

# Public Document Pack



## TRAFFORD COUNCIL

### AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 23 November 2016

Time: 6.30 p.m.

Place: Thomas de Trafford Conference Rooms A & B,  
Trafford Town Hall, Talbot Road, Stretford, M32 0TH

<b>A G E N D A</b>	<b>PART I</b>	<b>Pages</b>
1. <b>ATTENDANCES</b>		
To note attendances, including Officers and any apologies for absence.		
2. <b>MINUTES</b>		
To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 29 September 2016.		1 - 4
3. <b>TREASURY MANAGEMENT 2016-17 MID-YEAR PERFORMANCE REPORT</b>		
To receive a report of the Executive Member for Finance and the Chief Finance Officer.		5 - 20
4. <b>ANNUAL AUDIT LETTER 2015/16</b>		
To receive a report of the Council's External Auditor.		21 - 36
5. <b>PROGRESS AND UPDATE REPORT FOR TRAFFORD COUNCIL</b>		
To receive a report of the Council's External Auditor.		37 - 58
6. <b>OPTIONS FOR APPOINTMENT OF EXTERNAL AUDITOR</b>		
To consider a report of the Chief Finance Officer.		59 - 64

## Accounts and Audit Committee - Wednesday, 23 November 2016

---

7. **STRATEGIC RISK REGISTER - 2016/17 (OCTOBER 2016 UPDATE)**  
To receive a report of the Audit and Assurance Manager. 65 - 80
8. **FRAUD REPORTING: AWARENESS RAISING**  
To receive a report of the Audit and Assurance Manager. 81 - 88
9. **AUDIT AND ASSURANCE REPORT FOR THE PERIOD JULY TO SEPTEMBER 2016**  
To receive a report of the Audit and Assurance Manager. 89 - 100
10. **BUDGET MONITORING 2016/17 - PERIOD 6 (APRIL TO SEPTEMBER 2016)**  
To receive a report of the Executive Member for Finance and the Chief Finance Officer. 101 - 114
11. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2016/17**  
To receive a report of the Audit and Assurance Manager. 115 - 118
12. **URGENT BUSINESS (IF ANY)**  
  
Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

### **THERESA GRANT**

Chief Executive

### Membership of the Committee

Councillors J. Coupe (Chairman), P. Lally (Vice-Chairman), J. Baugh, C. Boyes, B. Brotherton, A. Mitchell 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](mailto:chris.gaffey@trafford.gov.uk)

This agenda was issued on **Tuesday, 15 November 2016** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

## **Accounts and Audit Committee - Wednesday, 23 November 2016**

---

Any person wishing to photograph, film or audio-record a public meeting is requested to inform Democratic Services in order that necessary arrangements can be made for the meeting.

Please contact the Democratic Services Officer 48 hours in advance of the meeting if you intend to do this or have any queries.

This page is intentionally left blank

## ACCOUNTS AND AUDIT COMMITTEE

29 SEPTEMBER 2016

### PRESENT

Councillor J. Coupe (in the Chair).

Councillors P. Lally (Vice-Chairman), C. Boyes, A. Mitchell and T. Ross

#### In attendance

Director of Legal and Democratic Services	(J. Le Fevre)
Interim Head of Financial Management	(G. Bentley)
Audit and Assurance Manager	(M. Foster)
Counter Fraud & Enforcement Manager	(D. Wright)
Finance Manager	(D. Muggeridge)
Democratic & Scrutiny Officer	(C. Gaffey)

#### Also in attendance

H. Stevenson, Grant Thornton UK LLP

### APOLOGIES

Apologies for absence were received from Councillors J. Baugh and B. Brotherton.

### 14. MINUTES

RESOLVED: That the Minutes of the meeting held on 28 June 2016, be approved as a correct record and signed by the Chairman.

### 15. FRAUD INVESTIGATION SERVICE (FIS) & COUNTER FRAUD & ENFORCEMENT TEAM (CFT) : 2015/16 ANNUAL REPORT

The Committee received a report of the Counter Fraud & Enforcement Manager outlining the Councils' fraud prevention and detection performance and activities in 2015/16, as well as outlining the team's plans for 2016/17. A correction to the report was noted: the 2015/16 actual performance figure for the level of benefit fraud overpayments identified in Table 1 on page 9 of the agenda was in fact £1.17 million, and not £1.17 thousand.

Members were reminded of the new structure in place following the Department for Work and Pensions' (DWP) decision to bring their fraud investigations in house. A new team had been formed by the Council to investigate non DWP related fraud. The results of the 2015/16 anti-fraud performance confirmed that an anti-fraud presence was still required even though DWP matters were no longer investigated by the Local Authority.

Members discussed the scope for income generation from selling the team's service to other Local Authorities. Members also discussed the team's long term sustainability, and it was noted that income was currently up from the previous year. Discussions were ongoing on possibly expanding the team in the coming months.

**Accounts and Audit Committee**  
**29 September 2016**

Members thanked the anti-fraud team for their work and looked forward to a future update.

RESOLVED: That the report be noted.

**16. AUDIT FINDINGS REPORT 2015/16**

The Committee received a report of Trafford's External Auditor, Grant Thornton LLP, highlighting the key matters arising from their audit of Trafford Council's financial statements for the year ending 31 March 2016.

The report highlighted audit findings against significant risks, accounting policies, estimates and judgements, internal controls, misclassifications and disclosure changes. It was anticipated that an unqualified opinion in respect of the financial statements would be provided by 30 September, 2016.

The external auditor assessed the accounts as being prepared to a good standard and no adjustments had been made regarding the financial position. The Committee discussed the recommendation to improve IT controls, and the Audit and Assurance Manager confirmed that follow up work would be undertaken to ensure any recommended changes remained embedded. The audit fees were brought to the Committee's attention.

RESOLVED: That the report be noted.

**17. ANNUAL GOVERNANCE STATEMENT 2015/16**

The Committee received a report of the Audit and Assurance Manager detailing the 2015/16 Annual Governance Statement. No further changes had been made since the draft version was presented to the Committee in June 2016, and it had now been signed off by the Chief Executive and Leader of the Council as per the statutory requirements. Follow up work on items listed in the report would be undertaken during the municipal year.

RESOLVED: That the 2015/16 Annual Governance Statement be approved by the Committee.

**18. APPROVAL OF ANNUAL STATEMENT OF ACCOUNTS 2015/16**

The Committee received a report of the Chief Finance Officer providing the redrafted Final Accounts for 2015/16, accommodating changes agreed with the Council's external auditor, Grant Thornton. It was noted that Grant Thornton had reviewed the accounts and no major changes had been made, and Members were requested to review and approve the final accounts.

An approved letter of representation signed by the Interim Head of Finance was presented and its contents were noted by the Committee.

RESOLVED: That the Final Accounts for 2015/16 be approved by the Committee.

**Accounts and Audit Committee  
29 September 2016**

**19. PRESENTATION ON BUSINESS RATES**

The Committee received a presentation of the Chief Finance Officer, presented by the Interim Head of Financial Management, providing an update on business rates retention.

Members were advised of the government's commitment to delivering 100% business rates retention for local authorities by the end of the current Parliament. It was noted that the move would be fiscally neutral and so new responsibilities would be moved to Councils to absorb the extra retained business rates. The challenge would be to ensure that these new responsibilities complemented the work already being done by the Council.

It was confirmed that Trafford, as part of Greater Manchester, would be part of a 100% business rate retention pilot scheme beginning in April 2017. It was noted that the Department for Communities and Local Government had guaranteed "no detriment" to pilot scheme members at both district and GM level.

Members asked what effect a changing workforce might have on the retention of business rates with the possible rise of people working from home, which in turn could lower the business rate yield. The Interim Head of Financial Management advised he would look into this and get back to the Committee.

RESOLVED: That the presentation be noted.

**20. AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2016**

The Committee received a report of the Audit and Assurance Manager providing a summary of the work of Audit and Assurance during the period April to June 2016. The report also provided ongoing assurance to the Council on the adequacy of its control environment.

The overall findings of the report were positive and it was noted that all recommendations that were made during the quarter were accepted. Follow up work on these recommendations would continue, with further reports to be presented to the Committee in future. It was also noted that the results of client satisfaction surveys would be brought to the next Committee meeting. Finally, the decision had been made that CIPFA would undertake the external assessment of the internal audit function, required as part of the Public Sector Internal Audit Standards.

RESOLVED: That the report be noted.

**21. REVENUE BUDGET MONITORING 2016/17 - PERIOD 4 (APRIL TO JULY 2016)**

The Committee received a report of the Executive Member for Finance and the Chief Finance Officer informing Members of the current 2016/17 forecast outturn figures relating to both Revenue and Capital budgets. The report also summarised the latest forecast position for Council Tax and Business Rates within the Collection Fund. The projected underspend of £159k was noted, however the overspend for Children, Families and Wellbeing remained a concern.

**Accounts and Audit Committee  
29 September 2016**

RESOLVED: That the report be noted.

**22. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2016/17**

The Committee received a report of the Audit and Assurance Manager setting out the updated work plan for the Committee for the 2016/17 municipal year. The one addition to the programme would be a report of the Chief Finance Officer on recruiting external auditors in the 2018/19 municipal year. This item would be brought to the meeting scheduled for 23 November 2016.

RESOLVED:

- 1) That the report be noted.
- 2) That a report on recruiting external auditors in 2018/19 be added to the 23 November 2016 meeting agenda.

**23. EXCLUSION RESOLUTION**

RESOLVED: That the public be excluded from this meeting during consideration of the remaining item of business because of the likelihood of disclosure of "exempt information" which falls within Paragraph 7 of schedule 12A of the Local Government Act 1972, as amended.

**24. OFFICE OF SURVEILLANCE COMMISSIONERS - OUTCOME OF INSPECTION 2016**

The Committee received a report of the Director of Legal and Democratic Services updating Members on the outcome of the inspection carried out by the Office of Surveillance Commissioners (OSC). The report also set out the recommendations made by the OSC and the proposed actions the Council would take in implementing them.

Members discussed the findings of the report and the Council's use of surveillance, as well as the formal recommendations made surrounding guidance and CCTV.

RESOLVED: That the report be noted.

The meeting commenced at 6.30 pm and finished at 7.40 pm



## TRAFFORD COUNCIL

**Report to:** Accounts & Audit Committee 23 November 2016  
Executive 19 December 2016

**Report for:** Discussion  
**Report of:** The Executive Member for Finance and the Chief  
Finance Officer

### Report Title

**Treasury Management 2016-17 Mid-Year Performance Report**

### Summary

This report has been prepared in accordance with the CIPFA Code of Practice and gives a summarised account of the Treasury Management activities and outturn for the first half of the year. The purpose of this report is to provide members with, an update of the world economic headlines for this period, the major debt & investment activities undertaken, revised interest rate and economic forecasts and a benchmarking update.

#### **Debt Activity:-**

- Net debt interest costs are forecasted to be £0.13m above budget as previously reported in the Revenue Budget Monitoring report,
- At 30 September the Council's external debt was £106.0m.

#### **Investment Activity:-**

- The annualised investment interest to be generated is forecasted to be in line with budget of £0.77m,
- Rate of Return achieved during the period April to September 2016 was;
  - i. short term investments 0.72%, or 0.28% / £(155)k above the comparable performance indicator of the average 7-day London Interbank **BID** interest rate and
  - ii. long term investments 5.25%,
- At 30 September the Council's level of investments was £102.1m.

#### **Prudential Indicators:-**

- During the first half of 2016/17 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

### Recommendations

That the Accounts & Audit Committee & Executive be requested to:

1. Note the Treasury Management activities undertaken in the first half of 2016/17.

Contact person for background papers and further information:

Name: Graham Perkins

Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	The Council did not encounter any cash flow liquidity difficulties and all investment income was received on time. The projected level of investment income from investments for 2016/17 is £0.77m and this is in-line with budget. Net debt costs are £0.13m above budget due to increase costs on the Council's variable rate loan being incurred as reported in the Revenue Budget Monitoring report.
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	Not applicable
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 interest forecasts and actual market interest rate movements to ensure that any exposure to adverse fluctuations in interest rates are minimised and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

## **1. BACKGROUND**

### **1.1 Treasury management is defined as:**

The management of the local authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

### **1.2 A main feature of this function is to ensure that the Council's day to day cash flow requirements are adequately planned and accounted for with any surplus monies being invested in low risk counterparties providing adequate liquidity initially before considering optimising investment return. An additional role is ensuring the Council's longer term funding requirements arising from its capital programme commitments are also considered which may involve arranging long or short term loans.**

### **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), the Accounts & Audit Committee together with the Executive will receive the following reports:**

- annual treasury strategy for the year ahead ( February)
- mid-year update report (November i.e. this report)
- annual report describing the activity undertaken compared to the strategy (June).

### **1.4 The Treasury Management Strategy for 2016/17 was approved by Council at its meeting on 17 February 2016 and the policies to be adopted for the year remain unchanged.**

### **1.5 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:**

- Economic Update (section 2)
- Treasury Position (section 3)
- Debt Activity (section 4)
- Investment Activity (section 5)
- Risk Benchmarking (section 6)
- Prudential and Performance Indicators (section 7)
- Recommendations (section 8)

## **2. ECONOMIC UPDATE**

### **2.1 During the first half of 2016/17, the main economic headlines arising are outlined below with a forecast of the main indicators for 2017, highlighted at Appendix B for reference:**

#### **UK**

- Gross Domestic Product (GDP) continues to remain positive with quarters 1 and 2 recording annualised growth of 2.0% y/y & 2.1% y/y respectively although this has slowed from the 2014 rate of 2.9% and 2015 of 1.8%.
- Economy continues to be of the world's strongest,

- Following the outcome of the Brexit referendum vote in June, businesses were reporting a downturn in confidence, however recent surveys are now reporting this not to be the case,
- Bank of England in response to the Monetary Policy Committee meeting on 4 August announced a rescue package to address the impact of the Brexit result which included reducing its bank rate from 0.50% to 0.25% and increasing quantitative easing from £375bn to £435bn,
- The monthly unemployment rate remains static at 4.9% period ending August 2016 compared to 5.0% for April 2016,
- Consumer Price Index (CPI) for the first half of 2016/17 has risen from 0.3% (April) to 1.0% (September) and this is in response to rising prices for clothing, overnight hotel stays and fuel. A further factor to this increase has been the fall in the value of sterling by 10% following the Brexit referendum and it is currently forecast that CPI could rise to 3% in the next 3 to 4 years, exceeding the Government's 2% target,

### **U.S.**

- GDP continues to grow in 2016 with the recorded annualised movements for quarters 1 & 2 being 0.8% and 1.4% respectively, down from the 2015 position of 2.4%,
- Following the move in December 2015 by the Federal bank to move interest rates from 0.25% to 0.50% markets were expecting further increases in 2016 however these have been delayed due to weakness in the international markets with the next increase now expected in December 2016,
- The 3 month unemployment rate remained steady at 4.9% for the 3 months ending September 2016 which was the same level as that reported for the previous quarter,
- CPI was 0.2% for period ending August 2016,
- **Eurozone**
- In March 2015, the European Central Bank (ECB) commenced its massive euro quantitative easing (QE) programme purchasing high credit quality government and other Eurozone debt instruments at a rate of 60bn euro per month. This programme was expected to run until September 2016 however this date has now been extended to March 2017 with the monthly limit being increased from 60bn to 80bn euros,
- E.C.B. reduced its deposit facility rate to -0.4% and the main refinancing rate from 0.05% to 0% in March 2016,
- GDP grew by 0.6% in quarter 1 2016 (1.7% y/y) falling slightly to 0.3% (1.6% y/y) for quarter 2,
- The latest CPI figures show inflation currently remaining very sluggish at 0.29% for September 2016,

- The 3 month unemployment rate continues to remain static at 10.1% for the 3 months ending August with marginal change for the previous quarter;
- Italian constitutional referendum in December 2016, French Presidential election April / May 2017 & German Federal general election in August to October 2017 all of which could have a huge bearing on the future direction the Eurozone follows.

### **Other Countries**

- Japan's economy appears to have stalled with weak growth being reported,
- China's economy continues to slow down with the outlook for its medium term growth prospects giving cause for concern.

2.2 The Council's treasury management advisors Capita, provide interest rate forecasts periodically through-out the year and the table below outlines the latest situation taking into consideration the above economic conditions:

	<b>2016-17 Original Forecast</b> %	<b>2016-17 Revised Forecast</b> %	<b>2017-18 Revised Forecast</b> %	<b>2018-19 Revised Forecast</b> %
Bank Rate	0.63	0.28	0.10	0.25
Investment Rates				
3 month	0.70	0.33	0.20	0.38
1 Year	1.15	0.66	0.65	0.78
PWLB Loan Rates				
5 Year	2.25	1.17	1.10	1.20
25 Year	3.55	2.51	2.40	2.50

2.3 It is widely expected the M.P.C. will cut the Bank of England's Bank Rate again to 0.10% before the year end and the above forecast reflects this with the first increase forecasted to occur in May 2018, back up to 0.25% with the further increase to 0.50% a year later. With regards to gilt yields and PWLB rates, these are only set to rise marginally from their current levels.

2.4 The Council's stance when undertaking or considering any money market transactions will continue to be as that adopted in previous years and to take a cautious approach in line with the current and forecasted economic position outlined above.

### **3. TREASURY POSITION**

3.1 The Council's investment and debt position at the beginning and midway through the current financial year were as follows:

	31 March 2016		30 September 2016	
	Principal £m	Interest Rate %	Principal £m	Interest Rate %
<b>DEBT</b>				
<b>Fixed rate:</b>				
PWLB –fixed rate	47.2	6.11	47.0	6.06
PWLB – variable rate	0.0	0.00	0.0	0.00
Market – fixed rate (i)	6.0	3.68	24.0	4.19
Market – variable rate	51.0	5.73	35.0	6.44
<b>Total debt</b>	<b>104.2</b>	<b>5.79</b>	<b>106.0</b>	<b>5.78</b>
<b>INVESTMENTS</b>				
- Fixed rate	39.3	0.97	66.2	0.82
- Variable rate	37.7	0.52	31.3	0.38
- Other – CCLA	4.8	4.77	4.6	4.88
<b>Total Investments</b>	<b>81.8</b>	<b>0.98</b>	<b>102.1</b>	<b>0.87</b>
<b>NET POSITION- DEBT / (INVESTMENT) (ii)</b>	<b>22.4</b>		<b>3.9</b>	

Note: (i) Reflects Barclays market loans converting to fixed rate effective July 16 & includes £3m of interest free Salix loans

(ii) Net position = Total debt less Total Investments

3.2 When reviewing the above table, it is important to note that investment levels do fluctuate daily, reflecting timing issues arising from monies received ahead of spend which are available on a temporary basis.

#### 4. DEBT ACTIVITY

4.1 The Council, as at 31 March 2016, was under borrowed by £30.6m, as a result of the total Capital Financing Requirement (CFR), the underlying need to borrow for capital purposes, of £134.8m being higher than its actual level of external debt of £104.2m.

4.2 During 2016/17 the Council's (CFR) position, is forecasted to increase by £7.9m from its closing position as at 31 March 2016 of £134.8m to £142.7m by 31 March 2017 reflecting the difference between the level of new capital expenditure financed by borrowing, £11.0m less the statutory Minimum Revenue Provision £(3.1)m (the amount set aside from revenue for the repayment of debt).

4.3 The Council's position of being under borrowed by £30.6m reflects decisions taken previously to apply its own funds (cash supporting reserves & balances) to fund its capital borrowing requirement rather than taking on any new debt due to the high "cost of carry" i.e. the difference between long-term debt interest rates and short-term investment interest rates.

4.4 This course of action continues to be widely adopted by Local Authorities and it is currently forecast to continue as both short (Investment) and long (debt) term interest rates have reduced to historically low levels, as highlighted in the table at paragraph 2.2, following the outcome of the June Brexit referendum

result and subsequent action in August by the Monetary Policy Committee to (a) reduce bank rate from 0.50% to 0.25% and (b) increase the level of support given to markets from £375bn to £435bn.,

- 4.5 This situation will continue to be monitored closely and any new borrowing opportunities which permit new loans to be taken to assist finance the Council's capital Investment programme without placing any additional financial burden on the revenue budget will be pursued.
- 4.6 The table at paragraph 3.1 highlights that the level of external debt has increased from £104.2m at 31 March 2016 to £106.0m at 30 September 2016, a net increase of £1.8m. This increase reflects a further £2m (£1m was received in 2015/16) of the £3.8m Salix loan which is to be used on the Council's Street Lighting Replacement Programme, being received at an interest rate of 0% with the remaining balance of £0.8m expected before the end of 2016/17. Maturing debt of £(0.2)m was repaid to the PWLB.
- 4.7 The majority of the Council's loans are held at fixed rates of interest however the Council has 1 loan which is subject to quarterly interest rate fixings using a recognised market indicator and as a consequence of the current economic climate this has resulted in a higher level of interest being paid during 2016/17; this is forecast to be £0.13m above budget and has been previously reported in the Revenue Budget Monitoring report.
- 4.8 Debt rescheduling opportunities have been limited due to the high breakage penalty (premium) costs which would need to be incurred and therefore during the first half of the year no debt restructuring has been undertaken however the situation will continue to be monitored for the remainder of the year.
- 4.9 The Council has 7 market loans totalling £59m, 2 of which are with Barclays bank at a value of £16m which were subject to interest rate reviews every 6 months by the bank. In July the Council received a letter from Barclays informing it that the bank had now waived its right to review future interest rates and that the loans had been converted into fixed rate loans at the current interest rate levels at no cost to the Council. All other conditions of the loans remain the same. As a result of this action any sensitivity to market movements has been removed thereby enabling the Council to forecast with more certainty its ongoing debt costs.
- 4.10 During the first half of the year the Council had no liquidity difficulties as a result of proactive cash flow management thereby avoiding the need for any temporary borrowing to be undertaken.

## **5. INVESTMENT ACTIVITY**

- 5.1 In accordance with the Code of Conduct, the Council's priorities when placing any temporary surplus funds with any approved institution remains as adopted in previous years which is security of capital, liquidity and then an appropriate level of return consistent with its risk appetite.
- 5.2 All investments placed with any of the Council's approved institutions and which matured during the first half of the financial year, were repaid on time without any difficulties and the list of institutions in which the Council invests continues to be kept under review. For reference during the first half of the year no institutions were added to or deleted from the Council's approved list.

- 5.3 The movement in the Council's temporary investments as at 31 March 2016 compared to 30 September 2016 is shown below for reference:

<b>Sector</b>	<b>31 March 2016 £m</b>	<b>30 September 2016 £m</b>
UK Banks	21.1	27.5
UK Building Societies	2.2	8.7
Money Market Funds	36.7	31.3
Non UK Banks	12.0	30.0
Local Authority	5.0	0.0
Other - CCLA	4.8	4.6
<b>Total</b>	<b>81.8</b>	<b>102.1</b>

The maturity structure of the investment portfolio was as follows:

<b>Period</b>	<b>31 March 2016 £m</b>	<b>30 September 2016 £m</b>
Instant Access	37.7	31.3
Up to 3 Months	5.5	13.8
3 to 6 Months	16.7	25.8
6 to 9 Months	9.5	2.5
9 to 12 months	7.6	24.1
Over 1 year	4.8	4.6
<b>Total</b>	<b>81.8</b>	<b>102.1</b>

- 5.4 Throughout the first half of the year, a total of 104 short term temporary investments were undertaken by the Council's in house treasury management team in an environment of historically low interest rates. The table below details the results of these activities, which clearly illustrates the Council outperforming the 7day LIBID benchmark, a recognised market performance indicator, by 0.28% on its short term investments whilst ensuring that all risk was kept to a minimum during this period.

<b>Average level of short term Investments (ex CCLA) 1 April to 30 Sept £m</b>	<b>Average interest rate earned %</b>	<b>Average 7 day LIBID rate %</b>	<b>Additional interest earned against 7 day LIBID £k</b>
104.0	0.72	0.28	155

- 5.5 In September 2015, the Council invested £5m in the Local Authority Property Investment fund, managed by the Church Commissioners Local Authority, (CCLA), enabling 1,643,872 units in the fund to be purchased. This fund is only available to Local Authorities and the objective of it is to generate long-term growth in the original amount invested whilst generating returns in the form of annual dividends by investing in commercial property throughout the UK.
- 5.6 This investment was undertaken in September 2015 on the understanding that funds would be placed with CCLA for a minimum period of 5 years enabling



capital growth to be generated following the deduction of entry costs totalling £0.3m has been taken into account and nothing has changed this position.

- 5.7 The Council's original investment placed with CCLA was £5m which as at 31 March 2016 was worth £4.8m however due to adverse market movements following the Brexit referendum result in June, the valuation of the Council's units had fallen to £4.6m as at 30 September. Market uncertainty regarding how the UK commercial property will react following both Brexit and the US presidential elections, makes it extremely difficult to forecast when the value of the Council units will reach its initial input value of £5m however the level of dividends received are currently forecasted to continue their strong levels as a result of high rental returns being achieved. For reference the annualised level of return generated for the first half of 2016/17 was 5.25% and it is expected to continue around this level for the forthcoming 12 months.
- 5.8 Due to a higher level of return achieved earlier in the first half of the year and higher temporary balances being available to be invested resulting from monies being received ahead of spend requirements, it is currently forecasted that the level of investment interest which will be generated from all of the Council's investments during 2016/17 will be in-line with that budgeted of £0.77m.
- 5.9 As highlighted in Section 2, it is currently a challenging market environment for earning a respectable level of interest as rates are very low and in line with the current 0.25% Bank Rate. With this in mind, together with the continuing potential for a re-emergence of a Eurozone sovereign debt crisis and other risks which could impact on the creditworthiness of banks, a low risk strategy will continue to be adopted. Given this risk environment, investment returns are likely to remain low.
- 5.10 A breakdown of the Council's investments, as at 30 September 2016 is provided at Appendix A for reference.

## 6. RISK BENCHMARKING

- 6.1 In accordance with the Code of Practice and CLG Investment Guidance, appropriate security and liquidity benchmarks are used by Officers to monitor the current and future potential risk conditions and undertake any corrective action to the operational strategy if required.
- 6.2 These benchmarks are simple guides to maximum risk (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria.
- 6.3 During the first half of 2016/17 the Chief Finance Officer can confirm that no benchmarks, which were set in the Strategy report in February 2016, were breached as shown from the information below;
- **Security** – This table shows the benchmark for the Council's investment portfolio for each individual year and reflects the level of potential default when compared to the historic default rates.

	1 year	2 years	3 years
<b>Original maximum default rate</b>	<b>0.077%</b>	<b>0.056%</b>	<b>0.077%</b>
<b>Position at 30.09.16</b>	<b>0.016%</b>	<b>0.00%</b>	<b>0.00%</b>

- **Liquidity** – In respect of this the Council set liquidity facilities/benchmarks of:

Liquid short term deposits of at least £15m available within 1 week notice and Weighted Average Life (WAL) benchmark expected to be 6 months, with a maximum of 3 years.

*For the first half of 2016/17 the above liquidity arrangements were complied with and at 30 September 2016 the WAL of its investments was 4.2 months.*

- **Yield** - The local measure of the yield benchmark is to achieve a return above the 7 day LIBID rate.

*For the first half year of 2016/17 the investment interest return averaged 0.72%, against a 7 day LIBID rate of 0.28%.*

- **Origin** – This stipulated that no more than 40% of the Council’s total investments to be directly placed with non-UK counterparties at any time.

*For the first half of 2016/17 the maximum level was 32%.*

## 7. PRUDENTIAL AND PERFORMANCE INDICATORS

- 7.1 In accordance with CLG Guidance, the CIPFA prudential Code and the CIPFA Code of Practice on Treasury Management, the Council has in place a number of prudential indicators ensuring that the Council’s capital expenditure plans and borrowing remain robust, prudent and sustainable.
- 7.2 These indicators were originally set in February 2016 for the forthcoming year and are monitored on a monthly basis. During the first half of 2016/17 it can be reported that no breaches occurred.
- 7.3 To ensure that the in-house treasury management team are offering value for money in the activities undertaken, the Council joined the CIPFA benchmarking club. This facility enabled for comparisons to be undertaken of the treasury management function with 43 other local authorities of various sizes across England, Scotland and Wales and a representation of some of the 2015/16 findings are shown below;

<b>Topic</b>	<b>Average</b>	<b>TBC</b>
Capital Financing Requirement (non HRA) as at 31.03.2016	£323.2m	£134.8m
Level of investment (excluding CCLA property fund) at 31 March 2016	£113.0m	£77.0m
Level of borrowings at 31 March 2016	£258.7m	£104.2m
Average annual balance of temporary borrowing	£14.7m	£0.0m
Investment Rate of Return (excluding CCLA property fund) on investments	0.80%	0.81%
Average Consolidated Rate of Interest payable	4.35%	6.03%
Average rate of interest payable of temporary borrowing	0.52%	0.00%
Total operating costs of treasury management section per £'m	£0.66k	£0.43k

7.4 The main findings from the above table are summarised below;

- Level of investment return achieved was above the average whilst keeping any risk to a minimum,
- Consolidated Rate of Interest (average borrowing rate) reflects the level of historic debt taken at rates of interest higher than currently on offer and which are costly to settle early,
- No temporary borrowing undertaken in the year due to effective & proactive cash flow management,
- Operating costs well below the average levels reported reflecting an efficient and effective service provided by the Council's in house treasury team.

7.5 The Council's Audit & Assurance Service, as part of their 2016/17 audit plan, undertook a review of the treasury management process & activities undertaken in 2015/16. The objective of the review was to provide assurance on the operation of the key controls within the treasury management system. For the 10<sup>th</sup> year in succession a report was issued stating that the treasury management service offered a High Level of Assurance (very good) and there were no recommendations required to be implemented as a result of their audit.

## **8 RECOMMENDATIONS**

8.1 That the Accounts & Audit Committee & Executive be requested to;

- Note the Treasury Management activities undertaken in the first half of 2016/17.

**Other Options**

This report has been produced in order to comply with Financial Regulations and relevant legislation and provides an overview of transactions undertaken during the first half of 2016/17.

**Consultation**

Information for the period 1 April 2016 to 30 September 2016 was obtained from Capita, the Council's external consultants.

**Reasons for Recommendation**

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

**Finance Officer Clearance**      |...NB.....

**Legal Officer Clearance**      ...MJ.....

**Director's Signature**





## Breakdown of Investments as at 30 September 2016

Counterparty	Amount £k	Total £k
<b>UK Institutions</b>		
<b>Banks</b>		
Barclays	5,000	
Close Bros	2,500	
Goldman Sachs Investment Bank	5,000	
Lloyds	10,000	
Santander UK	5,000	27,500
<b>Building Societies</b>		
Coventry	1,200	
Leeds	2,500	
Nationwide	5,000	8,700
<b>Money Market Funds</b>		
Federated	8,530	
Invesco	3,100	
Legal & General	340	
Standard Life	19,330	31,300
<b>Other</b>		
Church Commissioners Local Authority	4,569	4,569
<b>Total UK Institutions</b>		<b>72,069</b>
<b>Non UK Institutions</b>		
Commonwealth Bank of Australia	10,000	
National Bank of Abu Dhabi	10,000	
Qatar National Bank	10,000	30,000
<b>Total Non UK Institutions</b>		<b>30,000</b>
<b>Grand Total</b>		<b>102,069</b>

**APPENDIX B****Major Economic Forecasts for Calendar Year 2017**

<b>Location</b>	<b>Gross Domestic Product</b>	<b>Unemployment Rate</b>	<b>Consumer Price Index</b>	<b>Bank Rate</b>
<b>UK</b>	1.0%	5.2%	1.6%	0.10%
<b>Euro Area</b>	1.4%	9.8%	1.2%	0.05%
<b>USA</b>	2.1%	4.7%	2.0%	0.75%
<b>China</b>	6.2%	4.3%	3.0%	4.10%

Source of information OECD & Trading Economics

This page is intentionally left blank



# The Annual Audit Letter for Trafford Council

Year ended 31 March 2016

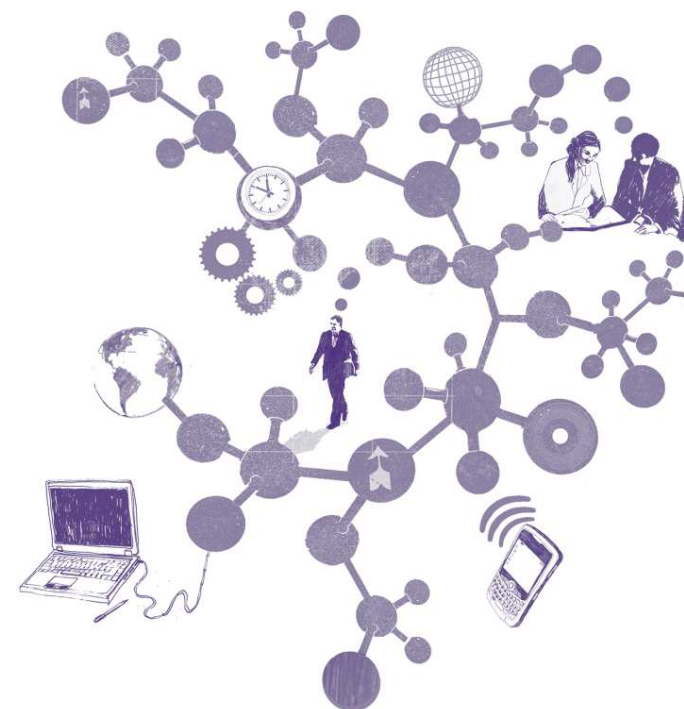
October 2016

Page 21

**Mark Heap**  
Director  
T 0161 234 6375  
E [mark.r.heap@uk.gt.com](mailto:mark.r.heap@uk.gt.com)

**Helen Stevenson**  
Audit Manager  
T 0161 234 6354  
E [helen.l.stevenson@uk.gt.com](mailto:helen.l.stevenson@uk.gt.com)

**Andrew McNeil**  
Audit Executive  
T 0161 234 6366  
E [andrew.mcneil@uk.gt.com](mailto:andrew.mcneil@uk.gt.com)



Agenda Item 4

---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	3
2. Audit of the accounts	5
3. Value for Money conclusion	9
4. Working with the Council	11

## **Appendices**

A Reports issued and fees

Page 22

---

# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Trafford Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Accounts and Audit Committee as those charged with governance in our Audit Findings Report on 29 September 2016.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the Council's financial statements on 29 September 2016.

### **Value for money conclusion**

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 29 September 2016.

### **Whole of government accounts**

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 18 October 2016

### **Certificate**

We certified that we had completed the audit of the accounts of Trafford Council in accordance with the requirements of the Code on 18 October 2016.

### **Certification of grants**

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Accounts and Audit Committee in our Annual Certification Letter.

---

## **Working with the Council**

We are really pleased to have worked with you over the past year. We have worked with you by:

Providing an efficient audit – we delivered the accounts audit before the deadline and in line with the timescale we agreed with you. We liaised on technical issues to ensure that appropriate accounting and audit implications are identified.

Sharing our insight – we provided independent external audit commentary and insight in your key issues through senior attendance at every Audit Committee. We have also shared with you our insights on various accounting issues including earlier closure timetables.

Providing training – we provided your teams with training on financial accounts and annual reporting. The courses were attended by members of your finance team.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2016**

---

# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £8,258,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as cash and senior officer remuneration.

We set a lower threshold of £413,000, above which we report errors to the Accounts and Audit Committee in our Audit Findings Report.

### **The scope of our audit**

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we completed:</p> <ul style="list-style-type: none"> <li>• a review of entity controls</li> <li>• an examination and testing of accounting estimates, judgements and decisions made by management</li> <li>• testing of journals entries to include year end adjusting entries</li> <li>• a review of any unusual significant transactions</li> </ul> <p>We did not identify any issues to report</p>
<p><b>Employee remuneration</b></p> <p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• documented and walked through the key controls put in place to ensure they were designed and operating as expected.</li> <li>• substantively tested a sample of staff payroll payments, ensuring that payments are made in accordance with the individual's contract of employment and to confirm that employees exist, are paid correctly and are recorded in the general ledger.</li> <li>• tested the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces to ensure transactions are accurately and completely recorded</li> </ul> <p>We did not identify any issues to report.</p>

# Audit of the accounts – Council (continued)

Risks identified in our audit plan	How we responded to the risk
<p><b>Operating expenses</b> Creditors understated or not recorded in the correct period (Operating expenses understated)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 27</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• documented and walked through the key controls over the operating expenses transaction cycle to ensure they were designed and operating as expected</li> <li>• tested the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces</li> <li>• tested payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts</li> <li>• substantively tested operating expenses including sample testing of expenditure, year end accruals and creditor balances. This is to ensure valid spend and appropriate categorisation within the net cost of services headings in the comprehensive income and expenditure statement.</li> </ul> <p>We did not identify any issues to report.</p>
<p><b>Welfare expenditure</b> Welfare benefit expenditure is misstated</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• documented and walked through the key controls over the welfare expenditure transaction cycle to ensure they were designed and operating as expected</li> <li>• substantively tested of welfare benefits paid in year to ensure these were accurate and reflected eligibility</li> <li>• Verified the reconciliation between the financial ledger and the housing benefits system</li> </ul> <p>We did not identify any issues to report</p>

---

# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 29 September 2016, in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts to the Accounts and Audit Committee on 29 September 2016.

Our audit did not identify any material errors or uncertainties in the Council's financial statements. The Chief Finance Officer amended the accounts for the disclosure changes identified during the audit. These were primarily to correct minor errors and improve the presentation of the accounts.

We also identified a number of issues regarding access control and segregation of duties conflicts within the Council's IT system (the SAP system). Management have already addressed some of these and Salford IT Audit on behalf of Trafford Council Audit and Assurance Service have followed up the recommendations raised.

## **Annual Governance Statement and Narrative Report**

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

## **Whole of Government Accounts (WGA)**

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We did not identify any issues that required us to apply our statutory powers and duties under the Act.



---

# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

We identified the Council's future medium term financial position as a key risk and completed the following risk based work as part of our assessment:

- monitored the Council's progress in updating its medium term financial strategy and projected savings and efficiencies requirements
- examined financial and budget reporting to Members
- assessed the out-turn position for 2015/16 and the budget plans from 2016/17 onwards
- met with key officers to discuss key strategic challenges and the Council's proposed response.

In addition we reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring its risks.

The findings against the work we performed are set out in table 2 overleaf.

We were satisfied from completing this work that the Council has proper arrangements to plan and monitor finances effectively to support the delivery of its strategic priorities.

## Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

# Value for Money

**Table 2: Value for money risks**

Risk identified	Work carried out	Findings and conclusions
<p><b>Medium term financial position</b></p> <p>The Council is facing a continued period of austerity. The latest medium term financial outlook reported in February 2016 indicates that the Council will need to find further savings and efficiencies in excess of £30 million for the 3 years to 2019/20 to address its potential gap in funding. This is in addition to the £22.6 million funding gap falling in the 2016/17 financial period.</p>	<p>We assessed the out-turn position for 2015/16 and examined the Council's arrangements for putting together and agreeing its budget plans from 2016/17 onwards. This included considering savings and efficiency plans, mitigating actions and contingencies.</p>	<p>The Council achieved a £5.6 million underspend on revenue activity and has a general fund reserve balance of £7.89 million at 31 March 2016. Total savings of £21.8m were achieved against a target of £21.6 million. The Council agreed a balanced 2016/17 budget in February 2016 which requires it to meet a budget gap of £22.6 million with a combination of efficiencies and income and policy choices. The Medium Term Financial Outlook requires the Council to make savings and efficiencies in excess of £30 million over the three years from 2017/18 to 2019/20. A significant proportion of this falls in 2017/18 and is currently estimated at £18 million. Whilst the challenge is significant the Council has appropriate arrangements in place to identify and manage its financial position. The Council has implemented an ambitious programme to redesign and transform all areas of the Council to help deliver the future savings required. Its Reshaping Trafford Council Programme will deliver a new organisational model from 2017/18 by using a mix of different delivery models. The Council's track record to date provides a good level of confidence that it will be well placed to meet these challenges</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</b></p>

---

# Working with the Council

## Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Working together, we have contributed to:

An efficient audit – we delivered the accounts audit before the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that generates early discussion on key issues to deliver a smooth year end audit.

Improved financial processes – during the year we reviewed your financial systems and processes including employee remuneration, non- pay expenditure and welfare benefits. We liaised with your Internal Audit team to examine some areas of IT weakness and to agree areas for improvement.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We tracked your financial budget position, medium term planning arrangements and strategic partnership working and considered this as part of our value for money assessment.

Sharing our insight – we provided regular audit committee updates covering best practice. Areas we covered included **Innovation in public financial management, Knowing the Ropes – Audit Committee; Effectiveness Review, Making devolution work, Reforging local government.** We have also shared with you our insights on advanced closure of local authority accounts, in our publication "**Transforming the financial reporting of local authority accounts**" and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

Technical dialogue – we have been involved in early discussions on a number of developments to ensure that appropriate accounting and audit implications are identified

Providing training – we provided your teams with training on financial accounts and annual reporting. The courses were attended by members of your finance team.

---

# Working with the Council

## Working with you in 2016/17 Highways Network Asset

The Code of Practice on Local Authority Accounting (the Code) requires authorities to account for Highways Network Asset (HNA) at depreciated replacement cost (DRC) from 1 April 2016. The Code sets out the key principles but also requires compliance with the requirements of the recently published Code of Practice on the Highways Network Asset (the HNA Code), which defines the assets or components that will comprise the HNA. This includes roads, footways, structures such as bridges, street lighting, street furniture and associated land. These assets should always have been recognised within Infrastructure Assets.

The Code includes transitional arrangements for the change in asset classification and the basis of measurement from depreciated historic cost (DHC) to DRC under which these assets will be separated from other infrastructure assets, which will continue to be measured at DHC.

This is expected to have a significant impact on the Council's 2016/17 accounts, both in values and levels of disclosure, and may require considerable work to establish the opening inventory and condition of the HNA as at 1 April 2016.

Under the current basis of accounting values will only have been recorded against individual assets or components acquired after the inception of capital accounting for infrastructure assets by local authorities. Authorities may therefore have to develop new accounting records to support the change in classification and valuation of the HNA.

The nature of these changes means that Finance officers will need to work closely with colleagues in the highways department and potentially also to engage other specialists to support this work.

Some of the calculations are likely to be complex and will involve the use of external models, a combination of national and locally generated rates and a number of significant estimates and assumptions.

We have been working with the Council on the accounting, financial reporting and audit assurance implications arising from these changes. We have issued two Client Briefings which we have shared with you. We will issue further briefings during the coming year to update the Council on key developments and emerging issues.

This significant accounting development is likely to be a significant risk for our 2016/17 audit, so we will hold early discussions with the Council to assess the progress it is making in this respect.

---

# Working with the Council

We will continue to liaise closely with the senior finance team during 2016/17 on this important accounting development, with timely feedback on any emerging issues.

The audit risks associated with this new development and the work we plan to carry out to address them will be reflected in our 2016/17 audit plan.

We will also continue to work with you and support you over the next financial year in other areas:

Locally our focus will be on:

- Accounts developments - early examination and discussion on any emerging issues during the year, including preliminary review of your group accounting restatement of the 2015/16 comparatives for the 2016/17 accounts
- An efficient audit – continuing to deliver an efficient audit
- Improved financial processes – we will follow up actions taken on areas of IT weakness identified within your SAP system and examine controls in other key systems
- Understanding your operational health – we will focus our value for money conclusion work on your operational health and strategic partnership working

# Appendix A: Reports issued and fees

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

## Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	118,192	118,192	157,589
Housing Benefit Grant Certification	15,963	15,963	15,330
<b>Total fees (excluding VAT)</b>	<b>134,155</b>	<b>134,155</b>	<b>172,919</b>

## Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Teachers Pension Return	<b>4,200</b>

Page 34

## Reports issued

Report	Date issued
Audit Plan	February 2016
Audit Findings Report	September 2016
Annual Audit Letter	October 2016



© 2016 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

[grant-thornton.co.uk](http://grant-thornton.co.uk)

This page is intentionally left blank



# Accounts and Audit Committee Progress and Update Report for Trafford Council

23 November 2016

Page 37

**Mark Heap**

Engagement Lead

**T** 0161 234 6375

**E** mark.r.heap@uk.gt.com

**Helen Stevenson**

Audit Manager

**T** 0161 234 6354

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

**Andrew McNeil**

Audit Executive

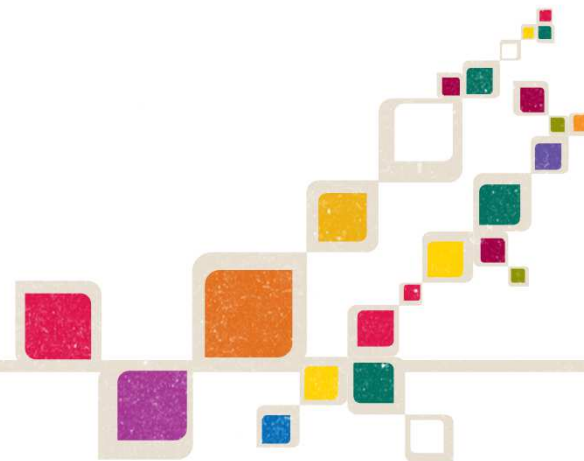
**T** 0161 234 6366

**E** andrew.mcneil@uk.gt.com



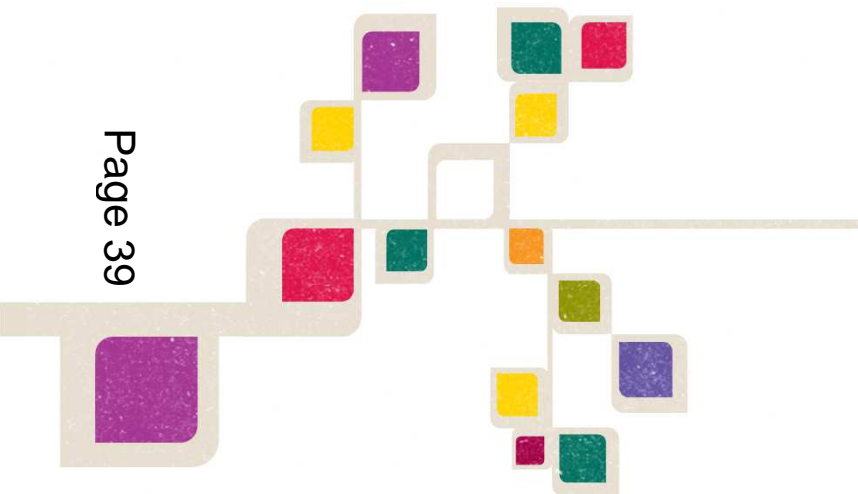
Agenda Item 5

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



# Contents

Page 39



---

Contents	Page
Introduction	4
Progress at November 2016	5
Emerging issues and developments:	
Sector issues	8
Technical update	11
Publications and events	14

---

# Introduction

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

Members of the Accounts and Audit Committee may be interested in our Greater Manchester Health Pioneer event which we are running on 24 November 2016 – see page 16.

To register go to <https://sites-grant-thornton.vuturevx.com/55/1031/landing-pages/your-vip-manchester-live-invitation.asp>

Members of the Accounts and Audit Committee can find further useful material on our website [www.grantthornton.co.uk](http://www.grantthornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); [www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/](http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/)
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); [www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/)
- Your Generation: Making decentralised energy happen <http://www.grantthornton.co.uk/en/insights/making-decentralised-energy-happen/>
- Reforging local government: Summary findings of financial health checks and governance reviews (December 2015) <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>,
- Culture of Place: A copy of the report and a collection of short videos can be found on our website at: <http://www.grantthornton.co.uk/en/insights/culture-of-place/>

## Members and officers may also be interested in our recent webinars:

**Alternative delivery models:** Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government. <http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

**Cyber security in the public sector:** Our short video outlines questions for public sector organisations to ask in defending against cyber crime <http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>

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 Engagement Manager.



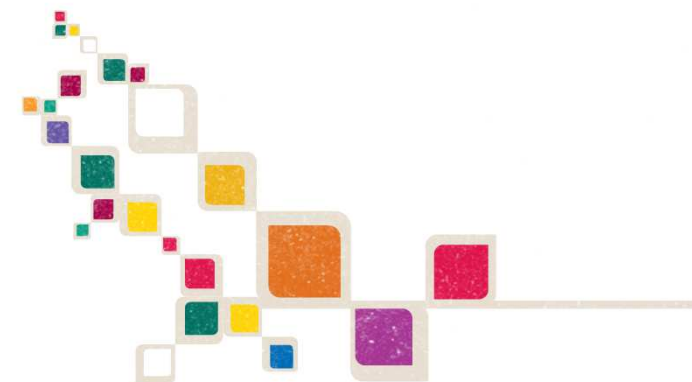
Mark Heap  
Engagement Lead

T 0161 234 6375  
M 07880 456 204  
E [mark.r.heap@uk.gt.com](mailto:mark.r.heap@uk.gt.com)



Helen Stevenson  
Engagement Manager


T 0161 234 6354  
M 07880 456 209  
E [helen.l.stevenson@uk.gt.com](mailto:helen.l.stevenson@uk.gt.com)




# Progress at 23 November 2016



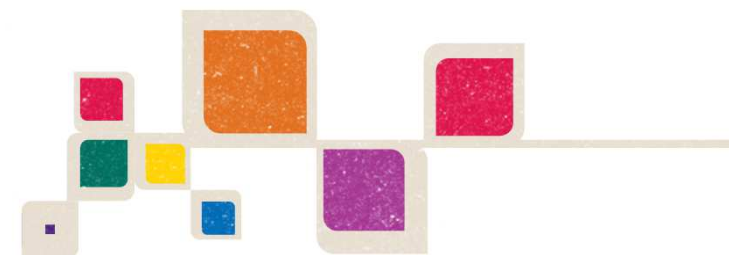
 **Progress against plan**  
On track

 **Opinion and VfM conclusion**  
The deadline is 30 September 2017

 **Outputs delivered and planned**  
Fee letter delivered , Audit Plan, Progress Reports, Audit Findings Report and Annual Audit Letter planned

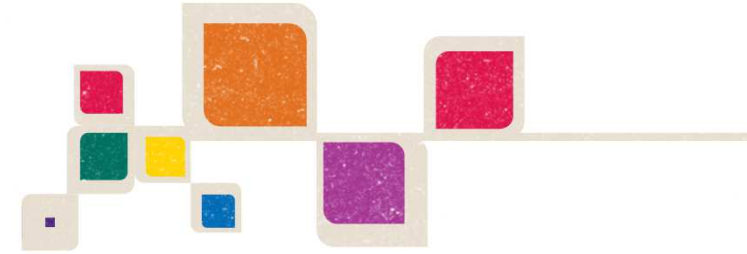
2016/17 work	Planned date	Completed	Comments
<p><b>Fee Letter</b> We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	April 2016	Completed to plan	We issued the fee letter for 2016/17 in April 2016, with no change to the fee proposed. This was presented to the Accounts and Audit Committee in June 2016.
<p><b>Accounts Audit Plan</b> 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 2016-17 financial statements. We also inform you of any subsequent changes to our audit approach.</p>	March 2017	Not started	We will present this to the Accounts and Audit Committee in March 2017.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> </ul>	From January 2017	Not started	<p>We will agree a detailed timeframe for our work with finance officers.</p> <p>We have agreed to schedule early review of some revised technical areas including the opening group accounts restatement and Highways Network assets valuations.</p>
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• Audit of the 2016-17 financial statements</li> <li>• proposed opinion on the Council's accounts</li> </ul>	June - August 2017 (timing to be agreed)	Not started	<p>We have held early discussions with finance officers on some key technical areas of account and will agree a detailed timeframe for the 2016/17 audit .</p> <p>We will report the findings from our final accounts work to the Accounts and Audit Committee prior to the statutory deadline.</p>

# Progress at 23 November 2016



2016/17 work	Planned date	Completed	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion: <i>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.</i></p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>From Jan - August 2017</p>	<p>Not started</p>	<p>We will carry out an initial risk assessment to determine our approach and report this in our Audit Plan. Our focus will be around risks in respect of the financial position and longer term financial sustainability.</p> <p>We will report our work in the Audit Findings Report and give our value for money conclusion by the deadline of 30 September 2017.</p>
<p><b>Annual Audit Letter</b></p> <p>Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2017.</p>	<p>October 2017</p>	<p>Not started</p>	

# Progress at 23 November 2016



2015/16 work	Completed	Comments
<b>Housing Benefit Subsidy claim 2015/16</b> We are required to review and certify the claim by 30 November 2016.	On track for certification November 2016	We are currently completing our work on the claim and are on track to meet the deadline of 30 November 2016.
<b>Annual Audit Letter</b> Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2016.	Completed	The Annual Audit Letter for 2015/16 is included within the agenda papers

# Grant Thornton Sector Issues

Page 44





# Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

Page 45

Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

# The changing face of Corporate Reporting

We have established a global network of public sector auditors and advisors to share good practice and to provide informed solutions to the corporate reporting challenges our clients face.

Page 46

We were fortunate to have the CEO of the IIRC speak at our most recent meeting. Integrated Reporting, <IR>, is a new approach to corporate reporting and it is building a world-wide following in both the public and private sectors.

In the commercial sector, <IR> has led to improvements in business decision making, the understanding of risks and opportunities as well as better collaborative thinking by boards about goals and targets.

<IR> is based on integrated thinking that results in a report by an organisation about sustainable value creation. It requires a more cohesive and efficient approach to organisational reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time.

By moving the focus away from only short-term, backward looking, financial reporting, <IR> encourages organisations to report on a broader range of measures that link their strategic objectives to their performance. The result is an overview of an organisation's activities and performance in a much wider, more holistic, context.

- <IR> encourages organisations to consider whether there are any gaps in the information that is currently available to them, so that integrated thinking becomes embedded in mainstream practice.
- <IR> is underpinned by the International <IR> Framework published in December 2013. It is principles- based, allowing organisations to innovate and develop their reporting in the context of their own regulatory framework, strategy, key drivers, goals and objectives.
- <IR> is consistent with the Strategic Reports required from UK companies, the Performance Reports that government departments, agencies and NHS bodies produce and the developing Narrative Reporting in local government.

The IIRC has established a Public Sector Pioneer Network to consider why and how the public sector can adopt <IR>, with the end goal of improving transparency and building trust. There is already a core of UK organisations within this such as the World Bank Group, UNDP, the City of London Corporation, the Wales Audit Office and UK government departments.

<Integrated Reporting>

Further information is available on the IIRC's website

# Grant Thornton Technical update

Page 47





## Accounting and audit issues

### Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the new measurement requirements at depreciated replacement cost for the Highways Network Asset (HNA) and
- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (ie. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.

In respect of HNA, the Accounting Code requires local authorities to comply with the CIPFA Code of Practice on Transport Infrastructure Assets issued in 2013. The Transport Infrastructure Code is currently being revised and will be reissued as the Highways Network Asset Code (HNA Code) over the summer of 2016. Whilst no major changes are expected to the basis of the accounting set out in the previous Code of Practice on Transport Infrastructure Assets, the detailed accounting requirements will not be finalised until the updated HNA Code is formally issued.

The key challenge for local authorities is around the accuracy and completeness of supporting records for HNA inventory and condition at 1 April 2016 and effective arrangements for recording expenditure and other movements on HNA from that date.

We have had some early discussions on the progress with the valuation of HNA with your finance officers. We intend to carry out an early review of this work prior to our final accounts visit.

We are preparing a series of briefings to support clients in implementing this change. Copies are available from your Engagement Manager or Engagement Lead.



## Accounting and audit issues

### Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

Grant Thornton  
Publications and  
events

Page 50



# Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – <http://www.grantthornton.co.uk/industries/public-sector/>





## Grant Thornton Event

Page 52

### Great health improves individual prospects and economic prosperity. But are we truly realising this as a region?

Greater Manchester has so many outstanding things going for it: trail-blazing businesses with people's wellbeing at the core, technological innovation, world-class universities, a variety of on-going health initiatives and a devolved healthcare budget of £6 billion. Yet health levels are lower in this region than in others across the UK, so how can we realise our region's potential to create a healthy population and the benefits this could bring to Manchester's economy and its people?

- What if we better connected the public, private and not for profit sectors?
- What if a broader range of people committed to collectively improving health outcomes?
- What if communities could reduce their demand on the NHS?
- What if businesses increased the health and wellbeing of their employees?
- What if best practice was showcased, replicated and accelerated?
- What if technology companies found it easier to pilot health innovations?

### Join us on 24 November 2016 to consider actions that will answer the question: How do we all mobilise Greater Manchester to pioneer world class health?

You'll be joined by around 200 dynamic individuals from across the region – leaders from business, charities, education and the public sector, influencers, creative brains and people in our community – for an inspirational day of innovation, inquiry and transformation.

It will be an inventive and practical day of 'sleeves rolled-up' working together to explore the potential, share ideas and come up with real actions that will help our region be the healthiest it can be. This is not a talking shop! To register go to <https://sites-grant-thornton.vuturevx.com/55/1031/landing-pages/your-vip-manchester-live-invitation.asp>



# Culture of Place

## Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

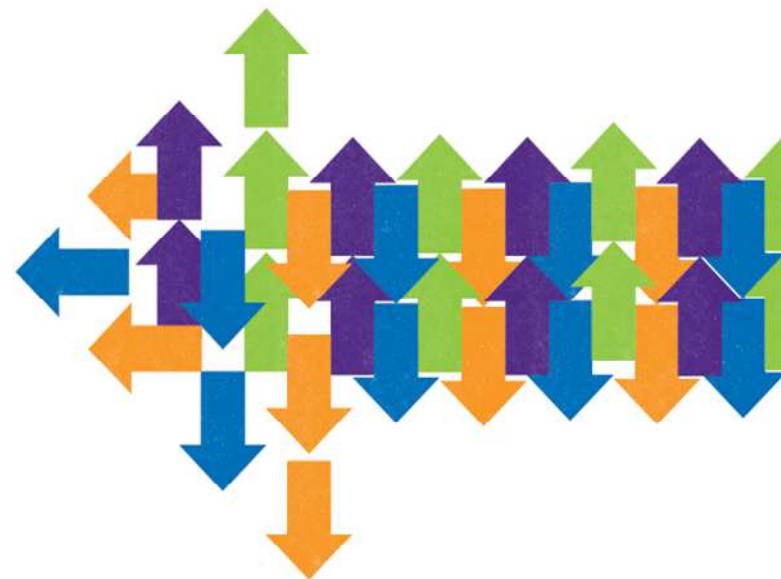
Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- The place leader is the story teller – leaders need to be more deliberate in their storytelling, helping communities make sense of a complex world, the past, present and possible futures
- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

A copy of the report and a collection of short videos can be found on our website at:

<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

Grant Thornton reports



# Health and social care integration

## Department of Health strategic statement for social work with adults in England 2016-2020 (12 July 2016)

This statement sets out what the department is doing and will do in the future to raise the standing and status of the social work profession, through its continuing reform programme in respect of health and social care integration.

It includes:

- a commitment to social work as a single profession, with common values, skills and knowledge
- the creation of a specialist regulator to raise the quality of education, training and practice
- a sustained focus on continuous professional development and the creation of accredited and specialist roles
- the intention to consult on how to make the best use of funding for social work education.

## Joint review of partnerships and investment in voluntary, community and social enterprise organisations in the health and care sector (19 May 2016)

This is a joint review by the Department of Health, Public Health England, and NHS England. The aim of the review is to:

- describe the role of the VCSE sector in improving health, wellbeing and care outcomes
- identify the challenges and opportunities in realising the sector's potential
- address challenges and maximise opportunities

The report makes recommendations for government, health and care system partners, funders, regulatory bodies and the VCSE sector. It emphasises putting wellbeing at the centre of health and care services, and making VCSE organisations an integral part of a collaborative system.

These reports are accessible at:

<https://www.gov.uk/government/publications>

Department of Health reports

# Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

Grant Thornton reports



Advancing closure  
Transforming the financial reporting of  
local authority accounts



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

# Partnership working in mental health

## Joining up the dots, not picking up the pieces

Mental ill health costs the economy over £100 billion each year and affects one in four people. However, responding to issues related to an underlying mental illness does not solely sit within the remit of health professionals. With many parts of the public sector needing to respond, and each facing significant financial pressures, collaboration around this issue is essential if savings are to be found and the best care provided.

This paper draws together examples of successful collaboration between public services and feedback from a Midlands round table discussion – where the West Midlands Combined Authority has set up a mental health commission – to look at how different services have overcome some of the traditional barriers and demarcation lines between organisations

There are four key messages:

The unpredictable nature of mental health symptoms can mean that the first point of contact is via emergency services, with ambulance, fire and rescue or police officers being present. The cost of services not being available at the right place at the right time can be huge, in terms of the personal suffering of individuals and costs to the wider system.

Often relatively modest amounts of money targeted at specific initiatives such as street triage or community cafes can make a huge difference in improving the availability of important services.

An impact can be made without the need for expensive structural change. Most importantly, it requires a genuine approach to collaboration and a culture of putting the patient first.

Investing in collaborative initiatives that focus on the needs of mental health patients were undoubtedly resulting in savings elsewhere to the public purse. Examples include:

- 92% reduction in detentions under section 136 of the Mental Health Act in Cheshire and Wirral; 50% reduction in Birmingham and Solihull; 39% in Nottinghamshire; 30% in Kent
- 647 A&E attendances avoided by one street triage team in one year in Birmingham and Solihull
- 80% remission in psychosis through early intervention in Derbyshire
- 25% of unemployed users of the café run by the Manchester Mind Young Adults Services and Projects team have gone on to find employment.

A set of recommendations on how to move this approach forward is also provided.



<http://www.grantthornton.co.uk/en/insights/partnership-working-in-mental-health/>

# CFO Insights – driving performance improvement

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.

Page 57



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



© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

[grantthornton.co.uk](http://grantthornton.co.uk)

GRT102468

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2016  
**Report for:** Information / Comments  
**Report of:** Chief Finance Officer

### Report Title

#### Options for Appointment of External Auditor

### Summary

The Local Audit and Accountability Act 2014 at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.” Current auditor contracts have been extended for 12 months, therefore, for Trafford Council, the appointment of an auditor must be completed by 31 December 2017 for the audit year 2018/19.

### Recommendation

The Accounts and Audit Committee:

1. Consider the proposal for the establishment of a local joint procurement arrangement with GMCA and other neighbouring authorities for the provision of external audit services from 2017/18 and
2. Delegate to the Chair of the Audit and Accounts Committee, under advice from the Chief Finance Officer, to agree the final recommendation to be made to Full Council before March 2017.

### Contact person for access to background papers and further information:

Name: Nikki Bishop – Chief Finance Officer  
Extension: 4238

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

### **Background Papers:**

- Local Audit and Accountability Act 2014

## **Options for Appointment of External Auditor**

### **1. Introduction**

- 1.1 The Local Audit and Accountability Act 2014 brought the Audit Commission to a close, and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 1.2 The current external auditor for Trafford Council is Grant Thornton, this appointment having been made under a contract which was originally let by the Audit Commission.
- 1.3 Following closure of the Audit Commission, the contract is currently managed by Public Sector Audit Appointments Limited (PSAAL), the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State for Communities and Local Government. When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to a local appointment of its auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities.
- 1.4 Current audit fees are based on discounted rates offered by the firms in return for a substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 1.5 The scope of the audit will still be specified nationally by the National Audit Office (NAO) which is responsible for writing the Code of Audit Practice. All firms appointed to carry out the Council audit must follow these requirements.
- 1.6 Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process is in progress and so the number of eligible and interested firms is not known at this stage but it is reasonable to expect that the list may include the top 10 or 12 firms in the country, including the Council's current external auditor. It is unlikely that small local independent firms will meet the required eligibility criteria.
- 1.7 The procurement option chosen must be ratified by Full Council.

### **2. Options for Local Appointment of External Auditors**

- 2.1 There are three broad options open to the Council under the Act and new appointments for auditors need to be made by December 2017 regardless of which option is chosen.



## **Option 1: Make a stand-alone appointment**

- 2.2 To make a stand-alone appointment, the Council will need to establish an independent Auditor Panel. The Panel must be made up of a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees – for the Council this excludes all current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input into the process for the assessment and appointment of the firm of accountants to provide the Council external audit. A newly established and independent Auditor Panel would be responsible for selecting the auditor.
- 2.3 This option allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision; however, recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and allowances. In addition the Council would not benefit from reduced fees that may be available through joint or national procurement contracts.

## **Option 2: Local joint procurement arrangements**

- 2.4 The Act enables the Council to join with other authorities to establish a joint independent Auditor Panel which would need to be constituted and made up of a majority, or of wholly independent members. Further advice will be required on the exact constitution of such a Panel having regard to the obligations of each body under the Act.
- 2.5 At present, eight of the ten GM councils are audited by Grant Thornton and two are audited by KPMG. Given the level of collaboration, joint working and similar core functions across the ten councils, there are likely to be benefits from including all these councils in the procurement. In addition to this, an option could be extended to include health bodies at a later date, although it should be noted that they are currently working to a different timetable for appointments.
- 2.6 In addition the procurement exercise is proposed to include the GM Combined Authority (“GMCA”) and functions due to be consolidated within the GMCA or the Mayor’s Office from 2017 – Transport of Greater Manchester (“TfGM”), the GM Waste Disposal Authority (“GMWDA”), GM Fire and Rescue Service (“GMFRS”), the GM Police and Crime Commissioner’s Office (“GMPCC”), GM Police and New Economy). There are benefits from appointing a limited number of auditors for this group of bodies, not just in terms of economies of scale but also in enabling the external auditors to obtain a fuller understanding of the audit requirements across GM local authorities.
- 2.7 Other advantages of this approach are that the costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities and therefore greater opportunity for negotiating economies of scale by being able to offer a larger combined contract value to the firms.
- 2.8 This option is not without risk. The decision making body will be further removed from local input. It is unlikely that elected members from each council or each GM body would be represented on an independent auditor panel. Individual audit committees would still discharge their functions at council and GM levels; for example considering their own auditor reports; the statement and accounts; and governance arrangements.

2.9 There is a risk that accountancy and audit firms may decline to bid for a package of GM external audit work due to independence issues. A successful firm would be unable to undertake substantial values of advisory work, as to do so would be in contravention of professional standards, independence safeguards and terms of appointment established by the PSAA. Initial soft market testing has been undertaken and whilst some of the top tier firms have confirmed that this issue would likely preclude them from bidding, other firms have expressed interest in this procurement approach.

### **Option 3: Opt-in to a sector led body**

2.10 In response to the consultation on the new arrangement, the LGA successfully lobbied for councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. This body had been confirmed as Public Sector Audit Appointments Limited (PSAAL). PSAAL will have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

2.11 Under this approach, the costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities and by offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation. Any conflicts at individual authorities would be managed by PSAAL who would have a number of contracted firms to call upon.

2.12 The appointment process would not be ceded to locally appointed independent members but by a separate body set up to act in the collective interests of the 'opt-in' authorities.

2.13 Under this option, individual elected members in Trafford and across GM will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

2.14 Initial conversations with the PSAAL indicated that this option could result in all the councils, GMCA, TfGM and Chief Constable all having different external auditors. However, GM Treasurers are currently seeking clarity with the LGA as to whether the sector led body approach would allow a limited number of cross-GM appointments, given the developments around devolution, the extension of the role of the elected Mayor / Combined Authority and the general increased collaborative working across GMCA and the ten councils.

2.15 If the PSAAL could work on behalf of the whole of the GM region then this could result in better value without the need to convene a local panel.

2.16 In order to take advantage of this offer all the GM Authorities would have to "opt in" by 9<sup>th</sup> March 2017.

### **3. Auditor Panel**

3.1 Unless opting into the Sector led body approach (option 3), there will be a requirement to establish an independent Auditor Panel, either specifically for the Council or in collaboration with partners. The Auditor Panel role is different to that of the Audit Committee. Its functions are to advise the Authority on:

- Selection and appointment of the auditor
- Resignation or proposals to remove the auditor
- Adoption of a policy on non-audit services

- Maintenance of independent relationship with the auditor
  - Any proposals to enter into limited liability agreements
- 3.2 There is no specific reference in the Act of the Auditor Panel for carrying out a contract oversight role but guidance from CIPFA does indicate this is a possible additional function that might be helpful.
- 3.3 It is also acknowledged that there should be a relationship between the Auditor Panel and the Audit Committee, who will receive updates and assurances arising from the work of the external auditor; and is also well placed to comment on the quality and performance of services provided through the contract. The Act does allow for the Audit Committee to discharge the duties of the Auditor Panel but only if it meets the criteria set out below and that its role when acting as the Auditor Panel is clearly distinct from its role as the Audit Committee.
- 3.4 A key challenge for the Auditor Panel is to ensure appropriate appointments that meet the requirements of the Act. It is required that the Panel have at least three members but the majority, including the Chair, should be independent of the Council. It is permissible for Council elected members to be represented on the panel, but the majority of members and Chair are required to be independent. The definition of independence in the Act and supporting CIPFA guidance is explicit and allows little option other than through the advertisement and appointment of specific, external, independent members. Panel members will also be required to have the requisite skills and experience, which may not be readily identifiable or available given the specialist nature of the external audit contract and procurement processes.
- 3.5 If the Council progresses a single body appointment, it will be required to identify and appoint independent members for this process. The same principle will apply with a joint GM procurement but the collaborative option means that across the various GM level authorities, only one group of independent members would be required and this increases the likelihood of successfully identifying suitably skilled and experienced independent persons to sit on the panel. These are required to be identified through advertisement and supported by clear panel member role descriptions. The Council and any joint procurement partners will be required to set levels of allowances and expenses.

#### **4. Preferred Approach**

- 4.1 The Chief Finance Officer and her counterparts in the other nine GM Councils, GMCA, TfGM, GMPCC, GMP, GMFRS and GM Waste are supportive of the proposal for a co-ordinated approach at GM level.
- 4.2 Option 2 allows for economies of scale, given the 2015/16 combined external audit and grant certification fees of these bodies was £1.8m, whilst also enabling a limited pool of firms to be able to discharge external audit functions across Trafford Council, other GM Councils and GM bodies referred to in this report. This will allow the auditors to take a more strategic approach and should facilitate greater added value in supporting the audited bodies on complex accounting and audit matters.

- 4.3 A joint procurement is also likely to minimise the time and cost of separate procurements across GM and will also aid the identification and appointment of an appropriate, effective Auditor Panel which it is proposed comprises elected members representing the audited bodies as well as a majority of independent members and independent chair secured following an open process of advertisement and recruitment.
- 4.4 Option 3 (Sector Led appointment) could still also be considered and could result in further savings without the need to appoint an auditor panel; however, as noted in 2.14 above the PSAAL's ability to act for GM as a whole still needs to be clarified.

## **5. Next Steps**

- 5.1 The Council has until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by Spring 2017 in order that the contract negotiation process can be carried out during 2017. It should also be noted that any decision to take option 3 needs to be taken by the end of February 2017 in order to meet the PSAAL's timetable.
- 5.2 The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed and actions progressed, the Audit Committees of each of the GM Councils, the GMCA, OPCC / Chief Constable, TfGM, GMFRS and GM Waste are being asked to comment on the options and to work with Treasurers to propose their preferred procurement option to Full Council by end of February 2017.

## **6. Recommendation**

The Accounts and Audit Committee:

1. Consider the proposal for the establishment of a local joint procurement arrangement with GMCA and other neighbouring authorities for the provision of external audit services from 2017/18 and
2. Delegate to the Chair of the Audit and Accounts Committee, under advice from the Chief Finance Officer, to agree the final recommendation to be made to Full Council before March 2017.

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

Strategic Risk Register 2016/17 (October 2016 update)

### Summary

The Accounts and Audit Committee is asked to consider this report which provides an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks.

### Recommendation

The Accounts and Audit Committee reviews this report.

### Contact person for access to background papers and further information:

**Name:** Mark Foster – Audit & Assurance Manager.      **Extension:** 1323  
Mike Sullivan – Senior Audit & Assurance Officer      **Extension:** 1564

### **Background Papers:**

None

## **1. INTRODUCTION**

- 1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.
- 1.2 In accordance with the Council's Risk Management Policy, the Corporate Leadership Team (CLT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.
- 1.3 This report is based on information provided by risk owners in September and October 2016.

## **2. THE STRATEGIC RISK ENVIRONMENT – RISK EXPOSURE AND PERFORMANCE MANAGEMENT**

- 2.1 The Council continues to review and monitor its strategic risks. Given the challenges faced by the Council going forward, it is acknowledged that it will need to continue to review its approach to risk and risk management as risks change and potentially higher risks arise. Progress has continued to be made in addressing the strategic risks as detailed in this report.
- 2.2 The Audit & Assurance Service requested current strategic risk owners to provide an update on the strategic risks that are under their remit including progress in managing these risks. Section 3 of this report contains an update on the strategic risks identified.
- 2.3 Since the previous strategic risk report update was reviewed in July 2016, all the risks have been reviewed and updated with developments.
- 2.4 The risk chart on page 4 shows an analysis of the current strategic risks. The chart analyses the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are 16 strategic risks (two of which are considered high level).
- 2.5 The highest rated risks relate to Safeguarding vulnerable children (SR 2) and the Council's medium term financial position (SR4).
- 2.6 Since the last update to CLT in July 2016, no risks have been removed from the strategic risk register. However, the risk exposure scores have been revised for the following risks:
  - SR2- (Safeguarding vulnerable children) increased from a medium risk of 12 to a high risk of 16;
  - SR5 - (Loss / absence and retention of senior managers) reduced from a high risk of 20 to a medium risk of 15;

- SR7 – (Reshaping Trafford Council programme) reduced from a medium risk of 15 to a low risk of 8;
- SR11 – (New Joint Venture partner fails to deliver) increased from a low risk of 8 to a medium risk of 12;
- SR 15 – (CAMHS Internal review actions) reduced from a medium risk of 12 to a low risk of 6.

2.7 The next Strategic risk review update will commence in February 2017 with the updated report to be presented to the CLT and the Accounts and Audit Committee in March 2017. The revised Council's Risk Management policy and strategy documents will also be presented for consideration at the same meetings.

**Comparison of Risk Levels June and October 2016**

**IMPACT Risk Levels – June 2016**

Very High(5)	2	5	2	
High (4)	2	3		
Medium (3)			2	
Low (2)				
Very Low (1)				
	Very Low (1)	Low (2)	Med. (3)	High (4)
				Very High (5)

**LIKELIHOOD**

**IMPACT Risk Levels – October 2016**

Very High(5)	2	5	1	
High (4)	2	4	1	
Medium (3)	1			
Low (2)				
Very Low (1)				
	Very Low (1)	Low (2)	Med. (3)	High (4)
				Very High (5)



**LIKELIHOOD**

<b>High Risk</b>
<b>Medium Risk</b>
<b>Low Risk</b>






### 3. Strategic Risks (October 2016)


Red	Amber	Green
-----	-------	-------

Risk	Strategic Risk Title / (Directorate) / (Portfolio)	Risk Level	Management of Risk - Direction of Travel *	Comments
1	<p>Major regeneration projects, including Altair, Altrincham Strategic Framework delivery, Old Trafford Master Plan (OTMP) and Carrington development do not proceed due to economic and financial constraints.</p> <p>(EGEI)/(Economic Growth and Planning)</p>	<p><b>8</b> <b>Low</b></p>		<ul style="list-style-type: none"> <li>• All project risks contained and detailed within individual project plans. Overall, all projects are within tolerance.</li> <li>• Altair outline planning consent granted. Revised Development Agreement complete (April 2015). Detailed planning application for phase 1 granted, with start on site in the Autumn 2016.</li> <li>• Funding has been approved for the OTMP, and Land Pooling Agreement signed.</li> <li>• Altrincham public realm strategy agreed phase 1 complete and work commencing on Phase 2a.</li> <li>• Proposals for new Altrincham Library approved at Executive. Agreement for lease in place, and planning consent granted. Start on site expected Autumn 2016.</li> <li>• The operator for Altrincham market has been appointed and the Operating Agreement and Agreement for Lease completed (November 2013).</li> <li>• Stretford Masterplan approved (January 2014). Advisers for Lacy Street in place and report produced. Public realm study and consultation complete, with detailed design proposals due mid 2016 with a start on site in early 2017.</li> <li>• Altrincham Strategy approved.</li> <li>• Sale of Carrington by Shell to Langtree completed, with further transfer to Himor also completed. Project governance structure reviewed and proposals for support by the Growth Team agreed. Phase 1 planning application for up to 725 residential units and 90 acres of employment land has been submitted. Planning Performance Agreement agreed and expected to go to Planning and Development Committee in early 2017.</li> </ul>
2	<p>That vulnerable children are not safeguarded from harm and the Council does not fulfil its statutory duties in terms of children in need, child protection and Looked After</p>	<p><b>16 High</b> <small>(Previously 12 Medium)</small></p>		<p>The OFSTED Inspection Report published in May 2015 judged our services to be Good with Outstanding areas. The TSCB was also rated as Good. However Safeguarding children is an area of Council responsibility that requires constant high levels of vigilance to guard against the risk of harm or abuse to children that could have been prevented through early help, identification, assessment and support of services. It is therefore</p>


	Children (CFW)/(Children's Services)			<p>imperative that the Local Authority maintains high levels of compliance with legislation, procedures and follows good practice principles in its delivery of statutory services to children and that compliance is consistently monitored and quality assured.</p> <p>Measures:</p> <ul style="list-style-type: none"> <li>• Monthly meetings of the Director of Children's Services Safeguarding Group;</li> <li>• Biannual safeguarding children assurance meetings with the Chief Executive, Leader and Executive Member;</li> <li>• Rigorous Performance Management and Quality Assurance Framework, and;</li> <li>• Experienced Independent Chair of TSCB in place with Safeguarding Development Manager supporting a rigorous TSCB Business Planning and monitoring process.</li> </ul> <p>An Action Plan was developed following the Inspection. In June 2016 all actions were rated a Green RAG status.</p> <p>Over the last year there has been a significant increase in demand on children's services. There has been an increase in Child Protection, Public Law Outline and Looked After Children numbers. This has increased social worker caseloads and created pressures within the system generally. These increases are monitored and managed through moving staff or use of agency staff where possible but this shift in demand has generated pressures in the system which has meant shifting the Risk rating from 12 to 16.</p>
3	<p>Demand for school places underestimated and/ or additional school places are not delivered to satisfy increased demand.</p> <p>(CFW)/(Children's Services)</p>	15 Medium	← →	<ul style="list-style-type: none"> <li>• All children have been allocated places for the 2016/17 academic year. Some parents have yet to accept a reception place.</li> <li>• The demand for primary and secondary school places continues to be monitored and capital resources allocated to ensure sufficient places are provided to meet our statutory duty.</li> <li>• All basic need funding has been allocated up to March 2018.</li> <li>• There is no basic need funding from the DfE for 2018/19, the first year the LA has received a £0 allocation.</li> </ul>
4	Continuing uncertainty regarding the Council's medium term financial position given the reliance that	20 High	← →	<ul style="list-style-type: none"> <li>• The Local Government Financial Settlement was finalised on 8 February 2016 and this provided the level of Settlement Funding for the Council for 2016/17 of £56.3m, a reduction of £7.4m or 11.6% on 2015/16. The Settlement also provided</li> </ul>



	<p>exists on support from Central Government, cost pressures within the existing budget and major changes in the administration of Business Rates resulting in a greater risk being transferred to local government.</p> <p>(T&amp;R)/(Finance)</p>			<p>indicative allocations for a further three years until 2019/20 which the Council has agreed to accept to provide an element of funding certainly over the next few years.</p> <ul style="list-style-type: none"> <li>• The Council agreed the budget for 2016/17 on 17 February 2016 in the sum of £147.32m which included from savings and additional income of £22.6m.</li> <li>• The medium term outlook demonstrates that the Council will still need to make savings in excess of £42m over the following three years up to 2019/20, a significant proportion of this being in 2017/18.</li> <li>• As part of the delivery of 100% Business Rates retention the Government is carrying out a needs review which will take account of the cost of providing services locally. The Council intends to play a full part in this review.</li> <li>• The Council's reserves have been revised and a budget support reserve has been created which will be available to support the budget in 2017/18 as a large proportion of the future years budget gap needs to be found in that year.</li> </ul>
5	<p>Loss / absence and retention of senior managers to the organisation.</p> <p>(T&amp;R)/(Finance)</p>	<p><b>15</b> <b>Medium</b></p> <p>(Previously 20 High)</p>		<ul style="list-style-type: none"> <li>• Two Council permanent appointments have been made to Joint Director posts in the Integrated 'Provider Services' structure and Health.</li> <li>• A new organisational structure is in place for all-age integrated health &amp; social care service.</li> <li>• An internal candidate is acting up into the Corporate Director post in the CFW Directorate.</li> <li>• A number of interim internal 'act-up' arrangements are in place, again aiding succession planning, pending permanent appointments.</li> <li>• A leadership development programme is in place for all managers/senior managers across the organisation, to support them in leading and engaging their staff through transformational change.</li> <li>• A new linear pay structure was implemented in April 2015 that introduced a new grade to span the gap at the former top of the NJC pay spine and the Senior Manager pay structure. This will enable posts to be created in recognition of increased levels of responsibility as the organisation reshapes.</li> <li>• A succession planning strategy is being rolled out that formalises an approach to ensure that key skills are not lost to the Council, whilst up-skilling staff to take on higher graded roles. Successors will be identified at senior manager</li> </ul>

				<p>level and targeted development initiatives provided to ensure that we are equipped to flex our workforce to react to resource and skills gaps. Each successor will have access to a coach.</p> <ul style="list-style-type: none"> <li>• Further to a recent recruitment exercise, an external candidate has been appointed to the post of Chief Finance Officer.</li> <li>• An internal candidate has been appointed to the permanent post of Director of HR.</li> </ul>
6	<p>Trafford Council must ensure that information held about citizens, employees, partners, contractors, members and organisations in Trafford is safe in their hands. To be able to assure its partners and the public that this is the case they need to demonstrate that they are handling personal/ sensitive and commercial data securely both in technology and physical terms. They also need to ensure that 3<sup>rd</sup> parties acting on their behalf are handling their data sets in accordance with Trafford Council's policies and procedures. This is a corporate risk and the risk to the Council is reputational, financial, adverse publicity and could ultimately be a breach of the Data Protection Act.</p> <p>(T&amp;R)/ (Transformation and Resources).</p>	<p><b>15</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• Citizens and businesses have a right to expect data held about them to be treated in a secure manner and only shared on a need to know basis.</li> <li>• Employees, Partners, Contractors and members have the right to expect data held about them to be treated in a secure manner.</li> <li>• Trafford Council have a responsibility to protect their data and information.</li> <li>• The Council has a dedicated Corporate Information Governance (IG) team which provides advice and guidance in relation to compliance with Data Protection and Freedom of Information legislation as well as with data sharing. It also investigates and reports on council data incidents and provides services with recommendations to improve their working practices.</li> <li>• The Council has an Information Security Governance Board (ISGB), meeting monthly which is made up of senior officers across the council who lead on IG matters within their Directorates .The ISGB has a terms of reference which provides a direct reporting line to the CLT which underlines the importance of information governance and information security within the Council. The ISGB takes the corporate lead on all data protection related matters and in progressing the embedding of information governance in the Council's day to day activities. Progress on the ISGB work plan is reported fortnightly to CLT.</li> <li>• Data protection incidents are reported at directorate level as well as monthly to the ISGB and quarterly to CLT.</li> <li>• The Council has agreed to take part in a voluntary audit performed by the ICO of its practices and procedures around data protection. The audit is to take place in early January 2017.</li> </ul>
7	<p>The Reshaping Trafford Council</p>	<p><b>8</b> <b>Low</b></p>		<ul style="list-style-type: none"> <li>• The governance arrangements in place are mature and effective with appropriate senior</li> </ul>

	<p>Programme doesn't progress to plan and/or deliver its expected outcomes.</p> <p>(T&amp;R) /(Transformation and Resources)</p>	<p>(Previously 15 Medium)</p>		<p>level representation and authority to provide the support, challenge, advice and decision making required.</p> <ul style="list-style-type: none"> <li>• The Transformation Programme presented its 2015/16 end of year report to the Transformation Board in May 2016 which was well received. It demonstrated an over achievement of savings, a good return on investment by the Transformation Team and successful delivery of a range of significant projects which underpin the Reshaping Trafford Council Blueprint delivery.</li> <li>• The Audit &amp; Accounts Committee also received an update on the progress towards delivering the Reshaping Trafford Council Programme in April 2016.</li> <li>• To progress their review of the Reshaping Trafford Programme, CLT commissioned a group of senior officers to review the future opportunities for Trafford in the context of the challenging financial landscape. A draft Trafford Strategy for 2031 is under development and currently being shared with the Executive and other senior leader in our strategic partners for their input prior to being formally launched and consulted on. An associated implementation plan is also in development which links to the 2017/20 budget proposals and the next stage of the All Age Health and Social Care Integration Programme.</li> <li>• The consultation process for future budget proposals is now being planned by the TPR+ Group.</li> <li>• Trafford continues to work closely with GM on PSR and devolution agendas to ensure all opportunities available are unitised. Our reshaping programme entirely aligns with the GM strategic aims and priorities.</li> <li>• An annual review of the Section 75 Agreement with Pennine Care is planned to ensure the document reflects the developments which have taken place since April 2016.</li> <li>• Please refer to Risk 12 for updates on programme governance.</li> </ul>
<p>8 (Prev Risk 17)</p>	<p>A successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the councils computing services or severe degradation or loss of control of those</p>	<p><b>15 Medium</b></p>		<ul style="list-style-type: none"> <li>• Trafford will continue to operate in an assumed state of compromise in that there should always be a presumption that our network boundaries both internal and external are vulnerable.</li> <li>• All information sources and systems within the Council should have an identified owner.</li> <li>• The Council will continually address issues that may affect our ability to detect and respond to threatening cyber activity e.g. continually review</li> </ul>

	<p>services.</p> <p>T&amp;R)/(Transformation and Resources)</p>			<p>our ISP Providers and their effectiveness;</p> <ul style="list-style-type: none"> <li>• Trafford will create a culture in which the security of technology, information and business process is assessed and verified from the point of inception through to delivery use and disposal.</li> <li>• We will not restrict innovation in the council by managing rather than avoiding all risk.</li> <li>• We will seek expert guidance when appropriate and collaborate with central and local government bodies to benefit from tried and tested approaches, knowledge, wisdom and learned experience.</li> <li>• Investment has been submitted in the 2016/17 Capital Plan to maintain and update the Councils Security defences. To date additional Firewalls have been implemented to secure the HR Shared Services network from the main Trafford network and to protect the Sale Waterside data centre network used for backups and recovery of data.</li> <li>• The Council via a competitive Procurement has appointed an established security partner The Network People (TNP) to help manage, monitor and develop Trafford's Security defences via Firewall management and professional services design.</li> <li>• Trafford is maintaining its compliance with PSN through annual vulnerability penetration testing of both the internal and external networks.</li> </ul>
9	<p>Failure of the Adult Safeguarding Service.</p> <p>(CFW)/(Adult Social Services and Community Wellbeing)</p>	<p><b>12</b> <b>Medium</b></p>	<p>← →</p>	<ul style="list-style-type: none"> <li>• Refresh of the Safeguarding Policy and procedures completed, new policy live from May 2016.</li> <li>• Adult Safeguarding Board has been refreshed and a revised governance process has been developed with an away day in July 2016.</li> <li>• An Independent Chair has been in place for 10 months.</li> <li>• Joint Children's and Adult safeguarding committee now in place.</li> <li>• Senior Learning and Development post was filled in October 2015, impacting upon sustaining competency in the implementation of practice of both internal and external agencies.</li> <li>• The Clinical commissioning group chief nurse has been appointed. We have integrated the safeguarding function for the children's and adult's nursing teams which now sit within the Integrated Care Service.</li> <li>• The Director of Safeguarding and Professional Development has been appointed and the standard of safeguarding for adults and children is now managed centrally through this role.</li> </ul>

				<ul style="list-style-type: none"> <li>• Serious Case Review Panel (Adults) reviewed and in place.</li> <li>• One Adult Serious Case review is currently being completed with an independent chair.</li> <li>• Court judgements lowering the threshold for Deprivation of Liberty Orders (Dols) continues to increase demands. A further increase of resources agreed. A large number of Dols await allocation over 28 days, (280). QA officer appointed for 6 months. An external Best Interest assessment service has been procured to support the service to manage the increasing demand for Deprivation of Liberty.</li> <li>• Two new Senior Practitioners have been appointed and are overseeing safeguarding decision making with screening team.</li> <li>• Annual Safeguarding Plan is being refreshed by new Chair, SCR plan in place. A further review to follow Safeguarding away-day.</li> <li>• New Safeguarding Development Manager in post.</li> <li>• Policy completed. Work continues on procedures review and changes to templates will be reviewed to dovetail the changes in procedure.</li> </ul>
10	<p>Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations.</p> <p>(T&amp;R)/(Transformation and Resources)</p>	<p><b>10</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• Current Health &amp; Safety Policy and comprehensive arrangements in place. Subject to periodic review as required and available to the workforce via the intranet.</li> <li>• Health and Safety Audit programme in place across all Directorates and schools. This programme includes proactive monitoring of compliance with health &amp; safety law and internal H&amp;S management arrangements.</li> <li>• Policy, arrangements, protocols and guidance for Directorates and schools updated to reflect legislative or organisational changes and any new or emerging risks (in addition, a targeted rolling programme is ongoing).</li> <li>• HSU support in the comprehensive assessment and investigation, where required, of health and safety issues or incidents. Facilitates the effective management of risk and statutory compliance.</li> <li>• HSU support in responding to occupational health and workforce referrals to ensure the health, safety and welfare of staff.</li> <li>• Staff consultation processes in place to report and liaise on Health and Safety performance issues.</li> <li>• Competent HSU advisory service with advisors subject to continuing professional development requirements.</li> </ul>


				<ul style="list-style-type: none"> <li>• Training calendar in place and online training available to support managers and schools in ensuring staff are competent to undertake tasks/role.</li> </ul>
11	<p>New Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</p> <p>(EGEI)/(Environment and Operations)</p>	<p><b>12</b> <b>Medium</b></p> <p>(Previously 8 Low)</p>		<ul style="list-style-type: none"> <li>• First year of contract operated successfully across all services.</li> <li>• Some service standard issues identified and negative media coverage.</li> <li>• Service issues being addressed and service improvements implemented,</li> <li>• Operational controls and governance arrangements in place and working effectively.</li> <li>• 2015/16 budget savings fully delivered. 2016/17 savings being delivered.</li> <li>• Options for 2017/18 savings being identified.</li> </ul>
12	<p>The Transformation Programme savings will not be delivered in full.</p> <p>(T&amp;R)/ (Transformation and Resources)</p>	<p><b>15</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• The savings target for the transformation programme in 2016/18 is currently set at £10.204million. The current forecast is that the programme will achieve the savings.</li> <li>• The largest risk is with the extent of CFW savings. In recognition of this a significant resource continues to be deployed from the Transformation Team into CFW to support delivery of the projects and savings.</li> <li>• The governance arrangements in place are mature and effective with appropriate senior level representation and authority to provide the support, challenge, advice and decision making required. However, to reflect the current risks to savings delivery, the following additional measures have been put in place:</li> <li>• The single management approach to the Transformation Programme has now been embedded. Follow-up meetings are also scheduled with the Corporate Director and Chief Finance Officer.</li> <li>• Additional fortnightly Transformation Board meetings have commenced which give the opportunity to review individual projects at a more detailed level.</li> <li>• There are now 2 meetings a month for 1.5 hours – every 1<sup>st</sup> and 3<sup>rd</sup> week, as part of CLT strategy meetings.</li> <li>• The focus of the ‘week 3’ meetings is on programme governance where the PMO &amp; BR reports are presented. At this meeting, the board also advises which project updates they want to be presented at the next meeting.</li> <li>• Week 1 meetings are focussed on project delivery &amp; new business cases.</li> <li>• During both meetings, the 2017/20 budget setting plans are covered as required.</li> </ul>



				<ul style="list-style-type: none"> <li>Projects with an adverse variance in forecast savings of more than £10k are now put into exception and rated as red</li> <li>Six month stage deep dive reviews have been completed for those projects considered to be of the highest risk. Action plans are now in place to address concerns.</li> <li>The PMO for the Transformation Programme is now more developed and a comprehensive dashboard to monitor the programme's progress continues to be developed; revised templates for project reporting are also in place to help staff manage their project delivery responsibilities, particularly when a project is at risk and goes into exception.</li> </ul>
13	<p>Major event leading to inability to deliver critical services to vulnerable people.</p> <p>(CFW)/(Adult Social Services and Community Wellbeing)</p>	<p><b>12</b> <b>Medium</b></p>	<p>↑</p>	<ul style="list-style-type: none"> <li>Consideration has been given to which events could stretch the capacity of the service. This has included plans for monitoring and responding to winter pressures. All CFW Services have Business Continuity Plans in place within the Directorate with supporting action plans actively monitored. These have all been reviewed review following the launch of integrated services.</li> <li>A full desk top nursing evacuation event has been undertaken to test service resilience and responses.</li> <li>The service also participated in the Greater Manchester business continuity test related to a desk top flooding incident.</li> <li>Contractual requirements on external providers to have business continuity plans in place.</li> </ul>
14	<p>Failure to complete the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption.</p> <p>(T&amp;R)/(Transformation and Resources)</p>	<p><b>10</b> <b>Medium</b></p>	<p>← →</p>	<ul style="list-style-type: none"> <li>Business Impact Analysis (BIA) was completed for all areas of the business with the creation of Business Continuity Plans (BCP), covering all critical functions that were classified priority 1 or 2. Business Continuity training sessions have been delivered by the Emergency Planning Manager.</li> <li>A Business Continuity 'Toolkit' is available on the council's Intranet which provides templates and guidance. Further information and guidance is also available to ensure the council complies with the Civil Contingencies Act to inform staff and advise the public and businesses. However, Business Continuity Plans are still being received and there are still a number outstanding which remains a risk.</li> <li>Following meetings with the Emergency Planning Manager, Audit and Assurance and ICT, a revised BIA was been prepared and</li> </ul>

				<p>placed on the Council's intranet pages. The BIA detailed ICT requirements and how the service would be affected by a business interruption.</p> <ul style="list-style-type: none"> <li>• Under the Reshaping Trafford banner the Council ensured that outsourced Council Services have robust BCPs. The Head of Environmental Services is examining how robust the Amey business continuity plans are.</li> <li>• CFW are seeking formal agreement from TPR in order to adopt the Pennine Care Trust format for Business Continuity Planning to more closely align Health and Social Care. CFW Directors are in favour of this and it features in the quarterly Business Continuity update to TPR, 23 February 2016. The agreement between Pennine Care and CFW to produce joint BC plans has been implemented.</li> <li>• Trafford and Manchester City Council are working in collaboration to determine a future strategy for ICT Disaster Recovery (DR). Work has now completed on producing a common framework ICT Architecture Landscape for Trafford and Manchester which is being used to influence infrastructure sharing strategies with Manchester including adopting Cloud Services if there is a compelling business case to do so.</li> <li>• Trafford will continue to use its existing investment in High Availability solutions using the existing Sale Waterside location for Data and potentially other recovery services.</li> <li>• Trafford's third party hardware maintenance support partner ANS will be engaged in Q4 to review the DR readiness of Trafford's infrastructure which will include options for adopting Infrastructure as a Service as well as investing in more co location recoverability for selected platforms.</li> <li>• The planned workshops for Heads of Service outlining the procedure for completing the Business Impact Analysis, took place in March and April 2016.</li> <li>• The Emergency Planning Manager is examining the e-learning on line package for Business Continuity as the Manchester City Council software is not compatible with the new Greater Manchester Authorities (AGMA) training portal.</li> <li>• Mobile Telephone Privileged Access Scheme (MTPAS) – Priority access to telecommunications is being reviewed to ensure capability during incidents. If there is a major incident, our mobile provider will be able to prioritise our calls to the network. Association of</li> </ul>
--	--	--	--	--

				<p>Greater Manchester Authorities (AGMA) Civil Contingencies Resilience Unit (CCRU) is supporting us to make sure our records and numbers are up-to-date so front line responders can communicate with the office/each other if networks are reduced.</p> <ul style="list-style-type: none"> <li>This quarter we have completed a RAG (Red, Amber and Green) rating which helps to identify any gaps in Trafford's emergency planning capabilities. It highlighted the need for a training audit which will ensure both Silver and Gold responders have the appropriate response training. This will be incorporated into November's training package which will include Resilience Direct training. Resilience Direct is a national web based portal endorsed by Cabinet Office which provides a safe store of documents. Trafford Council responders are currently underusing this free resource which can be accessed from any computer, tablet or phone with internet capability. This, alongside the fully updated Plan store on the internal drive, increases Trafford's ability to react and maintain business continuity. The training will ensure that Trafford Council responders feel confident to use the resources available to undertake all statutory requirements of the Civil Contingencies Act.</li> </ul> <p><i>Refer also to the comments regarding Risk 8.</i></p>
15	<p>Children's and Adolescent Mental Health Service (CAMHS) – Internal Review outlined a number of actions required for improvement including the need for improved recording, case files management etc.</p> <p>KPMG and other reviews have also identified areas for improvement.</p> <p>Previous issues already raised re Waiting times.</p> <p>(CFW)/(Children's Services)</p>	<p><b>6</b> <b>Low</b></p> <p>(Previously 12 Medium)</p>	<p>↑</p>	<p>Children's and Adolescent Mental Health Service (CAMHS) review action plan, developed by subject matter experts, in partnership with the Head of Service and Senior Clinical Leads, and is based on the most current evidence to date.</p> <p>Weekly monitoring of the action plan is completed by the subject matter expert panel, which includes Trafford's Network Director and the Head of CAMHS.</p> <p>Assurance on the progress of the action plan is reported to the Divisional SLT (Pennine).</p> <p>CAMHS action plan is on-going and is progressing well:-</p> <ul style="list-style-type: none"> <li>Good progress continues in getting all cases onto Trust Approved Risk Assessment (TARA), with a recent audit confirming 73% of cases;</li> <li>TARA is a standard agenda – the audit will be repeated in October – aim is to achieve 100%;</li> <li>Progress to achieve full compliance with managerial supervision;</li> </ul>

				<ul style="list-style-type: none"> <li>• All files from cleansing operation will be completed by the end of October;</li> <li>• The implementation of Choice and Partnership Approach (CAPA) included in the action plan will be transferred to the CAMHS service Quality Implementation plan;</li> <li>• Re-alignment of Trafford CAMHS with the Trust Corporate Business Unit is work in progress, and;</li> <li>• CAMHS Service managers post will be out to advert during October.</li> </ul> <p>Waiting times are now significantly reduced (referral to Assessment average 11/12 weeks, Referral to Treatment, longest wait 103 days).</p>
16	<p>Inability to meet Trafford residents' requests to have burials within the local area due to insufficient land.</p> <p>(T&amp;R)/(Transformation and Resources)</p>	<p><b>12</b> <b>Medium</b></p>		<ul style="list-style-type: none"> <li>• Agreement in principle with the National Trust reached to purchase reduced usable additional land.</li> <li>• Final purchase date dependent on planning approval (require before finalisation with Tenant Farmers on land).</li> <li>• Estate Management (Amey) &amp; Legal are instructed and are in contact with the National Trust solicitors.</li> <li>• Planning application submitted on 1<sup>st</sup> September 2016 utilising only the usable areas, thereby addressing the concerns raised by the Environment Agency over the water table.</li> <li>• CDS hydro-geotechnical survey and mitigation recommendations incorporated into the Planning application and layout of the area.</li> <li>• The new proposal will ensure the authority has sufficient burial space for 8-10 years.</li> <li>• It is anticipated that the new planning application will be approved in November 2016.</li> </ul>

\* Note: This indicates the direction of travel in respect of performance in managing the risk and not direction of travel of the risk level.

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Fraud reporting: Awareness-raising**

### Summary

The purpose of the report is to update the Accounts and Audit Committee on recent developments in respect of the use of the Council website to report fraud and plans to raise awareness of this.

### Recommendation

**The Accounts and Audit Committee notes the report.**

### Contact person for access to background papers and further information:

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

**Background Papers: None**

## **Fraud Reporting – Raising Awareness**

### **1. Introduction**

Following the transfer of the Benefit Fraud investigation team to the DWP and the establishment of a new Counter Fraud and Enforcement team in the Council, the Council's website was updated to ensure the revised arrangements are reflected and ensuring there is a clear route for the public to report instances of suspected fraud.

In addition to contact details for reporting fraud, the website now includes online fraud reporting forms.

Actions are planned to raise awareness of the new fraud reporting arrangements which this report covers.

### **2. Fraud Reporting**

Details of how to report suspected fraud are found under the "Report It" section on the Council website.

<http://www.trafford.gov.uk/residents/benefits-and-council-tax/benefits/reporting-fraud.aspx>

Details are shown of examples of fraud and contact details for reporting fraud including those both at the Council and also the DWP in respect of Housing Benefit Fraud.

In addition to the address, telephone and email contact details, there is an option to complete an online fraud report form. Using this option, forms are available for different types of fraud with headings shown as:

- Council Tax Support Fraud
- Council Tax fraud
- Business Rates fraud
- Social Care fraud
- Blue Badge fraud
- Council employee, councillor or contractor fraud.

Any details submitted will be sent to the Counter Fraud and Enforcement team to follow up in liaison with other services as required.

### **3. Awareness-raising**

In order to promote awareness of the fraud report process the following is planned:

#### **Council Website**

A press release to support the new reporting arrangements is issued with draft details shown in appendix 2. This can be shared both through the website and the Council's use of social media.

It is also proposed that in addition to details currently shown within the "Report it" section re fraud on the website, on the home page there is a clear reference to reporting Fraud under the "Report it" heading to ensure details are readily accessible.

In addition, consideration could be given to temporarily having the banner area at the top of the website home page to make reference to fraud reporting (An example of what could be shown is in Appendix 1).

## **Intranet**

Staff can be made aware of the updated fraud reporting details via intranet updates. Details to be included as part of the weekly update and also to be referenced through the 6 boxes are shown in appendix 3. The main details are similar to that shown for the website but tailored for staff e.g. in the third paragraph it states “Staying alert to fraud is everyone’s business. As public sector employees we all work hard to protect our organisation’s resources.”

## **4. Ongoing / Future Actions**

Any successful prosecutions publicised in the press will publicise the above fraud reporting arrangements. CLT and the Accounts and Audit Committee will be updated in terms of future fraud investigation work, including any impact of the revised reporting arrangements.

Existing anti-fraud related policies and guidance documents will be updated to reflect the updated fraud reporting contact details.

In addition, as previously planned, there will be a more detailed review of the Anti-Fraud and Corruption Strategy and supporting policies and guidance to be completed with any updated strategy, policy and guidance to be agreed with CLT and the Accounts and Audit Committee by March 2017. This can include further awareness raising including ensuring induction processes incorporate any updated details.

## **5. Next Steps**

The Audit and Assurance Service will liaise further with the Counter Fraud and Enforcement team and Marketing & Communications to commence the above actions through November/December 2016.



If you wish to report somebody you believe is defrauding the Council, you can do so by contacting us in a number of different ways. Find out how here <http://www.trafford.gov.uk/residents/benefits-and-council-tax/benefits/reporting-fraud.aspx>





## **Fraud – Spot it, Stop it**

Fraud attacks against local government cost over £2bn each year.

To help prevent fraud in Trafford Council and underline our zero tolerance attitude to fraud, we investigate all allegations of fraud that it is believed may be being committed against the authority.

The estimated £2bn that local government loses to fraud each year could be paying for vital frontline services. Instead, it is being used by criminals to fund their lifestyles and it may also result in it funding other illegal activities. Working together we can spot fraud and stop it.

If you suspect an incident of fraud then please report it. We have introduced a new online reporting form to make fraud reporting easier.

## **What counts as fraud?**

We want to hear from you about any activity being committed against the Council that you believe to be fraudulent. Examples include:

Council Tax fraud and Council Tax Support Fraud

Business Rates Fraud

Social Care Fraud

Blue Badge Fraud

Fraud, Bribery, Corruption or Theft involving employees, councillors, contractors and council partners.

## **How to report a fraud**

If you wish to report somebody you believe is defrauding the Council, you can do so by contacting us in a number of different ways:

Complete our [online fraud report form](#)

Email: [counterfraud@trafford.gov.uk](mailto:counterfraud@trafford.gov.uk)

Telephone: 0161 912 2166/1839/2771

Or write to:

Counter Fraud & Enforcement Team  
2nd Floor Sale  
Waterside  
Sale  
M33 7ZF

## **When you've reported fraud**

We will take your allegation seriously, and we will investigate if we have enough information. Anything you tell us will be treated in the strictest confidence. However we cannot tell you about the progress of our investigations. When we catch fraudsters we may:

- Stop them getting the council service they've been fraudulently obtaining, for example their Blue Badge
- Recover money fraudulently claimed
- Prosecute them in the courts
- Publicise our successful cases in the local press
- Ensure that correct council tax and/or business rates liability is charged

## **Housing Benefit fraud**

**Housing Benefit fraud is now investigated by the Department for Work and Pensions. If you wish to report somebody who you believe is falsely claiming Housing Benefit please report it to:**

**The DWP National Benefit Fraud helpline**  
PO Box 224,  
Preston  
PR1 1GP,

**Tel: 0800 08540440 (textphone 0800 320 0512)**

or via [www.gov.uk/report-benefit-fraud](http://www.gov.uk/report-benefit-fraud) 



## **Fraud – Spot it, Stop it**

Fraud attacks against local government cost over £2bn each year.

To help prevent fraud in Trafford Council and underline our zero tolerance attitude to fraud, we will investigate all allegations of fraud that it is believed may be being committed against the authority.

Staying alert to fraud is everyone's business. As public sector employees we all work hard to protect our council's resources. "The £2bn that local government loses to fraud each year could be paying for vital frontline services. Instead, it is being used by criminals to fund their lifestyles and it may also result in it funding other illegal activities.

Working together we can spot fraud and stop it.

If you suspect an incident of fraud then please report it. The Council website has recently been updated to make reporting fraud easier.

## **What counts as fraud?**

We want to hear from you about any activity being committed against the Council that you believe to be fraudulent. Examples include:

Council Tax fraud and Council Tax Support Fraud

Business Rates Fraud

Social Care Fraud

Blue Badge Fraud

Fraud, Bribery, Corruption or Theft involving employees, councillors, contractors and council partners.

## **How to report a fraud**

If you wish to report somebody you believe is defrauding the Council, you can do so by contacting us in a number of different ways:

Complete our [online fraud report form](#)

Email: [counterfraud@trafford.gov.uk](mailto:counterfraud@trafford.gov.uk)

Telephone: 0161 912 2166/1839/2771

Or write to:

Counter Fraud & Enforcement Team  
2nd Floor Sale  
Waterside  
Sale  
M33 7ZF

## **When you've reported fraud**

We will take your allegation seriously, and we will investigate if we have enough information. In accordance with the Council's whistleblowing policy and fraud response procedures, details you tell us will be treated in the strictest confidence.

When we catch fraudsters we may:

- Stop them getting the council service they've been fraudulently obtaining, for example their Blue Badge
- Recover money fraudulently claimed
- Prosecute them in the courts
- Publicise our successful cases in the local press
- Ensure that correct council tax and/or business rates liability is charged

## **Housing Benefit fraud**

**Housing Benefit fraud is now investigated by the Department for Work and Pensions. If you wish to report somebody who you believe is falsely claiming Housing Benefit please report it to:**

**The DWP National Benefit Fraud helpline  
PO Box 224,  
Preston  
PR1 1GP,**

**Tel: 0800 08540440 (textphone 0800 320 0512)**

**or via [www.gov.uk/report-benefit-fraud](https://www.gov.uk/report-benefit-fraud)** 

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Audit and Assurance Report for the Period July to September 2016.**

### Summary

**The purpose of the report is:**

- **To provide a summary of the work of Audit and Assurance during the period July to September 2016.**
- **To provide ongoing assurance to the Council on the adequacy of its control environment.**

### Recommendation

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

### Contact person for access to background papers and further information:

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

**Background Papers:** None





**TRAFFORD**  
**COUNCIL**

# **Audit and Assurance Service Report July to September 2016**

**Date:**                      **November 2016**

## **1. Purpose of Report**

This report summarises the work of the Audit and Assurance Service between July and September 2016. At the end of the year, these quarterly reports will be brought together in the Annual Head of Internal Audit Report which will give the opinion on the overall effectiveness of the Council's control environment during 2016/17.

## **2. Planned Assurance Work**

Key elements of the 2016/17 Work Plan include:

- Fundamental Financial Systems reviews.
- Governance review work and completion of the Annual Governance Statement for 2015/16.
- Continued input to 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.
- Grant claim certification work
- Audit reviews of other areas of business risk.

## **3. Main areas of focus – Q2 2016/17**

Work in this quarter included a particular focus on the following :

- Progression and completion of a number of fundamental financial systems reviews.
- Follow up of IT control issues previously raised by the External Auditor.
- Completion of a number of establishment audit reviews.
- Completion of checks of grant claims.

## **4. Summary of Assurances for 2nd Quarter 2016/17**

There were 10 internal audit opinion reports issued in the quarter, 7 final reports and 3 at draft stage. A listing of audit report opinions issued including key findings is shown in Section 5.

In respect of the final reports issued at least "Adequate" Opinions (Medium or above) were given in relation to 6 of the 7 reviews with one review less than adequate (Low/Medium opinion) which will be followed up later in 2016/17. In addition, 3 draft reports were issued in the quarter (which have subsequently been issued as final reports and will be reported as part of the Quarter 3 update).

For all final reports issued, agreed action plans are in place to implement the recommendations made.

Good progress has been made in implementing previous recommendations made as part of a number of audits originally undertaken in the previous year (See Section 7).

Work was also in progress across a number of other audit reviews which will continue in quarter three with further reports issued (See Section 10 for areas of focus in the next quarter including a listing of audit reports to be issued).



## 5. Summary of Audit & Assurance Opinions Issued – Q2: 2016/17

(See Appendix 3 for definitions of opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
<b>FINAL REPORTS</b>		
<b>Level 4 Reports:</b>		
Insurance (T&R) / (Finance)	Medium/High (GREEN) (7/7/16)	Overall, procedures in respect of managing and administering the Council's insurance arrangements were found to be working well. It was noted that improvements planned include the purchase of a new claims management system.
Cash Income (T&R/Authority Wide) / (Finance)	Medium (GREEN) (30/6/16)	A report was issued to summarise work undertaken as part of an on-going series of audits in areas where there is a significant element of cash income and/or significant levels of cash held. Overall, procedures for recording, holding and banking cash were found to be satisfactory. Any recommendations made were reported to relevant service areas. One key finding was that whilst there are processes for reconciling cash takings to cash actually banked, to enable better monitoring of income, improvements could be made across a number of services in terms of reconciling expected income to other sources e.g. tickets or certificates issued, stock used etc. As part of the review, Audit circulated a guidance note for services in managing risks associated with cash handling.
<b>Level 1 Reports :</b>		
Coppice Avenue Library (T&R) / (Transformation &Resources)	Low/Medium (AMBER) (30/8/16)	Coppice Library is operated jointly with blueSCI, a Trafford Wellbeing Community Interest Company. The library is now staffed largely by unpaid volunteers recruited by blueSCI and trained in library operations by the Council. Whilst there were no concerns such as errors or irregularities identified as part of the audit review, Audit shared guidance and made recommendations to the Library Service with the aim of further developing details within the partnership agreement to ensure roles and responsibilities in respect of various aspects of governance and performance management are more clearly defined with the new arrangements. The Library Service is taking the guidance into account as part of its review of the partnership agreement and Audit will follow up progress in the current financial year with a view to considering a revised audit opinion to reflect ongoing developments. (Progress made will be reflected in a future Audit and Assurance update for 2016/17).
St. Joseph's Catholic Primary School (CFW) / (Children's Services)	Medium/High (GREEN) (6/7/16)	Overall, a good standard of internal control and governance was found to be in place across most areas covered. Some actions were agreed to enhance existing systems and processes. These include the updating of the school's business continuity plan based on Council guidance and also the updating of equipment inventories to ensure valuable assets are adequately controlled and accounted for. An agreed action plan is in place to address all recommendations made.
Brentwood School (CFW) / (Children's Services)	Medium/High (GREEN) (11/7/16)	Overall, a good standard of internal control and governance was found to be in place across most areas covered. Some actions were agreed to enhance existing systems and processes. These include updating of the Governors' handbook to include Committee remits; further updating of the school website and further review and update of the school's IT related policies. An agreed action plan is in place to address all recommendations made.
All Saints Catholic Primary School (CFW) /	Medium / High *	This was a review which included follow up of progress made in implementing previous audit recommendations made. Good progress

<b>(Children's Services)</b>	<b>(GREEN)</b> (20/7/16)	had been made. Of the 10 recommendations previously made, three had been fully implemented, six were implemented in part and only one recommendation (in relation to petty cash processes) was still to be implemented. An agreed action plan is in place to address any outstanding recommendations.
<b>Blessed Thomas Holford Catholic College (CFW) / (Children's Services)</b>	<b>Medium / High (GREEN)</b> (5/9/16)	Overall, a good standard of internal control and governance was found to be in place across most areas covered. Some actions were agreed to enhance existing systems and processes. This includes the need to review and update the school business continuity plan. It was also recommended that a formal procedure to track requests for information under the Freedom of Information Act is introduced to enable monitoring of responses to ensure they have been made within the specified timescales. An agreed action plan is in place to address any outstanding recommendations.
<b><u>DRAFT REPORTS</u></b>		<b>The draft reports listed below were issued in Q2. The final reports were issued in October 2016 and details will be reported in the Quarter 3 update.</b>
<b><u>Level 4 Reports:</u></b>		<b>Date Issued</b>
<b>IT Applications - Access controls (T&amp;R) / (Transformation and Resources)</b>	*	(28/9/16)
<b><u>Level 2 Reports:</u></b>		
<b>Parking Enforcement Contract Monitoring (EGEI) / (Economic Growth, Environment and Infrastructure)</b>		(9/9/16)
<b><u>Level 1 Reports:</u></b>		
<b>Stretford Children's Centre (CFW) / (Children's Services)</b>		(7/10/16)
<i>*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.</i>		
<b><u>6. Other Assurance Work</u></b>		
There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued. Work in the quarter has included the following:		
<ul style="list-style-type: none"> <li>• Facilitating the production of the 2015/16 Annual Governance Statement (approved at the Accounts and Audit Committee on 29 September 2016).</li> <li>• Updating of risk management guidance including details regarding the strategic risk register which have been shared with officers as part of the latest update of the risk register.</li> <li>• Completion of checks as part of the process for certifying grant claims in the following areas: Integrated Transport &amp; Highways Capital Maintenance and Cycle City Ambition Grant (Phase 1).</li> <li>• Continued preparation for submission of data as part of the National Fraud Initiative, including liaison with all services that are required to provide information.</li> </ul>		

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

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

### **Acceptance of Recommendations**

From the final audit opinion reports issued during the quarter (as listed in Section 5), all 48 recommendations made were accepted. In the year to date, all 65 recommendations made have been accepted (Note: Service Annual Target is 95%).

### **Implementation of Audit Recommendations**

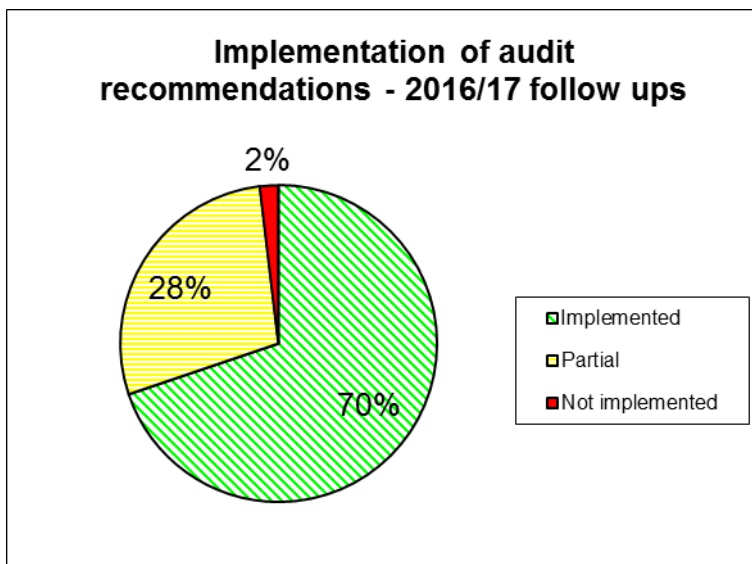
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

As listed under draft reports in Section 5, a follow up audit was undertaken of IT Application Access Controls (following up on previous work by External Audit). (Details per the final report to be reported in Q3 update). In addition, a final report was issued for the follow up audit of All Saints Catholic Primary School.

In respect of two other audits completed in the previous year, managers were requested to provide an update on progress in implementing recommendations made as follows:

- Registration Service – Progress has been made with all recommendations with 4 fully implemented and 2 in progress.
- Section 17 Payments (Children’s Act 1989) – Progress has been made with all recommendations with 5 fully implemented and 2 in progress.

An overall analysis of audit recommendations followed up in 2016/17 (up to 30 September 2016) is shown below.



## **8. Performance against Audit & Assurance Annual Work Plan**

### **Appendix 1 shows an analysis of time spent to date against planned time for the 2016/17 Operational Internal Audit Plan**

As at the end of quarter two, 445 audit days were spent to date against 418 planned allocated days for up to quarter two.

As part of the Internal Audit Plan, a target of 35 audit opinion reports was set to be issued during 2016/17. As at the half-year stage, 17 opinion reports were issued to final or draft stage with a further 12 reviews in progress or planned where reports are expected to be issued by the end of quarter 3 (as listed in Section 10).

## **9. Client satisfaction surveys (April to September 2016)**

**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.

In terms of responses received in the period in respect of various aspects of the audits, **feedback of "Very Good" or "Good" was provided in 94% of responses against a service target of 85%.**

A summary of feedback is shown in **Appendix 2.**

## **10. Planned Work for Quarter 3, 2016/17**

### **Areas of focus include :**

- Progression of planned internal reviews including the issue of audit reports for the following reviews :
  - Treasury Management
  - Income Control
  - Benefits
  - Accounts Payable
  - Liquid Logic/ContrOCC
  - Direct Payments
  - Stretford Library
  - Client finances (CFW- Adults)
  - Out of Borough School Placements
  - Home to School Transport
  - Two school audit reviews (Victoria Park Infants and Tynesfield Primary).
- Issue of final reports in relation to the three draft reports listed in Section 5.
- Submission of National Fraud Initiative data as part of the 2016/17 data matching exercise.
- Work with other departments including Counter Fraud and Enforcement to raise awareness of the updated fraud reporting details on the Council's website.
- Working with the Information Governance team to provide support in relation to progression of the Information Security and Governance Board Action Plan.
- Update of Strategic Risk Register with report to be issued in November 2016.

**2016/17 Operational Plan: Planned against Actual Work (as at 30 September 2016)**

<b>Category</b>	<b>Details</b>	<b>Planned Days 2016/17</b>	<b>Planned Days (up to 30/9/16)</b>	<b>Actual Days (as at 30/9/16)</b>
<b>Fundamental Systems</b>	Completion of fundamental financial systems reviews	230	90	118
<b>Governance</b>	Corporate Governance Review / Collation of supporting evidence and production of the 2015/16 Annual Governance Statement (AGS) and preparation for the 2016/17 AGS.  Advice / assurance in respect of governance issues including partnership governance.	50	35	14
<b>Corporate Risk Management</b>	Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy	30	14	14
<b>Anti-Fraud and Corruption</b>	Investigation of referred cases. Work in co-ordinating the reporting of the Council's NFI data matching exercise. Work to review the existing Anti- Fraud and Corruption Strategy and Policy, including where applicable, raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption.	140	63	27
<b>Procurement / Value for money</b>	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).	70	25	23
<b>ICT Audit</b>	Audit reviews to be completed in line with the ICT audit plan.  Investigation of misuse of ICT.	60	24	17
<b>Schools</b>	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	70	73
<b>Assurance – Other Key Business Risks</b>	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.	180	63	107
<b>Grant claims checks / Data Quality</b>	Internal audit checks of grant claims / statutory returns as required. This includes verification checks of data submitted by the Council as part	30	12	32

	<b>of its Stronger Families programme.</b>			
<b>Service Advice / Projects</b>	<b>General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.</b>	60	22	20
<b>TOTAL</b>		<b>1020</b>	<b>418</b>	<b>445</b>

**CLIENT SURVEY RESPONSES**

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	5	2				100%
2. Feedback of findings and liaison during the audit	6	1				100%
3. Professionalism of auditors	7					100%
4. Helpfulness of auditors	6	1				100%
5. Timeliness of the review and the draft report	1	5	1			86%
6. Clarity of the report	5	2				100%
7. Accuracy of the report	4	2	1			86%
8. Practicality of the recommendations made	1	3	2			67%
9. Usefulness of the audit as an aid to management	5	2				100%
<b>Total</b>	<b>40</b>	<b>18</b>	<b>4</b>			<b>94%</b>

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	1	1

**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.



## TRAFFORD COUNCIL

**Report to:** Executive

**Date:** 15 November 2016

**Report for:** Discussion

**Report of:** The Executive Member for Finance and the Chief Finance Officer

### Report Title:

Budget Monitoring 2016/17 – Period 6 (April to September 2016).

### Summary:

The purpose of this report is to inform Members of the current 2016/17 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

### Recommendation(s)

#### **It is recommended that:**

- a) the Executive note the report and the changes to the Capital Programme as detailed in paragraph 19.

### 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 and Capital expenditure to be contained within available resources in 2016/17.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

**Other Options**

Not Applicable

**Consultation**

Not Applicable

**Reasons for Recommendation**

Not Applicable

**Finance Officer Clearance**      **NB**.....

**Legal Officer Clearance**      .....**JLF**...

**CORPORATE DIRECTOR'S SIGNATURE:**



## REVENUE BUDGET

### Budget Monitoring - Financial Results

1. The approved budget agreed at the 17 February 2016 Council meeting is £147.32m. In determining the budget an overall gap of £22.64m was addressed by a combination of additional resources of £6.26m, including projected growth in business rates, council tax and use of general reserve and £16.38m of service savings and additional income.
2. Based on the budget monitoring for the first six months, the year end forecast is showing a small overspend figure of £214k, the Corporate Leadership Team will be working with operational areas over the next six months with the aim of delivering a balanced budget out-turn.
3. The summary details of service variances against budget are shown in Table 1 and Table 2 below.

<b>Table 1: Budget Monitoring results by Service</b>	<b>2016/17 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	29,911	32,233	2,322	7.8%
Adult Services (Inc. Public Health)	46,652	46,910	258	0.6%
Economic Growth, Environment & Infrastructure	32,198	31,919	(279)	(0.9)%
Transformation & Resources	16,939	16,239	(700)	(4.1)%
<b>Total Service Budgets</b>	<b>125,700</b>	<b>127,301</b>	<b>1,601</b>	<b>1.3%</b>
Council-wide budgets	21,620	20,233	(1,387)	(6.4)%
<b>Forecast outturn (period 6)</b>	<b>147,320</b>	<b>147,534</b>	<b>214</b>	<b>0.1%</b>
<b>Dedicated Schools Grant</b>	<b>119,428</b>	<b>120,595</b>	<b>1,167</b>	<b>1.0%</b>
<b>Public Health</b>	<b>13,334</b>	<b>13,414</b>	<b>80</b>	<b>0.6%</b>

### Main variances, changes to budget assumptions and key risks

4. Historically service variances at year end have been moved into service earmarked reserves and the current balances on those are detailed in Paragraph 12. A number of firm commitments already exist on those reserves largely to support transformational projects which limit the ability to absorb the full extent of the in-year pressures, particularly in CFW. It is proposed that where any in-year overspend cannot be funded from that particular service reserve then it will be met from the in-year underspend of the other directorates. If management actions are not able to reduce the current projected overspend of £214k, a balancing contribution will be required from the uncommitted CFW service earmarked reserve as detailed in paragraphs 12 & 13.
5. The significant demand led pressures being placed on the Children's Service placement budget are being addressed in the current year predominantly through the use of one off savings within Council Wide budgets and brought forward service earmarked reserves. However, the recurrent nature of the

pressures is likely to continue into 2017/18 and the implications of this are being considered as part of the budget process for 2017/18.

6. The main variances contributing to the projected overspend of £214k, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	2,322	<p>The variance in the children in care placements budget in part relates to the following factors:</p> <ul style="list-style-type: none"> <li>• The Placements Budget continues to be under pressure due to the continued incremental increase in the number of children in care which translates directly to an increase in demand for placements. In August 2015 there were 324 children in care, this figure has increased annually and incrementally, with 331 children at 31st March 2016 and 356 children in care at the end of September 2016.</li> <li>• The complexity of the presenting needs of children, who enter care, has translated into a demand for placements that require high levels of supervision and longer placement periods. In particular there are currently 3 children who are placed in high cost secure children's homes; the collective costs of these placements are £513k.</li> </ul> <p>The above has resulted in an increase in the number of placements in external homes (6.05 whole time equivalents), agency foster care (7.02 whole time equivalents) and secure homes (0.73 whole time equivalents). This is expected to cost £1.82m.</p> <p>The Placement budget also accommodates the social care cost of placements made out of borough for CYP with an Education, Health and Care (EHC) plan. The number and cost of these placements has increased since the EHC reforms came in to place.</p> <p>Extension of leaving care duties and the introduction of Staying Put placements has also led to an increase in Placement costs.</p> <p>The authority has 3 Unaccompanied Asylum Seeking young people currently looked after, with limited additional funding, and a further 4 expected, at least, from Calais.</p> <p>Action has been taken to mitigate against the continued</p>

		<p>increase in the placement budget, including:</p> <ul style="list-style-type: none"> <li>• A further foster care recruitment campaign, “You Can Foster” which will run for 6 months. Trafford has been a very successful recruiter of foster carers thus, despite the increase in the numbers of children in care, only 10% of all LAC have been placed with independent fostering agencies. It is predicted that this 6 months marketing campaign will increase internal fostering capacity by 5 to 8 foster carers for older children and children with complex needs.</li> <li>• Monthly monitoring meetings chaired by the Director of Safeguarding monitor every placement ensuring that predicted end dates are on target and considers options for cost reduction strategies for each placement.</li> <li>• The task of commissioning placements was transferred to the Commissioning Team and through improved commissioning practices they aim to reduce unit costs of placements and review high cost placements looking for alternative, cost effective placement solutions.</li> <li>• All in house placement resources continue to be used to full capacity and both of Trafford’s children’s homes are, in the main, at full occupancy level.</li> </ul> <p>Whilst all management action will be taken to address the forecast overspend, given the additional number of children in care already at month 6, the budget is unlikely to be brought back to balance by year end.</p>
<p>Adult Services / Public Health</p>	<p>258</p>	<p>This forecast overspend is mainly as a result of a combination of higher levels of care being needed and the number of new entrants being higher than was anticipated for the year. This situation has been exacerbated by the Greater Manchester initiative which is currently underway to reduce the number of delayed discharges from hospital.</p> <p>The original savings programme for CFW was developed with an overall target of £9.799m. This was subsequently reduced by £280k reflecting a Member’s decision to amend the policy on social care transport. However the adverse impact of this change remained to be addressed within the overall CFW budget.</p> <p>It is now clear that some projects cannot deliver against their original targets e.g. social care transport and public health (*)), but that the savings derived from the continuation of the Stabilise and Make Safe project should offset those shortfalls.</p>

		(*) At the end of 2015/16 there was additional expenditure on public health of £153k. Due to the recovery of this in 2016/17 the in-year savings target of £800k has not been fully met with a current shortfall of £80k.
Economic Growth, Environment & Infrastructure	(279)	The projected underspend, which has increased by £130k since the last report, includes additional income from Oakfield Road car park remaining open for the early part of the financial year £171k; increased income from planning above expectations £145k; an underspend on staffing of £174k after taking account of agency costs (there are 16 vacancies in the Directorate in the process of being filled). These are offset by a shortfall in building control income £84k and other reductions in income and increased running costs of £127k.
Transformation & Resources	(700)	Includes £562k underspend from staff vacancies after taking account of agency costs, which is a £140k increase since P4. There are currently 40 vacancies in the Directorate in the process of being filled which equates to 2.8% of the total staffing budget (This is lower than the levels experienced in 2015/16, which were in excess of 6%, and reflects the ongoing efforts to fill outstanding vacant posts); £79k underspend from cost control of running expenses; £147k from higher levels of income, which includes government grant related budgets in Exchequer Services; other minor adverse variances £88k.
Council-wide budgets	(1,387)	<p>A positive movement of £300k over the previous period relating to the housing benefit budget, resulting in a year end projected outturn of £800k below budget. The projected variance relates to the continued success in the recovery of previous years' housing benefit overpayments, coupled together with a higher in-year percentage of subsidy being reclaimed from the Government. The latter, relates to a lower in-year overpayment error rate being identified. Previous years' overpayment recovery is one off in nature and should reduce as recovery tapers off.</p> <p>A further £49k under budget is estimated to be achieved, relating to overpayment recovery of previous year's Council Tax Benefit; this is a small improvement of £16k from Period 4.</p> <p>A projected saving of £499k in the levy payable on business rate growth which is forecast to be lower than anticipated due to unexpected business rate appeals (see paragraph 17);</p> <p>Additional costs on treasury management of £151k as a result of reduced interest rates following the announcement of the Monetary Policy Committee in August and delayed savings in respect of an up-front investment in the pension fund.</p>

		A review of our balance sheet, usually undertaken at year end, has been completed early and a one-off amount of £190k has been identified which can be released, relating to historic balances for goods received but not invoiced.
Dedicated Schools Grant	1,167	<p>This is mainly attributed to the increase in costs within the high needs block of the DSG. The demand for high cost special school places, both within the borough and out of borough, has exceeded the level of grant allocation in recent years.</p> <p>Since period four, expenditure has been incurred on additional top-up payments for increasing numbers of statemented pupils at mainstream schools, additional out of borough placements and increased top-up payments at special schools. This projected overspend exceeds the level of available in the DSG reserve by £380k and whilst all attempts will be made to control expenditure for the remaining part of the year any deficit will need to be recovered from future years' DSG allocations which could impact on the level of school funding in 2017/18. (Note – the level of DSG allocation in year has been adjusted due to Partington PS converting to an academy in September).</p>

### Progress against Locality Plan

7. A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2020. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other.
8. Work is ongoing on the locality plan and it is anticipated that further work will be required in the coming months to understand how any budget gaps will be addressed. Financial performance against the locality plan is highlighted below (note budgeted figures are shown gross and inclusive of specific grants).

<b>Table 3: Locality Plan Update</b>	<b>2016/17 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Public Health	13,334	13,414	80	0.6%
Adult Social Care	52,874	53,052	178	0.34%
Children and Families	29,911	32,233	2,322	7.8%
<b>Total</b>	<b>96,119</b>	<b>98,699</b>	<b>2,580</b>	<b>2.7%</b>

## MTFP Savings and increased income

9. The 2016/17 budget was based on the achievement of permanent base budget savings and increased income of £16.38m. At Executive in March 2016 there was a decision to amend the policy on social care transport impacting on the overall savings programme. The savings target was subsequently reduced to £16.10m, with the adverse impact of this change being included in the overall CFW monitoring position. Full details are included in the latest Transformation Programme Board Report.
10. The latest forecast indicates that total savings of £16.34m have been or are projected to be delivered by 31 March 2017. This represents an overachievement against target of £242k.

## RESERVES

11. The General Reserve balance brought forward is £7.89m, against which there are planned commitments up to the end of 2016/17 of £1.89m leaving the balance at £6m which is the approved minimum level.

<b>Table 4 : General Reserve Movements</b>	<b>(£000's)</b>
<b>Balance 31 March 2016</b>	<b>(7,894)</b>
<b>Commitments in 2016/17:</b>	
- Planned use for 2016/17 Budget	1,850
- Planned use for one-off projects 2016/17	44
<b>Balance 31 March 2017</b>	<b>(6,000)</b>

12. Service balances brought forward from 2015/16 were a net £5.95m and are largely allocated to support transformation projects in 2016/17 and later years. Since the previous period monitor, a detailed review has been completed and identified £5.66m of firm commitments against the brought forward figure.

<b>Table 5: Service balances</b>	<b>b/f April 2016 (£000's)</b>	<b>Firm Commitments (£000's)</b>	<b>Est Balance (£000's)</b>
Children, Families & Wellbeing	(1,837)	1,590	(247)
Economic Growth, Environment & Infrastructure	(1,740)	1,701	(39)
Transformation & Resources	(2,372)	2,372	0
<b>Total (Surplus)/Deficit</b>	<b>(5,949)</b>	<b>5,663</b>	<b>(286)</b>

13. It is proposed that no further commitments are made against the CFW service reserve in order to balance the Period 6 projected year end overspend of £214k.



## **COLLECTION FUND**

### **Council Tax**

14. The 2016/17 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%).
15. As at September 2016 the total in-year surplus is forecasted at £0.68m, a marginal improvement of £0.02m over the previous period. After taking account of the planned application to support the 2016/17 budget of £0.36m and reductions as a consequence of back-dated valuations and awards of discounts or exemptions of £0.10m, the end of year surplus balance is forecasted to be £2.07m. The Council's share of this is £1.73m, and is planned to support future budgets in the MTFP.
16. Council Tax collection rate as at 30 September 2016 was 58.8%, which is above the targeted collection rate of 58.6%.

### **Business Rates**

17. The 2016/17 budget included anticipated growth in retained business rates and related S31 grants of £4.51m. Latest forecasts of business rate income indicate a potential one-off shortfall in retained business rate income of £1.38m caused by an unexpected increase in the level of appeals. Whilst this has a benefit in that it reduces the overall levy payable on growth (See comments on the Council-wide budget in Table 2) it means there will be a deficit on the collection fund. This position will be monitored during the remainder of the year but if the deficit position remains then it will need to be financed and therefore it is proposed to earmark reserves to cover this, including the MAG earmarked reserve.
18. Business Rates collection rate as at 30 September 2016 was 56.88% compared to a targeted collection rate of 56.62%.

## CAPITAL PROGRAMME

19. The value of the indicative 2016/17 Capital Programme reported in the P4 monitor report was £45.30m. Taking into account re-phasing and new external contributions the budget is currently estimated at £42.55m. The changes to the budget are detailed below and are summarised as follows :

<b>Table 6: Capital Investment Programme 2016/17</b>	<b>P4 Programme (£000's)</b>	<b>Changes (£000's)</b>	<b>Current Programme (£000's)</b>
<b>Service Analysis:</b>			
Children, Families & Wellbeing	13,608	(325)	13,283
Economic Growth, Environment & Infrastructure	28,404	(2,429)	25,975
Transformation & Resources	3,287	-	3,287
<b>Total Programme</b>	<b>45,299</b>	<b>(2,754)</b>	<b>42,545</b>

### ➤ **Rephasing to 2016/17 and 2017/18 - £(2.77)m**

- School Capital Maintenance Programme: £ (325) k. A small number of kitchen improvement projects have had to be re-programmed to 2017/18 due to time constraints to undertake the work in the last summer holidays. As a result £325k has been re-profiled to 2017/18.
- Relocation of depot facilities: £ (1.00) m. The construction element of the project is expected to complete in September 2017. To reflect this £1.00m has been re-phased into 2017/18.
- Cycling Initiatives: £ (1.704) m. The TfGM funded City Cycle Initiative Programme and the Altrincham & Ashton-on-Mersey Cycle Link projects are now expected to complete in 2017/18. Due to 3rd party land ownership negotiations and design issues relating to planning applications agreement has been given by TfGM for the deadline for spending the grant to be extended to November 2017.
- Asset Management Systems: £250k. New asset management computer facilities originally expected for implementation in 2017/18 is now being delivered in 2016/17. The budget has been accelerated accordingly.

### ➤ **New schemes and increases to existing budgets - £25k**

- Countryside Infrastructure Programme: £10k. A grant of £10k has been secured from City of Trees for additional infrastructure works on Broad Ees Dole at Sale Water Park, taking the total budget for that project up to £31k.

- Altrincham Crematorium – Office Refurbishments: £15k. Works are required to bring the public areas of the office to an acceptable standard. A scheme with a value of £30k has been added to the capital programme which is to be funded partly from savings on the replacement cremators at the crematorium project (£15k) and a contribution from a crematorium related revenue reserve (£15k).

20. Resourcing of the capital investment programme is made up of both internal and external funding. Details of this are shown in the table below.

<b>Table 7: Capital Investment Resources 2016/17</b>	<b>P4 Programme (£000's)</b>	<b>Changes (£000's)</b>	<b>Current Programme (£000's)</b>
<b>External:</b>			
Grants	17,536	(2,032)	15,504
Contributions	7,937	10	7,947
<b>Sub-total</b>	<b>25,473</b>	<b>(2,022)</b>	<b>23,451</b>
<b>Internal:</b>			
Receipts	7,371	253	7,624
Borrowing	12,008	(1,000)	11,008
Reserves & revenue	447	15	462
<b>Sub-total</b>	<b>19,826</b>	<b>(732)</b>	<b>19,094</b>
<b>Total Resourcing</b>	<b>45,299</b>	<b>(2,754)</b>	<b>42,545</b>

### Status and progress of projects

21. Since the budget was set in February 2016 reports detailing planned projects covering schools, highways, greenspace and corporate landlord to be undertaken during the year have been agreed. These plans provide the basis on which the Capital Programme is monitored for both financial and physical progress.
22. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the Programme through to completion. The table below shows the value of the programme across the milestone categories.

<b>Table 8: Status on 2016/17 Projects</b>	<b>Current Budget (£m)</b>	<b>Percentage of Budget</b>
Already complete	8.20	19%
Underway	23.56	56%
Programmed to start later in year	9.85	23%
Not yet programmed	0.94	2%
<b>Total</b>	<b>42.55</b>	<b>100%</b>

23. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £41.61m (98%) of the budget has now been spent, committed or is programmed to start in the year.

24. Schemes with a value of £942k are classed as “Not yet programmed” and relate to budgets where specific projects have not yet been agreed or budgets that have yet to have a start date planned. Priority will be placed on progressing schemes as soon as possible. Major areas included in this category are:

- **Social Care Investment - £650k.** Assessment of the options available in respect of the refurbishment of Ascot House and a programme of technological innovations continued to be assessed. There is potential that, due to the ongoing option assessment, not all this budget will be spent in year and some may need re-phasing to 2017/18.
- **ICT projects - £266k.** A number of projects currently remain on hold until the full effect of the reshaping agenda and its impact on the Council’s ICT infrastructure requirements is known.

25. The table below provides a more detailed analysis by service area.

<b>Table 9: Status by Service Area</b>	<b>Already complete</b>	<b>Under-way</b>	<b>Programmed</b>	<b>Not yet Programmed</b>
Children, Families & Wellbeing	54%	25%	16%	5%
Economic Growth, Environment & Infrastructure	4%	68%	28%	0%
Transformation & Resources	5%	78%	9%	8%

## Summary

26. The monitoring undertaken during the period has resulted in projected outturn expenditure of £42.55m. Whilst there is a total £41.61m of schemes for which there are known milestone dates there may be issues arising which could affect delivery between now and year-end. Also there are projects where delivery is outside of the Council’s control (e.g. Metrolink extension). All schemes will continue to be monitored and any change in expected delivery will be included in future reports.

### **Issues / Risks**

27. The main risk in the area of the capital programme is the timely delivery of the programme and this situation will continue to be closely monitored and any issues will be reported as and when they arise.

### **Recommendations**

28. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 19.

This page is intentionally left blank

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 23 November 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Accounts and Audit Committee – Work Programme – 2016/17**

### Summary

**This report sets out the updated work plan for the Committee for the 2016/17 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 2016/17 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
28 June 2016	Agree Committee's Work Programme for 2016/17 (including consideration of training and development). Training & Development/Presentation (June) - Draft accounts (provided outside Committee)					
	- 2015/16 Head of Internal Audit Annual Report	- Audit Progress Report	- Update on Strategic Risk Issue (Loss / retention of Senior Managers)	- Review 2015/16 draft Annual Governance Statement - Accounts and Audit Committee 2015/16 Annual Report to Council		- Pre-audited 2015/16 accounts - 2015/16 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports - Treasury Management update (including Annual Performance Report 2015/16) - Insurance Performance Report 2015/16.
29 September 2016	Business Rates presentation.					
	- Q1 Internal Audit Monitoring Report	- Audit Findings Report		- 2015/16 Annual Governance Statement (final version)	- Counter Fraud Team Update (including 2015/16 Benefit Fraud Investigation) - Office of Surveillance Commissioners – outcome of inspection. (Covered under an Exclusion Resolution).	- Approval of Annual Statement of Accounts 2015/16 - 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
23 November 2016	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update - Options for Appointment of External Auditor.	- Strategic Risk Register Monitoring Report		- Fraud reporting update – awareness raising	- Treasury Management : mid-year performance report - Budget Monitoring Report
7 February 2017	- Q3 Internal Audit monitoring report	- Audit Update (including Grant Claims summary)		- Report on arrangements for 2016/17 Annual Governance Statement. - Consider improvement actions taken in 2016/17 in respect of 2015/16 governance issues.		- Treasury Management Strategy - Budget Monitoring Report
21 March 2017	- 2017/18 Internal Audit Plan - Public Sector Internal Audit Standards update	- Audit Plan / update	- Strategic Risk Register Monitoring Report - Risk Management Policy and Strategy	- Consider improvement actions taken in 2016/17 in respect of 2015/16 governance issues.	- Anti- Fraud & Corruption update (including National Fraud Initiative update and Anti-Fraud and Corruption Policies).	- Budget Monitoring Report. - Procurement update (STAR Shared Procurement Service)

This page is intentionally left blank