monitoring timetables)</p>	Additional in-year CFW Savings	(2,500)	In-year savings across Council-Wide budgets (June 14 forecast)	(568)	One off budget saving from Equal Pay Provision and proceeds of Urmston Town Centre	(2,300)	Temporary increase in base budget met from General Reserve	<u>(1,582)</u>		(6,950)
Additional in-year CFW Savings	(2,500)												
In-year savings across Council-Wide budgets (June 14 forecast)	(568)												
One off budget saving from Equal Pay Provision and proceeds of Urmston Town Centre	(2,300)												
Temporary increase in base budget met from General Reserve	<u>(1,582)</u>												
	(6,950)												

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	156,119	171,119
Grant certification fee	27,700	21,284
Total fees	183,819	192,403

As part of our external audit, we completed a forensic review of the Council's internal investigation into budget monitoring arrangements as a result of the unexpected overspend in Adult Services. The additional audit fee for this work was £15k.

The 'actual' grant certification fee is estimated, based on the latest indicative fees published by the Audit Commission.

Within the £21,284 actual fees, there is additional fee of £1,470 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for metropolitan borough councils and is subject to agreement by the Audit Commission.

Fees for other services

Service	Fees £
nil	n/a

Reports issued

Report	Date issued
Audit Plan	April 2014
Audit Findings Report	September 2014
Certification report	To be issued when our work on grants is completed.
Annual Audit Letter	October 2014



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Accounts and Audit committee progress report and emerging issues & developments for Trafford Council

Year end 31 March 2015

November 2014

Mike Thomas

Director

T 0161 214 6368

E mike.thomas@uk.gt.com

Helen Stevenson

Audit Manager

T 0161 234 6354

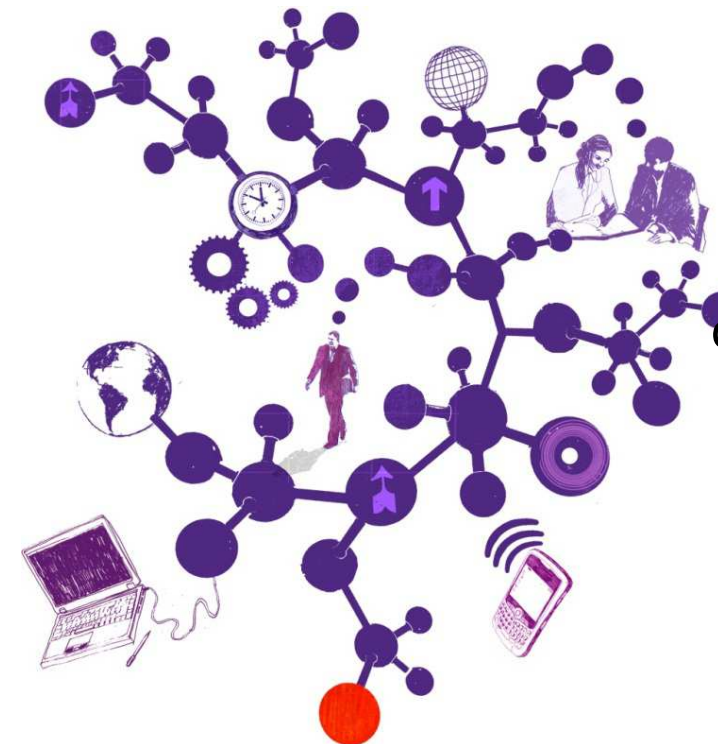
E helen.l.stevenson@uk.gt.com

Andrew McNeil

Audit Executive

T 0161 912 4560

E andrew.mcneil@uk.gt.com



Agenda Item 6

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
Introduction	4
Progress at November 2014	5-6
Emerging issues and developments	
Accounting and audit issues	7-8
Grant Thornton	9-13
Local government guidance	14

Page 13

Introduction

This paper provides the Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Accounts and Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Mike Thomas Engagement Lead **T:** 0161 235 6368 **M:** 0788 045 6173 **E:** mike.thomas@uk.gt.com

Helen Stevenson Engagement Manager **T:** 0161 234 6354 **M:** 0788 045 6209 **E:** helen.l.stevenson@uk.gt.com

Progress at November 2014

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	February 2015	N	<p>We have issued our fee letter for 2014/15 which includes our outline proposals. This is attached to this report for information.</p> <p>Our more detailed plan will be issued in February 2015.</p>
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Initial Value for Money planning and risk assessment. 	From January 2015	N	The timing of our interim work will be agreed with your finance team.
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	June to September 2015	N	<p>Our work will start with the receipt of the draft final accounts in June 2015.</p> <p>We will prepare an Audit Findings Report and present this to the Committee prior to issuing our audit report.</p>

Progress at November 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>We will give our statutory VfM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Audit Commission, related to the Council's arrangements for:</p> <ul style="list-style-type: none"> • securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future • challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency. 	September 2015	N	<p>We will complete a risk assessment and set out a planned programme of VfM work to inform our 2014-15 conclusion.</p> <p>We will report our overall conclusions on VfM in our Audit Findings report.</p>
<p>Annual Audit Letter</p> <p>Our Annual Audit Letter will summarise the findings from our 2014/15 audit.</p>	October 2015	N	

Code changes

Accounting and audit issues

At the end of July, CIPFA/LASAAC released the [2015/16 Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in remeasurement of property, plant and equipment assets that do not provide service potential for the authority. IFRS 13 also applies to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions) and will have an impact on the reporting of, for example, financial instruments and investment properties.
- Other amendments to IFRSs: including the accounting treatment of pensions' contributions
- IFRIC 21 Levies (ie levies imposed by governments)
- Changes to UK GAAP particularly relating to Heritage Assets
- other minor and drafting amendments.

The consultation closed on Friday 10 October 2014.

CIPFA/LASAAC have also launched a second stage consultation on [simplifying and streamlining the presentation of local authority financial statements](#). This consultation closed on Friday 19 September 2014.

Challenge questions

- Has your Director of Finance reviewed the proposed amendments and assessed the potential impact?

CIPFA LAAP updates

Accounting and audit issues

CIPFA have issued the following LAAP Bulletins:

- [LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.
- [LAAP bulletin 100](#) Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 – provides an outline project plan to help authorities looking to develop their own project plans for the implementation of the 2016/17 Code requirements for accounting for infrastructure assets.

Challenge questions

Has your Director of Finance reviewed the guidance and assessed the potential impact for your authority?

Page 18

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>

Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Where Growth Happens

Grant Thornton

Our national report 'Where Growth Happens' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Where-growth-happens-The-high-growth-index-of-places/>

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEAs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assesses the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

New routes to housing development

Grant Thornton

We have issued the first in a series of good practice papers on topical issues for local government.

This paper considers good practice in councils' approaches to delivering affordable housing. Until recently, local authorities have acted as an enabler of new affordable housing; increasingly they are now undertaking a direct delivery role. Delivery routes vary and must be structured with the council's objectives and capacity in mind as there is no 'one size fits all' approach. The paper considers the benefits and challenges of council owned housing companies, including:

- Setting and delivering objectives
- Identifying optimal funding routes
- Assessing viability and working with others

The paper stresses the importance of a properly developed business case and business plan to support the setting up of a housing company.

Copies of our good practice paper are available from your engagement lead or audit manager.

Anti - fraud and corruption update

Grant Thornton

Key current issues include:

Single Fraud Investigation Service (SFIS) - The SFIS will bring together all investigative capacity in relation to benefits and tax credits under the control of the Department of Work and Pensions. However a number of local authorities have expressed concern that such a transfer will cause them to lose the capacity to readily investigate other issues such as employee fraud and corruption allegations.

Corruption risk - In 2013 Transparency International (TI), the world's leading non-governmental anti-corruption organisation, published a report on corruption in UK Local Government. It identified twelve key risk areas covering public procurement, control over outsourced services, personnel transferring between local authorities and companies bidding to provide services, planning issues, collusion in housing fraud and manipulation of electoral registration. TI expressed concern that audit committees were unable to fulfil the function of reducing risks in many authorities.

Non-benefits fraud - There are striking differences between the identification of benefit and non-benefit fraud within local government. The Audit Commission has reported that 79 district councils did not detect a single non-benefit fraud whereas only 9 councils among all London boroughs, metropolitan districts and unitary authorities reported non-benefit frauds. Procurement fraud in particular is consistently estimated as accounting for the largest losses to fraud within local government. In its most recent Protecting the Public Purse publication the Audit Commission estimated annual losses at £876 million, representing 1% of total procurement spend.

Our Forensic Investigation Services provide a range of services to local authorities including fraud prevention and detection. If you are interested in a further discussion on these areas please contact your audit manager.

Managing council property assets

Local government guidance

The Audit Commission has issued its briefing paper **Managing Council Property Assets: Using Data from the VFM Profiles**

In the paper the Audit Commission:

- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate. The Audit Commission Chair, Jeremy Newman said:

"we are neither advocating that local government starts a wholesale sell-off of their land and property nor are we suggesting councils shouldn't spend money on buying assets or on investment to improve their existing property. What we are highlighting is a group of assets that do not provide immediate benefit to local communities, but still require councils to spend money on maintaining them. These assets have potential value for councils. While not all such land or buildings may be sellable, councils should consider how much value they gain from surplus assets and how this could be increased. I urge councils to use the data held in the Commission's 'Value for Money (VFM) Profiles Tool', such as spending on and value of land and property assets and 'surplus' assets, alongside their unique and detailed local knowledge, to regularly review if their estate is fit-for-purpose."

Challenge question

- Are members satisfied that the Council has adequate management arrangements in place to ensure its property assets are being efficiently and effectively managed?



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Grant Thornton

An instinct for growth™

Theresa Grant
Chief Executive
Trafford Council
Trafford Town Hall
Talbot Road
Stretford
Manchester
M32 0TH

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

T +44 (0)161 953 6900
F +44 (0)161 953 6901
www.grant-thornton.co.uk

7 May 2014

Dear Theresa

Planned audit fee for 2014/15

The Audit Commission has now finalised its work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £156,119, which compares to the audit fee of £156,119 for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate

Chartered Accountants

Member firm within Grant Thornton International Ltd

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arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has now been set by the Audit Commission at £15,330.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	39,030
December 2014	39,030
March 2015	39,030
June 2015	39,029
Grant Certification	156,119
December 2015	15,330
Total	171,449

Outline audit timetable

We will undertake our audit planning and interim audit between November 2014 and March 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed by the end of September 2015, together with our work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2014 to March 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Final accounts audit	June to September 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to September 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	January to September 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	to be confirmed*		
Engagement Manager	Helen Stevenson	0161 234 6354	helen.l.stevenson@uk.gt.com
Audit Executive	Andrew McNeil	0161 912 4624	andrew.mcneil@uk.gt.com

*Under ethical standards, there is a requirement to rotate the external audit engagement lead on audits after 5 years and no later than 7 years. The main reason for this is to avoid any 'familiarity' threat to the auditor's independence and objectivity. Given the transfer of the audit contract staff from the Audit Commission to Grant Thornton in September 2012, my appointment was extended to the 2013/14 audit. That was the seventh year of my appointment dating back to the 2007/08 audit of Trafford Council. A new engagement lead will be appointed for 2014/15. We will notify you of the proposed engagement lead in the near future.

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance at sarah.howard@uk.gt.com.

Yours sincerely

Mick Waite

Director
For Grant Thornton UK LLP

cc Ian Duncan, Director of Finance

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 19 November 2014
Report for: Information
Report of: Audit and Assurance Manager/Transformation
Programme Manager/Acting Director of HR

Report Title

Budget Monitoring Investigation – Action Plan Update

Summary

Following the issue of the report setting out findings from the investigation relating to the Council's budget monitoring arrangements, an Action Plan was subsequently agreed, which was presented to the Accounts and Audit Committee on 25 September 2014.

It was agreed that there would be ongoing monitoring of progress against the Plan to track progress in implementing the recommendations made, with updates provided to the Corporate Management Team (CMT) and the Accounts and Audit Committee.

This report provides an update on the current position against each of the planned actions listed, providing a summary of action undertaken to date and ongoing work / future plans. In addition, an Organisational Development recovery action plan has been compiled and is attached at Appendix 1.

Regular updates will continue to be provided to CMT and the Accounts and Audit Committee during the year.

Recommendation

The Accounts and Audit Committee reviews the progress report and note a further update will be provided to the Committee at its next meeting.

Contact person for access to background papers and further information:

Name: Mark Foster, Audit and Assurance Manager
Extension: 1323

Background Papers: None

Budget Monitoring Action Plan

1. Background

Following the issue of the report setting out findings from the investigation relating to the Council's budget monitoring arrangements, an Action Plan was subsequently agreed, which was presented to the Accounts and Audit Committee on 25 September 2014.

It was agreed that regular updates would be provided, both to the Corporate Management Team and the Accounts and Audit Committee regarding progress against the Plan.

This report provides details of progress made to date, ongoing and further work planned to implement the improvements identified.

2. Action Plan Monitoring

A process was agreed with the Corporate Management Team whereby regular updates are provided in relation to the Budget Monitoring Action Plan which, in addition to providing updates of work undertaken against the Plan, also ensures evidence is provided by responsible officers of progress to date.

As part of the monitoring process, the Audit and Assurance Manager and Transformation Programme Manager have liaised with key officers identified in the Plan to monitor progress and report on developments.

It is intended that the Plan will continue to be monitored through the year, not only to ensure actions are implemented, but also to ensure that new arrangements are embedded and ongoing improvements are sustained. Supporting evidence provided of actions / developments to date is being reviewed and findings will be shared in future updates.

This update is based on information gathered through October and early November 2014.

3. Summary of Progress to Date

Detailed progress against the Action Plan is shown in Section 5. Below is an overview of key developments and key areas where work is ongoing. This is highlighted in terms of actions progressed relating to Adult Services in the Children, Families and Wellbeing (CFW) Directorate and also corporate/authority wide issues.

3.1 CFW:

A fundamental requirement to improve budget monitoring processes within Adult Services in CFW was the need to ensure there is clear accountability for managing budgets. In accordance with recommendations from the Budget Monitoring Investigation, individual named officers have now been allocated as responsible for individual budget headings.

Another key finding from the investigation was the need to ensure there are clearly established and effective processes across Adult Services for reviewing financial information and escalating issues as appropriate. Processes for sharing and reviewing financial information have been revised in line with recommendations. This includes establishing clear expectations for the respective groups within CFW Adults with responsibility for budget monitoring and also ensuring key issues / concerns are formally escalated to the CFW Senior Leadership Team as they arise.

A Finance Business Delivery Sub Group has been established to ensure a greater focus on the regular review and monitoring of financial information and ensuring individual budget holders are held accountable for managing their respective budgets. This group has an agreed membership and Terms of Reference. Supporting this, processes have also been established to ensure budget holders have an opportunity to have regular scheduled meetings with Finance staff.

There have been developments to improve management of the Learning Disability budget with the introduction of a Learning Disability Sub Group. Systems have been established to improve financial monitoring at an individual case level.

Budget holders within CFW Adults have recently received training on budget monitoring. It is planned that budget holders will have significant input to the process for preparing the 2015/16 budget.

A key priority going forward is the implementation of the Liquid Logic system in 2014/15, with the intention of improving financial monitoring with the improved reporting capability of the new system.

3.2 Corporate/Authority Wide:

A number of recommendations have been addressed with the introduction of changes to the format and content of the Council's budget monitoring reports to ensure improved reporting of the budget position is taking place through the year. This includes as recommended:

- more commentary on service activity within the budget reports relating to Children's and Adults Services;
- ensuring there is adequate reporting on "gross" budgets;
- inclusion of major budget assumptions as part of reporting; and
- separate sections in the monitoring reports for the main elements of CFW (Adults, Children and Public Health).

The Director of Finance held a briefing for Finance staff to raise awareness of revised reporting requirements and also to ensure staff are fully aware of arrangements within the Service for escalating issues/concerns.

Work is currently in progress to further develop existing corporate guidance for services regarding budget management. There has been research undertaken by Finance Services to identify practice elsewhere which is being utilised in developing updated guidance. The aim is to ensure that there is clear documented guidance to ensure clarity of roles, both for budget holders and Finance staff. There has been

some delay in developing the guidance for budget holders but this is being drafted with a view to being produced in November 2014. Once completed, further training including roll out of the guidance will take place across the Council.

A review is taking place of the existing timetable for budget reporting, in consultation with each directorate, to ensure it meets the Council's needs.

The Financial Management function is also considering arrangements for introducing new processes to verify the accuracy of budget monitoring, including assumptions made. Outcomes from this will be reported in a future update.

4. Organisational Development Recovery Action Plan

Since the budget monitoring action plan was last discussed at Accounts and Audit Committee on 25th September 2014, further work has been undertaken to look at the required performance management, cultural and training and development actions arising from the recommendations.

Appendix 1 details these actions and highlights where, as appropriate, they cross-reference to the budget monitoring action plan.

5. Budget Monitoring Action Plan – Update (November 2014)

RECOMMENDATION	ACTION PLANNED	RESPONSIBILITY	TIMESCALE	ACTIONS UNDERTAKEN (Update November 2014)	WORK ONGOING / FUTURE PLANS (Where applicable)
<p>1. The responsibility, accountability and control in respect of care budgets must be clearly identified as a matter of urgency and agreed with the Chief Executive, Corporate Director CFW and Director of Finance.</p>	<ul style="list-style-type: none"> • Budget managers to be realigned and documented through Business Delivery • A Finance Business Delivery Sub Group to be established to hold budget holders accountable • Monthly reporting will be presented to new Business 	<p>Interim Finance Manager -CFW Adults (MA) / Deputy Corporate Director CFW (LH) / Joint Director for Adults, Social Care (DE)</p> <p>Deputy Corporate Director CFW (LH) / Joint Director for Adults, Social Care (DE)</p> <p>Interim Finance Manager -CFW Adults (MA)</p>	<p>Completed August 14</p> <p>Completed August 14</p> <p>To Commence Sept 14</p>	<p>An agreed documented list of budget holders accountable for specific budgets is now in place, agreed by the Business Delivery Group.</p> <p>The Business Delivery Finance Sub Group has been established, with weekly meetings held. Issues discussed are escalated to CFW SLT using a standard report format.</p> <p>This process has been applied, commencing with</p>	<p>List of budget holders to be continually reviewed.</p> <p>Agenda and structure of meeting to be regularly reviewed.</p>

	<p>Delivery Finance Sub Group, allowing time for comments and escalation of areas of concern to be evaluated and analyse</p> <ul style="list-style-type: none"> Above to be confirmed with Chief Executive, Corporate Director and Director of Finance 	<p>Deputy Corporate Director CFW (LH) / Joint Director for Adults, Social Care (DE)</p>	<p>To be finalised Sept 14</p>	<p>the October 2014 report.</p> <p>A presentation was given to the Chief Executive outlining the new approach. Details have been shared with the CFW Senior Leadership Team (SLT) and all above details have been shared with CMT.</p>	<p>CMT to continue to be provided with regular updates on progress against the Action Plan. There will be quarterly review meetings of the Corporate Director CFW, Director of Finance and key Finance and CFW managers to review arrangements and identify and further improvements required.</p>
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<p>2. The terms of reference / roles of groups and teams in CFW Adults (including Business Delivery Group and SLT) must be formally documented in terms of their respective roles in relation to managing and controlling budgets. This should include their purpose/role, who attends from both service and finance teams and the requirements of the groups/teams in terms of the content and frequency of financial information to be reviewed. There must be complete clarity and transparency in relation to who has prime responsibility for monitoring, managing financial control and providing assurance to the Corporate Director and Director of Finance.</p>	<p>Terms of reference for Business Delivery Groups across children's and adults to be aligned with SLT expectations.</p> <ul style="list-style-type: none"> • Business delivery Finance Sub Group established • Budget holders realigned • Monthly reporting process agreed with timetable of one to ones for all budget holders with finance leads prior to completion of budget report 	<p>Corporate Director CFW (DB)</p> <p>Deputy Corporate Director CFW (LH) / Joint Director for Adults, Social Care (DE)</p> <p>Interim Finance Manager -CFW Adults (MA)</p>	<p>Completed August 14</p> <p>Completed August 14</p> <p>Completed August 14</p> <p>September 14</p>	<p>Terms of reference agreed by SLT.</p> <p>Finance Sub Group Established, as above.</p> <p>Accountability for each budget heading established.</p> <p>Separate sub-directory established to hold monthly forecasts. All budget holders given access and training to review own areas in advance of meetings. Calendar of meetings set up for budget holders to arrange monthly meetings.</p>	<p>List of budget holders to be continually reviewed.</p> <p>The process will be kept under constant review due to resource pressures as November to February will be particularly challenging with the implementation of the Liquid Logic system. Some prioritisation will be required.</p>
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	All to be reviewed by Director of Finance and Audit & Assurance Manager	Director of Finance (ID) / Audit and Assurance Manager (MF)		Meetings have been held with key officers to discuss progress as stated in this report and evidence has been provided.	Audit and Assurance Manager / Transformation Programme Manager to continue to liaise with relevant officers and review evidence of progress provided to inform future updates to CMT and the Accounts and Audit Committee.
3.The disconnect in the monitoring of the Learning Disability recovery plan has contributed significantly to the overall position. The impact of the arrangements in place should be considered in the further investigation.	<ul style="list-style-type: none"> Investigation Terms of Reference established to include the Learning Disability Recovery Plan New Learning Disability Sub Group to be established 	<p>Director of Human Resources (JH) /Corporate Director CFW (DB)</p> <p>Deputy Corporate Director CFW (LH) / Joint Director for Adults, Social Care (DE)</p>	<p>Completed</p> <p>Completed August 14</p>	<p>Details included within Terms of Reference</p> <p>Learning Disability Sub Group has been established with an agreed Terms of Reference and is attended by relevant budget holders.</p>	
	<ul style="list-style-type: none"> Spreadsheet 	Interim Finance	Complete and	The spreadsheet	With the introduction

	tracking all savings at case level to be established	Manager -CFW Adults (MA) / Accountant (GD)	on-going	has been established in respect of Learning Disabilities. Its purpose is to provide detailed financial service provision information to support service and budget planning and savings delivery.	of the Liquid Logic System, a series of monitoring programmes to be established, utilising the enhanced reporting capacity of the new system.
4. Budget monitoring and reporting processes must be changed as a minimum to include the following improvements:	<ul style="list-style-type: none"> The full budget monitoring report to be presented to Business Delivery Group including line by line accounts. Summary of findings to be presented to SLT with an audit trail to public budget monitoring report 	Interim Finance Manager -CFW Adults (MA) / Deputy Corporate Director CFW (LH) / Joint Director for Adults, Social Care (DE)	First report to be presented Sept 14	This reporting process has been established.	Quarterly review meetings of the Corporate Director CFW, Director of Finance with key CFW Directors and Finance staff will take place to monitor and review arrangements and identify any further improvements required.
<ul style="list-style-type: none"> SLT in CFW must be provided with a summary of the exact budget information reviewed by the Business Delivery Groups each month and the main assumptions used to forecast the year end position; The monthly financial monitoring information 					

<p>produced by Finance must be distributed to relevant budget holders prior to Business Delivery Group meetings. When this is not possible it should be available for further review / action following the meeting;</p> <ul style="list-style-type: none"> The Business Delivery Group must ensure adequate time is provided for the monthly budget review and the minutes of this meeting must clearly set out the key points of the agenda item discussed, including assurances and key actions required as an outcome of that meeting; The Business Delivery Group must also receive, review and 	<ul style="list-style-type: none"> Timetable of reporting established Budget holder one to ones established and timetabled for Sept budget report cycle Set agendas to be agreed Escalation process will flow into CFW SLT (to be tested in Sept) Budget reporting process agreed Timetable to be 	<p>Senior Accountant (JG)</p> <p>Deputy Corporate Director CFW (LH) / Joint Director for Adults, Social Care (DE)</p> <p>Interim Finance Manager -CFW Adults (MA) / Deputy Corporate Director CFW (LH) / Joint Director for Adults, Social Care (DE)</p>	<p>Complete</p> <p>Complete and on going</p> <p>Established and on-going</p> <p>Sept 14</p>	<p>Timetables setting out relevant deadlines have been established.</p> <p>A Calendar of meetings has been set up for budget holders to arrange monthly meetings.</p> <p>Agreed agenda items include an item on escalating key issues. An escalation pro-forma is in place to highlight the issue, risks and actions to address this.</p> <p>Process of reporting established with timetables in place.</p>	
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<p>agree information formally reported as part of the monthly revenue budget monitoring reports to ensure that there is an awareness of details reported and also to provide challenge to any assumptions being made in respect of financial forecasts.</p>	<p>tested in Sept</p> <ul style="list-style-type: none"> All meetings are formally serviced and recorded 				
<p>5. Budget holders within Adults must have adequate input into and ownership of budget planning processes, understand the compilation of the budget and have the opportunity to provide challenge in the budget setting process; this includes liaison with Finance to agree/understand the different elements of the budget e.g. changes made due to demographic factors, legislative changes and</p>	<ul style="list-style-type: none"> Training set up for budget holders Process for identifying and forecasting and allocation of assigned funds for Demographic Factors being reviewed currently 	<p>Interim Finance Manager -CFW Adults (MA)</p> <p>Interim Finance Manager -CFW Adults (MA) / Joint Director for Adults, Social Care (DE) Business Relationship Officer (DW)</p>	<p>Sept 14</p> <p>Sept 14</p>	<p>Finance has provided some 1:1 training to budget holders within CFW in respect of specific expectations in their role in budget monitoring.</p> <p>Processes have now been established to determine demographic and other major budget changes.</p>	<p>The budget proposals for 2015/16 are currently out for consultation. Relevant budget holders will be fully engaged in the budget setting exercise.</p>

<p>any other assumptions which are relied upon for budget forecasting.</p>	<ul style="list-style-type: none"> • Agreements made that all changes to budgets must be agreed through Business Delivery Group and SLT 	<p>Interim Finance Manager -CFW Adults (MA) / Joint Director for Adults, Social Care (DE)</p>	<p>Complete</p>	<p>It has been agreed that the practice going forward will be for all budget changes to be reported to Business Delivery and SLT for approval.</p>	
<p>6. Priority must be given to the development of the Liquid Logic IT system so that it is developed on time and the benefit of timely reports on activity and finance can be gained at the earliest opportunity. In the interim, there needs to be a short term solution to link demand with impact.</p>	<ul style="list-style-type: none"> • Monthly reporting from Liquid Logic project into SLT, Councillor Young updates in place • Exception reporting to CMT re any timeline changes in place to CMT • Historic data from IT system extracted to establish trends for monitoring with budget holders on a monthly basis. 	<p>Joint Director for Adults, Social Care (DE)</p> <p>Corporate Director CFW</p> <p>Interim Finance Manager -CFW Adults (MA) / Joint Director for Adults, Social Care (DE)</p>	<p>In place</p> <p>In place</p> <p>In place and on-going</p>	<p>A monthly highlight report is produced. The implementation programme is being closely managed and has moved to a go live phase from 6 November 2014 as planned.</p>	

<p>7. Whilst it is recognised that there may be a need for minor local variances in how staff from respective Finance Teams support budget holders, a clearly established framework must be put in place to ensure that there is a consistent approach across the Council and that budget holders are clear about the level of service that they should receive from finance staff and therefore be clear about their responsibilities and their ability to challenge Finance colleagues.</p>	<p>Guidance will be drafted and consulted upon via Departmental Management Teams</p> <p>CMT to approve final version</p>	<p>Director of Finance / Head of Financial Management</p>	<p>In place by November 2014</p>	<p>Guidance documents have been obtained from other Local Authorities including an SLA from a neighbouring Authority.</p>	<p>In November 2014, Finance Managers to outline proposed content for a document outlining budget holder responsibilities, finance responsibilities and possible SLA.</p>
<p>8. Financial Management must ensure that staff are aware of, and operate, an escalation policy which would include both specific financial reporting arrangements and the Council's Whistleblowing Policy, to allow any finance related concerns</p>	<p>Staff will be reminded of existing whistleblowing policy and how to escalate financial concerns</p>	<p>Director of Finance</p>	<p>September 2014</p>	<p>A presentation was given by the Director of Finance to Finance Staff which highlighted expectations regarding reporting concerns</p>	<p>Further steps will include incorporating coverage of this issue in future PDRs and consideration of further assessing staff awareness e.g. through a questionnaire.</p>

to be raised at an early stage.					
<p>9.Current budget monitoring and reporting arrangements must be strengthened as follows:</p> <ul style="list-style-type: none"> • For demand led budgets in particular, there must be a commentary on service activity which provides a link to financial performance; • Major assumptions used to forecast the financial position to the end of year must be included in all budget monitoring reports; • Monitoring must be against gross expenditure and 	<p>All budget holders and finance staff to be advised of revised standard of reporting.</p>	<p>Director of Finance / Head of Financial Management</p>	<p>October 2014</p>	<p>Actioned as follows:</p> <p>The Budget Monitoring Report for Period 5 has included information on service activity in respect of Children and Adult Services.</p> <p>Budget Monitoring Reports now include major assumptions (as per reports in Periods 4 and 5).</p> <p>This has been implemented as part of producing 2014/15 budget</p>	

<p>gross income, i.e. there must be no 'netting off' when explaining main budget variations;</p> <ul style="list-style-type: none"> Senior managers and directors must be given the time and opportunity to comment on the content of the budget monitoring reports before publication; 	<p>Existing timetable for production of monitoring reports to be reviewed and agreed by CMT</p>			<p>monitoring reports.</p> <p>As agreed at CMT on 28/10/14, Corporate Directors are to discuss at their management teams whether the current timetable provides adequate opportunity for budget holders to challenge budget monitoring reports.</p>	<p>Any future changes to take into account feedback across directorates.</p>
<p>10. Assumptions underpinning budgets must be reviewed each year to ensure that up to date assumptions are included as part of budget setting and subject to monitoring through the year.</p>	<p>Assumptions will be stated in budget planning reports and monitored via monthly reports during the year</p>	<p>Director of Finance / Head of Financial Management</p>	<p>September 2014</p>	<p>Major assumptions are already included in budget setting reports. The Period 6 monitoring report includes monitoring of those assumptions e.g. forecasts assume pay award at 1%.</p>	
<p>11. To ensure that budget holders are clear about their roles and responsibilities, the following actions must be</p>	<p>CIPFA and external auditor to be consulted on best practice for roles and responsibilities and for</p>	<p>Director of Finance / Head of Financial Management/Audit and Assurance Manager</p>	<p>November 2014</p>	<p>Examples of guidance documents have been obtained from other local authorities. Details have also been obtained in</p>	<p>Finance Managers in process of completing guidance documentation</p>

<p>taken:</p> <ul style="list-style-type: none"> • a basic checklist of budget holders' responsibilities must be documented and circulated across the Council as a reference point for all budget holders. This will ensure that relevant officers have the guidance needed, they are aware of their role and that of Finance Services within the budget monitoring process and there is adequate accountability. • as a minimum, for 'high risk' areas of the budget (to be determined by Corporate Directors and Director of Finance,) a 	<p>training programmes</p>			<p>respect of the CIPFA Financial Management Module. The External Auditor has also been consulted and is sharing available information.</p>	<p>utilising available information where appropriate. A draft will be available for circulation by 14th November 2014.</p> <p>Training programme to be devised when guidance documentation has been agreed.</p>
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training programme is developed and delivered as a priority.					
12. Financial Management should research latest best practice on forecasting adult care demands at peer councils in considering arrangements going forward.	Metropolitan, Unitary and London authorities to be contacted via Society of Municipal Treasurers for examples of best practice	Director of Finance	October 2014	Authorities have been contacted as planned. The Director of Finance (ID) has now received responses from a number of local authorities that have volunteered to share their practice	Examples of practice identified elsewhere to be followed up further with reference to those authorities which have volunteered to share their practice.
13. Financial Management should consider introducing new checks and balances to add to verifying the accuracy of budget monitoring, including all assumptions made.	Evaluation of options and benefits to be carried out	Director of Finance / Head of Financial Management / Audit and Assurance Manager	October 2014	The Director of Finance and Finance Managers are evaluating possible checks as part of the budget monitoring report process.	Ongoing discussions within the Finance team to confirm an agreed approach.
14. The format of budget monitoring of CFW be changed to split it back into the three main components of Adults, Children and Public Health, with a brief	Actioned	Director of Finance (ID) / Finance Manager (MA)	August 2014	This has been implemented (as per the Period 4 budget monitoring report).	

overarching set of consolidated figures.					
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ORGANISATIONAL DEVELOPMENT – RECOVERY ACTION PLAN**November 2014**

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
1.	<p>Adults' Service Managers need to be fully integrated into CFW to ensure that they understand their collective responsibilities for the whole service.</p> <p><i>This recommendation links into a wider need to review and develop a "uniform" culture across CFW</i></p>	<p>1. 1 Review/revisit the Directorate Values (and underpinning principles) that were developed via the 2013 "Values and Culture" workshops and determine if they are still valid.</p> <p>1.2 Amend if required (ensuring that the content supports and underpins the corporate objectives and values, embeds a "One Trafford" approach and aligns to the current context of Reshaping Trafford) and communicate/cascade through the management meetings structure.</p> <p>1.3. Assess if any additional training and development interventions are required and implement.</p>	<p>DB</p> <p>DB, with LH/AB</p> <p>DB, with LH/AB</p>	<p>November 2014</p> <p>November / December 2014</p> <p>November 2014 – January 2015</p>		

		1.4 Evaluate the impact of the training and development interventions.	LH/AB	February 2015		
		1.5 Continuously monitor the culture and behaviours, ensuring that there is no drift back to a “silo” mentality	DB	February 2015 & on-going		
		1.6 Maintain the profile of the required culture and behaviours through a standing item on the Wider Leadership Team quarterly meetings – with team leaders tasked with cascading to all staff.	DB	February 2015 & on-going		
		1.7 There is an existing Workforce Strategy and Action Plan for CYPS; there is a need to determine whether there is an equivalent for Adults and to what extent these are fully integrated.	DB, with DQ/LH/AB	November 2014		
		1.8 Review arrangements for wider leadership meetings to ensure there is full representation across the Directorate	DB	November 2014		

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
2.	CFW & Finance Managers are developed to ensure that they have the relevant people management skills to be able to lead, develop, motivate and manage the performance of their staff.	<p>2.1 A Management Development Programme (Mobilising for Change) is being rolled out across the Council, delivered by NWEO</p> <p>2.2 All CFW & Finance managers mandated to attend Phase Two Mobilising for Change Coaching Skills Training</p> <p>2.3 Management Guidance to be developed and implemented across the Council, setting out the key roles and responsibilities expected of a Trafford Manager (including the requirement to undertake regular 1-1's/supervision, team meetings, etc.). To include the basic checklist of budget holders' responsibilities (see Ref 5.)</p>	<p>LH/AB</p> <p>LH/AB</p> <p>LH/AB</p>	<p>Delivered in August and September 2014</p> <p>January 2015</p> <p>December 2014</p>	<p>Delivered in August and September 2014</p>	<p>Identify managers who did not attend the training and mandate actions to address skills gaps</p> <p>Targeted sessions to be developed for CFW & Finance managers in December.</p>

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
		2.4 Managers to receive mandatory skills training on implementing the new PDR process	LH/AB	November / December 2014	Currently running drop-in and briefing sessions for staff and managers on the new PDR process.	
		2.5 Undertake a 360 degree exercise for the CFW wider leadership group (to include Health colleagues) & Finance Managers.	LH/AB	January – March 2015		
		2.6 Explore training options to support CFW & Finance managers to improve their ability to challenge, probe, question and test assumptions	LH/AB	November 2014		
		2.7 Review the September 2013 Performance Management Report & the accompanying November 2013 Performance Management Implementation Plan & revise, as appropriate, in consultation with HR.	DB	November / December 2014		

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
3. (Cross referenced with recommendation 5 in Finance Action Plan)	Budget holders within Adults must have adequate input into and ownership of budget planning processes, understand the compilation of the budget and have the opportunity to provide challenge in the budget setting process; this includes liaison with Finance to agree /understand the different elements of the budget e.g. changes made due to demographic factors, legislative changes and any other assumptions which are relied upon for budget forecasting.	3.1 Training set up for budget holders	MA	Sept 14	Finance has provided some 1:1 training to budget holders within CFW in respect of specific expectations in their role in budget monitoring.	The budget proposals for 2015/16 are currently out for consultation. Relevant budget holders will be fully engaged in the budget setting exercise.
		3.2 Process for identifying and forecasting and allocation of assigned funds for Demographic Factors being reviewed currently	DW/DE/MA	Sept 14	Processes have now been established to determine demographic and other major budget changes.	
		3.3 Agreements made that all changes to budgets must be agreed through Business Delivery Group and SLT	MA/DE	Complete	It has been agreed that the practice going forward will be for all budget changes to be reported to the Business Delivery and SLT for approval.	

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
4. (Cross referenced with recommendation 7 in Finance Action Plan)	Whilst it is recognised that there may be a need for minor local variances in how staff from respective Finance Teams support budget holders, a clearly established framework must be put in place to ensure that there is a consistent approach across the Council and that budget holders are clear about the level of service that they should receive from finance staff and therefore be clear about their responsibilities and their ability to challenge Finance colleagues.	4.1 Guidance will be drafted and consulted upon via Departmental Management Teams 4.2 CMT to approve final version	ID CMT	In place by November 2014 November 2014	Guidance documents have been obtained from other Local Authorities including an SLA from a neighbouring Authority.	In November 2014, Finance Managers to outline proposed content for a document outlining budget holder responsibilities, finance responsibilities and possible SLA.

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
5. (Cross-referenced with recommendation 11 from Finance Action Plan)	<p>To ensure that budget holders are clear about their roles and responsibilities, the following actions must be taken:</p> <ul style="list-style-type: none"> A basic checklist of budget holders' responsibilities must be documented and circulated across the Council as a reference point for all budget holders. This will ensure that relevant officers have the guidance needed, they are aware of their role and that of Finance Services within the budget monitoring process and there is adequate accountability. 	5.1 CIPFA and external auditor to be consulted on best practice for roles and responsibilities and for training programmes	ID/MF	November 2014	Examples of guidance documents have been obtained from other local authorities. Details have also been obtained in respect of the CIPFA Financial Management Module. The External Auditor has also been consulted and is sharing available information.	Finance Managers in process of completing guidance documentation utilising available information where appropriate. A draft will be available for circulation by 14 th November 2014.
		5.2 Incorporate the checklist into the Management Guidance (see 2.3)	LH/AB	December 2014		

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
6. (Cross referenced with recommendation 11 from the Finance Action Plan.	<p>To ensure that budget holders are clear about their roles and responsibilities, the following actions must be taken:</p> <ul style="list-style-type: none"> As a minimum, for 'high risk' areas of the budget (to be determined by Corporate Directors and Director of Finance,) a training programme is developed and delivered as a priority. 	<p>6.1 CIPFA and external auditor to be consulted on best practice for roles and responsibilities and for training programmes</p> <p>6.2 **NEW** Once consultation has taken place, liaise with Workforce Strategy team with respect to the development or commissioning of a relevant training programme.</p>	<p>ID/MF</p> <p>ID/MF</p>	<p>November 2014</p> <p>November / December 2014</p>	<p>As per 5.1</p>	<p>Training programme to be devised when guidance documentation has been agreed.</p>

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
7. (Cross referenced with recommendation 8 from the Finance Action Plan.	Financial Management must ensure that staff are aware of, and operate, an escalation policy which would include both specific financial reporting arrangements and the Council's Whistleblowing Policy, to allow any finance related concerns to be raised at an early stage. (Whistleblowing)	7.1 Staff will be reminded of existing Whistleblowing Policy and how to escalate financial concerns.	ID	September 14	A presentation was given by the Director of Finance to Finance staff, which highlighted expectations regarding reporting concerns.	Further steps will include incorporating coverage of this issue in future PDRs and consideration of further assessing staff awareness e.g. through a questionnaire.
8.	Undertake a survey of finance staff in respect to training and development needs, to ensure that the service has the appropriate skills and knowledge to meet future challenges – and to put in place succession planning strategies.	8.1 Survey completed	LH	September / October 2014		
		8.2 Review the findings and deliver training to all finance staff to address generic / ICT-specific training needs	LH/AB	November – January 2015		
		8.3 Assess professional qualification and development requirements alongside restructure proposals.	LH/AB	November 2014 – January 2015		

Ref	Recommendation	Action planned	Responsibility	Timescale	Actions	Next Steps
		8.4 Consider and approve professional qualification applications, as appropriate – either as conditional for the post or as part of the succession plan.	LH/AB	January / February 2015		

Officer Key:

DB: Deborah Brownlee, Corporate Director, Children, Families and Well being
DE: Diane Eaton, Joint Director of Adult Social Care
MA: Mark Astbury, Finance Manager (interim), Adult Social Care
ID: Ian Duncan, Finance Director
MF: Mark Foster, Head of Audit & Assurance
LH: Lisa Hooley, Acting Director of HR
AB: Angela Beadsworth, Acting Head of Workforce & Core Strategy
DQ: Debbie Quinn, HR Business Partner

TRAFFORD COUNCIL

Report to: Executive

Date: 27 October 2014

Report for: Information

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

Report Title:

Revenue Budget Monitoring 2014/15 – Period 5 (April to August 2014).

Summary:

The revised revenue budget approved at the Council meeting on 17 September 2014 is £156.134m. The forecast for the end of the year, as projected following five months of activity, is £156.623m being a net overspend of £0.489m, 0.3% of the budget. This is a favourable movement of £(0.328)m since the last report.

The main areas of budget variance are summarised as:

Activity	Forecast £m	Movement £m
Increased demand and unit costs for Children in Care Placements	0.4	-
Additional external income, including SLA's	(0.3)	-
Rephased base budget savings	0.3	-
In year savings not met - Terms & Conditions	0.4	-
Other non-achievement of in-year savings	0.2	-
Vacancy management	(0.7)	-
Deprivation of Liberty assessment costs	0.1	-
Other variances	0.1	(0.3)
Forecasted outturn	0.5	(0.3)

Reserves

The opening balance of the General Reserve was £(11.0)m, and after taking into account approved use and commitments, the forecasted closing balance is £(7.4)m, which is £(1.4)m above the Council established minimum level of £(6.0)m.

In addition, the net service carry forward reserves at the beginning of the year was £(4.004)m, and after taking into account planned use and commitments, and the service Directorates' outturn the forecasted closing balance is £0.023m deficit (excluding LD Pool).

There is a deficit brought forward on the Learning Disability Pooled Fund of £3m. This will be considered with the CCG and proposals brought forward.

Council Tax

The surplus brought forward of £(0.5)m, will be increased by an in-year forecasted surplus of £(1.0)m. After taking account of the planned use of £0.4m to support the base budget and another £0.2m for backdated valuation and discount appeals, the total surplus forecasted to be carried forward is £(0.9)m. The Council's share of this surplus is £(0.7)m, and is planned to support future budgets in the MTFP.

Business Rates

The Council has received confirmation on the treatment of the provision for valuation appeals from the external auditor regarding the 2013/14 accounts. As a result this has removed the risk associated with the cost of appeals up to 31 March 2014 and allows the Council to be in a better position of forecasting potential business rate growth in 2014/15 and later years. However, at this stage we are assuming a neutral position until updated information is received from the VOA on the level of current outstanding appeals and once received we will carry out an assessment of our position.

Recommendation(s)

It is recommended that:

- a) the latest forecast and planned actions be noted and agreed.

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting

Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	As set out above
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health and Safety Implications	Not applicable

Director of Finance:.....ID.....

[Signature appended in hard copy.]

Director of Legal & Democratic Services:.....JLF.....

Budget Monitoring - Financial Results

- The revised budget approved at the 17 September 2014 Council meeting is £156.134m. Based on the budget monitoring for the first 5 months of the year, the overall forecast for the year is £156.623m, being an overspend of £0.489m, 0.3%, a favourable movement of £(0.328)m since the last report.
- The details of service variances can be found in Annexes 1 to 3, and for Council-Wide, Annex 4:

Table 1: Budget Monitoring results by Directorate	Year end Forecast (£000's)	Percentage %	Period Movement (£000's)	Annex
CFW – Children's Services	546	1.8%	96	1
CFW – Adult Social Services	354	0.6%	(49)	1
CFW – Public Health	-	-	-	1
Economic Growth, Environment & Infrastructure	(222)	(0.7)%	22	2
Transformation & Resources	123	0.7%	(139)	3
Total Service Variances	801	0.6%	(70)	
Council-wide budgets	(312)	(1.5)%	(258)	4
Estimated outturn variance (period 5)	489	0.3%	(328)	

CFW – Children, Families & Wellbeing

Table 2: Budget Monitoring results by Executive Portfolio Holder	Year end Forecast (£000's)	Percentage %	Period Movement (£000's)
Children's Services	546	1.8%	96
Adult Social Services	354	0.6%	(49)
Community Health & Wellbeing	-	-	-
Environment & Operations	(116)	(0.4)%	(22)
Economic Growth & Planning	(106)	(2.2)%	44
Communities & Partnerships	92	2.9%	(12)
Transformation & Resources	142	1.3%	(133)
Finance	(423)	(1.8)%	(252)
Estimated outturn variance (period 5)	489	0.3%	(328)

Key month on month variations

- The key variances contributing to the period movement of a favourable £(0.328)m are:
 - Domiciliary Homecare hours used have been reviewed and are now projected to be higher than previously anticipated, £0.083m;
 - Slippage in the 2013/14 capital programme relating to Disabled Adaptations work has resulted in additional income being generated from Capital in 2014/15, £(0.069)m;
 - The projection for Deprivation of Liberty (DOLS) assessment costs has reduced since last month, £(0.030)m;
 - Activity levels over the last four years relating to the number of legal childcare cases has been reviewed and it is now expected that Barrister and Court fees will be lower than previously anticipated, £(0.076);

- Housing and Council Tax Benefits overpayment recovery is expected to generate a net variance of £(0.216)m;
- Other net variances across all Directorates, £(0.020)m.

MTFP Savings and increased income

4. The 2014/15 base budget, or permanent budget, is based on the achievement of permanent base budget savings and increased income of £(13.776)m
5. The following table summarises the overall forecasted achievement of the total base budget savings target for 2014/15 of £(13.776)m; noting the potential shortfall, proposed action to mitigate this shortfall and savings that are at risk and are subject to closer monitoring arrangements. These savings may potentially not be delivered and could become an issue going forward into 2015/16:

Table 3: Base budget savings	Total (£000's)
Total Savings delivered or in progress	(12,661)
Budget savings required	(13,776)
Shortfall	1,115
To be met by:	
Re-phased savings from T&R reserve in 14/15	
• HR Restructure	(100)
• Partnerships & Communities Restructure	(79)
• Legal Service Restructure	(36)
• Design and Print	(56)
• ICT Social Care – License Fee	(59)
Re-phased savings from EGEI reserve in 14/15	
• Town Centre Advertising	(16)
Alternative savings within CFW in 14/15	
• Ascot House joint service with TPS	(100)
Balance in CFW to be reviewed by Transformation Board	(669)
	(1,115)

6. Just over 90% of base budget savings have been or are forecasted to be delivered:

Of the £1.115m shortfall, £0.769m relates to CFW, £0.330m T&R and £0.016m EGEI.

There are some savings that are delayed in 2014/15 (£330k) but the full effect is still expected to be delivered in the 2015/16 budget;

Alternative savings are being sought within CFW relating to Ascot House, £0.100m;

There are some savings that are at significant risk of not being delivered, of which £0.423m relates to terms and conditions. These will be reviewed by the Transformation Board and alternative proposals will be sought.

Council Tax

7. The brought forward surplus on the Council Tax element of the Collection Fund has shared ownership between GM Fire & Rescue Authority and Police & Crime Commissioner, as well as the Council.
8. After five months of activity, the total Council Tax in-year surplus is forecasted at £(1.029)m, with the Council's share of this being £(0.865)m. After taking account of the planned application to support the 2014/15 budget, £0.356m, and reductions as a consequence of back-dated valuations and awards of discounts or exemptions of £0.250m, the end of year total balance is forecasted at £(0.881)m, of which the Council's share is £(0.740)m. The Medium Term Financial Plan assumes use of the Collection Fund surplus at similar levels to 2014/15 into the future.

Table 4: Council Tax surplus	Overall		Trafford	
	£(000's)	£(000's)	£(000's)	£(000's)
Surplus brought forward		(458)		(385)
Changes in Band D equivalents	(22)		(19)	
Empty Homes Premium	(130)		(109)	
Council Tax Support awards	(877)		(737)	
Banding valuations & discounts	250	(779)	210	(655)
In-year application of surplus		356		300
Forecasted surplus carry forward		(881)		(740)

9. The majority of the in-year surplus has been generated from pro-active interventions in unreported changes of circumstances, which has reduced the need for Council Tax Support. This means that the correct award of Support is made earlier and reduces the amount of overpayments that have to be collected subsequently. Some of the in-year increase also relates to an increase in empty homes premium, however, this initiative cannot be guaranteed into the future as the purpose of the policy is to discourage empty properties and to encourage bringing them into the housing market. The movement in the Taxbase for the month of £0.087m is largely due to an increase in the level of discounts and exemptions awarded in August. A review is currently underway and the indication is that this movement will be reversed in the September figures. Back dated valuations and discounts continue to be a significant issue.

Business Rates

10. 2014/15 will be the second year of operation of the new business rates retention scheme. The Government has established a target yield figure, or baseline, and 24.5% of yield above target is retained by the Council. However, 49% of any shortfall against the target is charged to the Council up to a safety net maximum cost to the Council of £2.433m.
11. The Council has received confirmation on the treatment of the provision for valuation appeals from the external auditor regarding the 2013/14 accounts. As a result this has removed the risk associated with the cost of appeals up to 31 March 2014 and allows the Council to be in a better position of forecasting

potential business rate growth in 2014/15 and later years. However, at this stage we are assuming a neutral position until updated information is received from the VOA on the level of current outstanding appeals and once received we will carry out an assessment of our position.

Reserves

12. The pre-audited General Reserve balance brought forward is £(11.0)m, against which there are planned commitments up to the end of 2014/15 of £3.8m. The projected balance as at 31 March 2016 of £(7.4)m is £(1.4)m above the approved minimum level of £(6.0)m:

Table 5 : General Reserve Movements	(£000's)
Balance 31 March 2014 (subject to audit confirmation)	(10,980)
Commitments in 2014/15:	
- Planned use for 2014/15 Budget (agreed 19 Feb 2014)	2,007
- Additional support for Adult Services (agreed 17 September 2014)	1,582
- Planned use for one-off projects 2014/15	279
- Council-wide budgets underspend	(312)
Balance 31 March 2015	(7,424)

13. Service balances brought forward from 2013/14 were a net £(0.982)m. After planned use to support one-off projects and adjusting for the estimated outturn, there is a projected net deficit of £3.045 to be carried forward to 2015/16 (Table 6).

	b/f April 2014 (£000's)	Forecast Movement in-year (£000's)	Forecast Balance (£000's)
Table 6: Service balances			
Communities, Families & Wellbeing	(871)	1,411	540
Economic Growth, Environment & Infrastructure	(1,155)	816	(339)
Transformation & Resources	(1,978)	1,800	(178)
Total All Services (Surplus)/Deficit	(4,004)	4,027	23
Learning Disability Pool (a)	3,022	-	3,022
Total (Surplus)/Deficit	(982)	4,027	3,045

Note:

(a) the deficit on the pooled fund will require discussion with the CCG and will require a permanent solution i.e. the deficit cannot be carried forward each year.

The use of reserve balances during the year are detailed in the Directorate reports attached as Annexes.

Recommendations

14. It is recommended that the latest forecast and planned actions be noted and agreed.

Report to: CFW Directorate Management Team
Date: 19th September 2014
Report for: Discussion
Report author: CFW Finance Managers

Report Title:

Revenue Budget Monitoring 2014/15 – Period 5 (April to August 2014).
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1 Outturn Forecast

- 1.1 This is the third CFW Directorate Monitoring Report for 2014/15 and now reflects the budget re-alignment set out as part of the period 4 monitoring report.
- 1.2 The revised revenue budget for the year for CFW is £84.927m. The projected outturn for the entire directorate is now £85,827m, which is £0.900m in excess of the approved budget (1.1%).
- 1.3 This represents an adverse variance from period 4 of £0.047m due to:
- A favourable variance due to a reduction in the forecast cost of Other Adults - Deprivation of Liberty (DOLs) assessments of £(30)k,
 - An £83k adverse variance on Domiciliary Care Budgets. There is an expectation at the start of the year that not all Homecare hours planned will be used and therefore the projection on packages was reduced by an assumed £200k. There are now only 7 months left of the financial year so the adjustment has been reduced to reflect this.
 - Additional income of £(69)k arising from work carried out to support the capital programme. Contractual issues in 2013/14 led to slippage in the capital programme which has led to additional work in 2014/15.
 - Other CFW Adults variances amounting to a net underspend of £(33)k.
 - An unexpected reduction in Staying Put Grant income of £87k.
 - Other CYPS variances amounting to a net overspend of £9k.

2 Explanation of Variances

- 2.1 The forecast outturn variances are summarised below, with more detail at Appendix 1.

Children Services - £546k adverse variance from budget:

1. There is a total overspend of £671k in Children's Social Services of which £127k relates to Terms and Conditions which is mentioned below. This leaves a service related overspend of £544k, of which £443k relates to care packages which is analysed in the table below:-

Service	Budget Service Users	Budget Average weekly cost	Gross Budget	Actual Service Users	Average weekly cost	Actual Gross Forecast	Variance Service Users	Variance Gross Forecast
	No.	£	(£000's)	No.	£	(£000's)	No.	(£000's)
Welfare secure	0.3	5,068	90	0.3	5,113	90	0.0	0
External Children's Homes	4.4	3,361	764	6.9	3,015	1,086	2.5	322
Agency foster care	28.3	844	1,247	36.4	812	1,571	8.1	324
In-house foster care	97.4	270	1,373	92.6	293	1,417	(4.8)	44
Family and friend foster care	109.6	180	1,031	107.8	186	1,044	(1.8)	13
Asylum seekers	1.7	272	24	1.7	203	18	0.0	(6)
Special Guardianship	33.0	159	274	31.0	144	233	(2.0)	(41)
Assisted Residence Allowances	26.0	96	130	24.0	107	133	(2.0)	3
Aftercare	n/a	n/a	303	n/a	n/a	330	n/a	27
Supported Lodges	n/a	n/a	255	n/a	n/a	209	n/a	(46)
Youth Homeless	n/a	n/a	185	n/a	n/a	148	n/a	(37)
Stay in Care Placements	n/a	n/a	70	n/a	n/a	0	n/a	(70)
Adoption	20.0	n/a	976	13.0	n/a	832	(7.0)	(144)
CAN respite	2.6	1,674	227	2.6	1,674	227	0.0	0
CAN long term care	3.4	2,448	434	4.1	2,283	488	0.7	54
CAN Home from Home	n/a	n/a	239	n/a	n/a	194	n/a	(45)
CAN Direct payments/personalisation	n/a	n/a	376	n/a	n/a	421	n/a	45
Total			7,998			8,441		443

The £443k overspend includes increased numbers costing £297k and increased costs amounting to £146k.

The £544k overspend also includes a reduction in grant income of £87k. (See CFW 2)

2. An overspend of £220k relating to the non-achievement of savings in relation to changes in terms and conditions. This is due to the number of exemptions in connection with critical front line services.
3. An underspend from vacancy management of £(194)k.
4. Other variances amounting to a net underspend of £(24)k.

Adults and LD Pool – £385k adverse variation from budget:

1. Base budget savings not achieved (See Section 3.6) - £403k adverse,
2. A recent Supreme Court judgment, which effectively lowered the threshold for what constitutes deprivation of liberty in care (DOLS), has resulted in additional assessment costs for all local authorities, which for Trafford is £77k,

3. In year savings of £(70)k due to vacant posts, particularly within Older People's Care Management £(78)k,
4. An £83k adverse variance on Domiciliary Care Budgets. There is an expectation at the start of the year that not all Homecare hours planned will be used and therefore the projection on packages was reduced by an assumed £200k. There are now only 7 months left of the financial year so the adjustment has been reduced to reflect this,
5. Additional income of £(69)k arising from work carried out to support the capital programme. Contractual issues in 2013/14 led to slippage in the capital programme which has led to additional work in 2014/15, and
6. Other variances amounting to a net underspend of £(39)k.

Public Health – nil variance from budget:

The Public Health budget is funded through a ring-fenced grant. Any underspend against this grant in the current year will therefore be carried forward to 2015/16. The projected variations relating to Public Health are set out and explained in detail in Appendix 1 and summarised below:

- Management of vacancies - £(55)k favourable,
- Other running costs - £(43)k favourable – forecast savings against variable 2014/15 contracts based on 2013/14 activity levels,
- Other income - £(22)k favourable non-recurrent income from Community Safety for Test on Arrest and a £(25)k contribution from the CCG in respect of Dementia Advice contracts.

This will leave a current unallocated grant balance of £145k for which proposals will be brought forward to support Public Health priorities.

3. Care Packages

- 3.1 Adult CFW supports the most vulnerable people in the borough and therefore the budgets are demand led. Variations in the number and unit cost of care packages has therefore led to significant variations in demand levels which have not previously been fully reflected in budget.
- 3.2 2014/15 budgets have now been re-aligned based on the actual cost of all service users up to 31st August with a projection to 31st March 2015 for all “live” cases at 1st September 2014. There is currently no variance within these care package budgets as the realignment has been completed based on service user reports up to the end of Period 5.
- 3.3 The following table sets out the number and average weekly unit cost of “live” cases and the current forecast expenditure:

Service	Service Users	Average weekly cost	Gross Forecast
	No.	£	(£000's)
Older People			
Domiciliary Care	855	156.33	7,096
Direct Payments	155	178.42	1,669
Residential/Nursing	571	471.06	14,222
Physical Disability			
Domiciliary Care	143	178.98	1,212
Direct Payments	189	220.12	2,270
Residential/Nursing	30	656.50	947
Learning Disability			
Day Care	30	265.06	407
Domiciliary Care	49	293.85	799
Direct Payments	254	297.47	4,220
Residential/Nursing	74	1,330.10	4,166
Supported Living	88	992.47	4,287
Mental Health			
Domiciliary Care	46	121.01	244
Direct Payments	30	122.65	209
Residential/Nursing	39	561.39	1,135
Supported Living	19	1,298.06	1,092
Total			43,975

Note: the gross forecast is based on the actual cost of services to date plus a forecast for the remainder of the year based on current users. It is therefore not possible to multiply across the above table as the service users and unit cost only reflect current cases.

3.4 **These client numbers and unit costs will now form the baseline for future monitoring reports.**

3.5 For budget monitoring purposes, a number of **assumptions** have been made within financial monitoring:

- Estimated clawback on Direct Payments of £(850)k. This is based on the actual clawback figure in 2013/14 adjusted to reflect growth in the number of service users receiving direct payments.
- A annual reduction of £(200)k against Home Care packages to reflect previous experience that approximately 10% of home care package hours are not used. This has been applied pro rata to the number of months remaining in the year, the assumed reduction from 1st September 2014 to 31st March 2015 is £(117)k.
- A contingency provision of £500k to offset any net growth in care package numbers/costs during the remainder of the financial year.
- A pay award of 1% has been assumed for 2014/15.

3.6 Savings

The council's overall budget for 2014/15 includes £(13,776)k of savings of which £(7,457)k relates to CFW. The following table shows the current assumptions made regarding the delivery of in-year savings targets within the forecasts set out in this report.

CFW Base Budget Savings 2014/15		Note	2014/15 Budget (£000's)	Forecast Saving (£000's)	Variance (£000's)
Children in Care Placements	CYPS	1	(480)	(334)	146
Supported Living	CYPS		(50)	(50)	
MARAS Staffing	CYPS		(50)	(50)	
Market Management	CYPS		(350)	(350)	
Increased Use Personal Budgets	CYPS		(25)	(25)	
Commissioning Integration	CYPS		(20)	(20)	
Complex Additional Needs	CYPS		(50)	(50)	
Education Support Services Review	CYPS		(100)	(100)	
Home To School Transport	CYPS		(100)	(100)	
Complex & Additional Needs Personalisation	CYPS		(125)	(125)	
Terms and Conditions	CYPS	2	(656)	(436)	220
Adoption Placement Fees	CYPS		(100)	(100)	
Connexions Service	CYPS		(260)	(260)	
Youth Offending Service	CYPS		(150)	(150)	
Early Years Childcare	CYPS		(25)	(25)	
Education Welfare Officers	CYPS		(100)	(100)	
School Improvement	CYPS		(105)	(105)	
Grant Assisted Projects (YOS & KEEP)	CYPS		(74)	(74)	
Reduced Inflation applied to running costs	Adults		(422)	(422)	
Market Management	Adults		(533)	(533)	
New models of service in LD reducing placement costs	Adults		(200)	(200)	
Mental Health - implement Personal Budgets	Adults		(50)	(50)	
LD Transport - implement Personal Budgets	Adults		(200)	(200)	
Ascot House - joint service with TPS resulting in efficiencies in running costs	Adults	3	(100)	-	100
Reduce Public Health	Adults		(850)	(850)	
Telecare	Adults		(400)	(400)	
Reablement	Adults		(500)	(500)	
Commissioning Integration (Children's/Adults)	Adults		(20)	(20)	
Advice & Information - Council wide review	Adults	4	(150)	(50)	100
Pre-payment cards	Adults		(40)	(40)	
Carers Services	Adults		(50)	(50)	
Extension of Personalisation Agenda	Adults		(25)	(25)	
Supporting People	Adults		(399)	(399)	
Terms and Conditions	Adults	2	(695)	(492)	203
Inflationary increase for rents charged for supported living houses	Adults		(3)	(3)	
			(7,457)	(6,688)	769

Note:

1. CIC Placements – The savings proposal was linked to a plan to reduce unit costs for CIC Placements (see CFW2 for further details).
2. Terms and Conditions - £423k shortfall across the Directorate due to the number of exemptions in relation to the delivery of front line services.
3. Ascot House – this saving originally related to opportunities for joint funding with health. For monitoring purposes, it is currently assumed that this will not be achieved although alternative reductions are being sought in year.
4. Advice & Information – this is a Council wide initiative being led by CFW which is subject to discussions currently; the forecast assumes this will not be achieved.
5. There are also £(2.5)m of in year savings which were approved as part of the CFW Budget Re-alignment Report. These are detailed below:-

CFW In Year Budget Savings 2014/15		Note	2014/15 Budget	Forecast Saving	Variance
			(£000's)	(£000's)	(£000's)
Music Service	CYPS		(5)	(5)	
Early Help Framework	CYPS		(66)	(66)	
Complaints and Governance	CYPS		(4)	(4)	
Stronger Families	CYPS		(250)	(250)	
Area Family Support Team	CYPS		(18)	(18)	
Children In care Personal needs	CYPS		(100)	(100)	
Education Psychology	CYPS		(50)	(50)	
Application of Grants	CYPS		(500)	(500)	
Vacancy Management	CYPS		(105)	(105)	
Voluntary and Community Sector	Adults		(80)	(80)	
Learning Disability	Adults		(430)	(430)	
Better Care Fund	Adults		(788)	(788)	
Vacancy Management	Adults		(104)	(104)	
			(2,500)	(2,500)	0

4. Learning Disabilities Pooled Fund

- 4.1 At the beginning of the year the LD Pool had a carry forward adverse balance of £3.022m.
- 4.2 Dialogue is taking place with the Trafford Clinical Commissioning Group (CCG) in order to agree how we collectively address the on-going pressure on the LD Pooled Budget.

5. Service carry-forward reserves

- 5.1 At the beginning of April 2014 the Children, Families and Wellbeing Directorate had accumulated balances of £(871)k carried forward from previous financial years.

- 5.2 The remaining carry-forward balances at the end of the year after taking into account the outturn position are:

	DSG	CFW – Non LD Pool	CFW LD Pool
	(£000's)	(£000's)	(£000's)
Balance b/f 1 April 2014	(2,777)	(871)	3,022
Specific commitments in 2014/15	750	511	-
P5 Forecast Outturn	434	900	-
	(1,593)	540	3,022

6. Management Action

- 6.1 The re-aligned CFW budget is dependent on the delivery of additional in-year savings of £(2.5)m. Detailed implementation plans are now underway for these savings.

6.2 Resource Allocation Process

The Resource Allocation model, which includes a weekly Resource Panel has been extended to include wider representation including Directors. The aim of the revised model is to ensure that the amount of funding allocated is based on “Just Enough” support principles, to minimise cases agreed outside the Resource Panel and to ensure that the process for agreeing funding for individual packages of care is strengthened, ensuring that both senior operational managers and commissioners scrutinise each case and make best use of available resources, voids, contracts etc.

In addition a further panel has been established to exercise the same level of scrutiny on cases coming out of the internal and external reablement services.

6.3 Business Delivery Programme Board

The Business Delivery Programme Board has recently refreshed the way it works, splitting into three key elements:

- Core Business,
- Financial Business, and
- Learning Disability Business.

This new approach ensures Directors, lead commissioners, Finance Managers and Heads of Operational Services maintain oversight of activity linked to the budget and address key issues relating to financial monitoring reports, monitoring of savings targets, and other budget recovery action taken. A revised approach to escalating issues arising to the CFW Senior Leadership Team has also been agreed.

6.4 Financial Tracking and Monitoring

An overarching Activity Plan has been developed which details all areas of activity linked to the Learning Disability Pooled Budget, including previous Recovery Plans and Business Cases in respect of 2014/15 and 2015/16 savings proposals.

In addition a financial spread sheet has been created to allow reductions to be quantified based on “real time” information. The spread sheet highlights the starting position, reductions projected based on Business Case plans and actual reductions achieved once actions have been implemented and savings realised. The introduction of the facility to track financial changes will support the programme of work and highlight where savings have been achieved and also where there may be areas at risk.

The next stage will be to develop similar spread sheets for other service areas, starting with Mental Health. These spread sheets will then be used to support financial management until the Liquid Logic system is implemented.

6.5 Children in Care Placements Tracking and Monitoring

Robust tracking and monitoring of placements for children is in place via monthly meetings with the Joint Director and heads of service to consider all placement budget lines and ensure all tracking of individual children is clear and up to date. These meetings outline tasks for follow-up such as placements that may need to be extended due to complexity of needs, placements that may be able to end early and placements where further cost reductions may be possible.

In addition a quarterly placement monitoring meeting is held with the Joint Director, heads of service and operational managers to consider in detail all placement budgets and all placements to ensure forecasting is accurate and any necessary amendments are made to projections. This is an opportunity to challenge any placement that needs additional action.

All placement requests for agency foster care or out of borough residential care are considered at a weekly meeting chaired by the Head of Children in Care to ensure the placement is necessary and that the need cannot be met by any other option. This is then agreed with the Joint Director.

At the start of the year predicted end dates of placements are factored into budget expenditure plans and a contingency budget is agreed for placements anticipated to be needed during the course of the year. The projected full year placement numbers are outlined in 2.1 of this report. The projected actual budget spend includes the anticipated use of the contingency budget. During the year the contingency budget gets spent as additional need emerges for placements and once used, any anticipated additional placement costs are titled additional pressures to ensure staff are aware that these are costs over the allocated budget. If any contingency money is not required it is removed from the projections gradually during the second half of the year. In this financial report £136K has been removed from the anticipated adoption spend by March 2015 due to a review of adoption plans and projections. The current projected overspend includes £280k of anticipated additional pressures where money has not yet been spent but is anticipated to be needed before March. This figure is actively reviewed each month.

Period 5 Projected Outturn revenue expenditure and income variances

The following tables detail the main variances from the re-alignment revenue budget to the forecasted outturn, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Revised Budget (£000's)	P5 Forecast Outturn (£000's)	P5 Outturn variance (£000's)	P4 Outturn variance (£000's)	P4 – P5 Movement (£000's)	Ref
Children's Services Portfolio – DSG Element						
Dedicated Schools Grant	0	434	434	360	74	CFW1
Transfer to Dedicated Schools Grant Reserve	0	(434)	(434)	(360)	(74)	CFW1
Sub-total – DSG	0	0	0	0		
Children's Services Portfolio – Non DSG Element						
Education Early Years' Service	6,110	6,082	(28)	(77)	49	CFW3
Children's Social Services	15,383	16,000	617	565	52	CFW2
Children with Complex & Additional Needs	1,943	1,997	54	54	0	CFW2
Commissioning	1,716	1,655	(61)	(67)	6	CFW3
Multi Agency Referral & Assessment Service (MARAS)	1,491	1,459	(32)	(1)	(31)	
Youth Offending Service	363	382	19	8	11	
Children's Centres	1,990	1,929	(61)	(52)	(9)	CFW3
Youth Service	1,384	1,421	37	20	17	
Sub-total – Children's Services	30,380	30,926	546	450	96	
Total						
CFW Children's Total	30,380	30,926	546	450	96	

Adult Social Services Portfolio						
Older People	20,439	20,557	118	17	101	CFW4
Physical Disabilities	4,963	4,963	0	0		
Equipment & Adaptations	1,004	1,005	1	1		
Mental Health	3,592	3,589	(3)	(3)		
Other Adult Services	803	949	146	207	(61)	CFW5
Strategic & Support Services	967	961	(6)	(6)		
Adaptations	(64)	(135)	(71)	(2)	(69)	CFW6
Housing Services	630	631	1	1		
Community Services	230	226	(4)	(4)		
Equalities & Diversity	144	144	0	0		
Sub-total	32,708	32,890	182	211	(29)	
Learning Disabilities Pooled Fund	22,707	22,879	172	192	(20)	CFW7
CFW Adults Total	55,415	55,769	354	403	(49)	
Community Health & Wellbeing Portfolio						
Public Health	(868)	(868)	0	0	0	CFW8
CFW Public Health Total	(868)	(868)	0	0	0	
CFW Total	84,927	85,827	900	853	47	

Business Reason / Area (Subjective analysis)	P5 Outturn (£000's)	P4 Outturn (£000's)	P4-P5 Movement (£000's)	Ref
Children, Families & Wellbeing				
Management of staff vacancies	(329)	(345)	16	CFW3,4,6,7
Transport Costs	57	57	0	
Client Need	372	274	98	CFW2,
Reduction in Grant Income	87	0	87	
2014/15 Savings not achieved	769	800	(31)	CFW2,3,4,5,6
Other running costs	251	230	21	CFW4,5,6
Other Income	(307)	(163)	(144)	CFW5,6
Total	900	853	47	

NOTES ON VARIANCES AND PERIOD MOVEMENTS

CFW1 – DSG Reserve b/fwd.

- The brought forward DSG reserve balance is £(2,777)k. £750k of this has been allocated to schools on a one off basis and there is an expected overspend on SEN of £434k. This would leave a year end reserve of £(1,593)k.

CFW2 – Children’s Social Care £544k adverse (Includes Children with Complex & Additional Needs),

Client Need - £443k adverse:

- There is a projected overspend of £443k in CIC placements, due to increase in demand for places and a small increase in unit costs.
- This is only a small net increase of £15k on the previous month but when grossed up, it is due to a number of circumstances:-
 1. Two child placements have been extended within an external children’s home costing £67k.
 2. One additional child has come into care, placed in an external children’s home at a cost of £66k.
 3. Two additional children will move from health provision to Council provision costing £68k.
 4. In house foster care provision has increased by £41k due to an increase in costs associated with Skills Payments, rather than client numbers.
 5. Increase in the number of children placed with family and friends costing £13k.
 6. The predicted number of placements with Special Guardianships and Assisted Residence Orders has reduced by four, saving £(25)k.
 7. The projected number of adoption placements from outside Trafford has fallen from 20 to 13 saving £(145)k.
 8. A reduction in placement costs of (£70)k which is offset by a reduction in Staying Put Grant of £87k. (next bullet point).
- The Staying Put Implementation grant assumed £120k would be received in 2014/15 based upon a national allocation of £40m. The grant determination letter was only received in August 2014 which suggests an increase but it is phased over three years. This amounts to a deduction of £87k for 2014/15 although the MTFP has been adjusted positively for future years.

CFW3 - Vacancy Management – £(194)k Favourable

- There are vacancy management savings amounting to £(194)k which are mainly in Commissioning £(91)k, Children's Centres £(61)k and Education Early Years £(31)k.

CFW Various 2014/15 savings not achieved - £220k adverse

- Non-achievement of elements of the terms and conditions saving due to the volume of exemptions required in critical front line services.

CFW4 – Older People £118k adverse

Vacancy management - £(70)k favourable:

- Care Management - £(70)k favourable - Vacancies and savings against posts budgeted at top of grade offset by additional agency costs.

Client Need- £83k adverse:

- An £83k adverse variance on Domiciliary Care Budgets. There is an expectation at the start of the year that not all Homecare hours planned will be used and therefore the projection on packages was reduced by an assumed £200k. There are now only 7 months left of the financial year so the adjustment has been reduced to reflect this.

Savings not achieved- £100k adverse:

- Residential Homes (Ascot House) - £100k adverse –collaborative working saving of £100k which it is currently assumed will not be achieved.

Other running costs- £5k adverse:

- Increased premises and supplies and services expenditure within residential homes and reablement.

CFW5 - Other Adult Services £146k adverse

Other running costs- £134k adverse:

- Generic Services - additional Deprivation of Liberty (DOLS) assessment costs £77k.
- Additional costs of £26k in relation to Healthwatch.

Savings not achieved- £100k adverse:

- Information and Advice Review - £100k adverse - this is a Council wide initiative being led by CFW which is subject to current discussions; it is currently assumed that this will not be achieved.

Other income – £(57)k favourable

- Increased Healthwatch income £(57)k.

CFW6– Adaptations – £(71)k favourable

Other Income - £(69)k favourable:

- Additional income arising from work carried out to support the capital programme. Contractual issues in 2013/14 led to slippage in the capital programme which has led to additional work in 2014/15.

CFW7– LD Pooled Fund – £172k adverse

Savings not achieved- £203k adverse:

- Terms and conditions savings not achieved due to the number of exemptions relating to the delivery of critical front line services.

Other running costs- £(31)k favourable:

- £(20)k favourable - historic Information and Advice budget not required,
- Other variances within LD budgets, £(11)k favourable.

CFW8 - Public Health – nil variance

Vacancy management - £(55)k favourable:

- Public Health Leaders - £(46)k favourable – vacancies and savings against posts budgeted at top of grade.
- Public Health Leaders - £(9)k favourable – vacancy management.

Other running costs- £102k adverse:

- £(43)k favourable forecast savings against 2014/15 variable contracts based on 2013/14 activity levels,
- Unallocated grant balance of £145k arising from overall forecast public health underspend for which proposals will be brought forward to support Public Health priorities.

Other income - £(47)k favourable:

- Drug & Alcohol Misuse - £(22)k favourable non recurrent income from Community Safety for Test on Arrest,
- Health & Wellbeing - £(22)k favourable non recurrent income from CCG towards Dementia Advice contracts.

TRAFFORD MBC

Report to: Economic Growth, Environment and Infrastructure
Directorate Management Team

Date: 17 September 2014

Report for: Discussion

Report author: Finance Manager

Report Title

Revenue Budget Monitoring 2014/15 – Period 5 (April 2014 to August 2014)

1. Forecast Outturn for the Year

- 1.1 The approved revenue budget for the year is £33.287m. The forecast outturn is £33.065m, which is £(0.222)m under the approved budget. This is a net adverse movement of £0.022m from the last report.
- 1.2 There are a number of minor movements across all services from last reported. The key areas relate to additional staff vacancies in Highways £(0.050)m, additional interim staff costs in the Planning Service £0.034m, increased forecast of running costs £0.051m, and net additional income £(0.024)m, including planning fees and GMRAPs.
- 1.3 The Directorate has brought forward balances of £(1.155)m from previous years (paragraph 3). These are earmarked for specific project based activity which has been re-phased from previous years, and also to mitigate specific one-off budget pressures this year, such as from the Enforcement and Groundforce reviews, if required. The remaining balance based on the projected outturn above is £(0.339)m. This will be held to mitigate any future pressures during the year, such as weather related incidents.

2. Forecasting and Risk

- 2.1 This is the third monitoring report of the financial year based on five months of actual activity and the information available to produce the forecast outturn will be refined and subject to change as the year progresses.
- 2.2 The key assumptions and/or areas of risk in this forecast are:
- GM Waste Disposal Authority levy – each month the WDA notifies GM Councils of variances in the actual tonnages of waste delivered compared to that assumed when setting the levy at the start of the year. This results in an additional cost or rebate per Council. Actual tonnages can be affected by weather and also customer behaviour, for example levels of recycling. There is a £0.200m increase in the levy forecast this year due to the weather (see note EGEI5 below);
 - Fee income from capital works will vary depending on the progress of delivering the approved capital programme during the year – total budgeted fee income for the year is £2.2m;
 - Demand led fees and charges income, such as from Parking, Licencing, Planning and Building Control, will vary based on economic conditions and customer behaviour. Bereavement Services income is also affected by

external factors. All fees and charges are monitored weekly or monthly, with trends and previous profiles used to inform forecasts;

- Investment property income – this varies depending on economic factors, and includes income from shopping centres (e.g. Stretford Mall) where lettings and rents are the responsibility of the owners of the properties;
- Weather related incidents impact on costs and income, particularly during the winter months. This includes increased winter maintenance costs (gritting etc.), pot hole damage to highways, tree and other infrastructure damage. The Directorate has £0.140m in a Winter Maintenance reserve to smooth these pressures across financial years, if required.
- A pay award of 1% has been assumed for 2014/15.

3. Summary of Variances

- 3.1 The overall favourable variance of £(0.222)m reflects a number of individual under and overspends across the diverse areas of the Directorate, as detailed in Appendix 1 and summarised below.
- 3.2 There is one-off shortfall in approved savings relating to the Enforcement review (from 2013/14) £0.053m, and Groundforce review £0.047m. This is due to additional time taken for staff and stakeholder consultations. There is also an expected income saving shortfall of £0.022m from moving traffic offences, which is linked to the progress of the AGMA initiative supporting this. Income generation from town centre advertising will not be achieved £0.016m following recent legal advice, and property referral web-site advertising has been re-phased leading to a one-off shortfall of £0.003m this year. Savings will be delivered in full from 2015/16, and for town centre advertising alternative proposals will be progressed through the Medium Term Financial Plan.
- 3.3 The levy paid to Greater Manchester Waste Disposal Authority is expected to be £0.200m higher than budgeted, which is due to weather related increases in the volume of green waste being recycled over the summer. This can be partially mitigated by a negotiated one-off procurement saving in the waste collection contract £(0.150)m.
- 3.4 Favourable one-off income variances are projected from Oakfield Road car park £(0.128)m and Urmston Town centre rent £(0.040)m. Income from the GM Road Access Permit Scheme is also expected to be £(0.082)m above budget. There are income shortfalls forecast relating to car parking £0.029m, licencing £0.024m, planning and building control £0.016m (which is monitored weekly) and Green Deal £0.035m. Overall projected income has improved by £(0.024)m since last reported, mainly related to planning applications
- 3.5 There are a number of favourable variances relating to staffing budgets as a result of turnover or vacancy management £(0.262)m, including £(0.080)m from senior management restructuring, £(0.050)m from school crossing patrols and £(0.050)m Highways. The net underspend on staffing has increased by £(0.014)m since last reported which includes the Highways vacancies above, less additional interim planning staff costs £0.034m.
- 3.6 Other running cost variances include an underspend on Administrative Buildings £(0.040)m. Overall projected running costs have increased by £0.051m since the last report, and includes a £(0.027)m reduction in the Administrative Buildings underspend.

3.7 Management action will continue throughout the year to ensure that essential services are delivered within budget and to seek out opportunities for future financial benefits. This includes:

- Only necessary spending on supplies and services to be approved;
- Systematic monitoring and evaluation of existing and potential new income streams;
- Analysis of rechargeable work for both revenue and capital schemes;
- Additional improvements to efficiency through service redesign and better procurement;
- Potential to accelerate future savings proposals.

4. Reserves

4.1 At the end of 2013/14 the Directorate had a surplus on accumulated balances of £(1.155)m, which was carried forward to 2014/15. This was a result of the successful management of budget pressures in the last two financial years but also includes a number of commitments relating to projects being re-phased across the year end.

4.2 The planned use of these balances is shown below. The current balance of £(0.339)m is being held to cover potential budget pressures from external factors, such as from adverse weather or reductions in income. Any balance remaining at year end will be carried forward to support services in 2015/16 accordingly.

Utilisation of Carry forward Reserve 2014/15	(£000's)
ETO Surplus balance brought forward at 1 April 2014	(494)
EGP Surplus balance brought forward at 1 April 2014	(661)
Re-phasing of projects from 2013/14	381
Committed on 2014/15 projects	657
Period 5 forecast outturn (favourable)	(222)
Balance after known commitments	(339)

5. Savings

5.1 The approved Directorate budget includes 2014/15 savings of £(3.153)m as follows:

	Budget (£000's)	Outturn (£000's)	Variance (£000's)
Increased and new income	(320)	(279)	41
Efficiencies and others	(786)	(786)	0
Policy Choice	(1,920)	(1,873)	47
Mitigating action across EGEI	0	(88)	(88)
Terms and Conditions	(127)	(127)	0
Total EGEI	(3,153)	(3,153)	0

5.2 The income shortfall of £0.041m relates to the delay in implementing the saving relating to moving traffic offences £0.022m (note EGEI1 below) and £0.019m from town centre advertising and property referral fee web-site advertising (EGEI10). In policy choice £0.047m relates to re-phasing of savings in Groundforce (note EGEI4). All these items are to be mitigated in full from management action and other favourable variances across the Directorate, or by the use of accumulated balances if required. The savings will be achieved

in full from 2015/16, with alternative measures for town centre advertising progressed through the Medium Term Financial Plan.

- 5.3 In addition, there is a £0.053m shortfall in the saving associated with the review of Enforcement approved in the 2013/14 budget. This is also due to additional staff and stakeholder consultations and the saving is now being delivered in full (from August 2014) (see note EGEI5).

6. Recommendations

- 6.1 It is recommended that the forecast outturn be noted.

Period 5 Forecast Outturn revenue expenditure and income variances.

The following tables detail the main variances from the revenue budget to the forecast outturn, and the movements since the last monitoring report in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Economic Growth, Environment & Infrastructure Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P5 Forecast Outturn (£000's)	P5 Forecast Variance (£000's)	P4 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Highway and Network Management, including Traffic & Transportation	5,151	5,084	(67)	(13)	(54)	EGEI1
School Crossing Patrols	509	459	(50)	(50)	0	EGEI2
Parking Services	(337)	(451)	(114)	(106)	(8)	EGEI3
Groundforce	4,144	4,233	89	78	11	EGEI4
Bereavement Services	(1,090)	(1,095)	(5)	(6)	1	
Sustainability & Greenspace	359	349	(10)	(14)	4	
Waste Management (incl. WDA levy)	18,979	19,028	49	47	2	EGEI5
Public Protection	602	621	19	0	19	
Environmental Enforcement	89	142	53	50	3	EGEI6
Directorate Strategy & Business Support	259	179	(80)	(80)	0	EGEI7
Sub-total Environment & Operations Portfolio	28,665	28,549	(116)	(94)	(22)	
Asset Management	2,451	2,316	(135)	(164)	29	EGEI8
Planning & Building Control	(119)	(69)	50	35	15	EGEI9
Strategic Planning & Development	533	527	(6)	(6)	0	
Economic Growth	741	700	(41)	(46)	5	EGEI10
Housing Strategy	596	622	26	31	(5)	EGEI11
Directorate Strategy & Business Support	492	492	0	0	0	
Sub-total Economic Growth & Planning Portfolio	4,694	4,588	(106)	(150)	44	
Operational Services for Education	(72)	(72)	0	0	0	
Total Forecast Outturn Period 5	33,287	33,065	(222)	(244)	22	

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P5 Outturn Variance (£000's)	P4 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Highways and Network Management				
Income shortfall, including moving traffic offences	34	32	2	
GMRAPs income above budget	(82)	(70)	(12)	
Capital fee income shortfall	51	51	0	
Staff vacancies	(50)	0	(50)	
Running costs including depot	10	4	6	
Energy – Street Lighting	(30)	(30)	0	
Sub-total	(67)	(13)	(54)	EGEI1
School Crossing Patrols - vacancies	(50)	(50)	0	EGEI2
Parking Services				
Additional income – Oakfield Road	(128)	(128)	0	
Income shortfall – other locations	29	37	(8)	
Staffing and running costs	(15)	(15)	0	
Sub-total	(114)	(106)	(8)	EGEI3
Groundforce				
Re-profiling of staff/equipment savings	47	47	0	
Other running costs – weather related demand	30	21	9	
External income shortfall	12	10	2	
Sub-total	89	78	11	EGEI4
Bereavement Services				
Staffing and maintenance costs	(5)	(6)	1	
Sustainability & Greenspace				
Vacancy, supplies & services	(10)	(14)	4	
Waste Management				
Staffing and general running costs	(1)	(3)	2	
GM Waste levy – additional green waste recycling	200	200	0	
Waste contract – one-off procurement saving	(150)	(150)	0	
Sub-total	49	47	2	EGEI5
Public Protection				
Staffing and running costs	(5)	(5)	0	
Income shortfalls	24	5	19	
Sub-total	19	0	19	

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P5 Outturn Variance (£000's)	P4 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Environmental Enforcement				
Re-profiling of staff/equipment saving	53	50	3	EGEI6
Director & Business Support				
Staffing and Running costs	(80)	(80)	0	EGEI7
Sub-total Environment & Operations Portfolio	(116)	(94)	(22)	
Asset Management				
Investment Property Rental Income:				
- Urmston Town Centre – one-off surplus	(40)	(40)	0	
- Airport – surplus	(16)	(16)	0	
- Other properties - surplus	(8)	(8)	0	
Community buildings – income/running costs	11	3	8	
Admin Buildings running costs	(40)	(67)	27	
Other minor running cost variances	11	11	0	
Major projects capital fee income	(53)	(47)	(6)	
Sub-total	(135)	(164)	29	EGEI8
Planning & Building Control				
Planning applications income	(44)	(20)	(24)	
Building Control income shortfall	60	55	5	
Staffing including interim support	15	(19)	34	
Running costs	19	19	0	
Sub-total	50	35	15	EGEI9
Strategic Planning & Development				
Staffing/running costs savings	(6)	(6)	0	
Economic Growth				
Staffing vacancies	(51)	(51)	0	
Other running costs	(9)	(10)	1	
Town centre advertising income	16	12	4	
Property referral fee website advertising income	3	3	0	
Sub-total	(41)	(46)	5	EGEI10

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P5 Outturn Variance (£000's)	P4 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Housing Strategy				
Green Deal income re-phased implementation	35	35	0	
Staffing and running cost savings	(9)	(4)	(5)	
Sub-total	26	31	(5)	EGEI11
Sub-total Economic Growth & Planning Portfolio	(106)	(150)	44	
Total Forecast Outturn EGEI Period 5	(222)	(244)	22	

Summary Variance Analysis Period 5

All Services	Savings £000	Staff £000	Running Costs £000	Income £000	Total Variance £000
Period 4	132	(248)	(4)	(124)	(244)
Period 5	141	(262)	47	(148)	(222)
Period Movement	9	(14)	51	(24)	22

ADDITIONAL NOTES ON FORECAST OUTTURN VARIANCES

EGEI1 – Highways & Network Management - £(0.067)m (favourable)

Income generation of £(0.030)m is included as a saving in the approved budget from moving traffic offences. This is part of an AGMA initiative to improve safety and traffic flows on major routes and the project has needed to be re-phased. This is expected to lead to a one-off income shortfall of £0.022m this year.

Staffing is expected to be £(0.050)m underspent for the year due to vacancies.

There is additional income above budget of £(0.082)m from the Greater Manchester Road Access Permit Scheme, which was implemented during 2013/14. This is an increase of £(0.012)m from last reported based on the latest notification from TfGM.

Fee income from technical and consultancy work charged to capital schemes is predicted to be £0.051m below budget due to the predicted timing of capital works. This will be reviewed throughout the year as the capital programme progresses.

Street Lighting energy costs are projected to be £(0.030)m less than budgeted based on latest projected usage volumes.

EGEI2 – School Crossing Patrols – £(0.050)m (favourable)

There is a forecast underspend on staffing due to vacancies.

EGEI3 – Parking Services – £(0.114)m (favourable)

The approved budget for 2013/14 included assumptions regarding the partial, then full closure of Oakfield Road car park during the year as part of the regeneration of Altrincham Town Centre. The re-phasing of the town centre project has resulted in forecast income being £(0.128)m above budget, which has continued from last year.

Other car parking income is broadly on target, although resurfacing work at a supermarket car park in Sale is expected to lead to a one-off income shortfall of around £0.035m this year.

EGEI4 – Groundforce - £0.089m (adverse)

Savings associated with staffing, supplies, vehicles and equipment have been re-profiled, and there is forecast one-off overspend of £0.047m this year. This relates to additional consultations with staff and other stakeholders in order to implement the approved budget proposals.

Running costs are expected to be £0.030m above budget largely due to weather related service demand over the summer. There is a projected shortfall of £0.012m on rechargeable work for the year.

EGEI5 – Waste Management and Disposal - £0.049m (adverse)

Following recent notifications from the Greater Manchester Waste Disposal Authority, there is an estimated additional levy cost of £0.200m this year. This is due to weather related increases in the overall tonnages of green waste being disposed, and is adversely affecting all Councils across Greater Manchester. The level of waste is recorded at the time of disposal and the levy impact reported monthly to GM Councils by the WDA. The percentage of waste recycled as a proportion of all waste remains high (over 60%), and the budgeted savings from the introduction of food waste recycling are on course to be achieved.

The service has negotiated changes to the waste collection contract which will result in a one-off saving of £(0.150)m. This can be used to part mitigate the disposal levy pressure above, with the balance covered by use of reserves brought forward from 2014/15, if necessary.

EGEI6 – Environmental Enforcement £0.053m (adverse)

The 2013/14 saving associated with the review of Enforcement has been re-profiled following additional staff and stakeholder consultations. This has resulted in a forecast overspend of £0.053m for the year. All changes have been implemented at the end of August and the saving achieved in full from this point.

EGEI7 – Director & Business Support £(0.080)m (favourable)

The restructure and the ETO and EGP Directorates has led to a rationalisation of management costs which is expected to deliver a saving of £(0.080)m on current budgeted staff costs. This will be taken forward in the Medium Term Financial Plan as appropriate.

EGEI8 – Asset Management - £(0.135)m (favourable)

The approved budget for 2014/15 included assumptions regarding Urmston Town Centre asset disposal. This is taking longer than had been assumed and rental income has continued beyond expectations giving an additional £(0.040)m one-off benefit this year.

Rent from Manchester Airport rent is £(0.016)m above budget following notification from Manchester City Council of new rent levels.

Improved efficiency in the Major Projects team has continued from the last financial year and forecast for fee income from capital and external projects is £(0.053)m higher than previously forecast.

Administrative building running costs are less than expected across the portfolio by £(0.040)m, including £(0.034)m relating to the catering concession at Altrincham Town Hall. This is an adverse movement of £0.027m since last reported.

EGEI9 – Planning and Building Control – £0.050m (adverse)

Projected income from planning fees has improved by £(0.024)m since last reported, now giving an overall surplus of £(0.044)m. There is still a projected shortfall in income from building control fees £0.060m and action is underway to address this. Both fees are monitored and reported on a weekly basis and the projections are based on data from the early part of the year only.

There is a projected overspend on staffing of £0.015m for the year, which is an adverse movement of £0.034m due to the appointment of interim staff to cover vacancies and address the resulting capacity issues. The permanent filling of vacant posts will be addressed by the ongoing restructure of the combined Directorate. Running costs are £0.019m above budget and includes investment in ICT to improve efficiency.

EGEI10 – Economic Growth Team – £(0.041)m (favourable)

There is an underspend in staffing and running costs of the Altrincham Town Team as service review and potential re-design is implemented in this area.

The income generation proposal relating to town centre advertising will not be achieved due to recent legal advice leading to an overspend of £0.016m. This will be addressed through alternative proposals and progressed in the Medium Term Financial Plan. Income from property referral fees web-site advertising have been re-phased to later in the year giving a predicted shortfall of £0.003m.

EGEI11 – Housing Strategy – £0.026m (adverse)

There is a predicted shortfall in income of £0.035m from the implementation of Green Deal. This is an ongoing pressure and will be addressed in the Medium Term Financial Plan. Staffing and running cost savings are expected to be £(0.009)m underspent for the year.

TRAFFORD COUNCIL

Report to: Transformation & Resources Directorate Management Team
 Date: 17 September 2014
 Report for: Discussion
 Report author: Senior Accountant – Transformation & Resources

Revenue Budget Monitoring 2014/15 – Period 5 (April 2014 – August 2014 inclusive)

1 Outturn

- 1.1 The current approved revenue budget for the year is £17,629k, and after period five the forecasted outturn is £17,752k, which is a £123k, or 0.7%, overspend position. This is a favourable net movement since the last report of £(139)k.

2 Summary of forecast and movements

- 2.1 Detail on the forecasted outturn analysed by service, portfolio and activity is provided at Appendix 1. The following summarises the significant movements from the previous period, referenced to the detail in Appendix 1, which net to £(139)k:

Delays in delivering budget savings, £330k adverse forecast, £(10)k favourable movement; this is based on a prudent assessment of both timing and savings level. The recurring base budget savings are anticipated to be completed by the end of the year, however, due to the delay in implementation these initiatives will not generate their full value in 2014/15 (T&R1). The in-year reduction in savings will be mitigated by other cash savings and/or the use of carry forward reserve.

Delay in telephony, voice and data upgrade, £74k adverse forecast, no movement; the migration of voice and data telephony lines will not yield the anticipated savings as ISDN functions will still have to be retained for a longer period than originally planned (T&R2).

Barrister and Court Fees, £77k adverse forecast, £(76)k favourable movement; current levels of activity have been analysed compared to the previous four years. Forecasted legal costs are now expected to be less than previous years and this has resulted in the favourable movement (T&R3).

Vacancy Management, £(321)k favourable forecast, £(27)k favourable movement; this net variance includes an overspend position in financial management £116k, mitigated within the service from Revenues and Benefits which is underspending by a forecasted £(202)k (T&R4).

Running costs variances, £(21)k favourable forecast, £(31)k favourable movement; a review of running cost expenditure primarily for Communication team projects has been undertaken and the forecast revised favourably by £(32)k (T&R5).

Minor income variances, £(16)k favourable forecast, £5k adverse movement; (T&R6).

3 MTFP Savings 2014-15

3.1 The council's overall budget for 2014/15 includes £(13,776)k of savings of which £(3,006)k relates to T&R. All actions to achieve the T&R full year savings are expected to be completed by 31 March 2015 although the timing of some of these will mean the cash saving in 2014/15 is forecast to be £(2,676)k, which is 89% of the target.

3.2 The delay in in-year cash savings of £0.330m into the following year is in respect of the following initiatives.

Table 1: Saving Description	Phased Savings (£000's)
Human Resources Restructure (a)	100
Partnerships and Communities Restructure (b)	79
Legal Services Restructure (a)	36
Design and Print (c)	56
ICT - Social care - licence fee (d)	59
Total	330

3.3 Notes to the above phased savings table:

(a) As noted at Scrutiny review this is a phased implementation;

(b) £239k achieved. Balance is due to lengthened timescale to appoint to new structure;

(c) £107k achieved. Balance to be realised across the council;

(d) Linked to rephased Liquid Logic ICT project.

3.4 The in-year shortfall against budget will be mitigated by net underspends; other cash savings and the normal management flexibility in the use of the carry forward reserve (see Section 4 below).

4 Reserves

4.1 The Directorate has accumulated balances of £(1,978)k brought forward from previous years. This will be used to support the delivery of the Reshaping Trafford Programme and the development of future efficiencies. Funding will be provided for an investment in ICT hardware, software and communications such as server upgrades, network connections and access to services. The carry forward reserve will also be used to cover the cost of the re-phased 2014/15 Directorate savings (see 3.2). The table below summarises the projected movement during 2014/15:

Table 2: Utilisation of Carry Forward Reserve 2014/15	£000's
Balance b/f 1 April 2014	(1,978)
Delivering Reshaping Trafford and future efficiencies	685
ICT hardware and software upgrades	193
Contingencies	473
Land Charges Claim	185
Improving communications and democratic access	141
2014/15 Outturn	123
Remaining Balance at 31 March 2015	(178)

5 Main Assumptions

- 5.1 This forecast has been based on five months of actual activity in 2014/15, compared to the budgeted plan, and where appropriate to previous years. Where adjustments have been made, they have been done in consultation with the relevant manager for any known variance in plans or activity. The key assumptions and/or areas of risk in this forecast are:

Current levels of Court and Barrister fees activity have been analysed compared to the previous four years. Forecasted legal costs are now expected to be less than previous years as childcare court fees have reduced £1k per case and the amount/cost of cases requiring Barrister referral has reduced. However this has been a volatile area historically and a £100K margin has been included in the forecast as at the end of August 2014 to reflect the unpredictable nature of these costs.

Included in the T&R 2014/15 Budget is a £(592)k vacancy factor, which reflects staff turnover and the delays in time to recruit to establishment posts. The current vacancy management forecast of £(321)k favourable variance (T&R 4) assumes that this £(592)k will be fully achieved as per previous year's activity levels. After five months £119k or 20% of this vacancy factor has not been achieved but the current vacancy levels forecasted assume this will be achieved by the end of the financial year.

The £74k adverse variance on the transfer of telephony lines to the new contractor is shown for the whole year. At this time the adverse variance will continued to be shown as the full £74k adverse as the final switch date from ISDN to SIP is not clear.

Waterside Arts Centre ticket sales income is based on previous year's activity. Income is variable dependent upon the entertainment programme and customer demand. At this stage of the year it is difficult to forecast total annual income with certainty, particularly as the Christmas period typically generates 50%, or around £(130)k, of the gross annual income. Christmas booking have now begun but it is too early for comparisons with last year's sales to evidence an outcome for 2014/15.

A pay award of 1% has been assumed for 2014/15.

Period 5 Forecasted Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted outturn and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P5 Forecast Outturn (£000's)	P5 Outturn variance (£000's)	P4 Outturn variance (£000's)	P4 to P5 Movement (£000's)	Note ref
Transformation and Resources Portfolio						
Legal & Democratic	2,491	2,590	99	196	(97)	T&R1,3,4
Communications & Customer Services	5,919	5,932	13	44	(31)	T&R1,2,4
Strategic Human Resources	2,068	2,122	54	59	(5)	T&R1
Corporate Leadership and Support	368	344	(24)	(24)	0	
sub-total	10,846	10,988	142	275	(133)	
Finance Portfolio						
Finance Services	3,614	3,503	(111)	(117)	6	T&R4
sub-total	3,614	3,503	(111)	(117)	6	
Communities and Partnerships						
Partnerships & Communities	1,546	1,609	63	78	(15)	T&R1
Culture & Sport	1,623	1,652	29	26	3	
sub-total	3,169	3,261	92	104	(12)	
Total	17,629	17,752	123	262	(139)	

Business Reason / Area (Subjective analysis)	P5 Outturn variance (£000's)	P4 Outturn variance (£000's)	P4 to P5 Movement (£000's)	Note ref
Delay in savings implementation	330	340	(10)	T&R 1
ISDN line upgrade delay	74	74	0	T&R 2
Court Costs and Legal fees	77	153	(76)	T&R 3
Management of Vacancies	(321)	(294)	(27)	T&R 4
Running Costs	(21)	10	(31)	T&R 5
Income	(16)	(21)	5	T&R 6
Total	123	262	(139)	

NOTES ON PROJECTED OUTTURN VARIANCES

£340k adverse, phasing of base budget savings (discussed in Section 3); action will be taken in year on the various initiatives to achieve £3,006k in savings within the Directorate. However, five of these will be delayed causing a part year adverse effect in 2014/15. Underspends in other areas, in-year cash savings and, if required, the carry forward reserve will be used to mitigate this loss (T&R1).

£74k adverse, delay in telephony, voice and data upgrade; the migration of voice and data telephony lines between contractors has been delayed (T&R2).

£77k adverse, Barrister and Court fees; mainly due to current activity levels relating mainly to childcare caseload and the cost of such legal action (T&R3).

£(321)k favourable, vacancy management; there have been some delays in recruiting to new structures in Legal and Democratic, Communication and Human Resources services that have recently been subject to reviews and also in some other areas of the Directorate that have been subject to staff turnover. In addition, some posts are being held back for future savings. This net variance includes £116k adverse variance in Financial Management due to the need to recruit temporary additional capacity in support of priority work, which has been offset by a £(202)k favourable variance within the Revenue & Benefits service, which is due in part to secondments and externally funded project work (T&R4).

£(21)k favourable, running costs; running costs particularly in ICT and Communications are forecast to be below current budgeted levels (T&R 5).

£(16)k favourable, income; there are minor favourable income variances across the T&R Directorate including legal property charges (T&R 6).

TRAFFORD COUNCIL

Report to: Director of Finance
 Date: 22 September 2014
 Report for: Information
 Report author: Head of Financial Management

Report Title

Revenue Budget Monitoring 2014/15 – Period 5 Outturn - Council-Wide Budgets (April 2014 to August 2014 inclusive)

1 Outturn Forecast

1.1 The current approved revenue budget for the year is £20.291m. The outturn forecast is £19.979m, which is £(0.312)m under the budget, a favourable movement of £(0.258)m since the last report.

1.2 Appendix 1 details by variance area the projected outturn as compared to the approved revenue budget, with the main variances being;

Proceeds from the planned sale of the Council's interest in Urmston Town Centre, in excess of the figure reported to the Council meeting on 17 September 2014, £(0.054)m;

Members expenses - savings as a result of changes to the Members Allowances Scheme, £(0.025)m;

Housing and Council Tax Benefits overpayment recovery net variance of £(0.216)m;

External Audit fees, one-off rebate £(0.021)m offset by additional costs of £0.015m relating to the forensic review of the Council's investigation report into budget monitoring arrangements;

Other minor variances, £(0.011)m.

1.3 Changes in population estimates have increased the relative share of the costs of the Coroner's service between the Council, and Stockport (lead Authority) and Tameside Councils. It is possible that the budget may be less than is needed by around £20k, however, a forecast of 2014/15 expenditure for this service has not yet been received, and there is a specific carry forward reserve of £(37)k available. Future reports will update on the situation when it becomes clearer.

2 Service carry-forward reserve

2.1 Other than for the Coroner's Service, Council-Wide budgets do not have their own carry forward reserve, and any underspend will be transferred to the General Reserve, as detailed in the summary report.

3 Forecasting and Risk

- 3.1 This forecast has been based on four months of actual activity. The activity covered by Council-Wide budgets is varied, and the key assumptions in the August forecast are:

Average investment rates will be 0.7% with a cash flow of £75.4m.

The majority of the Council's loans are at fixed rate interest. The only variable loan of £20m is with the Royal Bank of Scotland at 6.01%. However, there is a smoothing reserve to mitigate large variations from this assumption.

Council error in the award of housing benefit will be within threshold limits, and recovery of benefit overpayments will continue at previous activity levels.

All contingency budgets for end of year adjustments will be utilised, including the provision for bad and doubtful debts.

Coroner's budget has been discussed at paragraph 1.3.

A pay award of 1% has been assumed for 2014/15.

Period 5 Draft Outturn revenue expenditure and income variances,

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P5 Forecast Outturn (£000's)	P5 Outturn variance (£000's)	P4 Outturn variance (£000's)	Period Movement (£000's)	Ref
Finance Portfolio						
Precepts, Levies & Subscriptions	17,855	17,859	4		4	
Provisions (bad debts & pensions)	(535)	(589)	(54)	(54)		C-W1
Treasury Management	7,981	7,971	(10)		(10)	
Insurance	775	775				
Members Expenses	926	901	(25)		(25)	C-W2
Grants	(6,804)	(6,809)	(5)		(5)	
Other Centrally held budgets	93	(129)	(222)		(222)	C-W3
Total	20,291	19,979	(312)	(54)	(258)	

Business Reason / Area (Subjective analysis)	P5 Outturn variance (£000's)	P4 Outturn variance (£000's)	Period Movement (£000's)	Ref
Urmston Town Centre additional sale proceeds	(54)	(54)		C-W1
Treasury Management:				
- Investment Income	(10)		(10)	
Precepts, Levies & Subscriptions	4		4	
Members Expenses	(25)		(25)	C-W2
External audit fees	(6)		(6)	C-W3
Housing & Council Tax benefits	(216)		(216)	C-W3
Grants	(5)		(5)	
Total	(312)	(54)	(258)	

NOTES ON PROJECTED VARIANCES

C-W1 – Provisions - £(0.054)m (favourable)

The sale proceeds from the planned sale of the Council's interest in Urmston Town Centre, following its redevelopment, are now expected to be £(1.354)m, which is £(0.054)m in excess of the figure agreed at the Council meeting on 17 September 2014.

C-W2 – Members Expenses - £(0.025)m (favourable)

Changes to the Members Allowances Scheme were approved at the Council meeting on 17 September 2014 following a report from the Independent Remuneration Panel (IRP). The changes will generate annual savings of approximately £(0.036)m. However, a number of the changes are only effective part way through the year and the estimated saving in 2014/15 is £(0.025)m.

C-W3 – Other Centrally held budgets - £(0.222)m (favourable)

- **Housing & Council Tax Benefits - £(0.216)m (favourable)**

There is a net variance of £(0.126)m within the Housing Benefit budget. The Council Tax Benefit Scheme ceased in 2013 and was replaced by the Council Tax Support Scheme. Any recovery of overpaid Council Tax Benefit from previous years is retained by the Council and the latest projected outturn for 2014/15 is £(0.090)m.

The credit from the recovery of overpaid Council Tax Benefit is difficult to predict and will eventually taper off.

- **External Audit fees - £(0.006)m**

The Audit Commission has paid rebates to audited bodies, returning some £6.8m to local government, fire and rescue and police bodies. The rebates reflect the efficiency savings achieved by the Commission ahead of its closure in March 2015, Trafford's share being £(0.021)m. There have also been additional one-off costs of £0.015m relating to the forensic review of the Council's investigation report into budget monitoring arrangements.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 19 November 2014
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period July to September 2014.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period July to September 2014.**
- **To provide ongoing assurance to the Council on the adequacy of its control environment.**

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers: None



TRAFFORD
COUNCIL

Audit and Assurance Service Report July to September 2014

Date: 19 November 2014

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between July and September 2014. At the end of the year, these quarterly reports will be brought together in the Annual Internal Audit Report which will give the Audit and Assurance Service's opinion on the overall effectiveness of the Council's control environment during 2014/15.

2. Planned Assurance Work

Key elements of the 2014/15 Work Plan include:

- Fundamental Financial Systems reviews.
- Annual corporate governance review work and completion of the Annual Governance Statement for 2013/14.
- Audits of Council partnership arrangements.
- Continued review of risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- ICT audit reviews.
- Anti fraud and corruption work.
- Ongoing advice to services and input / advice in respect of key projects across the Council, including supporting the council's transformation agenda.
- School audits and other establishment audit reviews.
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q2 2014/15

Work in this quarter covered a number of the main themes listed above including :

- Input to the corporate review of budget monitoring arrangements;
- Completion of the 2013/14 Annual Governance Statement;
- Fundamental financial system reviews;
- Undertaking a number of follow up audit reviews, focussing on areas for improvement identified in previous audits.

Points of information to support the report:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good

Medium / High – Good

Medium – Adequate

Low / Medium - Marginal

Low – Unsatisfactory

Green

Green

Green

Amber

Red

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

These incorporate management comments and responses to audit recommendations, including planned improvement actions.

An opinion is stated in each audit report to assess the standard of the control environment.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

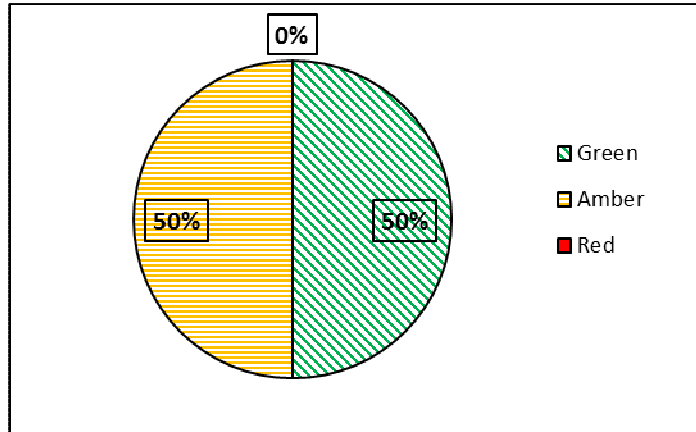
- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area such as an establishment.

Summary of Assurances for 2nd Quarter 2014/15

Q2 – 2014/15

Chart 1 :

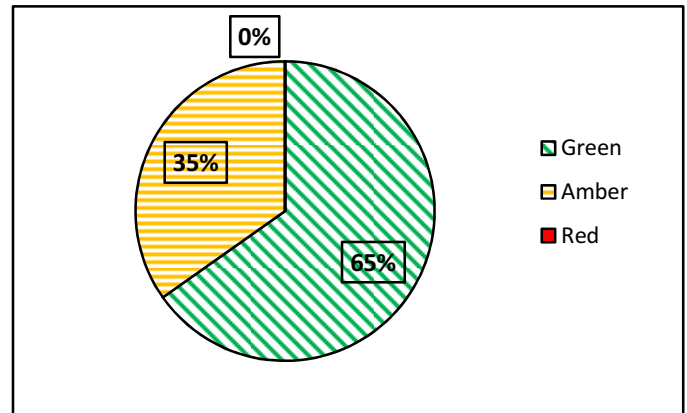
Assurances – all audit opinion reports issued in Quarter Two 2014/15 (16 reports – 8 final and 8 draft)



2014/15 to date

Chart 2 :

Assurances – all audit opinion reports issued in 2014/15 to date (23 reports – 14 final and 9 draft)



4. Overall Conclusions

Sixteen audit reports were issued in the quarter, eight final reports and eight at draft stage. Whilst a number of reviews were completed where at least an “Adequate” audit opinion was provided, there were a significant number of areas where less than “Adequate” opinions were given.

Eight “Low/Medium” opinion reports were issued during the period. Of these:

- Three reviews related to follow ups of audits undertaken in previous years where a less than adequate audit opinion had previously been given (Section 17 Payments (Children’s Act 1989) and two school reviews).

For each of the above reviews, progress had been made in implementing previous audit recommendations but further progress was still required prior to a “Green” opinion being considered.

- Low/Medium opinions were also given in respect of the following five areas and details relating to these are shown in Section 5 (Taxi Licensing; Schools ICT Security and Governance review; Match day parking contract monitoring at one school and two other routine school audit reviews).

Further follow up of these areas will be included as part of future audit plans to assess implementation of recommendations made.

It is noted that in respect of the Section 106 review, significant progress had been made and the opinion per the draft report issued increased from a Low opinion issued in 2013 to a present opinion of Medium. The opinion level will be further reviewed at the next audit review.

Work in the period included continued input by Audit and Assurance to the corporate budget monitoring investigation. (The investigation report was shared with the Accounts and Audit Committee on 6 August 2014 and a subsequent Action Plan was shared with the Committee at its meeting on 25 September).

During the period, the Audit and Assurance Service also completed the process of supporting the production of the Council’s final 2013/14 Annual Governance Statement.

(A listing of all audit report opinions issued including key findings is shown in Section 5).

5. Summary of Audit & Assurance Opinions Issued – Q2: 2014/15

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
<u>FINAL REPORTS</u>		
<u>Level 4 Reports:</u>		
Accounts Payable 2013/14 (T&R) / (Finance)	Medium (GREEN) (1/8/14)	The majority of central controls reviewed surrounding the accounts payable process have continued to be maintained. There are a number of developments being progressed to improve processes to ensure the EBP system is used effectively and efficiently across services.
Accounts Receivable and Debt Recovery 2013/14 (T&R) / (Finance)	High (GREEN) (23/9/14)	Key controls surrounding the Accounts Receivable and Debt Recovery process have continued to be maintained. The Revenues and Benefits Service are developing a plan to enhance existing processes through support to Services across the Council in respect of guidance and management information provided.
<u>Level 2 Reports :</u>		
Match day parking at Schools (CFW) / (Children's Services)	(3 x GREEN) (3 schools - 18/7/14)	Satisfactory controls were found to be in place relating to contract management arrangements, including the monitoring of income received from contractors, in respect of match day parking at three of the four schools reviewed - Victoria Park Junior School, Stretford High School and Gorse Hill Primary School. (See draft reports section in respect of the audit review of St. Ann's RC Primary School).
<u>Level 1 Reports :</u>		
St. Michael's C of E Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) (21/8/14)	Recommendations have been made across a number of areas including the administration of lettings arrangements, collection and banking of income and the administration of the school fund. It is noted that the school has completed an action plan to address recommendations made. A follow up audit will take place in 2015/16.
Lostock College (CFW) / (Children's Services)	Medium (GREEN) (1/9/14)	Records were generally maintained to a good standard although a number of areas for control improvement were identified. These included recommendations relating to asset security and also in introducing a division of duties within certain processes including income collection and banking.
St. Anne's C of E Primary School (CFW) / (Children's Services)	(Low/Medium) (AMBER) (1/9/14)	The audit found some areas of good practice, but there is a need to improve controls for a number of areas to ensure associated risks are managed effectively. The remits of a number of Governing Body Committees need to be approved. A number of recommendations were made in relation to the administration of the School Fund. A follow up audit will take place in 2015/16.
<u>DRAFT REPORTS</u>		
<u>Level 4 Reports:</u>		
Section 106 Planning Agreements (EGEI & T&R) / (Economic Growth and Planning)	Medium (GREEN) (24/9/14) *	The majority of recommendations made in the previous review reported in October 2013 have been implemented and the opinion has been revised to "Medium" having previously been "Low". The draft report issued highlighted there was some further work required to implement a number of remaining recommendations. This included the need to increase activity in relation to undertaking site visits to monitor progress of relevant developments. Details of agreed areas for further improvement, together with the associated action plan and confirmed audit opinion will be reported as part of the final report and reported in the Quarter Three Audit and Assurance update.
Energy Management (EGEI) / (Economic Growth and Planning)	Medium (GREEN) (20/8/14)	The majority of controls surrounding the energy management function have been maintained to a satisfactory standard in the areas reviewed. Recommendations have been made to raise awareness and provide further guidance to ensure that staff can support Council objectives in reducing energy costs.

<u>Level 2 Reports:</u>		
Taxi licensing (EGEI) / (Environment and Operations)	Low/Medium (AMBER) (30/9/14)	An overall opinion of Low / Medium assurance is given reflecting the findings that, whilst a number of adequate procedures and controls are in place, a number of areas for improvement have been identified to reduce risks. This includes the need to ensure adequate checks and divisions of duties are in place in respect of processing applications and administering income received and banked. Further work is required to ensure adequate documented procedural guidance is in place for license applications, renewals and inspections.
ICT Governance and Security in Schools (CFW & T&R) / (Children's Services & Transformation and Resources)	Low/Medium (AMBER) (17/7/14)	The review findings were based on reviews of five schools. The review found there are some effective controls in place to mitigate key risks; however, there are areas where the introduction of new controls or improvement to existing controls is required. These include required improvements identified at some schools in respect of system back up arrangements and in the secure transmission of data. Recommendations were made for the Council to consider in terms of the provision of guidance and support for schools to make improvements. (It is noted that an Information Governance service has recently been made available to schools by the Council to purchase a range of support).
Match day parking at Schools (CFW) / (Children's Services)	Low/Medium (1 x AMBER) (1 school - (12/8/14)	In respect of the review of contract management arrangements, including the monitoring of income received from contractors for match day parking at four schools reviewed, areas for improvement were identified at one school (St. Ann's RC Primary School). This related to the need to ensure prompt invoicing of amounts due from the contractor and ensuring clearly established arrangements are in place, agreed by the Governing Body, for approving any variations to the contract. A draft report has been issued to obtain a management response to the recommendations made.
Section 17 payments – Children Act 1989 (CFW) / (Children's Services)	Low/Medium (AMBER) (24/7/14) *	The objective of the review was to assess controls in place for the administration of Section 17 monies, used to support children in need and their families. It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. In particular, it is important that there are adequate procedures to ensure the necessary approval is obtained and evidenced prior to making Section 17 payments. In addition, full reconciliations of the imprest accounts should take place on a regular basis to account for all monies held and spent. (It is noted that since the end of the quarter, a management response has been received and an Action Plan agreed to address all recommendations made).
<u>Level 1 Reports:</u>		
St. Hilda's C of E Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) (29/8/14) *	It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. These include recommendations in relation to ordering and payment processes, and ensuring an adequate division of duties in respect of income collection and banking.
Oldfield Brow Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) * (29/9/14)	It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. These include recommendations in relation to purchasing including retaining evidence of quotes to demonstrate value for money and ensuring an adequate division of duties in the ordering, delivery and payment process.
*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.		

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued. There has been ongoing work such as the provision of advice; conducting investigation work; co-ordinating the update of the Council's Strategic Risk Register and undertaking financial appraisals of contractors.

In addition to the above, other work undertaken during Q2 included:

- Input by the Audit and Assurance Service to the corporate review of budget monitoring arrangements (reported in separate updates to the Accounts and Audit Committee).
- Co-ordinating the production of the Council's 2013/14 Annual Governance Statement, approved by the Accounts and Audit Committee on 25 September 2014).
- Making preparations, through liaison with relevant services, for the submission of data as part of the 2014/15 National Fraud Initiative.
- Internal Audit checks of Highways Maintenance Grant claims in accordance with Department for Transport requirements.

7. Impact of Audit Work – Improvements to the Control Environment

Key indicators of the impact of Audit and Assurance are: (a) Acceptance of Recommendations (b) Implementation of them.

Acceptance of Recommendations

From the 8 final audit opinion reports issued during the quarter:

- **92% of all recommendations made (82 out of 89) have been accepted.**

In the year to date:

- **93% of all recommendations have been accepted (compared to a Service annual target of 95%).**

Implementation of Audit Recommendations

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

- Internal audit follow up reviews which specifically review progress made in implementing all recommendations in previous audit reviews.
- Requesting assurance from managers as to progress made by the completion of self assessments.
- Through reviews undertaken on an annual or cyclical basis e.g. fundamental systems reviews, assessing progress in terms of ongoing improvements in controls.

As described in Section 5, a number of follow up audit reports have been issued in the quarter (Section 106 Planning Agreements; Section 17 payments – Children's Act 1989; Oldfield Brow Primary School and St. Hilda's C of E Primary School). A self- assessment follow up review was also completed in relation to two other previous audits (Blue Badges and Ascot House Assessment Centre).

In total, out of 86 recommendations followed up above, 47 were identified as implemented or no longer applicable (55%), 9 implemented in part or in progress (10%) and 30 had yet to be implemented (35%). It is acknowledged that progress in implementing recommendations has been made for all areas reviewed. For all areas followed up where a number of recommendations are yet to be implemented (2 schools and Section 17 payments review) a further assessment of progress will be made in 2015/16. Further follow up work will also be completed in 2015/16 of progress in relation to the Section 106 review, particularly in relation to areas where it was found that progress has been made in part to implement certain recommendations.

It is planned that for any remaining areas where a Low/Medium final audit report was issued in 2013/14 (as per the Annual Internal Audit Report), follow up work will be commenced in quarter three or four.

8. Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2014/15 Operational Internal Audit Plan

As at the end of quarter two, 562 audit days were spent to date (96% of profiled planned time of 587 days).

There are variations between planned and actual time taken against particular categories of work. It is expected that where time is significantly less than planned for given areas, there will be increased activity in quarters three and / or four.

Given the departure of a Senior Audit and Assurance Officer in September 2014, resources available against work planned for the year are currently under review with the objective of ensuring key priorities are completed. In the event of any proposed rescheduling of planned work, this will be considered in consultation with relevant Corporate Directors and the Accounts and Audit Committee will be advised in subsequent updates.

9. Planned Work for Quarter 3, 2014/15

Progress will continue to be made in completing each category of work in the audit plan. Areas of focus will include :

- Submission of required data as part of the 2014/15 Audit Commission Data Matching exercise.
- Contribute to the corporate process of monitoring the Budget Monitoring Investigation Action Plan.
- Issue of further financial system audit reports and progression / completion of a number of other audits across the audit plan.
- Co-ordination of the Strategic Risk Register update (to be presented to the Accounts and Audit Committee in November 2014).

APPENDIX A

2014/15 Operational Plan: Planned against Actual Work (as at 30 September 2014)

<u>Category</u>	<u>Details</u>	<u>Planned Days 2014/15</u>	<u>Planned Days (up to 30/9/14)</u>	<u>Actual Days (as at 30/9/14)</u>
Fundamental Systems	Completion of annual (2013/14) fundamental systems reviews and other system reviews. Planning of 2014/15 fundamental systems reviews.	230	140	150
Governance	Corporate Governance Review work and collation of other supporting evidence for the production of the 2013/14 Annual Governance Statement Audit reviews of governance arrangements for the Council's significant partnerships.	80	49	21
Corporate Risk Management	Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy	30	15	5
Anti-Fraud and Corruption	Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	85	45
Procurement / Value for money	Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money.	70	25	22
ICT Audit	Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	90	45	36
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	55	89
Establishments	Reviewing governance and control arrangements across a range of establishments.	70	40	9
Assurance – Other Key Business Risks	Selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews will include authority wide issues and areas relating to individual service areas.	170	65	107
Service Advice / Projects	General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new	100	50	38

	systems, functions and procedures provide for adequate controls and good governance arrangements.			
Financial Appraisals	Financial assessments of contractors and potential providers	35	18	40
TOTAL		1225 *	587	562

*Note: There are 1325 planned available days in total but 100 days relate to contingency. This will be used to address the loss of available audit days following the departure of a Senior Audit and Assurance Officer in September 2014.

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