

ACCOUNTS AND AUDIT COMMITTEE

7 FEBRUARY 2018

PRESENT

Councillor N. Evans (in the Chair).

Councillors C. Boyes (Vice-Chairman), J. Baugh, B. Brotherton, P. Lally and A. Mitchell

Also Present

Councillor M. Cordingley

In attendance

Head of Financial Management

(G. Bentley)

Head of Governance

(P. Forrester) (present for minutes 33-34)

Audit and Assurance Manager

(M. Foster)

Democratic & Scrutiny Officer

(C. Gaffey)

Also in attendance

T. Rooney, Grant Thornton UK LLP

APOLOGIES

Apologies for absence were received from Councillor J.A. Wright.

33. MINUTES

RESOLVED: That the Minutes of the meeting held on 6 December 2017, be approved as a correct record and signed by the Chairman.

34. ANNUAL GOVERNANCE STATEMENT 2017/18 - APPROACH/TIMETABLE

The Committee received a report of the Head of Governance, setting out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2017/18. There were no significant changes to the approach or timetable from the previous year; however it was noted that Legal & Democratic Services had now assumed responsibility for the production of the Statement.

RESOLVED:

- i) That the timetable / action plan be noted.
- ii) That the Committee would review a draft version of the Annual Governance Statement prior to it being finalised and signed off by the Chief Executive and Leader.

35. TREASURY MANAGEMENT STRATEGY 2018/19 - 2020/21

The Committee received a joint report of the Executive Member for Corporate Resources and the Chief Finance Officer outlining the strategy to be followed

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during this period for investments and borrowing, the outlook for interest rates, the management of associated risks, the policy to be adopted on Minimum Revenue Provision (MRP), and Prudential Indicators.

The Head of Financial Management highlighted the rise in interest rates which would be beneficial for returns on investment, and advised that the forecast debt level was set to rise due to the Council's Investment Strategy. Members were advised that the Investment Strategy was focused on the Council's financial investments, and that other budget papers to be published in due course would provide further details around the budget, property investment and commercial activity.

Following the publication of revised guidance issued by the Secretary of State prior to the meeting, an updated version of appendix 3 of the report was tabled for Members. The Head of Financial Management explained that the changes related to third party loans. The Council's current policy was to not set aside MRP for these loans, as the third parties had an obligation to repay. Only where it was felt that this obligation was at risk, or the debt was impaired would any amount be charged to the revenue budget.

The Committee discussed out of borough investments, as well as how the MRP lifespan for investments was set. It was noted that the maximum permissible lifespan was fifty years. However, the decision on the MRP lifespan was made by professional judgment considering a number of factors, and each investment was judged on its own merits.

The report would be amended to reflect the changes to the MRP policy before being considered at the next meeting of the Executive.

RESOLVED: That the Accounts & Audit Committee recommend to the Executive and Council the following key elements of the report for approval:

- 1) The policy on debt strategy as set out in section 3;
- 2) The Investment Strategy as set out in section 5;
- 3) The Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

36. AUDIT PROGRESS REPORT (JANUARY 2018) AND CERTIFICATION LETTER

The Committee received a report of Grant Thornton UK LLP on the progress at January 2018 in delivering its responsibilities as the Authority's external auditor. The report also highlighted key emerging national issues and developments and a number of challenge questions in respect of the emerging issues.

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The scale fee set by the PSAA for the certification of the Council's 2016/17 housing benefit claim was noted, and it was confirmed that formal protocols were in place regarding the transition to the Council's new external auditor.

RESOLVED: That the report be noted.

37. EXTERNAL ASSESSMENT OF INTERNAL AUDIT BY CIPFA

The Committee received a report of the Audit and Assurance Manager, setting out the findings and opinion from the assessment of the Council's internal audit processes recently undertaken by CIPFA. The Committee were reminded that it was a requirement of the Public Sector Internal Audit Standards (PSIAS) that Internal Audit Services within the public sector measure how well they were conforming to the Standards. This included the requirement to have an external assessment undertaken at least once in a five-year period.

CIPFA's overall opinion of the Council's Internal Audit Service was that it 'generally conformed' with the Standards, which was the highest of the three possible opinion levels. Of the five recommendations made by CIPFA in the report, all were accepted by the Council, with three implemented with immediate effect. The other two recommendations would be addressed with separate reports in due course. It was noted that the action plan had been completed and this would be reported as part of the Council's Annual Audit Report.

The Chairman and the Committee congratulated the Audit and Assurance Manager for the outcome of the assessment.

RESOLVED: That the report be noted.

38. AUDIT AND ASSURANCE REPORT FOR THE PERIOD OCTOBER TO DECEMBER 2017

The Committee received a report of the Audit and Assurance Manager providing a summary of the work of Audit and Assurance during the period October to December 2017. The report also provided ongoing assurance to the Council on the adequacy of its control environment.

The Audit and Assurance Manager highlighted the key priorities for quarter 3 in section 3 of the report, as well as the outcome of audits in section 4. In respect of the 9 final reports issued, at least "Adequate" Opinions (Medium or above) were given in relation to all the reports. For all final reports issued, where applicable, agreed action plans were in place to implement the recommendations made. It was noted that most recommendations had been accepted in the period with the exception of a small number of non-high priority recommendations made to schools. Members were advised that recommendations could be considered as being 'in progress' for a variety of reasons, including if plans were in place for completion by a specific date or if they were only partially completed.

The Committee discussed the operational plan for allocating work days and whether there was a priority framework in place to determine which areas should

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receive the most focus. It was noted that there was a minimum expectation regarding audit work for all areas, and that the service had processes in place to ensure the work days were spread accordingly. It was also noted that contingencies were in place to cover any loss of work days for any particular area.

Members discussed how employees' immigration status was checked, as well as the difference in financial arrangements between the Council and Trafford CCG. Members were advised that the Council and CCG auditors had met in the past to share work plans, and work would take place to ascertain what links would need to be made between the two organisations' audit teams going forward.

RESOLVED: That the report be noted.

39. BUDGET MONITORING 2017/18 - PERIOD 8 (APRIL TO NOVEMBER 2017)

The Committee received a joint report of The Executive Member for Corporate Resources and the Chief Finance Officer informing Members of the current 2017/18 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.

Members were advised of the forecasted revenue budget underspend of £216k, an adverse movement of £725k since Period 6, however this took into account the additional £2m in highways spending taken from the additional revenue generated by the green waste fee scheme. The current forecast for the Council wide budget was a £1.5m underspend.

Members were advised of the £5.1m financial benefit to the Council from the 100% Business Rate pilot scheme. However, due to the risks faced by Trafford due to its large business rates baseline and volatility from business rate appeals, and the prospect of a reassessment of the retention scheme in two years' time, this would be transferred to a new earmarked reserve.

The Committee discussed the dividend received from the Manchester Airport investment. Members also discussed the continued overspend in Adult Social Care. The Committee were reminded that Adult Social Care spending remained a national issue, with a number of other Local Authorities also forecasting an overspend in this service area. The Secretary of State had recently announced that some additional funding would be made available for Adult Social Care, and a green paper aimed at addressing these issues was expected in the summer of 2018.

Members discussed the £2m of additional funding for highways maintenance for 2017/18 and whether this would all be spent in the current financial year. The Head of Financial Management confirmed that this was the ambition, and would check to ensure that the contractors were aware of this.

Members discussed the dedicated school grant and the ongoing dispute in relation to sixth forms. The Head of Financial Management advised that a further report on

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the matter would be taken to a future meeting of the Executive following a consultation with schools.

RESOLVED: That the report be noted.

40. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2017/18

The Committee received a report of the Audit and Assurance Manager setting out the updated work plan for the Committee for the 2017/18 municipal year.

RESOLVED: That the report be noted.

41. URGENT BUSINESS (IF ANY)

(a) Accounts and Audit Committee Meeting Timetable

[The Chairman agreed to accept this item as a matter of urgent business to allow a timely update on the situation to Committee Members]

The Vice-Chairman requested that consideration be given to the Accounts and Audit Committee meeting timetable for the 2018/19 in an attempt to avoid the issue encountered at the beginning of the 2017/18 municipal year, where a meeting had to be rescheduled due to Member unavailability. With meeting dates published and agreed at the Annual Council meeting at the end of May, some Members already had commitments on the day of the first Accounts and Audit Committee meeting scheduled for the end of June. The Audit and Assurance Manager confirmed that this would be taken into consideration for next year's timetable and work programme.

RESOLVED: That the update be noted.

The meeting commenced at 6.30 pm and finished at 7.30 pm