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TRAFFORD
COUNCIL

AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Tuesday, 9 February 2016

Time: 6.30 p.m.

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

A G E N D A	**PART I**	**Pages**

1. **ATTENDANCES**

   To note attendances, including Officers and any apologies for absence.

2. **MINUTES**

   To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 25 November, 2015. — 1 - 4

3. **ANNUAL GOVERNANCE STATEMENT 2014/15 - UPDATE ON SIGNIFICANT GOVERNANCE ISSUE : INFORMATION GOVERNANCE**

   To receive a report of the Information Governance Manager. — 5 - 10

4. **ANNUAL GOVERNANCE STATEMENT 2014/15 - UPDATE ON SIGNIFICANT GOVERNANCE ISSUE : LOCALITY WORKING**

   To receive a report of the Head of Partnerships and Communities. — 11 - 18

5. **TREASURY MANAGEMENT STRATEGY 2016/17 - 2018/19**

   To consider a report of the Executive Member for Finance and Director of Finance. — 19 - 44

6. **ACCOUNTS AND AUDIT COMMITTEE PROGRESS REPORT AND EMERGING ISSUES AND DEVELOPMENTS FOR TRAFFORD COUNCIL (FEBRUARY 2016)**

   To receive a report from the Council’s External Auditor. — 45 - 64

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

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

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors A. Mitchell (Chairman), D. Butt (Vice-Chairman), J. Baugh, C. Boyes, B. Brotherton, N. Evans, and T. Ross.

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

Chris Gaffey, Democratic and Scrutiny Officer.
Tel: 0161 912 2019
Email: chris.gaffey@trafford.gov.uk

This agenda was issued on **Monday, 1 February 2016** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

25 NOVEMBER 2015

PRESENT

Councillor D. Butt (Vice-Chairman) (in the Chair).
Councillors J. Baugh, C. Boyes, B. Brotherton, N. Evans and T. Ross

In attendance

Director of Finance	(I. Duncan)
Director of Procurement (STAR Shared Procurement)	(S. Robson)
Programme Assurance Lead / Director – Trafford Leisure	(P. Helsby)
Head of Legal Services	(H. Khan)
Audit and Assurance Manager	(M. Foster)
Principal Audit & Assurance Officer Team Leader	(H. Carnson)
Democratic & Scrutiny Officer	(C. Gaffey)

Also in attendance
M. Thomas, Grant Thornton UK LLP
H. Stevenson, Grant Thornton UK LLP

APOLOGIES

Apologies for absence were received from Councillor A. Mitchell.

26. MINUTES

RESOLVED: That the Minutes of the meeting held on 24 September 2015, be approved as a correct record and signed by the Chairman.

27. ANNUAL GOVERNANCE STATEMENT 2014/15 - UPDATE ON SIGNIFICANT GOVERNANCE ISSUE : LEISURE SERVICES

The Committee received a report of the Programme Assurance Lead / Director – Trafford Leisure, providing an update on work undertaken to date, as well as further work planned in respect of Leisure Services within the Borough.

The report updated the Committee on the position of Trafford Leisure CIC Limited and their operation of Trafford's leisure services. The Board of Directors would be working to develop an asset strategy over the next two to three months, with its implementation aimed for January 2016. The Board were also in the process of developing a long term vision for the future of the company, with the aim of taking up a health and wellbeing style approach to the leisure centres as opposed to just sports.

Members discussed the operational risks involved with maintaining the buildings in question. It was noted that these risks had always been faced by the Council; the only difference was that the buildings' occupiers had changed.

RESOLVED: That the report be noted.

28. STAR SHARED PROCUREMENT SERVICE UPDATE

The Committee received a presentation of the Director of Procurement (STAR Shared Procurement) providing an update on the STAR Shared Procurement Service.

The presentation detailed STAR's progress over the last year, highlighting some notable achievements and landmarks. These included the adoption of the harmonised Contract Procedure Rules, as well as the winning of the 'Connected Procurement' Award at the annual i-Network awards. The presentation also detailed STAR's aims for the future, including the launch of their website, as well as raising STAR's profile with the view to engage new clients and partners.

Members thanked the Director of Procurement (STAR Shared Procurement) for the presentation. Discussions were had about the likelihood of other authorities becoming involved with the service.

RESOLVED: That the presentation be noted.

29. ANNUAL AUDIT LETTER 2014/15

The Committee received the Council's Annual Audit Letter for the year ending 31 March 2015, summarising the key findings arising from the work of the External Auditor, Grant Thornton. The report highlighted the summary of reports issued and fees charged.

RESOLVED: That the report be noted.

30. ACCOUNTS AND AUDIT COMMITTEE PROGRESS REPORT AND EMERGING ISSUES AND DEVELOPMENTS FOR TRAFFORD COUNCIL (NOVEMBER 2015)

Members received a report of Grant Thornton UK LLP on the progress at November 2015 in delivering its responsibilities as the Authority's external auditor. The report also highlighted key emerging national issues and developments and a number of challenge questions in respect of the emerging issues.

Members raised their concerns regarding the current lack of knowledge and transparency about Devolution, and discussions were had regarding the 2% precept for social care and how this would affect the Council if it were adopted.

When considering the Membership of the Committee, it was noted that a balance was required to ensure a range of different skills and qualities were available, including finance experts. Members were also reminded of how the Committee self regulates using the Terms of Reference to ensure guidelines are met.

Mr Thomas confirmed that this would be his last Committee meeting as the Engagement Lead for Trafford. Going forward, a new Engagement Lead will be appointed for Trafford and will attend the Committee meetings from the New Year. The Chairman thanked Mr Thomas for his valued services to the Council and the Committee

RESOLVED: That the report be noted.

31. TREASURY MANAGEMENT MID-YEAR PERFORMANCE REPORT

The Committee received a report of the Executive Member for Finance and the Director of Finance providing an update on the progress of the treasury management activities undertaken for the first half of 2015/16 in accordance with the CIPFA Code of Practice adopted by the Council.

The one notable change was the Council's investment of £5 million into the CCLA Property Fund. This was expected to generate a quick return as well as acting as a long term investment.

RESOLVED: That the report be noted.

32. TREASURY MANAGEMENT STRATEGY - REVIEW OF THE MINIMUM REVENUE PROVISION

The Committee received a report of The Executive Member for Finance and the Director of Finance. The report outlined the recent review undertaken of the Council's annual Minimum Revenue Provision (MRP) charge to the revenue budget in respect of capital expenditure financed by borrowing. The report detailed the proposal to amend the policy so that the charge was linked to the average life of an asset, worked out to be 50 years.

The external auditor agreed with the assessment and confirmed this was within the required guidelines.

RESOLVED: That the Accounts & Audit Committee recommend to Council, that with effect from 1 April 2015:

a) That the Council's MRP policy, paragraph (a) only, be amended to, "For capital expenditure incurred before 1 April 2008: MRP will be calculated on a straight line basis over the expected average useful life of the assets"; and

b) That the annual PFI lease charge be financed from the provision currently set-up to cover the final bullet payment, and that capital receipts be used to replenish this provision to ensure this can still be made in 2028/29.

33. AUDIT AND ASSURANCE REPORT FOR THE PERIOD JULY TO SEPTEMBER 2015 (Q2)

The Committee received a report of the Audit and Assurance Manager providing a summary of the work of Audit and Assurance during the period July to September 2015. The report also provided ongoing assurance to the Council on the adequacy of its control environment.

Discussions were had regarding the Chancellor's statement on the possible removal of Local Authority presence within schools in relation to audits, and how this could free up resources.

Members discussed the recovery of funds from damaged street furniture. Issues arising from the audit of Sale Waterside Arts Centre were also discussed. The Audit and Assurance Manager confirmed that Springfield Primary School will be contacted in the next 6 to 12 months for a further update to review progress made in implementing recommendations.

RESOLVED: That the report be noted.

34. REVENUE BUDGET MONITORING 2015/16 - PERIOD 6 (APRIL TO SEPTEMBER 2015)

The Committee received a report of The Executive Member for Finance and the Director of Finance detailing the outcomes of the monitoring of the Council's revenue budget for period 6 (April to September 2015).

The Director of Finance highlighted the pressures in Children's Services, and reminded the Committee that the 2015/16 budget had delivered the biggest savings in the Council's history. Discussions were had regarding the announcement of a 4 per cent annual reduction in the public health budget.

RESOLVED: That the report be noted.

35. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2015/16

The Committee received a report of the Audit and Assurance Manager setting out the updated work plan for the Committee for the 2015/16 municipal year.

RESOLVED: That the report be noted.

The meeting commenced at 6.30 pm and finished at 8.05 pm

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 9 February 2016
Report for: Information
Report of: Information Governance Manager

Report Title

Annual Governance Statement 2014/15 – update on significant governance issue : Information Governance

Summary

This report includes an extract from the 2014/15 Annual Governance Statement outlining one of the significant governance issues identified for further development through 2014/15 i.e. Information Governance. It provides an update on work undertaken to date and further work planned in respect of this issue.

Recommendation

The Accounts and Audit Committee is asked to note the report for information which the Information Governance Manager will make reference to when attending the Committee to update members on the current position.

Contact person for access to background papers and further information:

Name: Paul Fox – Information Governance Manager
Extension: 1327

Background Papers:
2014/15 Annual Governance Statement

<u>Annual Governance Statement 2014/15 – Significant Governance Issue : Information Governance</u>

1. Introduction

1.1 Detailed below is an extract from the 2014/15 Annual Governance Statement in relation to one of the significant governance issues listed in the Statement i.e. Information Governance. This is followed by an update on actual progress made to date in respect of this issue.

2. Annual Governance Statement 2014/15 Extract

2.2 The following detail was included in sections 5.3 and 5.4 of Trafford Council's 2014/15 Annual Governance Statement:

2.3 The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to transform service delivery arrangements, to ensure the Council effectively delivers its objectives and manages its resources to meet the ongoing financial challenges being faced.

2.4 Detailed below are significant governance issues and a summary of the actions planned to address these in 2015/16.

2014/15 Issues and Action Planned 2015/16
2. Information Governance The newly established Information Governance team is now in place and have developed a work plan including the following priority areas. • Annual NHS Information Governance Toolkit accreditation required to gain connection to access NHS records • Continue to roll out Corporate Information Governance mandatory training to all employees • Working with stakeholders to develop Information Sharing protocols at the start of projects where the sharing of information is required • Communicate the purpose and aim of the team and the responsibilities of Information Asset Owners (IAO) and other custodians of Trafford Council's information assets. • Develop an Information Asset Register to identify all corporate assets and their uses • Implement the recently developed retention and disposal policy on all historic, current and future records • To streamline Freedom of Information and Subject Access Request to ensure compliance with the legal framework and improve processes to strengthen current practice • Introduce Privacy Impact Assessments for all new projects that collect personal /

2014/15 Issues and Action Planned 2015/16
sensitive data initially, and roll out retrospectively to existing projects to ensure personal/ sensitive data has not been collected unnecessarily and that the Council are operating within the guidelines of the Data Protection Act. Work on these activities is well underway and alongside these priorities an annual work plan has been developed to pick up on other work associated with the Information Governance Agenda. This team will also deliver business as usual including Freedom of information, Subject Access Requests and day to day delivery of the Information Governance Service.

3. Updated position (February 2016)

Action taken 2015/16

3.1 The Corporate, centralised Information Governance Team has now been in place for a year and has been working to assist with embedding Information Governance into the working culture of Trafford Council. Information Governance staff have attended a number of focussed courses, seminars and webinars relevant to their roles.

3.2 The NHS Information Governance Toolkit was successfully completed and successful accreditation awarded. As this is an annual requirement, work is already underway on this exercise.

3.3 The communications strategy and mandatory training continues to be rolled out across the Council so that all stakeholders are aware of their information governance responsibilities. The Information Governance Team monitors the completion of the mandatory Information Governance training and issues reminders to services. The Information Governance Manager has attended service team meetings to explain the role and objectives of the Team, to explain that everyone has a role to play within Information Governance and to highlight both good and bad practice procedures. Topical Information Governance issues are being communicated to staff via the Council's intranet. In addition, presentations to Head Teachers and Chair of Governors have been rolled out during January and February to raise awareness of their responsibilities under the Freedom of Information Act 2000.

3.4 The Information Governance Team have worked with staff to ensure that Information Sharing Protocols are written at the start of projects. In addition, staff are made aware of the need to complete Privacy Impact Assessments to ensure personal and sensitive data is not being collected unnecessarily as part of project work.

3.5 Information Asset Owners have been identified so that the Council's Information Asset Register can be brought up to date to reflect the current arrangements within the Council.

3.6 A corporate retention and disposal schedule is in place which applies to Council Services.

3.7 A new online request form has been created to make the submission of Freedom of Information requests easier for the public. In addition, a new process for recording Freedom of Information requests has been implemented to improved reporting and monitoring arrangements.

3.8 The Information Governance Team met with Freedom of Information Co-ordinators in order to foster better working relationships and to discuss better ways of responding to the large numbers of requests we receive. There was good attendance at the meeting which was interactive.

3.9 The Information Governance Action Plan has evolved during the year to ensure the Council continues to be compliant with its Information Governance requirements.

Actions Planned for 2016/17

3.10 The Information Governance team continues to embed much of the work identified as part of the 2015/16 work plan.

3.11 Information Governance staff will continue to attend relevant and focussed training to enhance their performance in their roles.

3.12 A revised action plan for 2016/17 is currently being developed to identify emerging information governance risks to the Council around compliance with Data Protection and Freedom of Information legislation with mitigating actions.

3.13 Policies and procedures concerning Information Governance are continuing to be updated to reflect both legislative changes as well as changes in personnel.

3.14 It is being explored as to whether Freedom of Information and Subject Access requests can be directly input by the public onto the forthcoming Council CRM system. This would be beneficial in terms of real time progress monitoring and allocation of requests.

3.15 We are investigating external training options for the Council's Information Asset Owners who are custodians of the Council's assets to ensure they are aware of their responsibilities.

3.16 We have recently accepted the Information Commissioners Office free request to conduct a voluntary data protection audit which should be of benefit of work in this area. We have requested that they consider visiting the Council later in the year due to existing work commitments.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 9 February 2016
Report for: Information
Report of: Kerry Purnell, Head of Partnerships and Communities

Report Title

Annual Governance Statement 2014/15 – update on significant governance issue : Locality Working

Summary

This report includes an extract from the 2014/15 Annual Governance Statement outlining one of the significant governance issues identified for further development through 2014/15 i.e. Locality working It provides an update on work undertaken to date and further work planned in respect of this issue.

Recommendation

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

Contact person for access to background papers and further information:

Name: Kerry Purnell
Extension: 2115

Background Papers:
2014/15 Annual Governance Statement

<u>Annual Governance 2014/15 Statement – Significant Governance Issue: Locality Working</u>

1. Introduction

Detailed below is an extract from the 2014/15 Annual Governance Statement in relation to one of the significant governance issues listed in the Statement i.e. Locality Working. This is followed by an update on actual progress made to date in respect of this issue.

2. Annual Governance Statement 2014/15 Extract

The following detail (in italics) was included in sections 5.3 and 5.4 of Trafford Council's 2014/15 Annual Governance Statement:

The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to transform service delivery arrangements, to ensure the Council effectively delivers its objectives and manages its resources to meet the ongoing financial challenges being faced.

Detailed below are significant governance issues and a summary of the actions planned to address these in 2015/16

2014/15 Issues and Action Planned 2015/16
3. Locality Working *A Steering Group led by the Executive Member for Partnerships and Communities and the independent Chair of the Strong Communities Board has been leading the project to implement locality working across Trafford, working with Locality Partnerships, Ward Members and key stakeholders. Each Directorate has appointed a senior manager as a lead for Locality Working.* *As the project has developed, the emphasis has widened from the development of Locality Plans, to focus on Locality Working, a new culture of working together across sectors and with residents and communities that makes the best use of all assets and resources within localities, driving innovative service delivery, shaping demand and enabling resident action. The Locality Plans and Locality Partnerships are tools to coordinate and govern Locality Working. The principles of Locality Working are set out in the refreshed Community Strategy and support delivery against the Reshaping Trafford and PSR agendas.* *Engagement of thematic partners and organisations is essential if quality plans are to be produced, and to ensure that strategic partners align services and resources as set out in the plans. All thematic partnerships and key partner organisations have had introductory presentations on locality working, and this is being followed up by more detailed discussions on the strategic mapping and structural changes required to influence and respond to locality working. Senior leaders have been asked to lead, support and challenge their own organisation, middle managers must have the mandate and confidence to work innovatively and creatively with partners and residents, and front-line staff must be able to encourage and enable local people to take action, signposting and connecting to support from agencies. Community Builders (frontline staff working within communities) are being identified across agencies.* *From June 2015 Locality Working will 'go-live'. Each Locality Partnership will hold a stakeholder event; inviting representatives from all sectors to an interactive workshop to*

2014/15 Issues and Action Planned 2015/16
kick start the community conversation, explore the data and intelligence and the asset mapping and start to shape the key themes for locality plans. *At the same time, a large-scale borough-wide campaign, "Be Bold, Be the Difference", will also be launched. This will encourage residents to get involved in their local community, take action and make a difference, and highlight the support that is available to them from agencies. Front-line staff will have a key role in this campaign, acting as 'Community Builders', on the ground signposting and connecting local people.* *Community Builders are being identified across agencies. Training will be commissioned for LP members, Ward Councillors and identified community builders on community engagement and the role of a community builder.* *During the summer of 2015 LPs will lead more community engagement activities to help shape and consult on the emerging locality plans.* *Once drafted, task and finish groups will be established to tackle key outcome focused objectives, bringing together public services, the voluntary and community sector, and residents to co-produce and deliver solutions to local issues.*

3. Updated position (February 2016)

In Trafford we have a strong culture of working together, across public services and with communities. We want make sure that we are utilising all of our assets, skills and resources we have in our towns and neighbourhoods.

Locality working is a way to work collaboratively and innovatively to make best use of the assets we have in our local area. This means bringing together everyone, from individual residents, businesses, community and faith groups, councillors, community leaders and public sector bodies, to work in partnership, share resources and enable new ideas to develop, making full use of the physical and human assets, financial resources and community spirit that thrives within our localities. A simple guide to Locality Working has been produced and printed http://www.traffordpartnership.org/locality-working/Docs/1047Locality-Working-LeafletDv2.pdf

Locality Working is intrinsically linked with other key strategic agendas, providing a practical way of delivering Early Help and Prevention, Public Service Reform, Shaping Demand, Community Action and Third Sector Infrastructure Support. By engaging statutory partners, stakeholders, businesses and communities throughout the implementation of this programme, we are ensuring that these national and local agendas are strategically aligned.

These are captured within a strategy for ***Building Strong Communities***, developed by the Trafford Partnership and led by the Strong Communities Board, which sets out a vision for effective partnership working through mutually beneficial relationships between organisations, across sectors and with residents and communities, which will drive innovation, collaboration and meaningful co-production, highlighting the importance of the Voluntary, Community and Social Enterprise Sector and the changing role of businesses, public services and residents. The strategy can be found on the Trafford Partnership website http://www.traffordpartnership.org/information-and-performance/Docs/building-Strong-Communities-v10.pdf

Locality Projects

We are beginning to see some very clear and tangible benefits of bringing partners and communities together to address key issues, increasing (or maintaining) the total amount of resources invested in achieving specific outcomes, and making better use of available resources by pooling resources, joint delivery, commissioning and decommissioning services, and targeting voluntary sector grants. The Locality Working model is being tested through the current projects, and additional projects are emerging from the partner and resident engagement carried out by the Locality Partnerships.

Transparency and resident involvement will increase local accountability and democracy, and enable an honest conversation with residents and stakeholders. This is essential if we are change the relationship between services and residents, changing their role and expectations, to shape and reduce demand. Whilst it is difficult to measure and evidence the direct correlation between locality working and reduced demand, we must do something to build community resilience and involve everyone in preventing the need for more acute and costly services.

Locality Project Case Study – M16 Environmental Action

There have been long-standing environmental concerns in the Old Trafford area (postcode M16), with high levels of fly-tipping and rubbish in the alley-ways and streets of this inner city neighbourhood. The Council has often been placed at the centre of this issue, criticised by local groups and Ward Councillors for not removing rubbish and keeping the streets clean.

Over the last year, Trafford Council has run a successful campaign called Be Responsible, to encourage dog owners to take responsibility for cleaning up after their pets and for disposing of their waste responsibly. Building on this, and focusing on a specific geographic area, we looked at the issues in Old Trafford using the locality working principles and framework. So rather than the Council being at the centre of this problem, we considered who else has a role to play – Ward Councillors, housing providers, community groups, faith groups and of course residents themselves, as well as the Council.

By bringing everyone together, as equal assets, we are able to have a more constructive conversation with stakeholders and residents, and agree a plan that more effectively utilised all the resources that were going into this issue, as a single project, rather than by people/organisations working independently, duplicating effort and blaming each other.

The Locality Partnership supported the project by setting up a small grants scheme, offering up to £300 to residents who wanted to improve their local environment. It was very simple to apply, and payments were made to individuals (not just constituted groups). We funded 16 projects, which immediately began to deliver fantastic results. Neighbours came together, cleaning and maintaining their back alleys, placing plants and benches there, enabling children to play and people to meet. One project has put art in the alleyway, and is holding art classes for children there https://thebackgallery.wordpress.com/about-2/ Another project has attracted the attention of Keep Britain Tidy, who has met with the residents, Council and Councillors to discuss trialling a project prior to national roll-out.

Locality Partnerships and Enabling Groups

Since being established in 2013, the Locality Partnerships have changed considerably. Membership has changed and expanded, following the well-attended stakeholder events in summer, with the meetings now open and inclusive to everyone who is actively improving their locality. The format has shifted, from formal agenda to wider networking and engagement, using creative techniques to connect partners with communities and develop new projects, harnessing their collective passion, assets and resources.

To drive forward locality working we have established four *Enabling Groups*. With a core membership of six, retaining the principle of split between Community, Agency and Councillor, these groups are responsible for:

- Leading engagement - through the Locality Partnership events and other engagement activity.
- Monitoring the projects – supporting and challenging delivery,
- Communicating success – by increasing media / social media presence
- Connecting Localities – to the Trafford Partnership, public sector organisations and residents and communities

The leads for locality working projects will also be invited to attend the group meetings

Be Bold… Be the Difference

The campaign continues to be promoted. The Partnerships and Communities Team are acting as the focal point for collecting stories and case-studies of how local people have responded to this campaign and become more active in their community. The website visits are tracked, queries responded to and successes showcased. Community Builders from all organisations are being encouraged to collate and send through their examples. The campaign will be expanded in the coming months with new case-studies and an enhanced social media campaign (see new case-studies below)

Community Builder Teams and Training

There are organisations across Trafford who can help by signposting to local groups, connecting to the right people and supporting with funding. Front line staff, Ward Councillors and Locality Partnership members have a lead role in the Be Bold … Be the Difference campaign, acting as Community Builders, enabling, supporting and connecting residents and communities
http://www.traffordpartnership.org/BeBoldCampaign/CommunityBuilders.aspx

To ensure they have a consistent message, understand each other's role, have a grasp on community assets, can identify where support and connections can be made, and have a culture of working together with the community, a coordinated training package was commissioned. The training was held on three days, attracting over 200 front-line staff from a range of agencies, Ward Councillors and Community Ambassadors. Delegates developed their understanding of how to unlock the strengths within communities, provide practical tools for mapping assets in communities and emphasize the role front line service providers can play. All participants are able to access an online ABCD tool kit for on-going support.

Since the training in June and July, virtual teams of community builders have been established in each locality, building relationships between officers and agencies, which is improving joint-working and will deliver better outcomes for residents.

In December we provided a free lunchtime session for senior officers and managers on Asset Based Community Development and Locality Working, hosted by Nick Massey, Chief Executive of Forever Manchester. The session was well attended, and well received. Over the coming months further training will be offered out to front-line officers and Ward

Members, middle and senior managers and in addition to members of the community who act as Community Connectors.

Recognition

Finally, as all boroughs are looking at how to shape demand, engage communities and change the way services are delivered, Trafford's Locality Working Programme is being noted nationally. We have had visits from Bradford, Rotherham, Stockport and Rochdale, and have presented at Greater Manchester and regional events including the i-Network annual conference in December. Locality Working was shortlisted for an iNetwork award.

Appendix 1 **Be Bold … Be the Difference**

You can make a big difference to the lives of your friends and neighbours, and yourself, by being more active, joining a local group, volunteering, setting up a social enterprise or simply by being more neighbourly.

"I'm WOWing the older people of Altrincham and Sale"
Alan from Home Instead Senior Care makes the 'What's on Where' guide for Sale and Altrincham
"I created the What's on Where (WOW) guides to help signpost older people to a wide range of socially stimulating activities that are typically run by local community organisations and their volunteers. Local residents who can be at risk of loneliness and isolation, can now brighten up their social calendar, meet a few new friends and make the most of what the local community offers."

"He was really pleased when I took a meal round"
Emma from Urmston helps her neighbours out
"As my neighbours have got older I've helped them out a little bit more. When she went into a hospital, I took him a meal round, and he was really pleased. You realise you don't need permission to do a nice thing or offer to help. It's nothing special, just what neighbours do. I spoke to some of the other people on our street, and now we all help out, with meals and shopping. In fact, now we all help each other out."

"I am helping to transform Partington, one park at a time!"
Adele from Partington set up Friends of Oak Road Park
"I wanted to help reclaim our community and get everyone working together, to make a difference to Partington and change people's perception of the place we all call home. So I set up a Friends Group for Oak Road Park in Partington with my neighbours. We are encouraging local people to get involved with the work we are doing on the park which will give our children pride in where they live. Oak Road Park is only the start of it. We have passion and belief that we can make a difference and get everyone working together for future generations!"

"I'm helping local mums to enjoy their journey"
Jessica Lacey from Stretford set up Soothe: Baby Blues to support new mums in Trafford
"As a mum of 3 I know how tough it can be in the early months of having a new baby. I wanted to support other mums to enjoy their journey into motherhood. So I set up Sooth: Baby Blues, supported by local retired midwives Remi and Daphne. We help the emotional wellbeing of new mums in Trafford by providing a space to bond, to nurture and be nurtured, to share, explore and adjust, to learn and to grow."

"We are delivering exciting and creative activities in the town where our children are growing up!"
Anna and Zoe from Sale organised the Sale Footprint Trail
"As local mums, we wanted to build on Sale's arts offer for families and children. For the Sale Footprint Trail, we painted a thousand animal footprints through the town centre, with local businesses sponsoring the trail. There is something immensely positive and motivating about working within your own community, where you really see the direct benefits of the time and effort you are putting in. We are both very inspired and thoroughly supported by the people we meet

every day. What began as a conversation at the school gates has evolved our roles as full time mums to running a thriving organisation in less than a year.”

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TRAFFORD COUNCIL

Report to:	**Accounts & Audit Committee** **Executive & Council Meetings**
Date:	**9 February 2016** **17 February 2016**
Report for:	**Decision**
Report of:	**The Executive Member for Finance and Director of Finance**

Report Title

TREASURY MANAGEMENT STRATEGY 2016/17 – 2018/19

Summary

This report outlines the:-

- strategy to be followed during this period for investments and borrowing,
- outlook for interest rates,
- management of associated risks,
- policy to be adopted on Minimum Revenue Provision and
- Prudential Indicators for 2016/17 – 2018/19.

Recommendations

That the Accounts & Audit Committee & Executive recommend to Council for approval the:

- policy on debt strategy for 2016/17 to 2018/19 as set out in section 3;
- investment strategy for 2016/17 to 2018/19 as set out in section 5;
- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

Contact person for access to background papers and further information:

Name: Graham Perkins
Extension: 4017

Background papers: None

Relationship to Policy Framework / Corporate Priorities	Value for Money
Financial	The treasury management strategy will aim to maximise investment interest whilst minimising risk to the Council. The Council's debt position will be administered effectively with any new loans taken at rates of interest in-line with the Medium Term Financial Plan provision.
Legal Implications:	Actions being taken are in accordance with legislation, Department of Communities & Local Government (DCLG) Guidance, Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice.
Equality/Diversity Implications	Any equality and diversity implications are as set out in this report
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the treasury management systems and procedures which are independently tested on a regular basis. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

Summary

This report outlines the expected treasury activities for the forthcoming three years and has been prepared in accordance with the Council's Financial Procedure Rules. Additional treasury management reports are produced during the course of the year reporting actual activity for the preceding year and a mid-year update.

Economic situation (Appendix 2)

The World economic situation continues to remain finely balanced with the US & UK reporting respectable growth figures compared to the other major economies.

During 2015 the main economic headlines were:

- UK reported positive growth throughout 2015 with the economy continuing to be one of the strongest of the developed nations. Unemployment reached 5.2% in October, its lowest level since May 2008;
- The Euro Central Bank commenced a €1.1 trillion programme of quantitative easing and Greece continues to remain an issue;
- US Central bank increased its bank rate from 0.25% to 0.50% in December, the first increase since 2008; and
- China's Government implemented several stimulus measures in order to ensure the economy hit a growth target of 7%, however despite this action a return of 6.9% was achieved, the lowest level in 25 years. Many commentators still have concerns that recent growth figures may have been massaged to hide a more accurate lower growth position. In addition to this, during the Summer months, China's stock market encountered a period of falling prices.
- Japan entered recession for the 4th time in 5 years.

Debt (Section 3)

Borrowing interest rates are expected to continue at their historically low levels during the next 12 months before steadily increasing. Any new external borrowing will be taken in order to (a) assist finance the Council's capital Investment programme and (b) commence to address the current underborrowed position, as described at paragraph 3.2 and outlined at paragraph 3.3.

Debt restructuring exercises will only be undertaken in order to produce revenue savings or lower overall treasury risk.

Investments (See Section 5 and Appendix 3)

The primary principles governing the Council's investment criteria remains unchanged from that previously adopted of security of capital first, liquidity of its cash flows and finally yield.

The Council is required to agree the lending criteria, which is primarily determined by credit ratings issued by the 3 major credit rating agencies as detailed at Appendix 3.

Prudential Indicators and limits (Section 7 and Appendix 3)

The Council is required to approve a set of Prudential Indicators and limits which ensure the Council's capital expenditure plans and borrowing remain robust, prudent, affordable and sustainable. These are detailed at Appendix 3 for Member approval.

1. Background

1.1 The main treasury management activities are outlined below:

- ensure that adequate cash is available to meet the Council's cash flow requirements;
- manage its long and short term loans;
- invest any temporary surplus monies which become available during the year in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity before considering investment return;
- undertake any long term funding requirements of the Council's capital investment programme with the use of longer term cash flow planning and may involve arranging long or short term loans; and
- on occasion, carry out any debt restructuring exercises on its existing loans in order to meet Council risk or cost objective.

1.2 All transactions undertaken as part of the treasury management operation will comply with all the statutory requirements together with the DCLG Guidance, CIPFA Treasury Management Code of Practice which the Council has adopted. A brief outline of these has been provided at Appendix 1.

1.3 Each year in order to comply with the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), Members are required to receive, consider, scrutinise and approve, a minimum of three reports annually, which incorporate a variety of policies, estimates and actuals as follows;

- Annual treasury strategy for the year ahead (February i.e. this report).
- Mid-year update report (November).
- Annual report on the activity undertaken compared to the strategy (June).

1.4 The Council uses Capita Asset Services as its treasury management advisors who provide a range of services on all treasury matters from the supply of credit ratings to technical support and this service is subject to regular review.

1.5 Whilst the advisors provide support to the internal treasury management team, the Council recognises that the final decision on all treasury management matters remains with the organisation at all times.

1.6 The Council recognises the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are fully equipped to undertake the duties and responsibilities allocated to them by ensuring that;

- Members will continue to have access to training which will be relevant to their needs & responsibilities;
- Officers will attend courses / seminars presented by CIPFA, Advisors and any other suitable professional organisation, in accordance with Council policy on this issue.

1.7 Excluded from this report are the activities carried out by the Council's schools, which operate within a separate criteria as stipulated by the Director of Finance and in accordance with the Council's Financial Procedure Rules.

2. Economic & Interest Rate forecast

2.1 The Worldwide economic situation, continues to remain in a delicate position with only the US & UK reporting respective levels of Gross Domestic Product compared to other countries economies during 2015. Markets are closely following the current economic situation in China and Greece continues to remain an issue.

2.2 Further details on the major economic events which occurred during 2015 and forecasts for 2016/17 are outlined at Appendix 2 for reference.

2.3 Capita, the Council's external treasury management advisors, produces interest rate forecasts periodically throughout the year and the latest position, up to March 2019 are highlighted in the table below;

Annual Average	**Bank Rate (%)**	**Investment Rates (%)**		**Borrowing Rates (%)**	
		3 month LIBID	**1 year LIBID**	**5 year**	**25 year**
2015/16	0.50	0.52	1.00	2.00	3.40
2016/17	0.63	0.70	1.15	2.25	3.55
2017/18	1.13	1.20	1.70	2.65	3.85
2018/19	1.63	1.70	2.20	3.05	4.08

2.4 The risk to the above forecast will be if the economic recovery from the recession proves to be weaker and slower than currently expected, it is likely rates would remain low for longer.

2.5 The Council's advisors have stated that the economic situation and outlook still remains uncertain and as a result of this the Council will therefore continue to take a cautious approach to its treasury strategy during this period.

3. Debt Strategy 2016/17 – 2018/19

3.1 The Council has the powers to borrow new funds from the Government (Public Works Loan Board, (PWLB) and dedicated Publicly funded companies set up to soley lend funds to the public sector e.g. Salix), Municipal Bond Agency or the money market providing it is to assist short term cash flow or finance longer term capital investment.

3.2 The table below shows the actual current external debt levels, with forward projections, against the underlying capital borrowing need (the Capital Financing Requirement - CFR) highlighting the Council's under-borrowing position. Interest rates are at historically low long term levels and the table includes an assumed take up of new borrowing during the remainder of 2015/16 and 2016/17.

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	2015/16	2016/17	2017/18	2018/19
	Estimate £000	**Estimate £000**	**Estimate £000**	**Estimate £000**
Debt at 1 April	94,992	104,107	109,215	110,081
Debt maturing	(1,770)	(3,747)	(2,684)	(2,578)
New Debt	10,885	8,855	3,550	0
Debt at 31 March	104,107	109,215	110,081	107,503
Capital Financing Requirment at 31 March	135,431	138,307	140,528	135,512
Under borrow at 31 March	31,324	29,092	30,447	28,009

3.3 It can be seen from the above table that the Council is currently maintaining an under-borrowed position arising from decisions taken previously not to finance capital spending from new external loans. Instead cash supporting the Council's reserves, balances and cash flow has been temporarily used to finance this requirement.

3.4 The Director of Finance will monitor the interest rate market and adopt a pragmatic approach to changing circumstances within the 2016/17 treasury operations. Any new borrowing undertaken will be to (a) assist finance the Council's capital Investment programme and (b) start to replace funds previously used to finance capital spend (underborrowed position) and will be subject to favourable interest rates, being available permitting this course of action.

3.5 The Council holds £56m of Lender's Option Borrower's Option (LOBO) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Currently, £51m, of these loans have options during 2016/17 and although the Director of Finance understands that lenders are unlikely to exercise their option in the current low interest rate environment, there remains a possiblity that this could occur. In accordance with the Director of Finance's delegated authority, should an opportunity present itself to repay a LOBO loan at no cost, then this option will be taken and the situation assessed as to whether or not a replacement loan is taken from the PWLB.

3.6 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.8m which is administered by Tameside Borough Council. This follows the conversion in February 2010 of loans previously held on behalf of Manchester International Airport into an equity rated instrument.

3.7 As short term borrowing rates will be cheaper than longer term fixed interest rates, there may be potential opportunities in the future to generate revenue savings by switching from long term debt to short term debt. However the cost of premiums incurred, due to early repayment, will also need to be taken into account before any restructuring is undertaken.

3.8 The Council retains the flexibility to borrow funds in advance of requirement should market conditions unexpectedly change i.e. anticipate a sharp rise in interest rates, however funds will not be taken purely in order to profit from investment of the extra sums borrowed. This course of action will be done in accordance with the Director of Finance's delegated powers and reported to Members through either the mid-year or annual reporting mechanism.

3.9 Any borrowing undertaken in this way by The Director of Finance will be done within the constraints stated below;

- no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period is to be taken in this manner and
- borrowing only up to a maximum 12 months in advance of need.

3.10 A breakdown of the Council's expected debt maturity profile as at 31 March 2016 is provided at Appendix 4 for reference which also shows, in accordance with the Code of Practice, the potential first date the lending banks could amend the rate of interest for the market loans.

3.11 The Council is required to approve;

- the above debt strategy and
- as part of the Prudential Indicators and Limits requirement, the limits for external debt in accordance with the Local Government Act 2003, having regard for CIPFA's prudential code before the commencement of each financial year. These limits are detailed at Appendix 3 for Council approval.

4. Minimum Revenue Provision Strategy

4.1 The Council is required to set aside an amount each year for the repayment of debt (by reducing the CFR), through a revenue charge called the Minimum Revenue Provision (MRP). In addition, the Council is also allowed to undertake voluntary revenue payments (VRP).

4.2 During 2015/16 the Council undertook an extensive exercise reviewing how it calculates MRP costs for debt incurred on capital expenditure prior to 2008.

4.3 As a result of this review, a change in policy was approved by Council at its January 2016 meeting and there will be no change to this in 2016/17. As part of the Prudential Indicators and Limits requirement Members are requested to approve the MRP statement as detailed at Appendix 3.

5. Investment Strategy

5.1 The Council undertakes investments, from income temporarily available which has been received in advance of spend and from its balances and reserves which it holds. This function is undertaken with regard to the DCLG's Guidance on Local Government Investments together with the revised CIPFA Treasury Management in Public Services Code of Practice.

5.2 The primary principle governing the Council's investment criteria is the security of its investments, followed by liquidity whilst ensuring that a reasonable level of return is also achieved. After these main principles, the Council will ensure that it maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections at Appendix 3.

5.3 To ensure that investments are only placed with strong creditworthy institutions, a counterparty list is produced and maintained based on credit ratings from two of the three independent rating agencies (Fitch, Moody's and Standard and Poor's) and these must meet the minimum levels required by the Council as shown at Appendix 3.

5.4 This approach uses real time credit rating information provided by the Council's advisers Capita and enables an institution to be included on this list, using the latest ratings.

5.5 Any institution featuring on the Council's approved list which incurs a negative rating change taking it below the minimum credit criteria required, will immediately be suspended from use and removed from the authorised list.

5.6 Whilst investment risk cannot entirely be eliminated, it can be minimised and in order to reduce the risk of an institution defaulting, the Director of Finance recommends to continue with the current practice of institutions only being included on the Council's lending list which have minimum credit rating as follows;

- Short Term – Fitch F1 or equivalent
- Long Term – Fitch A- or equivalent

5.7 A full explanation of the credit ratings determining the institutions which the Council will use can be found at Appendix 5.

5.8 Whilst Members are asked to approve this base criteria, the Director of Finance may temporarily restrict further investment activity to those institutions considered of higher credit quality than the minimum criteria set out for approval should any exceptional market conditions be encountered.

5.9 The Council's officers further recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor each institution in relation to the economic and political environments in which they operate. For this purpose, the Council will with the assistance of its advisers, monitor market opinions, financial press, equity & credit default swap prices and overlay this information on top of the credit ratings. This additional market information is detailed for Members' reference at Appendix 5.

5.10 In addition to the Council's list of high quality investment institutions, further factors will also be used in order to reduce any potential exposure of its investments including time and value limits as explained in more detail at Appendix 3 together with how much in total can be placed in non-UK institutions, Groups and Sectors which is shown in more detail at Appendix 5.

5.11 Investments will continue to be placed into three categories as follows;

- Short-term – cash required to meet known cash flow outgoings in the next month, plus a contingency to cover any unexpected transaction over the same period with bank call accounts, money market funds and certificates of deposits being the main methods used for this purpose.
- Medium-term – cash required to manage the annual seasonal cash flow cycle covering the next 12 months and will generally be in the form of fixed term deposits and enhanced money market funds.
- Long-term – cash not required to meet any forthcoming cash flow requirements which can be used primarily to generate investment income by using fixed or structured term deposits, certificates of deposits, government bonds or the Local Authority Property Investment fund, after taking into consideration the forecasted interest rate yield curve.

5.12 The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded and will be limited to the Prudential Indicator detailed at Appendix 3.

5.13 A breakdown of the Council's investments as at 31 January 2016 is provided for reference at Appendix 6.

5.14 The Council is requested to approve;

- the adoption of above Investment strategy and
- the minimum criteria for providing a list of high quality investment institutions, instruments and limits to be applied are highlighted at Appendix 3.

6. Investment Risk Benchmarking

6.1 The Code of Practice and DCLG Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to Members and these are explained in more detail in Appendix 5.

6.2 These benchmarks are simple guides to maximum risk (not limits) for use with cash deposits and so may be exceeded from time to time, depending on movements in interest rates and institution criteria. The purpose of the benchmark is to assist officers to monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Members, with supporting reasons in the Mid-Year or Annual Report. For reference these benchmarks will be;

- Security - each individual year the security benchmark is:

1 year investments	2 year investments	3 year investments
0.077%	**0.056%**	**0.077%**

Note - This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.

- Liquidity – Weighted Average Life (WAL) - benchmark for 2016/17

  is set at 6 months, with a maximum of 3 years for cash time deposits

  Liquid short term deposits - at least £15m are available with a week's notice

- Yield - Internal returns are required to achieve above the 7 day London Interbank Deposit (LIBID) rate.

7. Prudential Indicators

7.1 A number of prudential indicators have been devised for both the treasury management and capital operations. These are designed to assist managing risk and reducing the impact of an adverse movement in interest rate as well as ensuring that the Council's capital expenditure plans are prudent, affordable and sustainable. These indicators have been set in order that they are not too restrictive thereby impairing the opportunities to reduce costs and reflect the capital programme proposals, included within the main budget report.

7.2 Members are requested to approve the Prudential Indicators for Council's treasury management activities as detailed at Appendix 3.

8. Recommendations

That the Accounts & Audit Committee and Executive recommend to Council the key elements of this report for approval which are as follows;-

- policy on debt strategy for 2016/17 to 2018/19 as set out in section 3;
- investment strategy for 2016/17 to 2018/19 as set out in section 5;
- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), The Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

Other Options

This report has been produced in order to comply with Financial Procedure Rules and relevant legislation. It provides a plan of action for the period 2016/17 to 2018/19, which is flexible enough to take account of changes in financial markets.

Consultation

Advice has been obtained from Capita, the Council's external advisors.

Reasons for Recommendation

The Financial Procedure Rules, incorporating the requirements of the revised CIPFA Prudential Code and the CIPFA Treasury Management Code requires that the annual strategy report is an essential control over treasury management activities whereby Members approve the parameters under which officers will operate. In addition The Local Government Act 2003 requires that the Council approves an annual borrowing limit (the Authorised Limit) and DCLG Guidance an annual investment strategy (setting out the limits to investment activities) prior to the commencement of each financial year.

Key Decision

This will be a key decision likely to be taken in: February 2016

This is a key decision currently on the Forward Plan: Yes

Finance Officer Clearance *…ID… …..*

Legal Officer Clearance *…HK ..…..*

Director of Finance Signature ....

STATUTORY FRAMEWORK

Local Government Act 2003

In accordance with the Local Government Act 2003 (and supporting regulations and guidance) each Council must before the commencement of each financial year, produce a report fulfilling three key requirements as stipulated below;

- The debt strategy in accordance with the CIPFA Code of Practice on Treasury Management (section 3);
- The investment strategy in accordance with the DCLG investment guidance (section 5);
- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix 3).

CIPFA Code of Practice

The Council's treasury activities are strictly regulated by statutory requirements in conjunction with a professional code of practice (the CIPFA Treasury Management Code of Practice). This Council adopted the Code of Practice on Treasury Management on 24 April 2002 and followed recommended practices by considering an annual Treasury Management Strategy before the commencement of each financial year. These Codes are revised from time to time and the Council complies with any revisions.

CIPFA defines treasury management as *"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions(debt); the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".*

Investment Guidance

DCLG issued Investment Guidance in March 2010 and this forms the structure of the Council's policy below:

- The strategic guidelines for decision making on investments, particularly non-specified investments;
- Specified investments that the Council will use. These are high security (no guidelines are given defining what this should consist of and each individual Council is required to state what this should be i.e. high credit ratings), high liquidity investments in sterling and with a maturity of no more than a year;
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time;
- The principles to be used to determine the maximum periods for which funds can be committed.

MAIN ECONOMIC HEADLINES DURING 2015/16

UK -

- Annualised Gross Domestic Product (GDP) grew by 2.2% in 2015 and despite this being slower to that reported for 2014 of 2.9%, it is still one of the strongest economies of the developed nations;
- Consumer Price Index (CPI) was around 0% for the majority of 2015, with the latest position showing 0.20% for December 2015;
- Average weekly earnings were 3.0%;
- Monetary Policy Committee (MPC) left both the Bank Rate and Quantative Easing levels unchanged at 0.5% (the lowest level since 1692) and £375bn respectively;
- The level of unemployment benefit claimants fell to 5.2% in October 2015, it's lowest since May 2008 years.

Eurozone –

- GDP remains weak at 1.5% with concerns on how the slowdown in both the Chinese and Japanese economies will effect this;
- CPI continued to hover around 0% for 2015 and includes some countries with negative rate (deflation). The latest position for December was unchanged from that reported in November of 0.2%;
- Unemployment rate continues to be a problem at 10.7%;
- Greece continued to be a cause for concern but finally relented to EU demands for a major programme of austerity to be implemented, receiving a third bailout package of €86bn, its banking systems being damaged and holding a surprise general election. Concerns remain as to whether the size of cuts and degree of reforms required can be fully implemented thereby avoiding a Greek exit from the euro.
- European Central Bank in March 2015 commenced a €1.1 trillion programme of quantitative easing buying up high credit quality government and other debt of selected EZ countries which is intended to run to September 2016. Its central policy rate remains at 0.05%.

US –

- GDP is currently forecasted to be 2.1% for 2015;
- The Federal Reserve for the first time since 2008, increased the Bank rate in December by 0.25% to 0.50%;
- Unemployment levels fall to 5.0% in November 2015, their lowest levels in 7 years;
- CPI 0.2% in November 2015.

Other –

- China's Growth rate for 2015 was 6.9% the lowest level in 25 years. There are market concerns that recent growth figures have been massaged to mask a downturn to a lower growth figure. During the Summer months China's stock market encountered a period of falling prices.

- Japan is causing considerable concern as growth in quarters 2 & 3 shrank by 0.7% & 0.8% respectively pushing it back into recession for the fourth time in five years.

MAIN ECONOMIC FORECASTS FOR 2016/17

Economic forecasting remains difficult, particularly with many so external influences affecting the UK and currently forecasters are predicting the following average levels of activity;

Indicator	UK	Eurozone	US	China
Growth Domestic Product	2.5%	1.6%	2.2%	6.6%
Consumer Price Index	1.2%	0.4%	0.9%	2.3%
Unemployment Rate	5.9%	10.6%	5.1%	4.0%
Bank Rate	0.75% (0.25% increase to 0.75% expected Qtr 4 2016)	0.05%	1.30%	4.00%

ELEMENTS FOR COUNCIL APPROVAL
(including Prudential and Treasury Indicators, Minimum Revenue Provision & Investment Criteria)

In accordance with DCLG Guidance, the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management each council is required to set, before the commencement of each financial year, Treasury Management Prudential Indicators and limits, a Minimum Revenue Provision Statement and Investment criteria.

The Accounts and Audit Committee and Executive are requested to recommend that Council approve these for the period 2016/17 – 2018/19 as detailed below.

TREASURY PRUDENTIAL INDICATORS AND LIMITS

In accordance with the CIPFA Prudential code, the Council is required to produce prudential indicators and limits reflecting the expected capital activity regarding its capital investment programme. These have an impact on the Council's treasury management activities and the Council is required to approve the prudential indicators and limits affecting treasury management performance as shown below;

	2015/16 estimate £m	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m
Upper Limits – Fixed interest rate exposure	**2.7**	**2.6**	**2.3**	**2.0**
Upper Limits – Variable interest rate exposure	**3.2**	**3.3**	**3.3**	**3.5**
Upper Interest Limits – identifies the maximum limit for both fixed and variable interest rates exposure based upon the Council's debt position net of investments (debt interest payable less investment interest receivable).				
Authorised Limit for External debt				
-External debt (01.04)	130.0	130.0	134.0	133.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Total	**136.0**	**135.8**	**139.6**	**138.4**
Authorised external debt limit - maximum level of external debt that the authority will require to cover all known potential requirements and includes headroom to cover the risk of short-term cash flow variations that could lead to a need for temporary borrowing. This limit needs to be set or revised by Council and is the statutory limit determined under section 3(1) of the Local Government Act 2003.				

	2015/16 estimate £m	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m
Operational Boundary for External debt				
-External debt (01.04)	115.0	115.0	119.0	118.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Total	**121.0**	**120.8**	**124.6**	**123.4**

Operational boundary - calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year excluding any temporary borrowing and is not a limit.

	2015/16 estimate £m	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m
Upper limit for sums invested over 364 days	**70**	**70**	**70**	**70**

Upper Limit for sums invested for over 364 days – these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. Included within this limit are Manchester Airport Shares which at 31 March 2015 were independently valued at £41.0m and the Church Commissioners Local Authorities Property Investment Fund investment of £5m.

	2015/16 estimate £m	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m
Gross debt and Capital Financing Requirement				
-External debt (01.04)	115.0	115.0	119.0	118.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Gross debt	121.0	120.8	124.6	123.4
-C.F.R.	135.4	138.3	140.5	135.5
Excess C.F.R.	**14.4**	**18.5**	**15.9**	**12.1**

Gross Debt and the Capital Financing Requirement – this indicator reflects that over the medium term, debt will only be for capital purposes. The Director of Finance will ensure that all external debt does not exceed the capital financing requirement with any exceptions being reported to Council.

Maturity structure of borrowing – 2016/17 to 2018/19	**Lower limit %**	**Upper limit %**
Under 12 months	0	70
12 months to 2 years	0	25
2 years to 5 years	0	25
5 years to 10 years	0	25
10 years to 20 years	0	25

Maturity structure of borrowing – 2016/17 to 2018/19 (cont.)	Lower limit %	Upper limit %
20 years to 30 years	0	25
30 years to 40 years	0	25
40 years and above	0	25
Maturity Structure of Borrowing – these gross limits are set to reduce the Council's exposure to large sums falling due for refinancing and this indicator reflects the next date on which the lending bank can amend the interest rate for the Lender Option Borrower Option loans.		

All the treasury prudential indicators and limits are monitored on a regular basis. If the situation arises that any of these appear that they will be breached for a sustained period, then this will be reported to Council at the earliest opportunity.

MINIMUM REVENUE PROVISION - (no change from the policy approved January 2016 by Council)

In accordance with DCLG Guidance, the Council shall determine for the current financial year, an amount of minimum revenue provision that it considers to be prudent and submit an MRP Statement setting out its policy for its annual MRP to Council for approval. The following MRP Statement has been prepared in accordance with the Council's accounting procedures and is recommended for approval:

- Capital expenditure incurred before 1 April 2008 financed by Supported Borrowing: MRP will be calculated on an straight line basis over the expected average useful life of the assets (50yrs);
- Capital expenditure incurred after 1 April 2008 financed by Prudential Borrowing: MRP will be based on the estimated life of the assets once operational charged on a straight line basis or annuity basis in accordance with the Guidance;
- PFI schemes and leases shown on the balance sheet: MRP will be based on the amount of the principal element within the annual unitary service payment and financed from the provision set-up to cover the final bullet payment. Capital receipts are to be used to replenish this provision to ensure this final bullet payment can still be made in 2028/29
- For expenditure that does not create an asset, or following the use of a Capitalisation Direction: provision will be made over a period not exceeding 20 years, in accordance with Guidance.
- In instances where the Council incurs borrowing and a third party is obliged to repay the principal (serviced debt arrangements): the Council will not charge MRP to the revenue account. An example of such an instance can be demonstrated when the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank. This involved the Council placing a five year deposit totalling £1m, in 2013/14, with the bank matching the five year life of the indemnities. This deposit provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The C.F.R.will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity and once received will be classed as a capital receipt, and the CFR will reduce

accordingly. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

<u>INVESTMENT CRITERIA</u> – (recommended changes as highlighted)

Counterparty Selection

The minimum criteria for providing a list of high quality investment counterparties is highlighted in the categories 1 to 4 below and are to be applied for both Specified (maximum period 1Year) and Non-specified investments (maximum period 3 Years). Category 5 applies to The Church Commissioners Local Authorities Property Investment fund only;

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 1 – All UK or Non UK banks with their subsidiaries which meet the necessary ratings or has a parent bank guarantee in place and building societies domiciled in a non-UK country which has a minimum Sovereign long term rating of AA- and individual credit rating issued by Fitch, Moody's and Standard and Poor's of: • Short Term – Fitch F1 or equivalent • Long Term – Fitch A- or equivalent This amendment is reflective that the rating agencies have concluded their reassessment of their ratings under their revised methodologies. This action has generated more certainty over underlying ratings thereby allowing the Council to become more prescriptive in the limits it applies. Importantly there is no change to the minimum credit rating required.	AA to AAA A+ to AA- A- to A Current limit AA to AAA A- to AA-	£20m £10m £5m £20m £5m	3yrs 1Yr 1yr 3yrs 1yr
Category 2 – UK Banks part nationalised - Royal Bank of Scotland. This bank or its subsidiaries can be included provided it continues to be part nationalised or meets the ratings in category1 above.	-	£20m	1yr
Category 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria.	-	n/a	1day
Category 4 – • Money Market Funds – must be AAA credit rated • Enhanced Money Market Funds – must be AAA credit rated • UK Government (including treasury bills,	-	£20m	3yrs

gilts and the DMO) • Local Authorities • Greater Manchester Pension Fund • Supranational Institutions • Corporate bonds (Manchester Airport Group)			
Category 5 – • Local Authority Property Investment fund	-	£10m	10yrs

Specified and Non Specified Investments – (recommended changes as highlighted)

In accordance with the Code of Practice, the Council is required to set a criteria which identifies its investments between Specified and Non Specified investments and these are classified as follows;

- Specified investments are high security and high liquidity investments with a maturity of no more than a year or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. All investments can be held under this definition,
- Non specified investments are any other type of investment not defined as specified above. A maximum of £70m is permitted to be held in this classification as detailed in Appendix 3, Prudential Indicator (5) Upper limit for sums invested over 364 days and
- Local Authority Mortgage Scheme. Under this scheme, which is designed for first time buyers to be able purchase a property in the area, the Council is required to place funds of £3m with Lloyds bank for a period of 5 years to match the 5 year life of the indemnity. This is classified as being a service investment, rather than a treasury management investment and is therefore outside of the specified / non specified categories.

Instruments & Maximum period

All Investments will be undertaken in Sterling in the form of Term Deposits, Money Market Funds, Treasury Bills, Gilts or Certificates of Deposits unless otherwise stated below.

Specified Investments

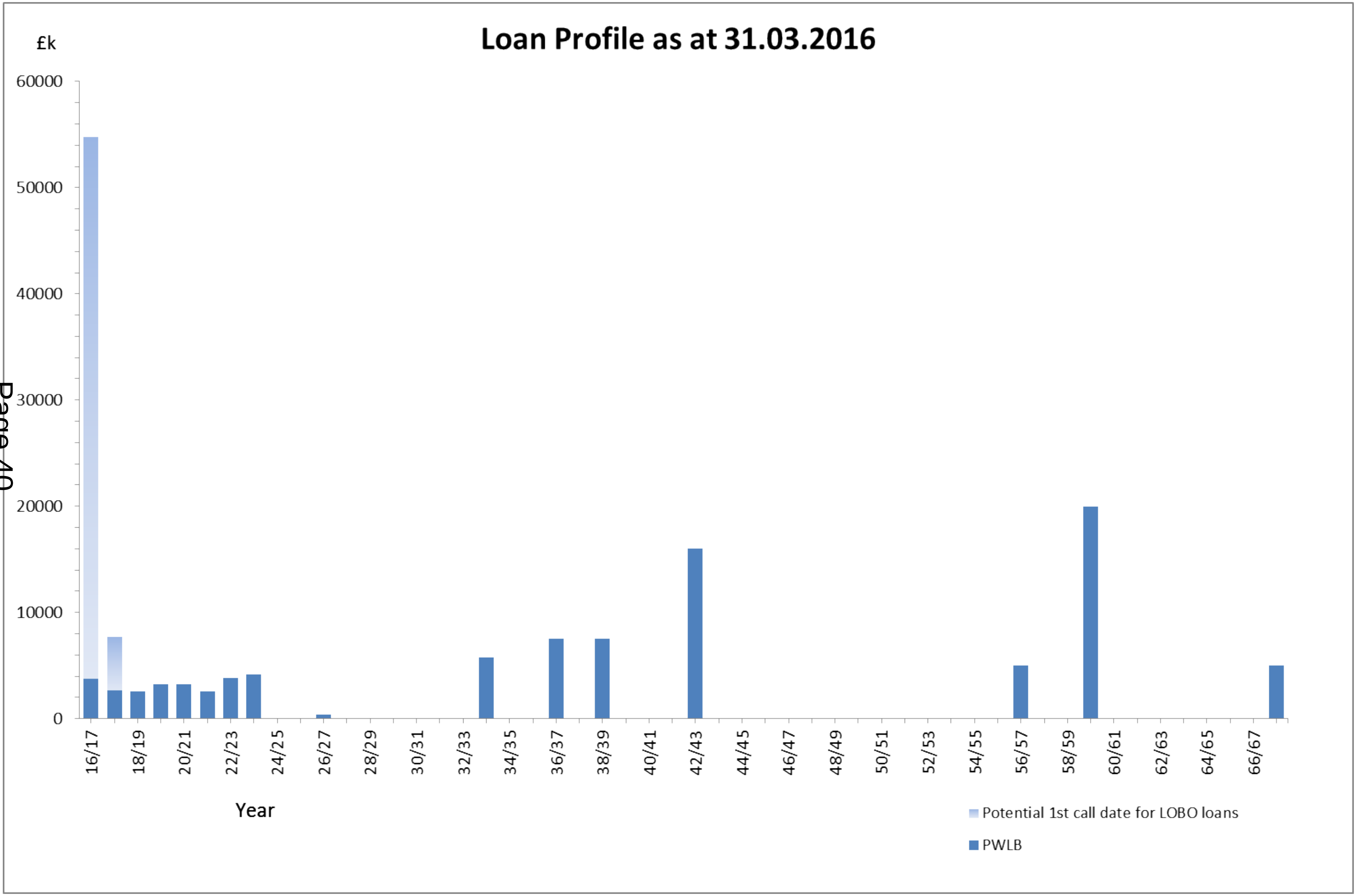
Investment	Maximum Maturity
The UK Government including Local Authorities and Debt Management Office.	1 Year
Supranational bonds of less than one year duration (e.g. European Investment Bank)	1 Year
Pooled investment vehicles that have been awarded a AAA credit rating by Fitch, a credit rating agency, such as money market funds	1 Year

An institution that has been awarded a high short term credit rating (minimum F1 or equivalent) by a credit rating agency, such as a bank or building society.	1 Year

Non-Specified Investments

Investment	Maximum Maturity
Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). The security of interest and principal on maturity is on a par with the Government and so are very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	3 Years
Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	3 Years
The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.	1 Day
UK Banks which have significant Government holdings	1 Year
Any bank or building society which meets the minimum long term credit criteria detailed in Appendix 3, for deposits with a maturity of greater than one year (including forward deals in excess of 1 year from inception to repayment).	3 Years
The UK Government including Local Authorities and Debt Management Office.	3 Years
Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to being guaranteed from the parent company and is included for clarity and transparency purposes.	3 Years
Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. It is envisaged this facility will apply to the Manchester Airport share-holding which the Council holds at a historical value of £41m as reported in the 2014/15 statement of accounts. It is not envisaged that this type of investment will be undertaken in the future.	Unspecified
Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.	Term of loans

Church Commissioners Local Authorities Property Investment Fund - This fund is aimed solely for use by public sector organisations wishing to invest in the property market whilst at the same time generating a favourable rate of return.	10 Years



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APPENDIX 4

INVESTMENT CREDIT AND INSTITUION RISK MANAGEMENT

The Council receives credit rating advice from its treasury management advisers, as and when ratings change and institutions are checked promptly to ensure it complies with the Council's criteria. The criteria used are such that any minor downgrading should not affect the full receipt of the principal and interest. Any institution failing to meet the criteria, or those on the minimum criteria placed on negative credit watch, will be removed from the list immediately, and if required new institutions which meet the criteria will be added to the list.

		Credit Rating Agency		
Classification	**Description**	**Fitch** **(Minimum)**	**Moody's** **(Minimum)**	**Standard & Poors (Minimum)**
Short Term	Ensures that an institution is able to meet its financial obligations within 12 months	F1 (Range **F1+, F2 A** to **D**)	P1 (Range **P1** to **P3**)	A1 (Range **A-1,** to **C**)
Long Term	Ensures that an institution is able to meet its financial obligations greater than 12 months	A- (Range **AAA** to **D**)	A3 (Range **AAA** to **C**)	A- (Range **AAA** to **CC**)

Investment Institution information.

Whilst the Council's Investment institutions list is prepared primarily using credit rating information, full regard will also be given to other available information on the credit quality of each institutions in which it invests. The information below will continue to be considered when undertaking investments;

- Credit default swaps - CDS created in 1997 and are a financial instrument for swapping the risk of debt default. Essentially the owner of the position would enter into an agreement with a third party who would receive a payment in return for protection against a particular credit event – such as default. Whilst absolute prices can be unreliable, trends in CDS spreads do give an indicator of relative confidence about credit risk.
- Equity prices – like CDS prices, equities are sensitive to a wide array of factors and a decline in share price may not necessarily signal that the institution in question is in difficulty.
- Interest rates being paid - If an institution is offering an interest rate which is out of line with the rest of the market this could indicate that the investment is likely to carry a high risk.
- Information provided by management advisors – this is may include some information detailed above together with weekly investment market updates.
- Market & Financial Press information – information obtained from the money market brokers used by the Council in respect of interest rates & institutions will also be considered.

No investment will be made with an institution if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

Investment Limits

In order to safeguard the Council's investments and in addition to the information shown at Appendix 3, due care will be taken to consider country, group and sector exposure as follows;

- **Country** – this will be chosen by the credit rating of the Sovereign state as shown at Appendix 3 and no more than 40% of the Council's total investments will be directly placed with non-UK counterparties at any time;
- **Group** – this will apply where a number of financial institutions are under one ownership (e.g. Royal Bank of Scotland / Nat West) and the Group limit will be the same as the individual limit for any one institution within that group;
- **Sector** limits will be monitored regularly for appropriateness.

Investment Risk benchmarking

Security and liquidity benchmarks are central to the approved treasury strategy through the institution selection criteria and proposed benchmarks for these are set out below.

Security - A method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table below shows average defaults for differing periods of investment grade products for each Fitch/Moody's and Standard and Poors long term rating category over the period 1981 to 2014.

Long term rating	Average 1 yr default	Average 2 yr default	Average 3 yr default	Average 4 yr default	Average 5 yr default
AAA	**0.000%**	**0.014%**	**0.051%**	**0.099%**	**0.165%**
AA	**0.027%**	**0.056%**	**0.077%**	**0.140%**	**0.205%**
A	**0.077%**	**0.215%**	**0.367%**	**0.517%**	**0.699%**
BBB	**0.235%**	**0.685%**	**1.191%**	**1.788%**	**2.422%**
BB	**1.219%**	**3.242%**	**5.341%**	**7.311%**	**9.139%**
B	**4.062%**	**8.822%**	**12.716%**	**16.245%**	**19.155%**
C	**24.031%**	**31.915%**	**37.727%**	**41.538%**	**45.215%**

The Council's minimum long term rating criteria is currently "A", meaning the average expectation of default for a one year investment in an institution with a "A" long term rating would be 0.077% of the total investment (e.g. for a £1m investment the average loss would be £770). This is only an average as any specific institution loss is likely to be higher.

Liquidity – The CIPFA Treasury Management Code of Practice defines this as "*having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable at all times to have the level of funds available which are necessary for the achievement of its business/service objectives"*.

The availability of liquidity and the period of risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio (shorter WAL would generally represent less risk).

INVESTMENT & EXTERNAL DEBT POSITION AS AT 31.01.2016

	Principal £m	Average Rate %
DEBT		
Fixed rate:		
- PWLB	37.2	6.97
- Market	5.0	4.41
Sub-total	42.2	6.67
Variable rate:		
- PWLB	0.0	0.0
- Market	51.0	5.52
Sub-total	51.0	5.52
Total debt	**93.2**	**6.04**
INVESTMENTS		
- Fixed rate	(69.5)	0.90
- Variable rate	(33.6)	1.03
Total Investments	**(103.1)**	**0.95**
NET ACTUAL DEBT / (INVESTMENTS)	**(9.9)**	

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Grant Thornton

Audit Committee Update

Trafford Council

Year ended 31 March 2016

February 2016

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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.

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Contents

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:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Knowing the ropes: Audit Committee effectiveness review
- Reforging local Government: financial health and governance review 2015

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.

Mark Heap Engagement Lead **T**: 0161 234 6375 **M:** 0788 045 6204 **E**: mark.r.heap@uk.gt.com

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Progress at February 2016

Work	Planned date	Complete ?	Comments
2015-16 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 2015-16 financial statements.	February 2016	N	We have issued our fee letter for 2015/16 which included our outline proposals. Our more detailed plan is due in February 2016
Interim accounts audit Our interim fieldwork visit includes: • 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 2016	N	We have started our interim work and will report progress as part of our Audit Plan.
2015-16 final accounts audit Including: • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion.	June to September 2016	N	Our work will start with the receipt of the draft final accounts in June 2016. We will prepare an Audit Findings Report and present this to the Committee prior to issuing our audit report.

Progress at February 2016

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2015/16 VfM conclusion has recently been subject to consultation from the National Audit Office. The audit guidance on the auditor's work on value for money arrangements was published on 9 November 2015. Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion: *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.* To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements: • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. We will be required to report by exception if we conclude that we are not satisfied that the Council has in place proper arrangements to secure value for money in the use of its resources for the relevant period.	September 2016	N	The guidance and supporting information includes: • the legal and professional framework; • definitions of what constitute 'proper arrangements'; • guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified; • evaluation criteria to be applied; • reporting requirements; • CCG specific guidance. The guidance is available at https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/ Now that the finalised auditor guidance is available, we will carry out an initial risk assessment to determine our approach and report this in our Audit Plan. Our work will be reported in the Audit Findings Report presented to the September meeting of the Accounts and Audit Committee.

Progress at February 2016

Work	Planned date	Complete?	Comments
Annual Audit Letter 2015/16 Our Annual Audit Letter will summarise the findings from our 2015/16 audit.	October 2016	N	
Housing Benefit Subsidy Claim 2014/15 We have completed the work required to certify the Council's 2014/15 Housing Benefit Subsidy Claim.	November 2015	Y	We issued a qualification letter to the DWP reporting on a number of issues. The main issue related to misclassification of Rent Allowance eligible overpayments. Our summary letter setting out our findings is outlined on the next slide.

Grant certification work for Trafford Council 2014/15

Ian Duncan
Director of Finance
Trafford Town Hall
Talbot Road
Stretford, M32 0YT.
11 January 2016

Dear Ian

Certification work for Trafford Council for year ended 31 March 2015

We are required to certify certain claims and returns submitted by Trafford Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified one claim (housing benefits subsidy) for the financial year 2014/15 relating to subsidy of £66 million. We issued a qualification letter to the DWP reporting on a number of issues. The main issue related to misclassification of Rent Allowance eligible overpayments which has been a recurring issue reported on in recent years. This year we found that the percentage error rate in our sample had increased to 12.8% from 4.3% last year. The Council does not believe that this year's error rate is representative of all eligible overpayments.

The Council has contacted the DWP and agreed that additional audit testing will be carried out on a further sample of overpayments. The deadline for us to report to the DWP on this additional work is 29 March 2016.

The detail of the claim certified is set out in Appendix A.

The scale fee set by the Audit Commission for the Council for the certification of 2014/15 claims is £15,330.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2014/15

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£66,149,424	No	Nil	Yes	We issued a Qualification Letter to the DWP reporting on a number of issues. As in previous years the main issue related to misclassification of overpayments.

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Reforging local government: Summary findings of financial health checks and governance reviews

Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.
Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

Our report is available at http://www.grantthornton.co.uk/en/insights/reforging-local-government/, or in hard copy from your Engagement Lead or Engagement Manager.

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CFO Insights– driving performance improvement

Grant Thornton and CIPFA Market insight

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

We are happy to organise a demonstration of the tool if you want to know more.

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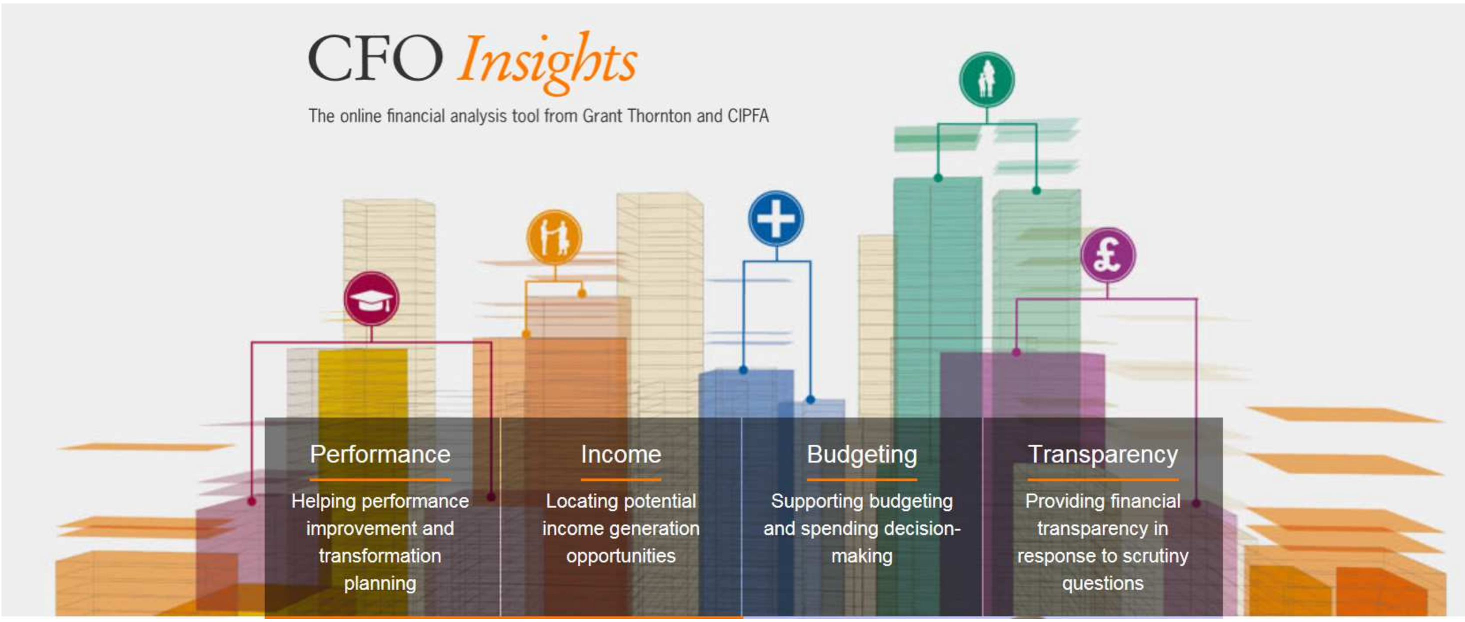

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CIPFA reports and publications

Local Government Issues

Audit Panels

In December 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) published its guidance on the establishment of auditor panels.

Under the Local Audit and Accountability Act 2014 'relevant authorities' are able to appoint their own local auditors via an auditor panel. The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies and smaller local government bodies moving to the new framework as planned on 1st April 2017 and larger local government bodies a year later, on 1st April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31st December 2016 and larger principal authorities by 31st December 2017.

The guidance sets out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor

Better Care Fund

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Healthcare Financial Management Association (HFMA) have issued a joint report examining the progress that has been made six months into the implementation of the government's £5.3bn Better Care Fund (BCF) arrangements. While the report points out that the fund has already begun to produce improved working relationships between NHS bodies and local public services, it highlights that more needs to be done to ensure the success of the BCF. The report is based on the results of a CIPFA and HFMA joint finance staff survey of NHS bodies and local authorities representing almost a third of BCF sites, and is available from the CIPFA website - http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/better-care-fund-struggling-with-red-tape.

Accounts - public rights of inspection and challenge

Local Government issues: National Audit Office

Council accounts: a guide to your rights

The NAO has published an updated version of Council accounts: a guide to your rights on its website. The guide has been updated to reflect the new requirements of the Local Audit and Accountability Act 2014, and applies to 2015-16 accounts. The document provides information on how people can ask questions and raise objections about the accounts of their local authority.

https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/

Arrangements for the exercise of public rights:

The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards. A key implication of the Act is that the final approval of the statement of the accounts by an authority prior to publication cannot take place *until after the conclusion of the period for the exercise of public rights*. As the thirty working day period for the exercise of public rights must include the first ten working days of July, authorities will not be able to approve their audited accounts or publish before 15th July 2016.

Smaller authorities must also wait until the conclusion of the thirty working day period for the exercise of public rights before publishing their accounts and the auditor's report.

The Care Act and New Burdens

Local Government Issues: Public Accounts Committee Report

Further to the NAO reports on *Care Act first-phase reforms* and *Local government new burdens* both published in June 2015, and the hearing of the Public Accounts Committee (PAC) in October 2015 on the combined topics, the PAC has now published its report on the matter. The PAC report considers the additional cost burdens on, and uncertainty for, local councils. It also considers the government's ability to identify and respond to councils that are struggling.

Its main findings are as follows:

- following the decision to delay the second phase of the Care Act, there are concerns that people will have to pay more for their care for longer before the cap on care costs is implemented. However, as the government have announced that they will not claw back the £146m of funding that it provided to councils in 2015/16 to prepare for the second phase, local authorities will not have the financial burden that was anticipated
- the DCLG have failed to adequately identify and assess new burdens on local authorities and consider their impact, creating significant uncertainty for local authorities Councils are faced with 'unfunded pressures' which are making it 'more difficult for them to meet their statutory duties and will increase pressure on council tax'
- The report calls for the Spending Review and annual finance settlements for local authorities to 'take full account of the many cost pressures local authorities face, whether or not they meet the government's definition of a new burden'. Funding must be monitored to ensure that vulnerable people do not lose out

The full report can be found at http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/publications/

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Results of auditors' work 2014/15

Public Sector Audit Appointments

Following the closure of the Audit Commission on 31st March 2015, Public Sector Audit Appointments (PSAA) became responsible for appointing auditors to local Government bodies and for overseeing the delivery of consistent, high-quality and effective external audit services. The Audit Commission previously published Auditing the Accounts reports for Local Government bodies covering the 2012/13 and 2013/14 financial years. The reports summarised the results of the work of auditors appointed by the Commission at local bodies. This is the first such report published by PSAA, and it summarises the results of auditors' work at 509 principle bodies and 9,755 small bodies. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies, according to Public Sector Audit Appointments Limited's *Report on the results of auditors' work 2014/15: Local government bodies*.

- for principal bodies, auditors at 345 of 356 councils (97 per cent) were able to issue the opinion on the accounts by the statutory accounts publication date of 30th September 2015.
- 97 per cent of police bodies and fire and rescue authorities also received the audit opinion by 30th September 2015.
- for the second year in a row there have been no qualified opinions issued to date to principal bodies.
- the number of qualified conclusions on value for money arrangements has remained consistent with the previous year at 4 per cent (17 councils, one police body and one fire and rescue authority).

IFRS 13 'Fair value measurement'

Accounting and audit issues

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local authorities need to:

- identify/ review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.

Highways Network Asset

Accounting and audit issues

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset from 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA's expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which is available from your Engagement Lead and Engagement Manager and will provide further briefings as further details become available.

Challenge question

- Has your authority considered whether it is within the scope of the 2016/17 accounting requirements for HNA and where relevant, does it have an Implementation Plan to meet the revised timetable?

Better Care Fund

Accounting and audit issues

The Better Care Fund was launched on 1 April 2015 to '…drive closer integration and improve outcomes for patients and service users and carers'. The intention was to set up the fund as a pooled budget with NHS organisations and local authorities contributing into a single pot that is used to commission or deliver health and social care services.

In practice, different Better Care Fund agreements have different and sometimes complex arrangements. As a result determining the correct accounting can be difficult and there is no one size fits all approach. NHS and local government partners need to agree on accounting for such arrangements to ensure that not only are there no material errors in their own accounts but also that there are no material errors on consolidation into Whole of Government Accounts.

NHS and local government partners therefore need to consider the specific terms of their agreements and considering where the control and risks lie in line with the definition of control in IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. Individual authorities also need to consider whether they are acting as a principal or an agent. Judgement may be required, and may therefore need to be disclosed as a critical judgement in the accounts.

Although the local government timetable is moving forward, the NHS timetable is still significantly earlier so local authorities will need to include dates in their closedown plan to give NHS colleagues the information they need to prepare their accounts in good time for these deadlines.

Challenge question

- Has your CFO considered and agreed with partners the accounting requirements for the Better Care Fund?

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Unlodged non-domestic rate appeals

Accounting and audit issues

Last year, there were primarily no provisions for unlodged non-domestic rates appeals as appeals received on or after 1 April 2015 were only backdated to 1 April 2015. The effect of last years announcement was supposed to put authorities in the position as if the revaluation had been done in 2015 as initially intended before the extension to 2017. This was only a one year reprieve and so any unlodged appeals at 31 March 2016 will only be backdated to 1 April 2015 and therefore may not be material.

However, this year, local authorities will need to estimate a provision for unlodged appeals but as above it may not be material.

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the Code it is in only extremely rare cases that a reliable estimate cannot be made. Therefore, if your local authority does have such an instance, the rationale needs backing up: both in terms of disclosures (as a contingent liability) and in providing evidence to those charged with governance as to why a reliable estimate for the provision cannot be made.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 9 February 2016
Report for: Information / Approval
Report of: Audit and Assurance Manager

Report Title

Annual Governance Statement 2015/16 – Approach / Timetable

Summary

The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015. This report sets out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2015/16.

In facilitating the production of the Annual Governance Statement, the Audit and Assurance Service will use the guidance issued by CIPFA/SOLACE in December 2012 as a reference point throughout the process. (It is noted that this guidance is currently being updated by CIPFA/SOLACE and updated guidance is to be issued for the 2016/17 AGS).

The Accounts and Audit Committee have a role in reviewing the robustness of the statement prior to sign off by the Chief Executive and Leader. As has been the practice in previous years, the report proposes delegation of responsibility for this task to a smaller working group of the Committee.

Recommendation

The Accounts and Audit Committee is asked to
- **(a) Note the timetable / action plan;**
- **(b) Agree to delegate responsibility for reviewing the robustness of the Annual Governance Statement to a working group made up of the Chairman, Vice Chairman and opposition spokesperson.**

Contact person for access to background papers and further information:

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

Background Papers:

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) – “Delivering Good Governance in Local Government : Framework” (2012).
- CIPFA / SOLACE – “Delivering Good Governance in Local Government : Guidance Note for English Authorities \ 2012 Edition
- CIPFA Finance Advisory Network – The Annual Governance Statement Rough Guide for Practitioners.

1. Introduction

1.1 The Accounts and Audit Regulations 2015 set out requirements related to the Council's systems of internal control, and the annual review and reporting of those systems.

1.2 The Regulations require Councils to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which include the arrangements for the management of risk.

1.3 In addition, the Regulations require the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control. Following the review the Council must approve an **Annual Governance Statement** which then accompanies its Statement of Accounts. This assurance statement is made by the Chief Executive and Leader of the Council.

1.4 The Annual Governance Statement (AGS) should be prepared in accordance with "proper practices". Proper practices relate to guidance set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" and supporting guidance associated with this (referred to in section 2 of this report).

1.5 The deadline for completing the AGS is 30 September each year. CIPFA recommends as best practice, however, that a full draft version of the AGS should accompany the statement of accounts by the end of June.

1.6 This report sets out the Council's approach and timetable for producing its AGS for 2015/16. **No significant changes to the approach are planned, compared to the previous year.**

1.7 It should be noted, however, that CIPFA/SOLACE are in the process of updating their guidance on governance but it has been agreed that use of any updated guidance should be applied as part of preparing the 2016/17 Annual Governance Statement. Once the guidance is issued by CIPFA/SOLACE (expected to be in early 2016), Audit and Assurance will consider any changes required and take into account for work to be completed in the following year.

2. Governance

2.1 Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems, processes and controls, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate lead their communities.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.
(Source: CIPFA / SOLACE – Delivering Good Governance in Local Government).

2.2 Effective governance arrangements are required to be in place to ensure that:

- the Authority's policies are implemented in practice;
- the Authority's values and ethical standards are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable;
- human, financial and other resources are managed efficiently and effectively, and;
- high-quality services are delivered efficiently and effectively.

The CIPFA/SOLACE framework provides a structure to assist authorities with their approach to governance and the production of the Annual Governance Statement. In producing the 2015/16 AGS, the guidance will be taken into account throughout the process.

2.3 Authorities are encouraged to test their governance arrangements against the principles contained in the Framework. The Framework, as to be applied for the 2015/16 AGS, adopts six core principles that must be considered when defining good governance:

- Focusing on the purpose of the authority and the outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

2.4 In order to meet the expectations of the Corporate Governance framework, local authorities are expected to do the following:

- Review their existing governance arrangements against the Framework.
- Maintain a local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
- Prepare an **Annual Governance Statement (**As required in the Accounts and Audit Regulations 2015) in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

2.5 Trafford Council's Corporate Governance Code (last updated in June 2015) reflects the core principles outlined in the CIPFA Framework and states the arrangements in place to ensure governance arrangements are reviewed annually and reported on through the AGS.

3. The Process to Support the Annual Governance Statement

3.1 The Audit and Assurance Service is responsible for facilitating the production of the AGS which is the Authority's statement on its governance processes. The proposed timetable reflects input from Members and officers to the process.

3.2 The following arrangements are in place to enable the production of the AGS in 2015/16.

a) Annual Review of Corporate Governance (Assurance Gathering process)

The Audit and Assurance Service is responsible for undertaking an annual assessment to evaluate the position against the Council's Corporate Governance Code.

This will include an assurance mapping exercise to identify potential sources of assurance available with the aim of:

- Mapping all systems / processes in relation to which assurance is required in accordance with the existing CIPFA framework.

- Identifying existing sources of assurance to confirm that key controls / risks are operating / managed effectively. Sources include:

  - **Management Controls** including legal compliance, performance management, and risk and financial reporting functions operating at corporate and directorate level;
  - **Internal assurance** including Internal Audit, other compliance functions and internal review work;

- **External assurance** e.g. External auditor and other inspectorates, partner's compliance functions etc.

The Audit and Assurance Service will facilitate the coordination and reporting of available assurance evidence: both internal and external, (including consideration of the extent that reliance can be placed on the assurance available). This will require support from managers in providing the appropriate information required. Findings and recommendations from this exercise will be reported via the Corporate Management Team and any significant issues reported publicly through the AGS. In drafting the AGS, the Audit and Assurance Service will review the level of content in the document with the aim to provide a balance between being a concise document but ensuring key issues are covered satisfactorily.

In addition, as part of this process, the Council's Corporate Governance Code will be reviewed, and updated if applicable, to ensure it remains appropriate and up to date in accordance with CIPFA guidance.

b) Production and Approval of the Annual Governance Statement

- Input from Members and officers to produce and approve the 2015/16 AGS. This includes:

    - Directors and senior managers, with co-ordination from the Audit and Assurance Service to contribute to the content of the Statement.
    - CMT, Directors and senior managers to review the adequacy/robustness of the Statement.
    - Accounts and Audit Committee Sub Group to review the draft Statement and the process supporting it.
    - Sharing of the Statement with the External Auditor.
    - Chief Executive and Leader to agree the draft AGS which is then to be presented to the Accounts and Audit Committee at its June 2016 meeting.
    - Accounts and Audit Committee to approve the final version of the AGS, which is signed by the Chief Executive and Leader, and accompanies the Council's final accounts at the September 2016 meeting.

The planned timetable for the process of producing the AGS is in Appendix A.

The recommended elements of the process based on CIPFA guidance is represented in Appendix B, although as noted above this is being updated**.**

4. Benefits of the Process

4.1 It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and also identifies where strengths and areas for improvement exist in those arrangements. Where significant governance issues are identified, progress against any agreed development actions are reported to the Accounts and Audit Committee.

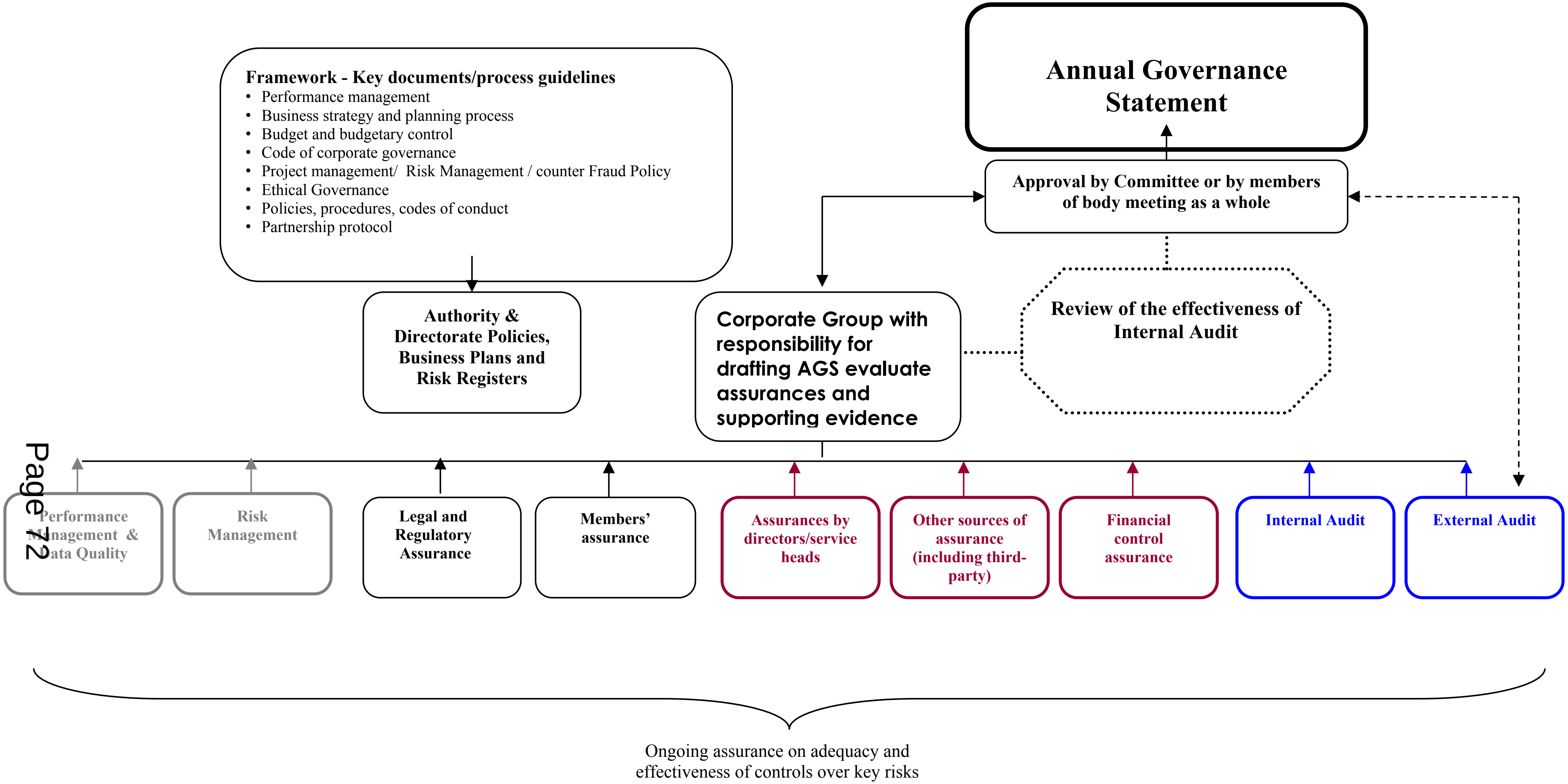
Appendix A

Action Plan to enable the production of the Annual Governance Statement for 2015/16

Actions Required	Timescale
• CMT / Accounts and Audit Committee to receive report outlining the Authority's approach to the Annual Governance Statement for 2015/16.	February 2016
• Obtain assurance on risk management processes / management of strategic risks – final update of Strategic Risk Register for 2015/16 to be agreed by TPR&CMT and reported to the Accounts and Audit Committee.	March 2016
• Audit and Assurance review and evaluation of the Authority's actual position in relation to its Corporate Governance Code.	End of May 2016
• Production of the Annual Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2015/16 providing assurance relating to key systems, procedures and controls in place across the Council.	End of May 2016
• Complete collation of evidence to support the production of the draft Statement including both internal and external assurance.	End of May 2016
• Production of a first draft of the Annual Governance Statement for review by / comment from senior officers, Members and the External Auditor (co-ordinated by the Audit and Assurance Service in consultation with CMT).	Draft AGS shared with CMT – early June 2016 & Grant Thornton – mid June 2016
• Accounts & Audit Committee (through appointed working group) to review robustness of the Annual Governance Statement.	Mid June 2016
• The Audit and Assurance Service to co-ordinate production of the draft Annual Governance Statement incorporating the above.	Mid June 2016
• Completed Draft Annual Governance Statement for 2015/16 to be agreed by the Chief Executive and Leader and presented to the Accounts and Audit Committee.	End of June 2016.
• Final Annual Governance Statement 2015/16, signed by the Chief Executive and Leader, to be submitted to accompany the final accounts and approved by the Accounts and Audit Committee.	September 2016

ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Appendix B



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TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**9 February 2016**
Report for:	**Information**
Report of:	**Audit and Assurance Manager**

Report Title

Audit and Assurance Report for the Period October to December 2015.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period October to December 2015.**
- **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

Audit and Assurance Service Report October to December 2015

Date: 9 February 2016

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between October and December 2015. 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 2015/16.

2. Planned Assurance Work

Key elements of the 2015/16 Work Plan include:

- Fundamental Financial Systems reviews.
- Annual corporate governance review work and completion of the Annual Governance Statement for 2014/15.
- 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.
- School audits and other establishment audit reviews.
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q3 2015/16

Work in this quarter included the following :

- Completion of a number of follow up audit reviews undertaken to assess progress in implementing previous recommendations made including reviews relating to the IT Data Centre, four schools and an audit of Section 17 Payments (1989 Children's Act),
- Completion of audits relating to Treasury Management, Cash Expenditure control and the Registration Service and continued progression of a number of other audits, including other financial systems, to be completed in Quarter four.
- Liaison with partners to share findings from audit reviews relating to the STAR Shared Procurement Service.
- Liaison with services to follow up data matches highlighted through the National Fraud Initiative.

Points of information to support the report:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	**Green**
Medium / High – Good	**Green**
Medium – Adequate	**Green**
Low / Medium - Marginal	**Amber**
Low – Unsatisfactory	**Red**

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

Report Status:

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

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

Breadth of coverage of review (Levels 1 to 4)

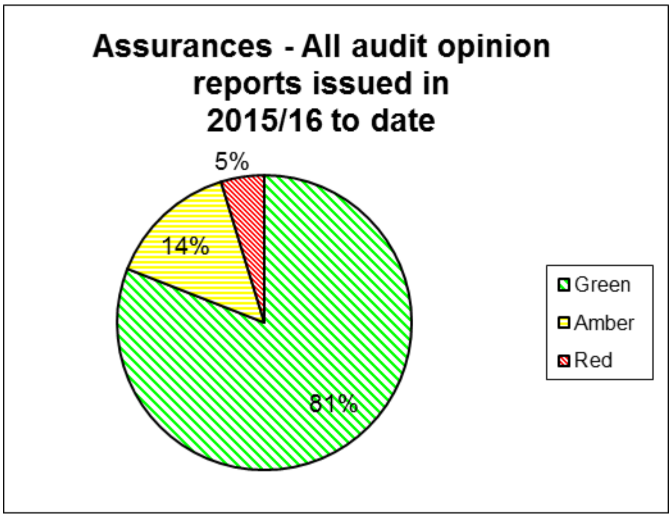
Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

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

4. Summary of Assurances

Year to Date:

All audit opinion reports issued in 2015/16 to date
(18 final reports and 3 draft reports issued April to December 2015)



Quarter 3 2015/16:

Eight final and three draft internal audit opinion reports were issued in quarter three. At least “Adequate” Opinions (Medium or above) were given in relation to all these reviews. In the year to date, 81% of opinions provided were Medium or above.

These include a number of follow up audit reviews where it is noted that a number of control improvements have been implemented reflecting the revised, improved opinion levels given (See Sections 5 and 7).

It should be noted, however, particularly where Medium opinions have been provided, that a number of areas for improvements in governance, risk management and internal control have been identified within individual reviews (as referred to in Section 5).

Of the final audit reports issued, two were produced by Stockport Council covering areas in relation to the STAR Shared Procurement Service. The reports were issued on behalf of Stockport, Trafford and Rochdale Councils, the scope and objectives of the reviews having been agreed by Audit in each of the Councils.

Other final reports issued included Treasury Management, Registration Service, Section 17 Payments (Children’s Services) and three school follow up audit reviews. In the final reports issued, 97% of recommendations made were accepted by management (See section 7).

Draft reports were issued covering cash expenditure control, IT Data Centre and a further school follow up audit.
A listing of audit report opinions issued including key findings is shown in Section 5.

A number of other areas of work were in progress during the quarter which will result in draft reports being issued in January to March 2016, as referred to in Section 10 which details areas of focus for the next quarter.

Work in the period also included input by Audit and Assurance to a number of other areas which are listed in Section 6.

5. Summary of Audit & Assurance Opinions Issued – Q3: 2015/16

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports:		
Treasury Management (T&R) / (Finance)	**High (GREEN)** (9/11/15)	A high level of assurance was given in last year's audit review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year. The results of audit testing concluded that no formal recommendations were required with only some minor issues highlighted in respect of levels of detail documented.
STAR Shared Procurement Service (T&R) / (Finance)	**Moderate** ** **(GREEN)** (13/11/15)	The review was undertaken of the STAR Shared Procurement Service, which was established in February 2014. The review was led by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. The key objective of the audit was to review how effective the STAR Shared Procurement Service has been in achieving the primary objectives set out in the Business Case. The audit included reviewing a sample of procurement activities and their respective associated savings relating to 2014/15 and 2015/16. It was noted that the 2014/15 savings target for the STAR Service was £2.0m and the actual savings reported to the STAR Board and Joint Committee was £1.962m. It is acknowledged that significant progress has been made in developing the Service with clearly defined governance arrangements, including the establishment of the STAR Board and STAR Joint Committee with clearly defined terms of reference and processes for decision making. Some recommendations were made regarding the benefits realisation framework including recommending improvements in processes for recording data on the savings register and processes for verifying data before it is reported to the STAR Joint Committee. As part of the agreed action plan it was noted that planned work by STAR included reviewing the format of the savings register.
Contracts register (T&R and Authority Wide) / (Finance)	**Moderate** ** **(GREEN)** (13/11/15)	The review was undertaken of the contracts register maintained by the STAR Shared Procurement Service. The review was led by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. Key objectives were to ensure that controls were in place to ensure the contracts register is complete, accurate and up to date with adequate supporting information held and roles and responsibilities for maintaining the register clearly defined. Findings were that whilst overall adequate arrangements were in place, it was acknowledged that work is ongoing to continue to improve processes for maintaining the register. The contracts register continues to be developed and over time gaps in information are being followed up. Recommendations made include adding further details within the register such as contact details for staff involved in commissioning new contracts; ensuring supporting documentation is filed in a consistent manner and services to regularly check contracts information held on the register. As part of the agreed action plan it was noted that planned work included reviewing the format and content of the register.
Level 2 Reports :		
Registration Service (T&R) / (Transformation and Resources)	**Medium/High (GREEN)** (3/12/15)	Overall, adequate and effective controls were in place in respect of risks reviewed as part of the audit of the Council's Registration Service. It was noted that control improvements implemented following the previous audit review had continued to be maintained. Recommendations made in this latest review included some improvements to security procedures both in relation to regular changing of keypad combinations to access secure areas and regular review of access rights to IT systems.

Section 17 payments – Children Act 1989 (CFW) / (Children's Services)	**Medium *** **(GREEN)** (16/12/15)	A number of control improvements have been introduced since the previous audit review covering the administering of Section 17 monies used to support children in need and their families (under the Children's Act 1989). In addition to 11 previous recommendations previously implemented which was previously reported in October 2014, from the latest follow up audit review completed in 2015, a further 4 recommendations have been fully implemented and 1 in part. Five other recommendations remain to be fully implemented where progress has been made but there are still some improvements required in some service areas. In particular, it is important that there are adequate procedures across all areas 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.
Level 1 Reports:		
St. Anne's C of E Primary School (CFW) / (Children's Services)	**Medium *** **(GREEN)** (1/12/15)	Good progress has been made in implementing previous audit recommendations (18 out of 23 agreed recommendations have been implemented and 1 in part). The audit opinion has been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. New recommendations are in respect of the need to update the school's development plan and the other to formalise approval procedures for the disposal of assets.
St. Michael's C of E Primary School (CFW) / (Children's Services)	**Medium *** **(GREEN)** (7/12/15)	Good progress has been made in implementing previous audit recommendations (23 out of 34 agreed recommendations have either been implemented or are no longer applicable and 6 have been implemented in part). The audit opinion has been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. These included the need to review costs associated with lettings to ensure these are taken into account when reviewing charges.
Cloverlea Primary School (CFW) / (Children's Services)	**Medium *** **(GREEN)** (7/12/15)	Good progress has been made in implementing previous audit recommendations. (26 out of 32 agreed recommendations have been implemented and 2 in part). The audit opinion has now been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. New recommendations are in respect of formalising approval procedures for the disposal of assets and to improve record keeping for elements of the School Fund to ensure there is an adequate analysis of income and expenditure across each main category of activity.
DRAFT REPORTS		
Cash Expenditure Control (T&R and Authority Wide) / (Finance)	**Medium** **(GREEN)** (19/11/15)	An audit review was undertaken to assess the effectiveness of controls in relation to the management and operation of imprest accounts across the Council, used by a number of services and establishments for the purpose of expenditure via cash. The review particularly focussed on nine higher value accounts and findings were reported separately to respective managers. Overall, satisfactory arrangements were found to be in place but recommendations were made to ensure adequate arrangements are in place within individual services for carrying out internal checks of cash and records held. A guidance note was shared by Audit for distribution to services. A recommendation was made for the Council to continue to review accounts in place with a view to continuing to reduce cash held and where feasible use other means of payment. Spend via imprest accounts amounted to over £500k in 2014/15, with 65 imprest accounts in place at the time. The number of accounts has since reduced through the current year which will be reflected in the final audit report, together with an agreed action plan to address the recommendations made. Details will be reported in the 2015/16 Annual Internal Audit Report.
IT Data Centre (T&R) / (Transformation and	**Medium *** **(GREEN)**	The Council's ICT infrastructure moved in to the basement of the Town Hall in May 2013. An audit was previously undertaken by Salford Audit Services of the

Resources)	(22/12/15)	Council's IT Data Centre to assess the physical security and environmental controls in place to protect the Council's core data and equipment. A follow up review was recently completed. Out of the 14 recommendations originally made, eight have been implemented, four recommendations have been reiterated and two have been partially met or are ongoing. It is acknowledged that work is currently underway in considering future options for ensuring adequate disaster recovery arrangements are in place. An action plan is in the process of being agreed in respect of outstanding recommendations from the review. Details will be reported in the 2015/16 Annual Internal Audit report.
St. Ann's RC Primary School (CFW) / (Children's Services)	**Medium** * **(GREEN)** (3/11/15)	Good progress has been made in implementing previous audit recommendations. (Based on the draft report issued, of the 26 overarching recommendations made, 11 recommendations have been fully/substantially implemented and 13 implemented in part). The audit opinion has now been revised to Medium from a Low/Medium opinion provided at the last review. The school are to complete an action plan to address any recommendations from this review. Details will be reported in the 2015/16 Annual Internal Audit report.

*Note: Audit relates to a follow up review of a previous audit, focussing on progress made in implementing previous recommendations made
**Note: Audits completed by Stockport Council on behalf of Stockport, Trafford and Rochdale Councils. A "Moderate Opinion" was provided which is equivalent to an opinion of at least "Medium" per the Trafford Council framework and the opinion is therefore shown as "Green".

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 and co-ordinating the update of the Council's Strategic Risk Register.

In addition to the above, other significant work undertaken during Q3 included:

- Reviewing existing security arrangements in relation to the Trafford Town Hall post room and recommending revised arrangements in relation to room access which were agreed.
- Issuing a reminder notice and links to Council guidance via the Council's weekly update in relation to required conduct for Council staff in dealing with offers of gifts and hospitality.
- Further audit review work in relation to Sale Waterside Arts Centre following the issue of an internal audit report in August 2015. In addition to the original report, this has resulted in additional recommendations being made to improve controls in relation to the control and monitoring of bar stock which will be followed up further by Audit.
- Continued progression of work supporting the National Fraud Initiative, in liaison with other services, to be reported in March 2016.

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

Based on the 6 final audit opinion reports issued during the quarter by Trafford Audit and Assurance Service:

- **97% of recommendations have been accepted (38 out of 39 recommendations made).**

In the year to date, based on 16 final reports issued by Trafford Audit and Assurance Service from April to December 2015:

- **97% of recommendations have been accepted (121 out of 125 recommendations). The Service Annual Target is 95%.**

Implementation of Audit Recommendations

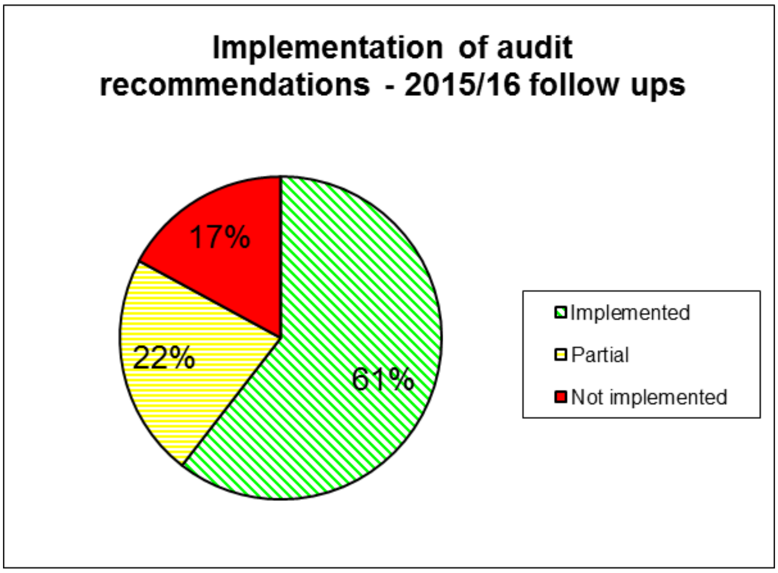
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means including follow up audits, reviews conducted on a cyclical basis and managers' self- assessments.

Six follow up audit reports were issued during the quarter (IT Data Centre, Section 17 Payments, Four school follow up audits). Details of findings for each of the six reviews are referred to in Section 5.

Updates of progress in implementing previous audit recommendations were also received from two other schools:

- Kingsway Park Primary School reported that 10 of the 13 previous recommendations made had been implemented with one other currently in progress.
- Holy Family RC Primary School reported that 14 of the 16 previous recommendations made had been implemented.

Other follow up audits completed after December 2015 will be reported in the 2015/16 Annual Internal Audit Report. The chart below highlights the results of follow up work in the year to date with the majority of recommendations previously made having been implemented or in progress (83%).



8. Resources Update / Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2015/16 Operational Internal Audit Plan

As at the end of quarter three, 628 audit days were spent to date against 650 planned days (97% of planned allocated time). The difference in days, including use of contingency, is accounted for by one Audit and Assurance Officer vacancy. Following a recent recruitment exercise, an appointment has been made and the officer will start in post in April 2016.

Meetings are to be held with Corporate Directors in February 2016 to discuss progress against planned work and agree future plans including the timing of any remaining work. Any amendments to the Plan or rescheduling of work will be reflected where applicable in the 2016/17 Internal Audit Plan (to be presented to the Accounts and Audit Committee in March) which will highlight any work carried forward from the previous year. In addition, the 2015/16 Annual Internal Audit Report will set out work completed during the year and any changes or rescheduling to planned work.

9. Client satisfaction surveys (April to December 2015)

Client Surveys: A client questionnaire is sent out with each audit report canvassing managers' views on the conduct of the audit review and its impact. A summary of feedback received is shown below.

QUESTION	V.GOOD	GOOD	SATISFACTORY	ADEQUATE	POOR	% v.good or good
1. Consultation on audit process and audit coverage prior to commencement of the audit	3	5				100%
2. Feedback of findings and liaison during the audit	4	4				100%
3. Professionalism of auditors	8					100%
4. Helpfulness of auditors	7	1				100%
5. Timeliness of the review and the draft report	7	1				100%
6. Clarity of the report	6	2				100%
7. Accuracy of the report	4	3	1			87%
8. Practicality of the recommendations made	4	3	1			87%
9. Usefulness of the audit as an aid to management	5	3				100%
Total	**48**	**22**	**2**			**97%**

QUESTION	Very Significant	Significant	Moderate	Minor	None
10. What level of improvement, in the standards of control and management of risks, do you expect to see following the audit review?	1	4	2	1	

10. Planned Work for Quarter 4, 2015/16

Areas of focus will include :

- In January to March 2016, issue of a number of draft audit reports relating to different categories of audit that were in progress at the quarter end, including:
  - Financial system reviews (Payroll, Benefits, Cash control (Income), Council Tax);
  - Establishment Audit (Altrincham Crematorium follow up)
  - Contracts Audit (Advertising Contracts),
  - Service audit (Youth Service Barge Project).
  - IT Audits (Cyber Security Audit).
  - School Audits (Broomwood Primary School).
- Issue of final reports including management responses to recommendations made (IT Data Centre, Cash Expenditure Control and St. Ann's RC Primary School).
- Progression / commencement of a number of other audits including financial systems (Accounts Payable, Business Rates, Accounts Receivable and Debt Recovery, Insurance), school audits, other CFW Directorate audits (including Liquid Logic system, Client Finances and Personalised budgets) and Parking Enforcement Contract monitoring.
- Liaison with Corporate Directors to consider progress against the Audit Plan, timing of existing planned work and future areas for consideration.
- Issue of the 2016/17 Internal Audit Plan.
- Co-ordination of the Strategic Risk Register update (to be presented to the Accounts and Audit Committee in March 2016).
- Reporting on the outcomes of National Fraud Initiative work, completed in liaison with other services.
- Agreeing the planned work / timetable for compiling the 2015/16 Annual Governance Statement.

APPENDIX A

2015/16 Operational Plan: Planned against Actual Work (as at 31 December 2015)

Category	Details	Planned Days 2015/16	Planned Days (up to 31/12/15)	Actual Days (as at 31/12/15)
Fundamental Systems	**Completion of fundamental financial systems reviews**	160	110	176
Governance	**Corporate / partnership governance review work and collation of supporting evidence and production of the 2014/15 Annual Governance Statement (AGS).** **Preparation for production of the 2015/16 AGS.**	60	45	19
Corporate Risk Management	**Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy.**	25	17	16
Anti-Fraud and Corruption	**Investigation of referred cases.** **Work in co-ordinating the reporting of the Council's NFI data matching exercise.** **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.**	140	105	89
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. (This will include liaison with the STaR Procurement Service and partner authority auditors).**	50	30	21
ICT Audit	**Audit reviews to be completed in line with the ICT audit plan.** **Investigation of misuse of ICT.**	60	45	38
Schools	**School Audit reviews** **Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).**	120	83	69
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 services, establishments and functions.**	155	110	110
Grant claims checks / Data Quality	**Internal audit checks of grant claims / statutory returns as required. This includes verification checks of data submitted by the Council as part of its Stronger Families programme.**	30	22	18
Service Advice / Projects	**General advice across all services.** **Support and advice to the organisation in**	80	60	62

	carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.			
Financial Appraisals	**Financial assessments of contractors and potential providers**	30	23	10
TOTAL		**910 ***	**650**	**628**

*Note: There are 960 planned available days in total but 50 days relate to contingency (The contingency days have been accounted for by a vacant post which is in the process of being filled).

TRAFFORD COUNCIL

Report to: **Executive**
Date: **25 January 2016**
Report for: **Information**
Report of: **The Executive Member for Finance and the Director of Finance**

Report Title:

Revenue Budget Monitoring 2015/16 – Period 8 (April to November 2015).

Summary:

The approved revenue budget for the year is £148.914m. The forecast for the end of the year, as projected following eight months of activity, is £146.009m being a net underspend of £(2.905)m, (2.0)% of the budget, a favourable movement of £(1.019)m since the last report.

The main areas of budget variance are summarised as follows:

Activity	Forecast £m	Movement £m
Children's client care packages	1.4	-
Adults client care packages	(0.1)	(0.3)
Rephased base budget savings	0.3	-
Vacancy management	(2.1)	(0.2)
Running costs	(1.1)	(0.1)
Treasury Management (incl. Airport dividend)	(2.0)	-
Manchester Airport Group (MAG) interim dividend - transfer to Earmarked Reserve	1.2	-
Business Rates (Council-wide budget)	(0.1)	-
Income	0.3	0.1
Grants	(0.2)	-
Release of the unallocated general savings contingency budget (Council-wide)	(0.5)	(0.5)
Forecasted outturn	**(2.9)**	**(1.0)**

Reserves

The opening balance of the General Reserve was £(7.9)m, and after taking into account approved use and commitments, and the Council-wide budget projected outturn, the forecasted closing balance as at 31 March 2016 is £(8.0)m, which is £(2.0)m above the Council established minimum level of £(6.0)m. The MAG interim dividend of £(1.2)m received in December 2015 has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget (see Table 4 below).

In addition, the net service carry forward reserves at the beginning of the year were £(3.6)m, and after taking into account planned use and commitments together with the service Directorates' projected outturn, the forecasted closing balance as at 31 March 2016 is £(2.7)m in surplus.

Council Tax

The surplus brought forward of £(0.8)m, will be increased by an in-year forecast surplus of £(1.4)m. After taking account of the planned use of £0.4m to support the base budget and another £0.1m for backdated valuation and discount appeals, the total surplus forecasted to be carried forward is £(1.7)m. The Council's share of this surplus is £(1.4)m, and is planned to support future budgets in the MTFP.

Business Rates

The latest projection as at 30 November 2015 shows an overall increase in retained business rates for 2015/16 of £(0.192)m, representing a favourable movement since last month of £(0.087)m. This includes an in-year surplus of £(0.076)m against the business rate growth forecast made in February 2015, which cannot be brought into the accounts until 2016/17, as well as an increase in income in-year within the Council-wide budget of £(0.116)m (see paragraph 12 below).

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	Revenue expenditure to be been contained within available resources in 2015/16.
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
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	Not applicable
Health and Safety Implications	Not applicable

Director of Finance:…………ID…………

Head of Legal Services ………HK………

DIRECTOR'S SIGNATURE *Appended in hard copy*

Budget Monitoring - Financial Results

1. The budget as approved at the 18 February 2015 Council meeting is £148.914m. Based on the budget monitoring for the first 8 months of the year, the overall forecast for the year is £146.009m, being an underspend of £(2.905)m, (2.0)%, a favourable movement of £(1.019)m since the last report.

2. 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)**	**Percent-age %**	**Period Movement (£000's)**	**Annex**
CFW – Children's Services	1,392	4.9%	(72)	1
CFW – Adult Social Services	(1,898)	(3.9)%	(318)	1
CFW – Public Health	0	0.0%	0	1
Economic Growth, Environment & Infrastructure	(491)	(1.5)%	(115)	2
Transformation & Resources	(567)	(3.3)%	(84)	3
Total Service Variances	**(1,564)**	**(1.3)%**	**(589)**	
Council-wide budgets	(2,586)	(10.9)%	(430)	4
MAG interim dividend - transferred to Earmarked Reserve	1,245		0	4
Estimated outturn variance (period 8)	**(2,905)**	**(2.0)%**	**(1,019)**	

CFW – Children, Families & Wellbeing

Table 2: Budget Monitoring results by Executive Portfolio Holder	**Year end Forecast (£000's)**	**Percent-age %**	**Period Movement (£000's)**
Children's Services	1,392	4.9%	(72)
Adult Social Services	(1,898)	(3.9)%	(318)
Community Health & Wellbeing	0	0.0%	0
Environment & Operations	(253)	(0.9)%	(86)
Economic Growth & Planning	(238)	(5.1)%	(29)
Communities & Partnerships	56	2.1%	(30)
Transformation & Resources	(350)	(3.5)%	(6)
Finance	(2,859)	(10.1)%	(478)
MAG interim dividend - transferred to Earmarked Reserve	1,245		0
Estimated outturn variance (period 8)	**(2,905)**	**(2.0)%**	**(1,019)**

Key month on month variations

3. The key variances contributing to the period movement of a favourable £(1.019)m are:

- Adult Services – favourable movement of £(0.337)m as a result of client cost and activity changes in Long-term £(0.298)m and Short-term £(0.039)m clients;

- Economic Growth, Environment & Infrastructure Directorate – a net favourable movement of £(0.115)m across income, staffing and running costs;
- Transformation & Resources Directorate - favourable movement of £(0.084)m, particularly relating to vacancy management of £(0.119)m;
- Release of the unallocated general savings contingency budget in Council-wide, £(0.487)m;
- An adverse movement of £0.034m relating to the element of Business Rates income retained within the Council-wide budget (see paragraphs 14 and 15 below);
- Other net movements of £(0.030)m.

MTFP Savings and increased income

4. The 2015/16 budget was based on the achievement of permanent base budget savings and increased income of £(21.584)m.

5. This saving target includes £(15.612)m within the CFW Directorate which is being programme managed by a dedicated CFW Transformation Team. From the Month 4 report the savings targets for individual initiatives within CFW were updated to reflect the revised targets which were agreed at the CFW Programme Board. This has meant some slight amendments to individual targets, though the overall total savings target for the CFW directorate remains the same. The revised savings targets are included in Appendix 3 of Annex 1 of this report. Performance is assessed against the revised targets:

6. The following table summarises the actuals to date, forecast for the remainder of the year and how the shortfall will be managed in-year.

Table 3 : 2015/16 Savings & increased income		**Total (£000's)**	**Total (£000's)**
Actual to date	CFW	(15,089)	
	EGEI	(2,774)	
	T&R	(2,454)	
	C-W	(375)	
Sub-Total			**(20,692)**
Forecasted	CFW * Note 2	(1,276)	
	EGEI	(40)	
	T&R	(54)	
	CW	(15)	
Sub-Total			**(1,385)**
Total Savings delivered or in progress			**(22,077)**
Budget Savings Required			**(21,584)**
Total Net Shortfall/ (Over recovery)			**(493)**

Shortfall Detailed by Directorate		
Shortfall against savings target within T&R		
• Libraries (as measured against revised target see Note 1)	141	
• ICT Procurement/ Other	149	
Total shortfall/ (Over recovery) within T&R		**290**
Shortfall/(Over recovery) against savings target within CFW		
• Children with Complex Needs – Use of Personalisation	(8)	
• Children with Complex Needs – expand in-house homes	50	
• Education Early Years – Early Help (Note 3)	187	
• Older People Reablement	(470)	
• LD – Void Management	(19)	
• LD – Ordinary Residence	258	
• LD – Care Package Review/ Reshaping Trafford (Note 2)	(751)	
Total shortfall/ (Over recovery) within CFW		**(753)**
Shortfall/(Over recovery) against savings target within CW		
• Old Car Lease Scheme	(30)	
Total shortfall/ (Over recovery) within CW		**(30)**
Total Net Shortfall/(Over recovery)		**(493)**

Gross shortfalls to be met by :-		
T&R reserve or mitigated by in-year savings in 15/16		(290)
Total		**(290)**

Note 1 - The savings target for T&R originally included £0.550m in respect of the libraries rationalisation but this figure was revised down by £0.050m when the second phase of consultation was reported to Executive in March 2015. The saving has been transferred to Council-wide, where it has been met in year from the Treasury Management budget.

In addition, there is an in-year shortfall in libraries savings of £0.141m, relating to a delay in the closure of libraries (Bowfell, Davyhulme and Lostock, the redevelopment of Hale and Timperley Libraries) and changes to in-year delivery at Coppice as part of the consultation process.

Whilst the delay in implementing some library changes has impacted on savings overall there are significant benefits to the Council in terms of the final proposals agreed. With redevelopment of a number of sites to include residential dwellings which will attract new homes bonus, council tax and a capital receipt.

Note 2 - Savings to a value of £(0.763)m which have still to be realised are reflected in the forecast and comprise savings against the LD Care Package Review / Reshaping Trafford.

Note 3 – Within the gross shortfall of £0.187m for the Early Help model, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which will be met from a contribution from the general savings contingency in Council-wide budgets (paragraph 7 below). The remaining amount of £0.114m will be met via one-off funding from Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings. The on-going cost of the Sale West and Old Trafford Youth Centres has been included in the 2016/17 Medium Term Financial Plan.

7. The original budget for 2015/16 included a one off allowance of £0.700m as a general contingency to cushion against possible slippage in the delivery of the significant savings programme in 2015/16. A figure of £0.085m was released in Period 4 to cover a projected savings slippage related to Market Management. As a result of the realignment of the CFW savings targets, the pressure on Market Management has now been removed. A further amount of £0.073m has been released in Period 8 to cover the premises related costs of Sale West and Old Trafford Youth Centres, after a decision was made to keep these community buildings open for the foreseeable future.

8. Approximately 102% of base budget savings have been or are forecasted to be delivered:
   - Of the £(0.493)m net over achievement, there is a gross shortfall of £0.290m relating to T&R, a net over achievement of £(0.753)m in CFW and £(0.030)m in Council-wide.
   - The gross shortfall of £0.290m within T&R will be met from either, service carry forward reserves or alternative in year savings.

9. As at period 8, the actual savings achieved has fallen behind the expected savings profile by £0.551m. Whilst overall projections for the year remain on target, management action is on-going and the main areas to concentrate on for the remaining months of the year are in respect of Commissioning of Non-mandatory services (Public Health related), Reshaping Trafford and Integrated Health and Social Care (Pennine). There are also the outstanding Ordinary Residence cases which the Secretary of State still needs to make a determination on.

Council Tax

10. The 2015/16 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%). The 2015/16 total surplus brought forward was £(0.773)m.

11. As at 30 November 2015 the total in-year surplus is forecasted at £(1.366)m. After taking account of the planned application to support the 2015/16 budget of £0.357m and reductions as a consequence of back-dated valuations and awards of discounts or exemptions of £0.100m, the end of year total balance is

forecasted to be £(1.682)m. The Council's share of this is £(1.414)m, being a favourable improvement of £(0.035)m since last month.

Business Rates

12. The Business Rate Retention Scheme and the financial impact on the Council has been shown in detail in previous monthly reports. The latest projection as at 30 November 2015 shows an overall increase in retained business rates for 2015/16 of £(0.192)m compared to budget and is made up of:

- the retained element of in-year business rate growth of £(1.887)m which is £(0.076)m above estimate, a favourable movement of £(0.121)m since last month. This is due mainly to a decrease in the provision of relief required for empty properties. This element will be carried forward within the Collection Fund to be used to fund future years' budgets.

- the net effect of Section 31 grant (after the deduction of the levy) is £(0.116)m, a minor adverse movement of £0.034m on last month, and is included in the Council-wide budget monitoring projection in Annex 4.

Public Health

13. The Government announced on 4 June 2015 that it was seeking in-year public expenditure reductions of £3.1 billion and this included an amount of £200 million in respect of Public Health. Trafford's share of this reduction is £0.772m and this is being managed within the CFW budget.

14. Funding of £1.642m has been transferred to the Council on 1st October 2015 relating to the national transfer of responsibilities relating to 0-5 year old Health Visiting and Family Nurse Partnership services. This will increase the gross funding for Public Health to £11.699m in 2015/16.

Leisure Services

15. On 30 July 2015 the Executive Member for Communities and Partnerships approved that a Community Interest Company (CIC) be established to run the leisure services, previously provided by Trafford Community Leisure Trust.

16. Trafford Leisure CIC took over the running of the leisure facilities on 1st October 2015. Two firms of specialists were also employed by the Council to advise on legal and VAT matters during the transition to the CIC. These costs currently totaling £0.020m are included in the Council-wide outturn at Annex 4.

Reserves

17. The General Reserve balance brought forward is £(7.9)m, against which there are planned commitments up to the end of 2015/16 of £1.2m. The addition of the Council-wide underspend of £(1.3)m provides for a projected balance as at 31 March 2016 of £(8.0)m, being £(2.0)m above the approved minimum level of £(6.0)m. The interim dividend of £(1.245)m has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget:

Table 4 : General Reserve Movements	**(£000's)**
Balance 31 March 2015	**(7,871)**
Commitments in 2015/16:	
- Planned use for 2015/16 Budget	1,000
- Planned use for one-off projects 2015/16	200
- Council-wide budgets underspend	(1,341)
- Interim MAG Dividend 2015/16	(1,245)
- Transfer to Earmarked Reserve	1,245
Balance 31 March 2016	**(8,012)**

18. Service balances brought forward from 2014/15 were a net £(3.642)m. After planned use to support one-off projects and adjusting for the estimated outturn, there is a projected net surplus of £(2.657)m to be carried forward to 2016/17 (Table 5).

Table 5: Service balances	**b/f April 2015 (£000's)**	**Forecast Movement in-year (£000's)**	**Forecast Balance (£000's)**
Communities, Families & Wellbeing	(403)	(309)	(712)
Economic Growth, Environment & Infrastructure	(1,738)	1,370	(368)
Transformation & Resources	(1,501)	(76)	(1,577)
Total (Surplus)/Deficit	**(3,642)**	**985**	**(2,657)**

Recommendations

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

ANNEX 1

TRAFFORD COUNCIL

Report to:	**CFW Senior Leadership Team**
Date:	**6th January 2016**
Report for:	**Discussion**
Report author:	**CFW Finance Manager**

Report Title:

Revenue Budget Monitoring 2015/16 – Period 8 (April 2015 to November 2015).

1. Forecast Outturn for the Year

1.1 The approved revenue budget for the year is £75.897m and the projected outturn is currently forecast to be £75.391m, which is less than the budget by £(0.506)m, (0.7)%. The current projected underspend includes an overspend of £1.392m on Children's Services and an underspend of £(1.898)m on Adults.

1.2 The forecast variance for Period 7 was £(0.116)m and this represents a favourable movement of £(0.390)m since last reported.

1.3 The savings target for CFW in 2015/16 is £(15.612)m. The latest forecasts anticipate savings of £(16.365)m to be achieved. This will be a major achievement to overachieve against the target of £(15.612)m and provides a high level of assurance about the robustness of financial planning and effective delivery of transformation projects within the Directorate.

2. Summary of Variances

2.1 The main forecast outturn variances (over £100k) are summarised below with more detail provided in Appendix 1.

2.2 **CHILDREN'S SERVICES**

The overall variance for Children's Services is an adverse £1.392m and the main areas are analysed below:-

(a) Children's Social Services (including Children with Complex Needs) - £1.597m adverse variance

- There is a forecast overspend of £1.424m on client care packages as analysed in Appendix 2. The main variances relate to an adverse variance of £1.157m relating to external children's homes, even though this is as a result of only 6.8 additional placements over the year, indicating the volatility of this particular budget and £0.234m for welfare secure places which relates to 0.8 additional places. The increase in both these costs are due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. There is also an adverse variance of £0.168m on agency foster placements which equates to 4.2 placements. Also included in the £1.424m above is a favourable variance of

£(0.231)m in relation to the low numbers of Trafford children in need of adoptive placements.

However, this is counterbalanced by a projected shortfall in adoption income of £0.417m. It has now become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption.

- Robust management action is in place to scrutinise each individual placement to ensure it is appropriate to meet needs. We are also exploring collaborative ways of managing the external market as costs have increased substantially due to the increased demand for places. We have implemented an 'Edge of Care Strategy' that supports children and young people to remain at home and developing that into a broader project as part of the CFW transformation programme.

- The actions as outlined in previous monitoring reports continue to take place in managing Children in Care placements.

(b) Education Early Years - favourable variance £(0.161)m
Favourable variance due mainly to staffing underspends and additional income.

(c) Commissioning running costs - favourable variance £(0.104)m
Forecast underspend due to personalisation and supporting people contracts.

Movement from previous period

The period 8 variance compared to that last reported is £(0.072)m favourable. The main reasons for the change (over £20k) are:-

- Children's Social Services – increase in projected overspend on client care packages (excluding complex needs) of £0.028m, other favourable variances £(0.001)m.

- Children with complex and additional needs – decrease in forecast spend of £(0.035)m.

- Commissioning – increase in projected underspend £(0.029)m.

- Reduction of £(0.023)m in the adverse variance on Early Help Delivery Model as a result of the transfer of premises costs to Corporate Landlord.

2.3 **ADULTS' SERVICES**

The overall variance for Adults' Services is £(1.898)m favourable and the main variances (over £100k) are analysed below:

- Social Support (Carers and Adult Placement) – favourable variance £(0.437)m following renegotiation of a contract and funding from the Care Act grant.

- Social Care Activities – Care Management - favourable variance £(0.808)m. £(0.331)m is as a result of over achievement of staff savings within the reablement transformation project. The remainder is generated by staff turnover and vacancies across a wide range of care management services (see CFW 8).

- Information and Early Intervention - favourable variance £(0.367)m due to an underspend in Extra Care as a result of a delay in implementation of the Old Trafford scheme to 2017 £(0.279)m and vacancies within the benefits advice team £(0.099)m

- Commissioning and Service Delivery – favourable variance £(0.311)m arising from vacancies in the service following the Commissioning restructure.

An analysis of all variances is included in Appendix 1.

Movement from previous period

The period 8 variance compared to that last reported is £(0.318)m favourable. The main reasons for the change (over £20k) are:-

- Long- term client costs – favourable movement of £(0.298)m as a result of client cost and activity changes. This projection is based on the current portfolio of long term clients recorded on the Liquid Logic system plus clients, who have received services in the earlier part of the year, though are no longer receiving services. The projection allows for expected Transition costs in year of £1.266m and that costs will be offset by further savings of £(0.763)m to be made against client costs over the remainder of the year based on Transformation projections. Further detail on the variance is included in Appendix 4.

- Short term client costs – favourable movement of £(0.039)m, as a result of client cost and activity changes.

- Social support – favourable movement of £(0.035)m due to the realignment of budgets.

- Social Care Activities (Care Management teams) – adverse movement of £0.069m following a review of vacancies across all teams.

- Information & Early Intervention – favourable movement of £(0.099)m following a review of vacancies across all teams.

- Non-Adult Social Care - adverse movement of £0.063m due to a reassessment of anticipated income.

2.4 **PUBLIC HEALTH**

The Public Health budget is financed by a ring-fenced grant. Under the terms and conditions of the grant this must be used for defined Public Health purposes and the current projection is spend will be in line with budget. Any underspend on the grant, should it arise, would be carried forward to 2016/17 for use on Public Health related services.

An announcement of the in-year budget reduction for Public Health was made by the Government in November 2015. Nationally this is £200m and the impact for Trafford Council is a reduction of £0.772m.

Scope to manage this reduction has been identified within the Public Health budget to manage on a one-off basis for the 2015/16 financial year. The in-year reduction is recurrent, and a plan to reduce expenditure by £0.772m has been incorporated into the 2016/17 budget planning cycle.

Funding of £1.642m has been transferred to the Council on 1st October 2015 relating to the national transfer of responsibilities relating to 0-5 year old Health Visiting and Family Nurse Partnership services. This will increase the gross funding for Public Health to £11.699m in 2015/16.

3. Forecasting, Assumptions and Risk

3.1 **2015/16 Base Budget Savings**

The Council's overall budget for 2015/16 includes £(21.584)m of savings of which £(15.612)m relates to CFW. The table in Appendix 2 shows the current assumptions made regarding the delivery of in-year savings targets within the forecasts set out in this report.

The current projection is that against the target of £(15.612)m, savings of £(16.365)m will be made, which is a reduction of £0.368m on the previous forecast at Month 7. The main reason for the adverse movement is due to a reduction in the forecasts for LD Ordinary Residence. Also, within the gross shortfall of £0.187m for the Early Help model, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which will be met from a contribution from the general savings contingency in Council-wide budgets. The remaining amount of £0.114m will be met via one-off funding from Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings. The on-going cost of the Sale West and Old Trafford Youth Centres has been included in the 2016/17 Medium Term Financial Plan. The full breakdown of the projections for individual initiatives is included in Appendix 3.

Included within the overall forecast are savings yet to be realised of £(0.763)m in respect of the 'Reshaping Trafford Care' projects.

This will be a major achievement to overachieve against the target of £(15.612)m and provides a high level of assurance about the robustness of financial planning and effective delivery of transformation projects within the Directorate.

3.2 **Good Practice Examples**

In relation to the savings programme, there are a number of examples of management interventions that are having a substantial impact on the financial position of the Directorate. These include;

3.2.1 **Reshaping Social Care:** The Directorate has successfully driven down commitments against care packages in line with the reshaping social care policy change agreed by the Council since April 2015. The implementation of reshaping principles is being applied as each new case is presented and as all cases go through their reassessment during the year. The reshaping programme is supporting the directorate to review the commissioning requirements going forward, as we drive the promotion of independence and self-care. The work is underpinning the development of 2016/17 savings options and we are already seeing a significant impact since the new policy was implemented in April 2015.

Each individual situation is different and an assessment of need always occurs before any changes are made and the service assures involvement of the individual and their family, representatives or advocates. The panel processes are fully embedded as core business. The new robust timely debt recovery process ensures an individual's contributions to their care are confirmed early in the process and new debt is identified at the earliest stage. Any debt is a key factor in funding panel decisions.

Innovative solutions to meeting need are being used to promote increased independence, support carers and focus social care funding to the appropriate areas. For example, a new application is being used to support families to ensure that they can assure themselves of their elderly family member's whereabouts and reduce worries about wandering. Ultimately preventing an admission to residential care.

3.2.2 **Reshaping Social Care (Learning Disabilities):** The Directorate has built upon the principles of the Reshaping Social Care approach for people with learning disabilities. This is because there are very few new cases, people with learning disabilities receive packages of care for in excess of 60 years and the care packages are more costly. The key principles underpinning the LD approach include best value, promoting and increasing independence and providing services based upon need rather than diagnosis. In this context best value means maximising the use of shared hours in group living situations and considering increasing care provision short-term to maximise skill development, leading to a reduction in care package costs. Promoting independence means developing an enabling risk management approach with providers and supporting the long term development of skills. Providing services based upon need rather than diagnosis particularly refers to frail older people with learning disabilities whose needs are predominantly those of an older person and who may be better placed in older peoples' services rather than an enhanced learning disability service. These changes are extremely complex to implement as they need to be negotiated with families and service providers and have also been subject to challenge through the complaints and appeals systems. However the approach has the potential to deliver substantial savings whilst maintaining care and often increasing the quality of life of the service user.

3.2.3 **Reshaping Children in Care:** A Children in Care placement review has been established to address the placement budget pressures and to determine improved decision making and commissioning processes. The governance and reporting arrangements are in place through the Senior Reporting Officer (SRO) and the acting Joint Director of Children's Social Care. The commissioning team are leading the work and have already completed some initial analysis and comparative review with near statistical neighbours. The work to date identifies areas of spend that could be controlled through different contracting arrangements and placement identification which will feed into the overall project recommendations.

3.3 **Adult Care Packages**

A new basis of financial reporting has been introduced from April 2015 following the implementation of the Liquid Logic client record system and the associated financial modules under ContrOCC. A considerable amount of effort has been made to bring the system into service and it is a major change for budget holders and other staff involved in the budget monitoring process. There are already benefits arising from the system.

The total budget for Long Term and Short Term client costs is £39.7m which represents 83% of the total CFW Adults budget of £47.6m. The average number of service users over the first eight months is 2,550 though this will fluctuate on a monthly basis going forward. Details of these are shown in Appendix 4.

The Liquid Logic/ContrOCC system gives speedier and more flexible reporting and its potential is continuing to be developed.

3.4 **Continuing Health Care (CHC)**

Where a client becomes eligible for Continuing Health Care a robust process is in place to ensure the relevant actions are completed. The Clinical Commissioning Group (CCG) have notified the Council that they have over 60 historical claims for CHC logged by families. Each claim will need to be assessed on a case by case basis, therefore it is not possible to estimate the potential impact, though this will be reported as the outcome of assessments are confirmed.

A number of retrospective claims have been made in respect of CHC and the impact of these have been reflected in the monitoring position, which gives a one-off financial benefit for the backdated period.

3.5 **Homecare packages**

The cost of homecare packages, like other care line items, is calculated by reference to the number of clients in receipt of that service at the time of producing the monitoring report. However, experience shows that in a number of cases, the planned package will not be required for the full year and as a result a reduction in costs of 2% is allowed for.

3.6 **Care Act**

The first phase of changes under the Care Act was introduced in April 2015. A Care Act implementation grant was made available to all upper tier authorities and the Council's grant was £(1.227)m. The use of funding is being monitored and the current assumption for Period 8 is that the funding will be fully utilised in 2015/16.

3.7 **Better Care Fund**

Under the terms of the Better Care Fund agreement with the CCG, the Council secured £(2.0)m for the protection of social care services. A national condition of the funding allocated for the Better Care Fund is that collectively the CCG and Council should achieve targeted reductions of at least 3.5% in non-elective admissions. Should these reductions not be achieved, then funding allocated in respect of performance would not be released by NHS England and the CCG would be obliged to transfer this to the Acute sector. The amount of BCF funding in the BCF agreement relating to performance is £(1.319)m and the Council carries the risk of 30% of funding based on the agreed risk share of 70/30 between the CCG and the Council; this equates to circa £0.400m in 2015/16.

Information on non-elective admissions for quarters 1 and 2 have confirmed that planned reductions have not been met, which if this continues for the remainder of the year, means that there is a risk to BCF funding of £0.400m. This potential shortfall has been set aside as an earmarked reserve, therefore the full £2.0m transfer of funding to the Council is reflected in the forecast.

4. Learning Disabilities (LD) Pooled Fund

4.1 The LD Pooled fund deficit was cleared at the end of 2014/15. The fund is therefore in balance at the start of the year and spend is expected to be in line with respective contributions from the Council and the CCG.

5. Reserves

5.1 At the beginning of April 2015 the Children, Families and Wellbeing Directorate has accumulated balances of £(1.729)m carried forward from previous financial years.

5.2 The carry-forward balances and expected end of the year position is as follows:

	DSG (£000's)	**CFW (£000's)**
Balance b/f 1 April 2015	(1,326)	(403)
Reserves used to balance budget	163	
Stronger Families Grant		(468)
Stronger Families Commitments 15/16		468
Specific commitments in 15/16		197
P8 Forecast Outturn 15/16	773	(506)
Balance c/f 31 March 2016	**(390)**	**(712)**
Commitments 16/17		
Transformation Programme		600
Total		**600**

The forecast position as at the 31st March 2016 for CFW is a balance of £(0.712)m and it proposed that £0.600m is earmarked for the funding of the CFW Programme Resources Team in 2016/17.

Period 8 Projected 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 Revised Budget (£000's)**	**P8 Forecast Outturn (£000's)**	**P8 Outturn Variance (£000's)**	**P7 Outturn variance (£000's)**	**Period Movement (£000's)**	**Ref**
Children's Services Portfolio – DSG Element						
Dedicated Schools Grant	0	773	773	773	0	CFW1
Transfer to Dedicated Schools Grant Reserve	0	(773)	(773)	(773)	0	CFW1
Sub-total – DSG	**0**	**0**	**0**	**0**	**0**	
Children's Services Portfolio – Non DSG Element						
Education Early Years' Service	4,924	4,763	(161)	(151)	(10)	CFW3
Children's Social Services	17,222	19,013	1,791	1,764	27	CFW2
Children with Complex & Additional Needs	1,288	1,094	(194)	(159)	(35)	CFW2
Commissioning	1,784	1,680	(104)	(75)	(29)	CFW3
Multi Agency Referral & Assessment Service (MARAS)	1,649	1,645	(4)	(2)	(2)	CFW3
Youth Offending Service	271	271	0	0	0	CFW3
Early Help Delivery Model	1,131	1,195	64	87	(23)	CFW3
						CFW3
Sub-total – Non DSG	**28,269**	**29,661**	**1,392**	**1,464**	**(72)**	
CFW Children's Total	**28,269**	**29,661**	**1,392**	**1,464**	**(72)**	

Budget Book Format (Objective analysis)	Full Year Revised Budget (£000's)	P8 Forecast Outturn (£000's)	P8 Outturn variance (£000's)	P7 Outturn variance (£000's)	Period Movement (£000's)	Ref
Adult Social Services Portfolio						
Long Term Support – client costs	39,112	39,105	(7)	291	(298)	CFW4
Short Term Support – client costs	557	509	(48)	(9)	(39)	CFW5
Social Support – Adult Placement / Carers Commissioned services	969	532	(437)	(402)	(35)	CFW6
Assistive Equipment & Technology	1,473	1,476	3	0	3	CFW7
Social Care Activities – Care Management	11,805	10,997	(808)	(877)	69	CFW8
Information and Early Intervention – Preventative Services	934	567	(367)	(268)	(99)	CFW9
Commissioning and Service Delivery	767	456	(311)	(327)	16	CFW10
Non-Adult Social Care – Supporting People	0	77	77	14	63	CFW11
DH Funding and un-allocated savings	(7,122)	(7,122)	0	(2)	2	CFW12
CFW Adults Total	**48,495**	**46,597**	**(1,898)**	**(1,580)**	**(318)**	
Community Health & Wellbeing Portfolio						
Public Health	(867)	(867)	0	0	0	CFW13
CFW Public Health Total	**(867)**	**(867)**	**0**	**0**	**0**	
CFW Total	**75,897**	**75,391**	**(506)**	**(116)**	**(390)**	

Business Reason / Area (Subjective analysis)	P8 Outturn Variance (£000's)	P7 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Children's				
Management of staff vacancies	(179)	(168)	(11)	CFW2, CFW3
Transport	74	74	0	CFW3
Client need	1,424	1,421	3	CFW2
YOS remand placements	(70)	(70)	0	CFW2
Income	107	104	3	CFW2
Other running costs	36	103	(67)	CFW2, CFW3
Total Children's	**1,392**	**1,464**	**(72)**	
Adults				
Management of staff vacancies	(1,110)	(1,191)	81	CFW8, 10
Client need	(55)	280	(335)	CFW4, CFW5
Other running costs	(733)	(669)	(64)	CFW7,9,10, CFW11
Total Adults	**(1,898)**	**(1,580)**	**(318)**	
Public Health	**0**	**0**	**0**	
Total CFW	**(506)**	**(116)**	**(390)**	

NOTES ON VARIANCES AND PERIOD MOVEMENTS

CHILDREN'S SERVICES

CFW1 – DSG Reserve b/fwd.

- The brought forward DSG reserve balance is £(1.326)m. There are significant pressures within DSG which mean that there is an anticipated overspend of £0.773m and £0.163m was required from reserves to balance the budget, leaving a forecast reserve at the year-end of only £(0.390)m. The greatest pressure on the DSG is increasing numbers in SEN and the High Needs Block of the DSG being frozen. In previous years there has been an underspend on primary de-delegated budgets. However, Primary School budgets are under significant pressure and a central budget for Schools in financial difficulty (£0.400m) has been spent in 15/16.

CFW2 – Children's Social Services (Including CAN) £1.597m adverse variance

- There is a projected overspend of £1.424m, on client care packages as analysed in the table in Appendix 2. The main variances are in respect of welfare secure places, external children's homes, agency foster care and adoption places. The increases in cost are due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. £1.157m of the projected variance relates to external children's homes even though this is as a result of only 6.8 additional placements over the year, indicating the volatility of this particular budget. There is an adverse variance of £0.234m for welfare secure places which relates to 0.8 additional places. There is also an adverse variance of £0.168m on agency foster placements which equates to 4.2 placements; this reflects a national trend following high profile reports into major failings such as at Rotherham. There is a favourable variance of £(0.231)m in relation to the low numbers of Trafford children in need of adoptive placements. This significant reduction has had an impact on numbers of children placed for adoption.
- There is a projected shortfall in adoption income of £0.417m, although this is partially offset by the reduction in adoption costs referenced above. It has become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption. We are currently developing an expression of interest with neighbouring LA's to for a Regional Adoption Agency in line with national policy.
  - Staffing costs underspend on Children's social care £(0.099)m.
  - There is additional income for CAN placements of £(0.076)m as a result of Continuing Health Care assessments that have identified eligible expenditure for children with complex health needs,
  - General running costs favourable variance £(0.015)m.
  - Other variances - adoption grant £(0.054)m.

<u>CFW3 – Various - £(0.211)m favourable</u>

Education Early Years

- Favourable variance due mainly to staffing underspends £(0.161)m.

Commissioning running costs

- Forecast underspend on personalisation and supporting people contracts £(0.104)m.

MARAS

- Favourable variance due to staffing £(0.004)m.

Early Help Delivery Model

- Forecast shortfall in delivery of savings due to residual premises and staffing costs £0.064m.

ADULTS' SERVICES

<u>CFW4 – Long term client costs - £(0.007)m favourable</u>

- The forecast is based on those clients who have received packages of care in the year to date which may have closed and those currently open within the Liquid Logic system projected for the remainder of the year. An adjustment has been made of £0.763m for savings which are expected to be made against client costs for the remainder of the year based on Transformation projections. Further details on client costs are included in Appendix 4.

<u>CFW5 – Short term client costs - £(0.048)m favourable</u>

- The forecast is based on those clients who have received packages of care in the year to date which may have closed and those currently open within the Liquid Logic system projected for the remainder of the year.

<u>CFW6 – Social Support – Adult Placement / Carers - £(0.437)m favourable</u>

- Renegotiation of contracts and funding through the Care Act grant £(0.428)m.
- Other minor variances £(0.009)m.

<u>CFW7 – Assistive Equipment & Technology - £0.003m adverse</u>

- Minor variances.

CFW8 – Social Care Activities – Care Management teams - £(0.808)m favourable

Vacant posts and other staffing related savings across the following teams:

- Pathways and Network £(0.164)m;
- Ascot House £(0.064)m;
- Community MH Organic team £(0.085)m;
- Community Mental Health team £(0.016)m;
- Community Social Work team £(0.198)m;
- CLDT team £(0.079)m;
- Emergency Duty Team £0.019m;
- Service manager posts £0.051m;
- Reablement £(0.331)m;
- Screening team £0.072m;
- Direct Payments team £(0.011)m;

- Other minor variances £(0.002)m.

CFW9 – Information and Early Intervention - £(0.367)m favourable

- Extra Care Housing – underspend as Old Trafford scheme will not be operational until 2017 £(0.279)m.
- Vacancies within the benefits advice team £(0.082)m.
- Other minor variances £(0.006)m.

CFW10 – Commissioning & Service Delivery - £(0.311)m favourable

- Commissioning Restructure – saving arising from restructure and vacancies in the service £(0.315)m.
- Other minor variances £0.004m.

CFW11 – Non-Adult Social Care - £0.077m adverse

- Underachievement of income.

CFW12- DH Funding and un-allocated savings - £Nil

- Overall projected to be in line with budget.

CFW13 – Public Health £Nil

- Overall spend is projected to be in line with Public Health grant.

Appendix 2

Client Care Packages Forecast: Month 8

Service	Budget Service Users (No.)	Budget Average weekly cost (£)	Gross Budget (£000's)	Actual Service Users (No.)	Average weekly cost (£)	Actual Gross Forecast (£000's)	Variance Service Users (No.)	Variance Gross Forecast (£000's)
Welfare Secure	0.34	5,081	90	1.11	5,613	324	0.77	234
External Children's Homes	5.86	3,048	929	12.61	3,181	2,086	6.75	1,157
Agency Foster Care	32.89	884	1,513	37.08	872	1,681	4.19	168
In-house Foster Care	94.68	319	1,570	85.99	325	1,452	(8.69)	(118)
Family and Friend Foster Care	112.04	218	1,271	112.63	233	1,362	0.59	91
Asylum Seekers	0.00	0	0	0.00	0	0	0.00	0
Special Guardianship	29.00	152	229	29.67	152	235	0.67	6
Assisted Residence Allowances	24.00	107	133	20.60	112	120	(3.40)	(13)
Aftercare	n/a		381	n/a		470	n/a	89
Supported Lodges	n/a		325	n/a		322	n/a	(3)
Youth Homeless	n/a		193	n/a		295	n/a	102
Adoption	13.00		923	10.00		692	(3.00)	(231)
CAN Respite	1.96	1,931	210	1.36	2,771	196	(0.60)	(14)
CAN Long Term Care	4.91	2,436	594	4.85	2,383	601	(0.06)	7
CAN Home from Home	n/a		161	n/a		157	n/a	(4)
CAN Direct Payments/Personalisation	n/a		367	n/a		320	n/a	(47)
Total			**8,889**			**10,313**		**1,424**

Appendix 3

Savings forecast: Month 8

CFW Rebased Savings 2015/16	**Revised Reduction (£000's)**	**Forecast Saving (£000's)**	**Variance (£000's)**
Children with Complex Needs – use of personalisation	(200)	(208)	(8)
Children in Care – expansion of in-house Children's home	(50)	0	50
Home to School Transport	(400)	(400)	-
Market Management	(200)	(200)	-
Music Service	(30)	(30)	-
Educational Psychology	(100)	(100)	-
Governor Services	(5)	(5)	-
Commissioning – reduction in multi-agency contracts	(126)	(126)	-
Education Early Years – Early Help *	(3,079)	(2,892)	187
Education Early Years – Re-organisation	(377)	(377)	-
Youth Offending Service	(130)	(130)	-
Sub-total Children Services	**(4,697)**	**(4,468)**	**229**
Older People – Reablement	(700)	(1,170)	(470)
LD - Re-negotiation of Contracts	(13)	(13)	-
LD – Supported Living	(203)	(203)	-
LD – Acceleration of Re-tendering	(942)	(942)	-
PD – Telecare	(116)	(116)	-
LD – Void Management	(32)	(51)	(19)
Continuing Health Care	(389)	(389)	-
Better Care Fund	(2,000)	(2,000)	-
Voluntary and Community Sector	(59)	(59)	-
LD – Ordinary Residence	(1,082)	(824)	258
LD – Care Package Review	(411)	(2,000)	(751)
Reshaping Trafford	(838)		
LD – Development Fund	(45)	(45)	-
LD – Review of Building Based Support	(72)	(72)	-
Floating Support Service	(230)	(230)	-
Market Management	(915)	(915)	-
Integrated Health & Social Care	(500)	(500)	-
Commissioning – all age structure	(830)	(830)	-
Commissioning – review of non-mandatory services	(1,538)	(1,538)	-
Sub-total Adult Social Care	**(10,915)**	**(11,897)**	**(982)**
Total	**(15,612)**	**(16,365)**	**(753)**

* Within the gross shortfall of £0.187m, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which will be met from a contribution from the general savings contingency in Council-wide budgets. The remaining £0.114m will be met via one-off funding from Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings.

Appendix 4

Long Term Client Costs Forecast: Month 8

Client Group	**Budgeted Annual Cost**	**Service Users**	**Average Service Users**	**Average Weekly Cost**	**Forecast Annual Cost**	**Variance**
	£000's	**No**	**No**	**£**	**£000's**	**£000's**
Learning Disability						
Community Services	10,089	233	242	787	9,907	(182)
Direct Payments	4,109	193	200	425	4,420	311
Residential/Nursing	5,310	58	57	1,157	3,429	(1,881)
Sub-total	**19,508**	**484**	**499**	**684**	**17,756**	**(1,752)**
Mental Health Support						
Community Services	1,209	105	137	207	1,473	264
Direct Payments	585	37	46	229	547	(38)
Residential/Nursing	3,594	197	186	379	3,664	70
Sub-total	**5,388**	**339**	**369**	**296**	**5,684**	**296**
Physical Support						
Community Services	3,696	912	849	91	4,010	314
Direct Payments	2,857	237	242	239	3,006	149
Residential/Nursing	6,325	447	405	334	7,036	711
Sub-total	**12,878**	**1,596**	**1,496**	**181**	**14,052**	**1,174**
Sensory Support						
Community Services	188	80	69	71	253	65
Direct Payments	168	22	22	190	217	49
Residential/Nursing	470	29	29	346	522	52
Sub-total	**826**	**131**	**120**	**159**	**992**	**166**
Social Support						
Community Services	154	32	26	81	109	(45)
Direct Payments	119	18	16	246	205	86
Residential/Nursing	175	9	8	317	132	(43)
Sub-total	**448**	**59**	**50**	**172**	**446**	**(2)**
Support with Memory and Cognition						
Community Services	(7)	6	7	3	1	8
Residential/Nursing	71	13	9	372	174	103
Sub-total	**64**	**19**	**16**	**375**	**175**	**111**
Total	**39,112**	**2,628**	**2,550**	**295**	**39,105**	**(7)**

ANNEX 2

TRAFFORD MBC

Report to:	**Economic Growth, Environment and Infrastructure Directorate Management Team**
Date:	**6 January 2016**
Report for:	**Discussion**
Report author:	**Finance Manager**

<u>Report Title</u>

Revenue Budget Monitoring 2015/16 – Period 8 (April 2015 to November 2015)

1. Forecast Outturn for the Year

1.1 The approved revenue budget for the year is £32.268m. The forecast outturn is £31.777m, which is £(0.491)m under the approved budget. The underspend has increased by £(0.115)m since last reported.

1.2 The increased underspend includes £(0.061)m from additional income since last reported, which includes £(0.025)m from licensing, £(0.018)m from parking and £(0.018)m from planning. The underspend relating to staff vacancies has also increased by £(0.056)m across the Directorate. Other minor movements are a net £0.002m.

1.3 The approved budget for 2015/16 includes savings of £(2.814)m and all are projected to be delivered in full (paragraph 4). Savings include £(2.250)m from the One Trafford partnership with Amey LG for Environmental, Highways, Street Lighting, Technical and Property Services.

1.4 The One Trafford partnership contract commenced on 4th July 2015 for 15 years, and will be monitored through the payment and performance mechanism agreed with Amey as part of the procurement process. The budget monitoring reported for services in-scope will reflect actual and forecast economic activity both before and after the contract start date.

1.5 For traded services (catering and cleaning) there is a forecast net traded surplus of £(0.198)m at the end of March 2016, which is unchanged from last reported. The service manages its costs and income over school terms and academic years rather than financial years and any surplus at the end of March is expected to be required to continue investment in the service and in particular improve readiness for the new academic year in September 2016.

1.6 The Directorate has brought forward balances of £(1.738)m from previous years (paragraph 3). This will be utilised for one-off budget pressures in 2015/16 and also to support initiatives to protect services and deliver future efficiencies and income generation. The balance after known commitments and the forecast outturn is £(0.368)m.

1.7 This is the sixth monitoring report of the financial year and, hence, the information available to produce the forecast outturn will be refined and subject to change as the year continues to progress. The main assumptions included in the financial forecasts are listed in paragraph 5.

2. Summary of Variances

2.1 The overall favourable variance of £(0.491)m reflects a number of individual under and overspends across the diverse areas of the Directorate, as detailed in Appendix 1 and summarised below.

2.2 A favourable one-off income variance is projected from Oakfield Road car park £(0.150)m. There is also one-off additional back rent income of £(0.087)m from Stretford Arndale which was notified from the managing agent in November 2015 and relates to 2014/15.

2.3 Income from other fees and charges is higher than budgeted for the GM Road Access Permit Scheme £(0.010)m, airport rent £(0.021)m and planning fees £(0.155)m. There are income shortfalls forecast relating to building control £0.063m, bulky and commercial waste £0.010m, parking (including fines) £0.013m. In addition, fee income from capital schemes is £0.132m lower than budgeted for the period before the One Trafford contract start date. Total overall income is forecast to be £(0.199)m above budget.

2.4 This income forecast is £(0.061)m higher than last reported which includes £(0.025)m from licensing, £(0.018)m from parking and £(0.018)m from planning.

2.5 There are a number of favourable variances relating to staffing budgets as a result of turnover or vacancy management £(0.221)m. This is a favourable movement of £(0.056)m from last report across a number of service areas due to updated forecasts of staff starters and leavers for the remainder of the year.

2.6 Other running costs are projected to be £(0.071)m underspent, which is a minor adverse movement of £0.002m from last reported.

2.7 Management action will continue over the financial year end period and into 2016/17 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.

3. Reserves

3.1 At the end of 2014/15 the Directorate had a surplus on accumulated balances of £(1.738)m, which was carried forward to 2015/16. This was a result of the successful management of budget pressures and additional income generation in the last three years.

3.2 The remaining balance on the EGEI Directorate Reserve after the forecast outturn for 2015/16, future known commitments and re-phasing of projects is £(0.368)m (table below). The EGEI Reserve will be utilised on initiatives to generate future savings and income generation to support service provision within the on-going revenue budget constraints. In addition, the opportunity has been taken to accelerate the resolution of some one-off issues (e.g. stock write offs) prior to the commencement of One Trafford partnership. The reserve may also be required for other one-off budget pressures arising during the year.

Utilisation of Carry forward Reserve 2015/16	(£000's)
EGEI Surplus balance brought forward at 1 April 2015	(1,738)
Commitments	1,861
Period 8 forecast outturn (favourable)	(491)
Balance after known commitments	**(368)**

4. Savings

4.1 The approved Directorate budget includes 2015/16 savings of £(2.814)m, and all are projected to be achieved in full over the financial year, as follows :

	Budget (£000's)	Forecast (£000's)	Variance (£000's)
Efficiencies and others	(2,336)	(2,336)	0
Increased and new income	(324)	(324)	0
Policy Choice	(154)	(154)	0
Total EGEI	**(2,814)**	**(2,814)**	**0**

5. Forecasting and Risk

5.1 There are key assumptions and/or areas of risk in producing the forecast outturn. These are listed below but will generally reduce as the financial year progresses and as data becomes confirmed.

- One Trafford partnership – the budget monitoring for services in-scope reflects economic activity both before and after the contract start date of 4th July 2015. A number of activities and works cross cut the contract start date (e.g. works in progress), plus a number of temporary arrangements are in place to ensure business continuity during the first contract year (e.g. continued collection of income on behalf of Amey). All related financial transactions will be allocated and recharged between the Council and Amey over the relevant periods.
- The One Trafford contract is monitored using the payment and performance mechanism agreed as part of the procurement process. This is designed to incentivise performance to the standards agreed and the Council has the ability to deduct fees in cases of non-performance. This forms part of the monthly billing and review process.
- The wholesale price of energy which the Council procures influences only around 50% of the Council's energy bill. The remainder is influenced by transmission and distribution costs – for example Distribution Use of System Charges are passed on to the Council by the Distribution Network Operator, and are unavoidable. There is hence a risk of unforeseen energy cost increases which are not bound by the Council's contracted prices.
- Fee income from capital works varies depending on the progress of delivering the approved capital programme during the year. The full year budget assumption from fees is £(2.000)m and this risk has effectively been transferred to Amey from July 2015 for services in-scope of the One Trafford partnership (e.g. Highways and Property). The contract is structured in a way which incentivises Amey to progress in delivering the programme on time. However, the charging of capital fee income will still need to be

monitored against the profile for both the pre and post contract budgets as capital works progress.

- Demand led fees and charges income, such as from Parking, Licensing, Planning and Building Control, will vary based on economic conditions and customer behaviour. All fees and charges are monitored weekly or monthly, with trends and previous profiles used to inform forecasts. For services in-scope of the One Trafford partnership, fee income is guaranteed in the contract price. The Council will also share in any additional income generated by Amey under the contract. Adjustments and recharges will need to be actioned in the Council's accounts for any income collected on behalf of Amey during the transition period.
- Investment property income – this varies depending on economic factors, and includes income from shopping centres (e.g. Stretford Arndale) where lettings and rents are the responsibility of the owners of the properties. This can include backdated rent income notified by managing agents later in the year. Property is managed by Amey under the One Trafford partnership although the Council is still billing and recovering these rents under the continuing contract transition arrangements.
- 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. These services are largely in-scope of the One Trafford partnership and this risk has effectively been transferred to Amey under the contract as the service fee payable is fixed for the year in advance. The Directorate has £0.120m in a Winter Maintenance reserve to smooth any exceptional pressures across financial years, if required.
- 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. The latest notification from the WDA indicates disposal costs are estimated at £0.022m above budget, which is due to slightly lower volumes of paper recycling than expected at this point of the year.

6. Recommendations

6.1 It is recommended that the forecast outturn be noted.

Period 8 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)**	**P8 Forecast Outturn (£000's)**	**P8 Forecast Variance (£000's)**	**P7 Forecast Variance (£000's)**	**Period Movement (£000's)**	**Ref**
Highway and Network Management, including Traffic & Transportation	3,413	3,373	(40)	(40)	0	EGEI1
Groundforce	4,201	4,300	99	99	0	EGEI2
Sustainability & Greenspace	335	283	(52)	(52)	0	
Bereavement Services	(1,128)	(1,120)	8	17	(9)	
Waste Management (incl. WDA levy)	19,561	19,580	19	19	0	EGEI3
Public Protection & Enforcement	780	803	23	64	(41)	
Parking Services	(538)	(744)	(206)	(185)	(21)	EGEI4
School Crossing Patrols	403	391	(12)	(12)	0	
Strategic Support Services	577	485	(92)	(77)	(15)	EGEI5
Sub-total Environment & Operations Portfolio	**27,604**	**27,351**	**(253)**	**(167)**	**(86)**	
Property and Development	2,675	2,575	(100)	(99)	(1)	EGEI6
Economic Growth	795	707	(88)	(73)	(15)	EGEI7
Housing Strategy	500	457	(43)	(40)	(3)	EGEI8
Strategic Planning & Development	488	458	(30)	(30)	0	
Planning & Building Control	(144)	(121)	23	33	(10)	EGEI9
Directorate Strategic Management	368	368	0	0	0	
Sub-total Economic Growth & Planning Portfolio	**4,682**	**4,444**	**(238)**	**(209)**	**(29)**	
Operational Services for Education (Catering & Cleaning Traded Service)	**(18)**	**(18)**	**0**	**0**	**0**	
Total Forecast Outturn Period 8	**32,268**	**31,777**	**(491)**	**(376)**	**(115)**	

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P8 Outturn Variance (£000's)	P7 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Highways and Network Management incl. Traffic & Transportation				
Income shortfall, including moving traffic offences	6	6	0	
GMRAPs income above budget	(10)	(10)	0	
Capital fee income shortfall	75	75	0	
Staff vacancies	(12)	(12)	0	
Running costs	(25)	(25)	0	
Energy – Street Lighting	(60)	(60)	0	
Depot & Business Support				
Supplies & Services	(14)	(14)	0	
Sub-total	**(40)**	**(40)**	**0**	EGEI1
Groundforce				
Staffing and Transport costs	55	55	0	
Other running costs – contractors, plant hire, fuel	44	44	0	
Sub-total	**99**	**99**	**0**	EGEI2
Sustainability & Greenspace				
Vacancy, supplies & services	(37)	(37)	0	
Income above budget	(15)	(15)	0	
Sub-total	**(52)**	**(52)**	**0**	
Bereavement Services				
Staffing and running costs	(25)	(18)	(7)	
Income shortfall	33	35	(2)	
Sub-total	**8**	**17**	**(9)**	
Waste Management and Disposal				
Staffing and running costs	(13)	(13)	0	
Income shortfall – bulky and commercial waste	10	10	0	
GM Waste disposal levy	22	22	0	
Sub-total	**19**	**19**	**0**	EGEI3

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P8 Outturn Variance (£000's)	P7 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Public Protection & Enforcement				
Staffing costs	22	33	(11)	
Running costs	6	7	(1)	
Income shortfalls including licences	(5)	24	(29)	
Sub-total	**23**	**64**	**(41)**	
Parking Services				
Staffing & running costs	(69)	(66)	(3)	
Oakfield Road car park remaining open	(150)	(120)	(30)	
Income shortfall – other locations and fines	13	1	12	
Sub-total	**(206)**	**(185)**	**(21)**	EGEI4
School Crossing Patrols - vacancies	**(12)**	**(12)**	**0**	
Director & Business Support				
Staffing and Running costs	**(92)**	**(77)**	**(15)**	EGEI5
Sub-total Environment & Operations Portfolio	**(253)**	**(167)**	**(86)**	
Property and Development				
Investment Property Rental Income:				
- Stretford Arndale – one off back rent 14/15	(87)	(87)	0	
- Urmston Town Centre – one-off surplus	(11)	(11)	0	
- Airport – surplus	(21)	(21)	0	
- Other properties - surplus	(8)	(7)	(1)	
Community buildings – income/running costs	29	29	0	
Admin Buildings running costs	(60)	(60)	0	
Facilities Management/other staffing vacancies	(45)	(45)	0	
Other running cost variances	40	40	0	
Major projects capital fee income shortfall	63	63	0	
Sub-total	**(100)**	**(99)**	**(1)**	EGEI6
Economic Growth				
Staffing vacancies	(105)	(90)	(15)	
Other running costs	17	17	0	
Sub-total	**(88)**	**(73)**	**(15)**	EGEI7

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P8 Outturn Variance (£000's)	P7 Outturn Variance (£000's)	Period Movement (£000's)	Ref
Housing Strategy				
Staffing	(29)	(23)	(6)	
Running costs	(14)	(17)	3	
Sub-total	**(43)**	**(40)**	**(3)**	EGEI8
Strategic Planning & Development				
Staffing/running costs savings	**(30)**	**(30)**	**0**	
Planning & Building Control				
Planning applications income	(155)	(137)	(18)	
Building Control income shortfall	63	56	7	
Staffing including interim support	89	91	(2)	
Other running costs	26	23	3	
Sub-total	**23**	**33**	**(10)**	EGEI9
Sub-total Economic Growth & Planning Portfolio	**(238)**	**(209)**	**(29)**	
Total Forecast Outturn EGEI Period 8	**(491)**	**(376)**	**(115)**	

Summary Variance Analysis Period 8

All Services	Savings £000	Staff £000	Running Costs £000	Income £000	Total Variance £000
Period 7	0	(165)	(73)	(138)	(376)
Period 8	0	(221)	(71)	(199)	(491)
Period Movement	**0**	**(56)**	**2**	**(61)**	**(115)**

ADDITIONAL NOTES ON FORECAST OUTTURN VARIANCES

EGEI1 – Highways & Network Management - £(0.040)m (favourable)
Income generation of £(0.030)m is included in the budget from moving traffic offences. This is part of an AGMA initiative to improve safety and traffic flows on major routes and the project timeline has been re-phased to later in 2015/16.

Running costs are expected to be £(0.025)m under budget over a number of service areas. This mainly reflects forecasts of maintenance costs in highways and street lighting up to the 4th July 2015 commencement date of the One Trafford contract with Amey.

Staffing is £(0.012)m underspent for the period before the commencement of the One Trafford contract.

There is additional income above budget of £(0.010)m from the Greater Manchester Road Access Permit Scheme, which was implemented during 2013/14.

Fee income from technical and consultancy work charged to capital schemes is projected to be £0.075m below budget due to the timing of capital works up to the commencement of the One Trafford contract. The on-going risk has effectively been transferred to Amey from July 2015 and the contract is structured in a way which incentivises Amey to progress in delivering the programme on time.

Street Lighting energy costs are projected to be £(0.060)m less than budgeted based on latest projected usage volumes and the contract prices from April 2015.

EGEI2 – Groundforce - £0.099m (adverse)
Staffing, plant, contractor and transport costs are £0.099m overspent relating to the services provided prior to the One Trafford contract. This includes additional one off contract costs of £0.033m relating to the final return of externally hired plant and equipment at the end of the autumn season.

EGEI3 – Waste Management and Disposal - £0.019m (adverse)
There is an underspend in staffing and contract costs of £(0.013)m for the period prior to the commencement of the One Trafford contract. Bulky waste and commercial waste income is £0.010m less than expected for this period.

The latest information from GM Waste Disposal Authority is that the levy cost will be £0.022m higher than budgeted. This is based on variations in the tonnages of different waste streams being disposed throughout the year, and in particular paper recycling is slightly lower than estimated at this point.

EGEI4 – Parking Services – £(0.206)m (favourable)
The approved budget from 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 £(0.150)m above budget, which has continued from last year. This is £(0.030)m higher than last reported based on latest forecasts.

Other car parking income, including fines, is projected to be £0.013m below budget, which is an adverse movement of £0.012m from last reported.

The parking enforcement contract and other running costs are expected to be £(0.069)m underspent.

EGEI5 – Director and Business Support – £(0.092)m (favourable)
There is a forecast underspend on senior management staffing due to vacancies and on-going restructuring. This is £(0.015)m higher than last reported based on revised estimates of staff starting and leaving dates.

EGEI6 – Property and Development - £(0.100)m (favourable)
The Agents for the owners of Stretford Arndale have continued to maintain a number of short term lettings to ensure the number of vacant units is minimised and this has held up gross rental income. A final year-end rental payment for 2014/15 of £(0.087)m was notified in November 2015 which is above the expectations included when setting the budget.

Manchester Airport rent is £(0.021)m above budget based on notification from Manchester City Council of new rent levels.

Fee income from capital and external projects is £0.063m less than budgeted for the period up to the commencement of the One Trafford contract which reflects the phasing of capital works. The on-going risk has effectively been transferred to Amey from July 2015 and the contract is structured in a way which incentivises Amey to progress in delivering the programme on time.

Administrative building running costs are less than expected across the portfolio by £(0.060)m. This includes a £(0.053)m underspend relating to the catering concession at Altrincham Town Hall.

EGEI7 – Economic Growth Team – £(0.088)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 staffing underspend has increased by £(0.015)m since last reported based on latest estimates of filling vacant posts.

EGEI8 – Housing Strategy – £(0.043)m (favourable)

Staffing costs are forecast to be £(0.029)m underspent due to secondments, with running costs including the housing options contract £(0.014)m underspent.

EGEI9 – Planning and Building Control – £0.023m (adverse)

Projected income from planning fees is £(0.155)m higher than budgeted which is a trend continuing from last financial year. This is a favourable movement of £(0.018)m from last reported based on latest income forecasts. There is a projected shortfall in income from building control fees of £0.063m, which is also a continuation of difficult trading conditions and external competition. This is £0.007m higher than last reported and the service is reviewing its business plan to improve its financial position. Both fees are monitored regularly.

There is a projected overspend on staffing of £0.089m which reflects the appointment of interim staff to cover vacancies and address the resulting capacity issues. These posts contribute to the achievement of the additional planning income above and is £(0.002)m lower than last reported. The permanent filling of vacant posts will be addressed by the on-going restructure of the combined Directorate. Running costs are £0.026m higher than budget, an adverse movement of £0.003m.

EGEI10 – Traded Services (Catering and Cleaning)

There is a net traded surplus forecast for the end of March 2016 of £(0.198)m. This is unchanged from last reported and reflects latest trading figures. However, the service manages its costs and income over school terms and academic years rather than financial years and any surplus at the end of March is earmarked to continue the investment in the service. This is particularly to improve readiness for the new academic year in September 2016.

ANNEX 3

TRAFFORD MBC

Report to:	**Transformation and Resources Directorate Management Team**
Date:	**7 January 2016**
Report for:	**Discussion**
Report author:	**Finance Manager**

Report Title

Revenue Budget Monitoring 2015/16 – Period 8 (April 2015 to November 2015)

1. Forecast Outturn for the Year

1.1 The approved revenue budget for the year is £17.007m with a forecast outturn of £16.440m. This results in a projected underspend of £(0.567)m, which is £(0.084)m higher than last reported.

1.2 The increase in the underspend includes £(0.119)m from updating the timing of filling staff vacancies, plus additional income of £(0.038)m. This is offset by a reduction in the underspend on running costs of £0.071m following a review of commitments against project based activities. The key variances and movements are shown in section 2 below and Appendix 1.

1.3 The overall forecast underspend for the Directorate reflects £(0.640)m from higher than expected staff vacancy levels, £(0.080)m from cost control of running expenses, and £(0.139)m from higher levels of income. These underspends are partially offset by a reduction in the planned level of savings of £0.292m.

1.4 The Directorate has brought forward balances of £(1.501)m from previous years (section 3). This will be utilised to support initiatives to reshape Trafford and deliver future efficiencies and income generation. The balance after known commitments and the forecast outturn is £(1.577)m.

2. Summary of Variances

2.1 The overall underspend of £(0.567)m reflects a number of individual under and overspends across the Directorate, with comments on the main variances from budget and movements from the last report shown below.

Staffing

2.2 Forecast staffing costs based on actual and projected vacancies are £(0.640)m less than budget across the Directorate. Vacancy levels are projected to be approximately 3.2% higher than assumed in the setting of the 2015/16 budget, and is a consequence of a delay in appointing to a number of vacancies on some service restructures. Vacancies are forecast on a post by post basis each month and the projected underspend has increased by £(0.119)m from the last report. This increase reflects updated estimates of the timing of filling vacancies during the remainder of the financial year.

Running Costs

2.3 General running costs are forecast to be underspent by £(0.005)m. The underspend has reduced from last reported which reflects updates to the timing of certain spending commitments (e.g. on projects based activities). These commitments can cross over the financial year end period and budgets can be carried over in Directorate reserves at year end if required. In addition, a one-off saving will be realised of £(0.075)m as a result of the successful settlement of a claim in relation to supplier performance in ICT where liability has been acknowledged.

Savings

2.4 The projected £0.292m shortfall in savings relates to Library Service and ICT proposals for 2015/16 of £0.142m and £0.150m respectively. Further details are listed below in paragraph 4.

Income

2.5 The £(0.139)m from additional external income is a net figure. This includes a £0.079m shortfall from CCTV services. Work is on-going to redesign the CCTV service delivery model, which has been continued from 2014/15, and will deliver sustainable benefits going forward.

2.6 Income relating to legal costs charged to capital schemes is also £0.027m less than budgeted. This is affected by external factors and levels of staff vacancies, and the aim is to mitigate the shortfall in line with budget for the remainder of the year.

2.7 There is a £0.050m shortfall in budgeted Council tax liability order income. This income reduces as council tax collection rates improve but is offset in the Council's separate Collection Fund account. It is proposed to realign this budget from 2016/17 through the Medium Term Financial Plan.

2.8 The income shortfalls are offset in the main by £(0.157)m of additional income from grants in the Revenues and Benefits Service. The Revenue and Benefits Service has had a number of grants awarded in-year and rolled forward from 2014/15 to support spending, leading to increased levels than budgeted at the start of the year.

2.9 Additional income is also included relating to events and advertising £(0.023)m plus from traded activities in Legal and Democratic Services £(0.035)m and Human Resources £(0.030)m. This month's report also includes external grant income of £(0.040)m relating to the costs of administering the Council's blue badge scheme. Net income across a number of other service areas is £(0.010)m above budget.

3. Reserves

3.1 At the end of 2014/15 the Directorate had a surplus of £(1.501)m in its reserve, which has been carried forward to 2015/16. This was a result of the successful management of the budget in previous years.

3.2 The remaining balance on the T&R Directorate Reserve after the forecast outturn for 2015/16, future known commitments and re-phasing of projects is £(1.577)m (table below). The T&R Reserve will be utilised on initiatives and project based activity in support of Reshaping Trafford and also to generate future savings and income generation. Commitments will be underpinned by business cases and will be reviewed each month as the financial year progresses.

Utilisation of Carry forward Reserve 2015/16	**(£000's)**
T&R Surplus balance brought forward at 1 April 2015	(1,501)
Commitments 2015/16	491
Period 8 forecast outturn (underspend)	(567)
Balance after known commitments	**(1,577)**

4. Savings

4.1 The T&R budget for 2015/16 includes savings of £(2.848)m. This originally included £0.550m in respect of the libraries rationalisation but this figure was revised down by £0.050m when the outcome of the second phase of consultation was reported to Executive in March 2015. This reduction has been met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15. The updated T&R savings target for 2015/16 is therefore £(2.798)m and actual savings of £(2.567)m are forecast to be achieved with £0.231m of savings re-phased and £0.061m requiring alternative solutions.

Saving Description	Savings Shortfall (£000's)
Libraries re-phased saving (a)	142
ICT re-phased procurement savings (b)	89
ICT savings not able to be realised (b)	61
Total	**292**

4.2 The shortfall in savings delivery is reflected in the forecast outturn and are summarised below:

(a) Libraries – an overall £(0.500)m saving is included in the approved revenue budget. This includes both staffing and property cost reductions. Due to additional consultations and re-phasing of delivery plans, £(0.358)m is expected to be achieved in 2015/16. This gives a shortfall of £0.142m in-year, with the full year saving to be delivered in full during 2016/17.

The £0.142m shortfall relates to a delay in the closure of libraries (Bowfell, Davyhulme and Lostock, the redevelopment of Hale and Timperley Libraries) and changes to in-year delivery at Coppice as part of the consultation process.

Whilst the delay in implementing some library changes has impacted on savings overall there are significant benefits to the Council in terms of the final proposals agreed. With redevelopment of a number of sites to include residential dwellings which will attract new homes bonus, council tax and a capital receipt.

(b) ICT savings of £(0.750)m are included in the approved budget. This includes staffing and contract procurement reductions. Savings of £(0.600)m are forecast to be achieved in 2015/16; a shortfall of £0.150m as follows:

- £0.089m relates to procurement processes which have taken longer than planned.
- Savings of £0.061m will not be achieved following a further technical assessment of individual proposals. This relates mainly to the installation of new back up arrangements where realisation of the saving is now unlikely and alternative measures are being sought.

The primary mitigation to address these shortfalls is via a review of all ICT Third Party spend (c. £1.8m). Work is underway with Procurement to review all contracts with the aim of aggregating the spend with fewer or single suppliers. SAP and AGMA contracts are potentially out of scope due to the nature of existing commercial arrangements. Procurement have completed the market testing and this has identified potential expressions of interest from up to 10 organisations. This information is being shared with Manchester City Council as part of the collaboration work looking to deliver improved value for money through aggregating ICT spend across the two Councils. Arrangements have now been finalised to meet with 4 vendors during January and Manchester City Council have been invited to each of these presentations.

The current WAN (network) service was retendered in October 2015 and following evaluation of bids the contract has been awarded to Virgin Media from 1st January 2016. The expected full year savings from this date are in line with the original forecast of £(0.076)m.

4.3 The shortfall in savings against budget is forecast to be fully mitigated by in-year net underspends from the management and monitoring of the whole Directorate budget (e.g. through vacancies, running costs, income generation).

5. Forecasting and Risk

5.1 The key assumptions and areas of risk in the forecast outturn are:

- Court costs and Barrister fees are volatile, with the quantity of cases being determined in-year and the costs of the individual cases being highly variable.
- The approved budget and forecasts include assumptions around staff turnover and vacancies – this is approximately 3.5% of the staffing costs on average. The actual level and timing of vacancies is difficult to predict on a service by service basis but trends from recent years indicate overall underspend projections will increase as the year progresses.
- External income can relate to external factors which are difficult to predict, such as customer behaviour, and can also be affected by unexpected changes in levels of staff vacancies.

6. Recommendations

6.1 It is recommended that the forecast outturn be noted.

Appendix 1

Period 8 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.

Transformation and Resources Budget Book Format (Objective analysis)	**Full Year Budget (£000's)**	**P8 Forecast Outturn (£000's)**	**P8 Forecast Variance (£000's)**	**P7 Forecast Variance (£000's)**	**Period Movement (£000's)**
Legal and Democratic Services	2,290	2,209	(81)	(75)	(6)
Access Trafford	2,540	2,567	27	78	(51)
ICT Services	2,040	2,101	61	71	(10)
Communications	232	158	(74)	(74)	0
Finance Services	4,450	4,177	(273)	(225)	(48)
Partnerships and Communities	1,503	1,547	44	79	(35)
Culture and Sport	1,162	1,174	12	7	5
Human Resources	2,236	1,953	(283)	(344)	61
Executive	361	361	0	0	0
Transformation	193	193	0	0	0
Total Forecast Outturn Period 8	**17,007**	**16,440**	**(567)**	**(483)**	**(84)**

Transformation and Resources Business Reason / Area (Subjective analysis)	P8 Outturn Variance (£000's)	P7 Outturn Variance (£000's)	Period Movement (£000's)
Legal and Democratic Services			
Staff vacancies net of agency costs	(76)	(70)	(6)
Other running costs	7	6	1
Fee income from capital schemes - shortfall	27	22	5
Additional income – StaR Procurement	(4)	(4)	0
Other income	(35)	(29)	(6)
Sub-total	**(81)**	**(75)**	**(6)**
Access Trafford			
Re-phased Library savings	142	141	1
Staff vacancies – contact centre	(75)	(63)	(12)
External grant income	(40)	0	(40)
Sub-total	**27**	**78**	**(51)**
ICT Services			
Re-phased savings – contact procurement	89	88	1
Other savings shortfall	61	61	0
Staff vacancies	(25)	(16)	(9)
One-off contract refund	(75)	(75)	0
Other running costs/income	11	13	(2)
Sub-total	**61**	**71**	**(10)**
Communications			
Staffing and running costs	(51)	(51)	0
Events and advertising income	(23)	(23)	0
Sub-total	**(74)**	**(74)**	**0**
Finance Services			
Staff vacancies	(231)	(157)	(74)
Other running costs	65	43	22
Government Grants – Revenue and Benefits	(157)	(161)	4
Council tax liability order income - shortfall	50	50	0
Sub-total	**(273)**	**(225)**	**(48)**
Partnerships and Communities			
CCTV income shortfall	79	79	0
Staff costs	10	15	(5)
Running costs	(27)	3	(30)
Other income	(18)	(18)	0
Sub-total	**44**	**79**	**(35)**

Transformation and Resources Business Reason / Area (Subjective analysis)	P8 Outturn Variance (£000's)	P7 Outturn Variance (£000's)	Period Movement (£000's)
Culture and Support			
Minor income shortfall	12	7	5
Sub-total	**12**	**7**	**5**
Human Resources			
Staff vacancies net of agency costs	(243)	(230)	(13)
Running costs (e.g. training)	(10)	(90)	80
External agency income above target	(30)	(24)	(6)
Sub-total	**(283)**	**(344)**	**61**
Total Forecast Outturn T&R Period 8	**(567)**	**(483)**	**(84)**

Summary Variance Analysis Period 8

All Services	Savings £000	Staff £000	Running Costs £000	Income £000	Total Variance £000
Period 7	290	(521)	(151)	(101)	(483)
Period 8	292	(640)	(80)	(139)	(567)
Period Movement	**2**	**(119)**	**71**	**(38)**	**(84)**

ANNEX 4

TRAFFORD COUNCIL

Report to:	**Director of Finance**
Date:	**6 January 2016**
Report for:	**Information**
Report author:	**Interim Head of Financial Management**

Report Title

Revenue Budget Monitoring 2015/16 – Period 8 Outturn - Council-wide Budgets (April 2015 to November 2015 inclusive)

1 Outturn Forecast

1.1 The current approved revenue budget for the year is £23.742m. The outturn forecast is £22.401m, which is £(1.341)m under the budget, a favourable movement of £(0.430)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;

- Treasury Management: £(1.893)m relating to Manchester Airport Group (MAG) dividends received above budget. This includes the interim dividend of £(1.245)m received in December 2015 which has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget. There is also £(0.117)m increased investment interest from favourable cash flows, and a reduction in loan interest payable of £(0.011)m.
- Business Rates - favourable impact on the Council-wide budget, £(0.116)m, an adverse movement of £0.034m since the last report (see paragraph 12 of the covering report);
- Housing and Council Tax Benefits overpayment recovery net variance of £(0.017)m, a favourable movement of £(0.009)m since last month;
- Members expenses – full year effect of the savings as a result of changes to the Members Allowances Scheme in September 2014, £(0.036)m and the new Government pension regulations which came into effect on 1 April 2014, £(0.014)m;
- Coroners and Mortuary fees are higher than previously anticipated due mainly to higher numbers of inquests, £0.091m, an increase of £0.012m since last month, partly offset by the full use of the earmarked reserve of £(0.037)m;
- Costs of the 2016/17 Budget Consultation exercise are estimated at £0.050m;
- The 2015/16 saving for the Old Car Lease scheme will be overachieved, £(0.030)m;

- Release of the unallocated general savings contingency budget, £(0.487)m;

- Other minor variances of £0.031m.

2 Service carry-forward reserve

2.1 Council-wide budgets do not have their own carry forward reserve, and the above underspend will be transferred to the General Reserve, as detailed in the summary report.

3 Savings

3.1 The Council-wide budget for 2015/16 originally included savings of £(0.310)m. This figure was increased by £(0.050)m to counter balance the shortfall in library savings (as approved by the Executive in March 2016). The updated Council-wide savings target for 2015/16 is therefore £(0.360)m and actual savings of £(0.390)m are shown below;

Council-wide Base Budget Savings 2015/16	**2015/16 Revised Savings Target £000's**	**Forecast Saving £000's**	**Variance £000's**
Old Car Lease Scheme	(68)	(98)	(30)
Discretionary Rate Relief to Collection Fund	(152)	(152)	-
Member's Allowances budget	(35)	(35)	-
External Audit Savings	(55)	(55)	-
Treasury Management savings *	(50)	(50)	-
Total	**(360)**	**(390)**	**(30)**

* This additional target has already been met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15.

4 Forecasting and Risk

4.1 This forecast has been based on eight months of actual activity. The activity covered by Council-wide budgets is varied, and the key assumptions in the November forecast are:

- Average investment rates will be 0.7% with a cash flow of £89m.

- £5m of funds were invested on 29 September 2015 for a minimum period of 5yrs in the Church Commissioners Local Authority Property fund which is forecasted to generate annual returns of 4% to 5%.

- There will be no further Airport dividend.

- The £20m Royal Bank of Scotland variable loan will be 7.0%. There is a smoothing reserve to mitigate large variations from this assumption.

- Contingency budgets for doubtful debts and the costs of re-organisation following the implementation of budget and other savings will be sufficient. There is a contingency reserve for re-organisation costs should budgets prove insufficient.

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

- The in-year increase for the provision for bad and doubtful debts will be in line with budget.

Period 8 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)	P8 Forecast Outturn (£000's)	P8 Outturn variance (£000's)	P7 Outturn variance (£000's)	Period Movement (£000's)	Ref
Finance Portfolio						
Precepts, Levies & Subscriptions	17,720	17,768	48	36	12	C-W5
Provisions (bad debts & pensions)	2,480	2,033	(447)	20	(467)	C-W6
Treasury Management	7,869	7,093	(776)	(776)		C-W1
Insurance	875	875	0	0		
Members Expenses	904	854	(50)	(50)		C-W2
Grants	(6,645)	(6,640)	5	5		
Business Rates	350	234	(116)	(150)	34	C-W3
Other Centrally held budgets	189	184	(5)	4	(9)	C-W4
Total	**23,742**	**22,401**	**(1,341)**	**(911)**	**(430)**	

Business Reason / Area (Subjective analysis)	P8 Outturn variance (£000’s)	P7 Outturn variance (£000’s)	Period Movement (£000’s)	Ref
Treasury Management:				
- MAG Dividend	(1,893)	(1,893)		C-W1
- Investment Income	(117)	(117)		C-W1
- Debt Management	(11)	(11)		C-W1
- Transfer MAG interim dividend to Earmarked Reserve	1,245	1,245		C-W1
Members Allowances	(50)	(50)		C-W2
Business Rates	(116)	(150)	34	C-W3
Housing & Council Tax benefits	(17)	(8)	(9)	C-W4
Payment Card Industry (PCI) compliance	2	2		C-W4
VAT claims - legal fees	10	10		C-W4
Flood Defence levy	(8)	(8)		C-W5
Subscriptions	7	7		C-W5
Coroners & Mortuary fees	54	42	12	C-W5
Magistrates Court Debt charges	(5)	(5)		C-W5
Budget Consultation	50	50		C-W6
Old Car Leasing Scheme saving	(30)	(30)		C-W6
Leisure Services CIC costs	20	-	20	C-W6
Release of unallocated general savings contingency budget	(487)	-	(487)	
Council Tax compensation grant	5	5		
Total	**(1,341)**	**(911)**	**(430)**	

NOTES ON PROJECTED VARIANCES

C-W1 – Treasury Management - £(0.776)m (favourable), £nil movement

Investments – £(0.765)m

This additional income has been created as a result of:

- the original dividend received from Manchester Airport Group (MAG) in July 2015 was £(2.0)m. MAG also announced their interim results for 2015/16 in November 2015 and have paid a further total dividend of £(38.6)m across the members of the Group, which for Trafford equates to £(1.245)m, bringing the total dividend for the year to £(3.245)m. This is now £(1.893)m above budget. The interim dividend of £(1.245)m has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget;
- a favourable increase in cash flow, generating £(0.034)m of additional investment income, primarily due to capital programme rephasing and grant monies received ahead of schedule;
- £5m of funds were invested on 29 September 2015 for a minimum period of 5yrs in the Church Commissioners Local Authority Property fund which is forecasted to generate annual returns of between 4% and 5%, equivalent to additional investment income above budget of £(0.083)m.

Debt – £(0.011)m

Lower than anticipated loan interest payable £(0.011)m.

C-W2 – Members Expenses - £(0.050)m (favourable), £nil movement

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 have generated annual savings of approximately £(0.036)m.

Government legislation, effective from 1 April 2014, has removed the access to a Local Government Pension Scheme for Councillors. This is on a phased basis and will be applied to those Councillors re-elected in the May local elections over 3 years. The budget saving in 2015/16 will be £(0.014)m.

C-W3 – Business Rates - £(0.116)m (favourable), £0.034m adverse movement

See notes in paragraph 12 of the covering report.

C-W4 – Other Centrally held budgets - £(0.005)m (favourable), £(0.009)m favourable movement

- **Housing & Council Tax Benefits - £(0.017)m**
  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 outturn for 2015/16 is £(0.036)m. The credit from the recovery of overpaid Council Tax Benefit is difficult to predict and will eventually taper off.

There is a net variance of £0.019m within the Housing Benefit budget, as a consequence of a reduction in the net amount of Housing Benefit being paid out. This is a small adverse movement of £0.002m since the last period. The Council has increased its activities relating to identifying fraudulent Housing Benefit applications and as a consequence has identified a larger number of cases where claimants have understated their earnings. Too much housing benefit has been paid and this has subsequently resulted in a loss of subsidy to the Council. Steps are currently being taken to recover these overpayments, however projections of amounts being recouped are not updated until there is evidence to support actual cash being received.

- **Other minor variances £0.012m.**

C-W5 – Precepts, Levies & Subscriptions - £0.048m (adverse), £0.012m adverse movement

- **Coroners & Mortuary fees - £0.054m**
  The cost of the Coroners service, which is shared between Stockport, Trafford and Tameside Councils, has increased significantly due to the following factors:

  - Increasing volume of inquests, resulting in the need for an additional court and hence an increase in associated costs;
  - Deprivation of Liberty status (DOLS) is placing a further demand on the number of inquests. All DOLS cases deaths require an inquest;
  - Pressures from increasing costs of toxicology and transport;
  - Extra demands placed on the service from disclosure of information requests.

  The additional costs for Trafford in 2015/16 are £0.091m, an increase of £0.012m since last month, and have been partly offset by the use of the earmarked reserve of £(0.037)m, which was specifically set up for such an eventuality. Also, the impact of these additional costs in the future has been included in the Medium Term Financial Plan.

- **Other minor variances £(0.006)m, £nil movement.**

C-W6 – Provisions - £(0.447)m (favourable), £(0.467)m favourable movement.

- 2016/17 Budget Consultation – the estimated costs of employing an independent company to oversee the budget consultation process, £0.050m;
- The 2015/16 saving from the Old Car Lease scheme will be overachieved due to employees leaving the scheme earlier than anticipated, £(0.030)m;
- On 30 July 2015 The Executive Member for Communities and Partnerships approved that a Community Interest Company (CIC) be established to run the leisure services, previously provided by Trafford Community Leisure Trust.

  Trafford Leisure CIC took over the running of the leisure facilities on 1st October 2015. Two firms of specialists were also employed by the Council to advise on legal and VAT matters during the transition to the CIC. These costs currently totaling £0.020m are included in the outturn figure above.

- The original Council-wide budget for 2015/16 included a one off allowance of £0.700m as a general contingency to cushion against possible slippage in the delivery of the significant savings programme in 2015/16. To date, £0.085m has been released to cover budget pressures regarding Market Management, £0.055m for Gorse Hill Studios and £0.073m for Early Help Delivery Model, leaving an unallocated balance of £0.487m.

  However, after 8 months of activity there is an overachievement of CFW savings in 2015/16, (see Annex 1, Appendix 3). As these targeted savings posed the biggest risk to the Council it is now thought prudent to release this unallocated contingency and include it within the Council-wide outturn, £(0.487)m.

TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**9 February 2016**
Report for:	**Information**
Report of:	**Audit and Assurance Manager**

Report Title

Accounts and Audit Committee – Work Programme – 2015/16

Summary

This report sets out the updated work plan for the Committee for the 2015/16 municipal year.

It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.

The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Accounts and Audit Committee is asked to note the 2015/16 work programme.

Contact person for access to background papers and further information:

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

Background Papers: None

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	**External Audit**	**Risk Management**	**Governance (including Annual Governance Statement)**	**Anti- Fraud & Corruption Arrangements**	**Accounts / Financial Management**
30 June 2015	Agree Committee's Work Programme for 2015/16 (including consideration of training and development – Proposed training on procurement/contracts issues to be held during the year). Training & Development/Presentations (June) - Draft accounts (provided outside Committee) - School Funding					
	- 2014/15 Annual Internal Audit Report	- Audit Progress Report		- Review 2014/15 draft Annual Governance Statement - Accounts and Audit Committee 2014/15 Annual Report to Council		- Pre-audited 2014/15 accounts -Treasury Management update (including Annual Performance Report 2014/15) - Insurance Performance Report 2014/15.
24 September 2015						
	- Q1 Internal Audit Monitoring Report	- Audit Findings Report	- Strategic Risk Register Monitoring Report	- 2014/15 Annual Governance Statement (final version) - Budget Monitoring Action Plan Update	- Benefit Fraud Investigation 2014/15 Annual Report / Single Fraud Investigation Service update.	- Approval of Annual Statement of Accounts 2014/15 - Budget Monitoring Report.

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	**External Audit**	**Risk Management**	**Governance (Including Annual Governance Statement)**	**Anti- Fraud & Corruption Arrangements**	**Accounts/Financial Management**
25 November 2015	Presentation on Budget monitoring (provided outside Committee)					
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update		- Consider improvement actions taken in 2015/16 in respect of 2014/15 governance issues : Leisure Services		- Treasury Management : mid-year performance report - Treasury Management Strategy (Review of Minimum Revenue Provision). - Budget Monitoring Report. - Procurement update (STaR Shared Procurement Service)
9 February 2016						
	- Q3 Internal Audit monitoring report	- Audit Update (including Grant Claims summary)		- Report on arrangements for 2015/16 Annual Governance Statement - Consider improvement actions taken in 2015/16 in respect of 2014/15 governance issues: - Information Governance - Locality Working.		- Treasury Management Strategy - Budget Monitoring Report

22 March 2016						
	- 2016/17 Internal Audit Plan / Public Sector Internal Audit Standards update	- Audit Update - Audit Plan	- Strategic Risk Register Monitoring Report	- Consider improvement actions taken in 2015/16 in respect of 2014/15 governance issues: - Reshaping Trafford - Public Service Reform.	- Audit Update: Anti-Fraud & Corruption / National Fraud Initiative.	- Budget Monitoring Report.