Public Document Pack

AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 6 February 2019

Time: 6.30 p.m.

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

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

1. **ATTENDANCES**

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

2. **QUESTIONS FROM MEMBERS OF THE PUBLIC**

A maximum of 15 minutes will be allocated to public questions submitted in writing to Democratic Services (democratic.services@trafford.gov.uk) by 4 p.m. on the working day prior to the meeting. Questions must be relevant to items appearing on the agenda and will be submitted in the order in which they were received.

3. **MINUTES** 1 - 4

To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 31st October 2018.

4. **APPOINTMENT BY COUNCIL OF AN INDEPENDENT MEMBER OF THE COMMITTEE**

To note, subject to the approval by Council on 30th January 2019, the appointment of Ms. J. Platt as an Independent Member of this Committee.

5. **TRAFFORD COUNCIL AUDIT STRATEGY MEMORANDUM** 5 - 24

To receive an update report from the Council’s external auditors.

JIM TAYLOR
Interim Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), E. Patel (Vice-Chair), C. Boyes, J. Dillon, P. Lally, A. Mitchell and J. Slater.

Further Information

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

J.M.J. Maloney, Democratic and Scrutiny Officer,
Tel: 0161 912 4298
Email: joseph.maloney@trafford.gov.uk

This agenda was issued on **Tuesday, 29 January 2019** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

31 OCTOBER 2018

PRESENT

Councillor B. Brotherton (in the Chair).
Councillors E. Patel (Vice-Chair), C. Boyes, J. Dillon, P. Lally, A. Mitchell and J. Slater.

In attendance

Head of Financial Management (Mr. G. Bentley),
Audit and Assurance Manager (Mr. M. Foster),
Democratic and Scrutiny Officer (Mr. J.M.J. Maloney).

Also in attendance

Ms. K. Murray (Mazars)
Mr. T. Rooney (Mazars)

20. MINUTES

RESOLVED – That the Minutes of the Meeting held on 30th July 2018 be approved as a correct record and signed by the Chair.

21. ANNUAL AUDIT LETTER 2017/18

The Committee received the Annual Audit Letter for the year ending 31st March 2018, and the Head of Financial Management drew Members' attention to its key features. In respect of previous discussions on the LOBO loan which had raised issues for the previous external auditor, the Committee was advised that a satisfactory audit opinion had, in the event, been received, and the Accounts had been signed off in accordance with delegated authority.

RESOLVED – That the content of the report be noted.

22. AUDIT PROGRESS REPORT (OCTOBER 2018)

Mr. Rooney introduced a report which set out key issues in relation to the transition from the previous external auditor, and initial planning and assessment work. It was noted that an update report would be made to the Committee in February 2019. The report also set out details of a range of national publications of potential interest to the Committee and its officers, and noted issues arising from the National Audit Office review of financial sustainability of local authorities.

RESOLVED – That the content of the report be noted.

23. TREASURY MANAGEMENT 2018-19 MID-YEAR PERFORMANCE REPORT

The Head of Financial Management introduced a report setting out key details, at the mid-year stage, of the Council's Treasury Management activities, principally debt and investment activity, and compliance with requirements in relation to prudential indicators. It was noted that the Treasury Management function had attained a high Internal Audit rating for the twelfth year in succession. In discussion, Members raised queries, to which the officers responded, in relation to the reduction in instant access investment balances, and the operation of the risk reserve.

RESOLVED – That details of the Treasury Management activities undertaken in the first half of 2018/19 be noted.

24. INSURANCE PERFORMANCE REPORT 2017/18

The Head of Financial Management introduced a report setting out key features of the Council's insurance performance for 2017/18, including categories of policy, claims activity and repudiation rates. An opportunity was provided for Members to raise questions on the report's content; these concentrated on the costs, value for money and review processes for current policies, and the procedure for handling historic claims.

RESOLVED – That the content of the report be noted.

25. AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO AUGUST 2018

The Audit and Assurance Manager submitted a report which provided a summary of the work of Audit and Assurance during the period April to August 2018, and which provided assurance to the Council on the adequacy of its control environment. In discussion, it was noted that further information would be provided in the subsequent update on the national fraud initiative and progress against the year' audit plan; and it was noted that the Committee's Members could be supplied with specific audit reports, on request.

RESOLVED – That the content of the report be noted.

26. STRATEGIC RISK REGISTER 2018/19 (OCTOBER 2018 UPDATE)

The Audit and Assurance Manager submitted a report which set out an update on the Council's strategic risk environment. Members were advised of the substantive amendments which had been made to the register, and that it had been updated to take account of changes in Executive Member and officer leadership responsibilities. It was envisaged that a further update would be referred to the Committee in the spring of 2019.

RESOLVED – That the content of the report be noted.

2

27. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2018/19

The Audit and Assurance Manager submitted a report which set out the envisaged work plan for the Committee for the remainder of the municipal year. It was noted that the plan was designed to be flexible and to accommodate emerging issues of importance; and the suggestion was endorsed that, in liaison with the Council's Chief Digital Officer, a presentation on cyber security be made to the Committee in March 2019. In discussion, the Committee noted the pending appointment, arising from the deliberations of the Constitution Working Group, of an Independent Member to participate in its work.

RESOLVED – That the content of the report be noted.

The meeting commenced at 6.30 p.m. and finished at 7.27 p.m.

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Audit Strategy Memorandum

Trafford Metropolitan Borough Council

Year ending 31 March 2019

MAZARS

CONTENTS

MAZARS

Mazars LLP

1 St Peter Square

Manchester

M2 3DE

Accounts and Audit Committee

Trafford Metropolitan Borough Council

Trafford Town Hall

Talbot Road

Stretford

M32 OTH

29 January 2019

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for Trafford Metropolitan Borough Council for the year ending 31 March 2019.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Trafford Metropolitan Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9248.

Yours faithfully

Karen Murray

Karen Murray, Director and Engagement Lead

Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Trafford Metropolitan Borough Council (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in it its use of resources. We discuss our approach to Value for Money work further in section 6 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

2. YOUR AUDIT ENGAGEMENT TEAM

- **Karen Murray, Director and Audit Engagement Lead**
- E: karen.murray@mazars.co.uk
- T: 0161 238 9248 M: 07721 234043

- **Tommy Rooney, Manager**
- E: tommy.Rooney@mazars.co.uk
- T: 0151 237 2204 M: 07909 986586

- **Anna-Maria Delcheva, Audit Senior**
- E: anna.delcheva@mazars.co.uk
- T: 0161 238 9238 M: 07909 981394

In addition as outlined in our engagement pack an engagement quality control reviewer (EQCR) has been appointed for this engagement.

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

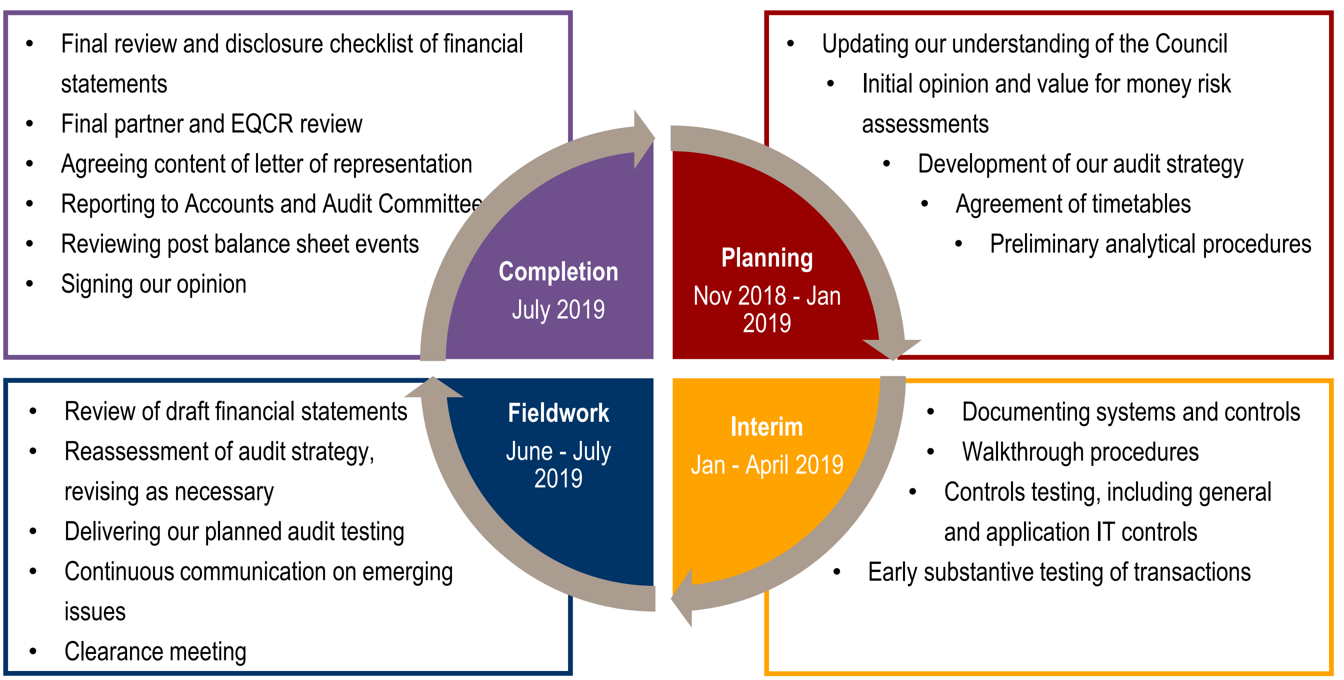
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 4.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson	PWC are commissioned as consulting actuary by the National Audit Office on our behalf
Property, plant and equipment valuation	Amey Consulting	We will use available third party information to challenge the key valuation assumptions
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	In-house Mazars valuation expert
Fair value of financial assets and liabilities	Link Assets Services	We will review the valuer's methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially correct.

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Group audit approach

The Council's group structure for 2018/19 will include one wholly owned subsidiary company, Trafford Leisure Community Interest Company. In auditing the accounts of the Council's Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council's subsidiary company.

Our approach will reflect the size and complexity of the transactions from the subsidiary company that are consolidated into the Council's Group financial statements. Based on our planning discussions and review of previous year's accounts, we do not consider Trafford Leisure Community Interest Company to be a significant component. Our plan, based on our initial understanding and the values reported in the prior year financial statements is that we will obtain assurance from analytical procedures and we do not plan to obtain specific assurance from the component auditors of the company.

We have not identified any significant risks for Group accounts purposes in relation to Trafford Leisure Community Interest Company. The significant risks and areas of audit focus for the Council as a single-entity are set out in section 5. Based on our initial planning discussions we do not consider these significant risks to be risks for the component subsidiary company.

On 20 March 2018 the Council set up a joint venture with Bruntwood (K Site Ltd) called Trafford Bruntwood LLP to deliver a new university campus on the former Kelloggs headquarters site at Talbot Road Stretford. The entity did not form part of the Council's group accounts in 2017/18. Management are assessing the appropriate accounting treatment and disclosures relating to the joint venture for 2018/19. We will review management's proposed accounting treatment and assumptions once this assessment has been completed.

4. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Group materiality	Council single-entity materiality
Overall materiality	£9,035,000	£8,896,000
Performance materiality	£6,324,000	£6,227,000
Trivial threshold for errors to be reported to the Accounts and Audit Committee	£271,000	£267,000

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of the 2017/18 gross expenditure at Surplus/Deficit on Provision of Services level. We have calculated a headline figure for materiality but have also identified separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Accounts and Audit Committee.

We consider that gross expenditure at the Surplus/Deficit on Provision of Services level is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We have not identified any qualitative factors which were considered relevant in setting the level of materiality.

4. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We have set our materiality threshold at 1.75% of the benchmark based on the 2017/18 audited financial statements.

Based on the 2017/18 financial statements we anticipate the overall materiality for the 2018/19 to be £9.035 million for the audit of the Group financial statements and £8.896m for the audit of the Council's single entity financial statements.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality we have taken into account that this is our first year of audit and accordingly we do not hold extensive cumulative audit knowledge about the Council's financial statements. We have therefore set our performance materiality at 70% of our overall materiality (£6.324 million for the Group and £6.227m for the Council single entity financial statements). As with overall materiality, we will remain aware of the need to change this performance materiality level through the audit to ensure it remains to be set at an appropriate level.

Specific items of lower materiality

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following item of account:

Item of account	Specific materiality
Officer Remuneration bandings	£5,000 *

* Reflecting movement from one salary band to another

Reporting Misstatements Threshold

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Accounts and Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £271,000 for the Group and £267,000 for the Council single-entity financial statements based on 3% of overall materiality.

Reporting to the Accounts and Audit Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Accounts and Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

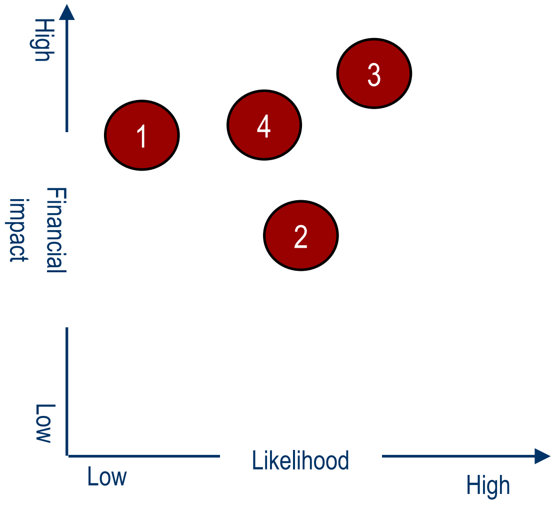
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Revenue recognition
3	Property, plant and equipment valuation
4	Defined benefit liability valuation

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Accounts and Audit Committee.

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	**Revenue recognition** Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable. Based on our initial knowledge and planning discussions we have concluded that we can rebut the presumption of a revenue recognition risk for the majority of the Council's revenue income and expenditure. We will carry out further detailed planning work to confirm that we can also rebut the risk in relation to the income categorised as fees and charges.	We plan obtain a detailed understanding of the fees and charges income sources, so we can confirm that it is appropriate to rebut the risk of revenue recognition for all areas of income. Our audit approach will however incorporate testing from payments and receipts around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts.
3	**Property, plant and equipment valuation** The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the current value/fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct value. In addition, as the valuations are undertaken through the year there is a risk that the value of the assets is materially different at the year end.	In relation to the assets which have been revalued during 2018/19 we will assess the Council's valuer's qualifications, objectivity and independence to carry out such valuations, and review the valuation methodology used, including testing the underlying data and assumptions. We will also critically assess the appropriateness of the underlying data and the key assumptions used in the valuer's calculations, using available third party evidence. We will review the approach that the Council has adopted to address the risk that assets not subject to valuation in 2018/19 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council's valuers. In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
4	**Valuation of Defined Benefit Pension Liability** The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19. On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes. If there are any changes / impacts for LGPS funds it would impact on the actuarially assessed liabilities.	In relation to the valuation of the Council's defined benefit pension liability we will: • Critically assess the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson; • Liaise with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Test payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; • Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. We will also discuss with management the implications of GMP equalisation in the light of any further clarification on the impact for LGPS schemes, and how this is being addressed with the scheme actuary.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Enhanced risk

	Description of risk	Planned response
1	**Valuation of Airport Share** The Council's shareholding in the Manchester Airport Holdings Group Limited (MAHG Ltd.) has been valued by a firm of financial experts, engaged by management, based on assumptions about financial performance, stability, and key business projections. The figure disclosed in your accounts in relation to MAHG Ltd. is at fair value. There is a risk that the assumptions and methodology used by your experts are not appropriate and we will need to obtain assurance that accounting entries are not materially misstated.	We plan to address this risk by • Assessing the scope of work/terms of engagement, qualifications, objectivity and independence of the expert engaged to carry out the valuation assessment of the airport shares. • Utilising the services of our internal valuation expert to review the work completed by management's expert and evaluate the appropriateness of the assumptions applied to arrive at the figure in the financial statements.

6. VALUE FOR MONEY

Our approach to Value for Money

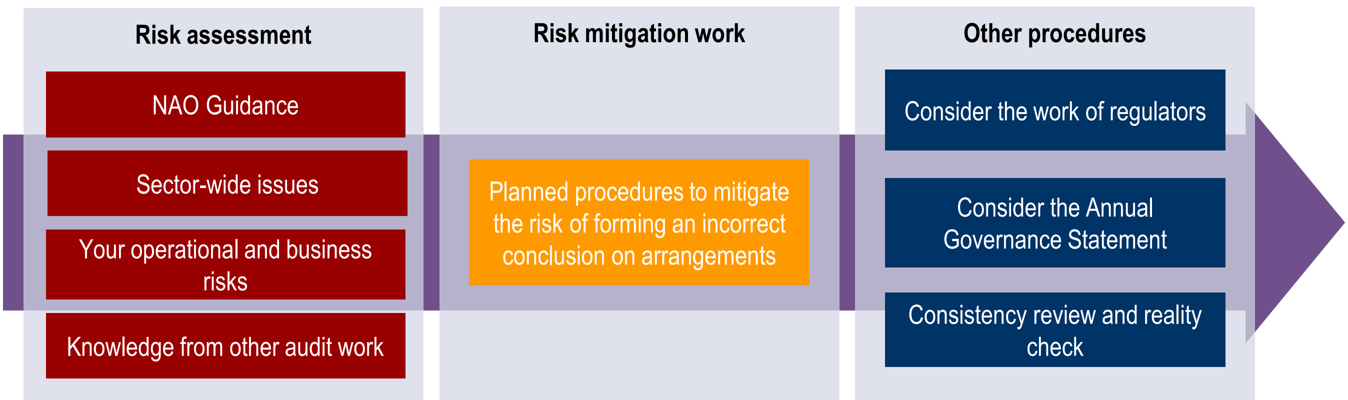
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have identified the following significant risks to our VFM work:

Description of significant risk	Planned response
Financial budget pressures The Council's future budgets remain challenging with a forecast funding gap of £41m in the Medium Term Financial Strategy to 2022. Proposals have been put forward for 2019/20 which will reduce the gap by £16.03m though additional funding, income generation and new savings, leaving residual budget gaps £2.36m in 2019/20, £10.38m in 2020/21 and £12.61m in 2021/22. Currently the Council forecasts a small revenue saving of £28k at the end of 2018/19 and so close monitoring and management of budget pressures will be required to maintain a balanced position.	We will monitor the Council's budgetary performance and financial planning and consider the processes established by the Council to identify, manage and monitor revenue pressures and savings proposals to deliver a balanced position for 2018/19 and address the forecast budget gap to 2022.

6. VALUE FOR MONEY (CONTINUED)

Significant Value for Money risks (continued)

Description of significant risk	Planned response
Investment Strategy The Council has developed its investment strategy to support its financial resilience and address funding gaps. The fund currently totals £300m with plans for it to increase to £400m in 2019/20 and £174.2m investment commitments to date.	We will review the governance arrangements in place for the identification, evaluation and approval of investments from the fund and subsequent monitoring and reporting of investment performance against expected returns.
Health and Social Care Integration: working with partners The Council is working with Trafford CCG and other partners towards the integration of health and social care to help secure a sustainable health and social care economy by 2021 by putting in place an integrated organisation for the Council and the CCG and a new model of care for community health, primary care and social care services. The Council and the CCG are also developing a single integrated strategic commissioning function, and a joint Chief Financial Officer has been appointed and is operating across the two organisations as part of these more integrated working arrangements.	We will review the arrangements in place for the Council to work with its partners to deliver transformation and efficiencies in the provision of health and social care services.

7. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 24 April 2018.

Service	2017/18 fee	2018/19 fee
Code audit work	£118,192	£91,008

Fees for non-PSAA work

We have not been engaged by the Council to carry out any additional work over and above the audit of the Council's statutory audit. In particular the Council has engaged a different audit firm to provide the assurance work on the Housing Benefit Subsidy claim and Teachers' Pensions return for 2018/19.

Should we be engaged to undertake any additional work we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

8. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised cost.

For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. Statutory provisions have been put in place for a five year period to mitigate this impact.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2020/21 (public sector)	IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council (and its schools) are party to. In December 2018 CIPFA announced its decision to delay implementation of IFRS 16 until 2020/21, to mirror the timetable now being used across the bulk of the public sector. However, where a public sector body has a subsidiary that reports under FRS 101, then the subsidiary will need to adopt IFRS 16 in 2019/20 in its single entity statements. There may be additional consolidation adjustments required as a result of this difference in accounting policy between group entities.

Audit Progress Report

Trafford Council

January 2019

CONTENTS

1. AUDIT PROGRESS

Purpose of this report

This report provides the Accounts and Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

Audit progress

This is our second progress report in respect of the 2018/19 audit year. Our key audit stages are summarised in the diagram shown overleaf.

We have met regularly with senior members of your finance team, including the Corporate Director Finance and Systems, the Head of Financial Management and the Audit & Assurance Manager, to discuss emerging issues, audit process and to agree timescales for the completion of our audit work. Regular liaison meetings will continue throughout the year.

We have concluded our initial planning procedures and have agreed an Audit Strategy Memorandum (Audit Plan).

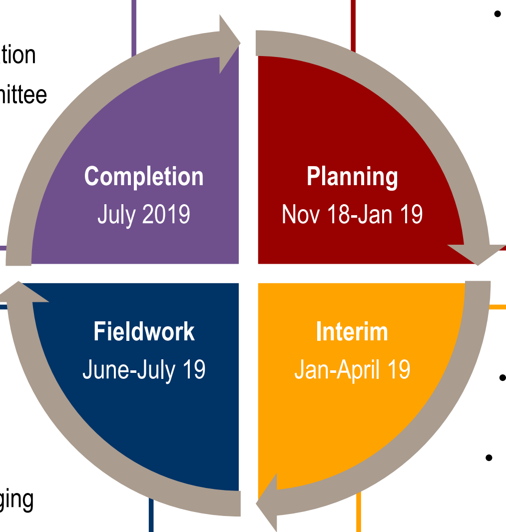
During our November interim visit we met with the relevant officers and documented the processes for key entries in your financial statements. We have reviewed accounts receivable, council tax, business rates, accounts payable, housing benefits, schools expenditure, treasury management and the general ledger (including journal controls). We have also held preliminary meetings to understand the land and buildings valuation process. We have commenced initial Value for Money procedures including completion of our initial risk assessment.

There are no significant matters arising from our planning or interim work that we are required to report to you at this stage.

We are working with Grant Thornton, your predecessor auditor, as part of the handover process to ensure a smooth transition for your finance team. We have reviewed their 2017/18 audit working papers to obtain necessary assurance over opening balances etc.

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to Accounts and Audit Committee
- Reviewing post balance sheet events
- Signing our opinion

- Meeting with your predecessor auditors
- Updating our understanding of the Council
- Initial opinion and value for money risk assessments
- Development of our audit strategy
- Agreement of timetables
- Documenting systems and controls
- Walkthrough procedures



- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Preliminary analytical procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

2. NATIONAL PUBLICATIONS

	Publication/update	Key points
Mazars		
1.	**Horizon Scanning – challenges and opportunities in 2019**	Summary of challenges and opportunities faced by local government to help inform the preparation of a risk based internal audit plan for 2019/20.
National Audit Office (NAO)		
2.	**Departmental overview – Ministry of Housing, Communities and Local Government**	Focus on three key areas: financial sustainability; housing and homelessness; and devolution and reorganisation.
3.	**Departmental overview – Local authorities**	The main body of the report covers: financial sustainability, housing and homelessness, and adult social care.
4.	**Exiting the EU**	The NAO has published a number of reports on the exit from the EU during 2018.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
5.	**Statement expressing concerns with Councils funding commercial investment through borrowing**	CIPFA statement and link to article.
6.	**Local Authority Leasing Briefing 3**	Key issue for local authorities and statement of accounts.
Public Sector Audit Appointments Ltd (PSAA)		
7.	**Report on the results of auditors' work 2017/18: Principal local government and police bodies**	Report notes encouraging results across the country.
8.	**Consultation on 2019/20 scale of fees for opted-in bodies**	2019/20 fees proposed to remain the same as 2018/19.
9.	**Oversight of audit quality, quarterly compliance reports**	No significant issues.

2. NATIONAL PUBLICATIONS

1. Horizon Scanning – challenges and opportunities in 2019, Mazars

In this time of economic challenge and funding uncertainty, we have prepared a document, detailing some of the challenges and opportunities across the sector. It provides background information on a wide range of issues which may need to be considered in assessing the risks faced by the Council and could usefully inform the preparation of your internal audit plan for the coming year.

We have provided a copy of the report to the Chair of your Accounts and Audit Committee for information.

2. Departmental overview: Ministry of Housing, Communities and Local Government (MHCLG), NAO

The Departmental Overview is designed to provide a quick and accessible overview of the Department and its performance over the last year. The report focuses on the Department's responsibilities setting out how it is structured, how it spends its money, and its major programmes. It also covers key developments in its areas of work, including exiting the European Union, and findings from recent NAO reports.

The main body of the report focuses on three key areas: financial sustainability; housing and homelessness; and devolution and reorganisation. The report concludes by setting out future developments, risks and challenges impacting on MHCLG.

The report also includes a section on the Department for Exiting the EU (pdf page 8).

https://www.nao.org.uk/report/departmental-overview-ministry-of-housing-communities-and-local-government-2017-18/

3. Departmental overview: local authorities, NAO

The report summarises the work of local authorities, including:

- what they do and how they are organised;
- the system of accountability;
- where they get their funding and how they spend their money; and
- major programmes and developments across local authorities' main business areas and services.

The main body of the report covers: financial sustainability; housing and homelessness; and adult social care.

The overview addresses further developments in the sector, including those on 'fair funding', empty homes and the government's new Rough Sleeping Strategy will be driven by local authorities. It draws attention to the synergies required across local authorities and with MHCLG for the successful implementation of these programmes.

https://www.nao.org.uk/report/departmental-overview-local-authorities-2017-18/

4. Exiting the EU, NAO

The National Audit Office has produced a number of publications on the UK's exit from the EU, including:

- The UK border: preparedness for EU exit;
- Department for Environment, Food and Rural Affairs;
- Department for Transport;
- Consumer protection, competition and state aid; and
- Exiting the EU: the financial settlement.

https://www.nao.org.uk/search/pi_area/exiting-the-eu/type/report

5. Statement expressing concerns with Councils funding commercial investment through borrowing, CIPFA

The Committee may be interested to note the CIPFA statement issued recently expressing concerns around commercial investment. The statement raises concerns with potential practices related to borrowing to fund commercial investment. CIPFA confirm in the statement that they will be issuing further guidance on the issue shortly**.**

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/statement-from-cipfa-on-borrowing-in-advance-of-need-and-investments-in-commercial-properties

https://www.publicfinance.co.uk/news/2018/10/cipfa-warns-councils-over-serious-commercial-activity-concerns

6. Local Authority Leasing Briefing 3, CIPFA

This briefing focuses on discount rates, lessor accounting, disclosure requirements, concessionary leases – lessees and the measurement of the service concession arrangement (Private Finance Initiative/Public Private Partnership) liability.

https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings

2. NATIONAL PUBLICATIONS

7. Report on the results of auditors' work 2017/18: Principal local government and police bodies, PSAA Ltd

The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers at 495 principal local government and police bodies for 2017/18.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 87 per cent of audited bodies received an audit opinion by the new deadline.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The most common reasons for auditors issuing non-standard conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates – 16 bodies;
- corporate governance issues – 12 bodies;
- financial sustainability concerns – 6 bodies; and
- procurement/contract management issues – 5 bodies.

https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/

8. Consultation on 2019/20 scale of fees for opted-in bodies, PSAA Ltd

Public Sector Audit Appointments (PSAA) has published its consultation on the 2019/20 scale of fees for principal local government bodies that have opted into the appointing person arrangements.

The consultation proposes that scale audit fees for 2019/20, the second year of the five-year appointing period, should remain the same as the fees applicable for 2018/19. PSAA will review and update its assumptions and estimates each year, and consult on scale fees for the following year.

https://www.psaa.co.uk/audit-fees/2019-2020scaleoffees/

9. Oversight of audit quality, quarterly compliance reports 2017/18 PSAA Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality

CONTACT

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8 January 2019

Dear Nicola

Certification work for Trafford Council for the year ended 31 March 2018

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

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

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy of £56 million. We issued a qualification letter to the DWP dated 21 November 2018 reporting on the misclassification of Rent Allowance eligible overpayments which has been a recurring issue reported on in recent years.

Further details are set out in Appendix A.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council was £15,963.

Yours sincerely

Mark Heap

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£56,064,434	No	Nil	Yes	We issued a Qualification Letter to the DWP reporting on misclassification of Rent Allowance overpayments (see details below)

Findings from certification of Housing Benefits subsidy claim

We selected a random sample of 40 cases from cell 114 (Rent allowances – eligible overpayments) due to errors in prior years. This identified 4 cases (total value £128) where overpayments totalling £128 had been misclassified as eligible overpayments. All of this amount should have been classified in Cell 113 (LA error and administrative delay overpayments) not in cell 114. Consequently, cell 114 is overstated and cell 113 is correspondingly understated. There is no effect on cell 094 (Rent allowances – total benefit granted).

TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee 6 February 2019** **Executive and Council 20 February 2019**
Report for:	**Decision**
Report of:	**The Executive Member for Finance and the Corporate Director of Finance and Systems**

Report Title

TREASURY MANAGEMENT STRATEGY 2019/20 – 2021/22

Summary

This report outlines the:-

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

Recommendations

That the Accounts & Audit Committee recommend Executive note the report and request Council to approve the Treasury Management Strategy 2019/20 – 2021/22 including the:

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

Contact person for access to background papers and further information:

Name: Graham Perkins
Extension: 4017

Background papers: None

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

Summary

The purpose of this report, which has been prepared in accordance with the Council's Financial Procedure Rules number 8, is to outline the forecasted treasury management activities for the forthcoming three years. Further reports are produced during the course of the year informing Members of the preceding financial year's actual activities together with a current mid-year update.

Economic position (Appendix 2)

Brexit negotiations between the UK Government and the European Union are set to continue to dominate the headlines during the forthcoming year and the impact these will have on both economies remains uncertain at this time. The general world economic climate is likely to weaken from the current position and Appendix 2 highlights the main economic events of 2018 and projections for 2019 for reference.

Debt (Section 3)

Borrowing interest rates whilst forecasted to rise marginally from their current position are still forecast to remain low during the next 12 months. Any new external borrowing will be taken to assist finance the Council's capital borrowing requirement as outlined in the 2019/22 Capital Programme report with all associated costs being contained within the Medium Term Financial Plan.

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

Investments (See Section 5 and Appendix 3)

The Council's investment criteria remains unchanged from that previously adopted of security of capital first, then liquidity of its cash flows and finally yields.

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

Prudential Indicators and limits (Section 7 and Appendix 3)

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

Medium Term Financial Plan (See Appendix 7)

Appendix 7 reflects the current forecasted financial requirements of the Council's treasury management functions during this reporting period.

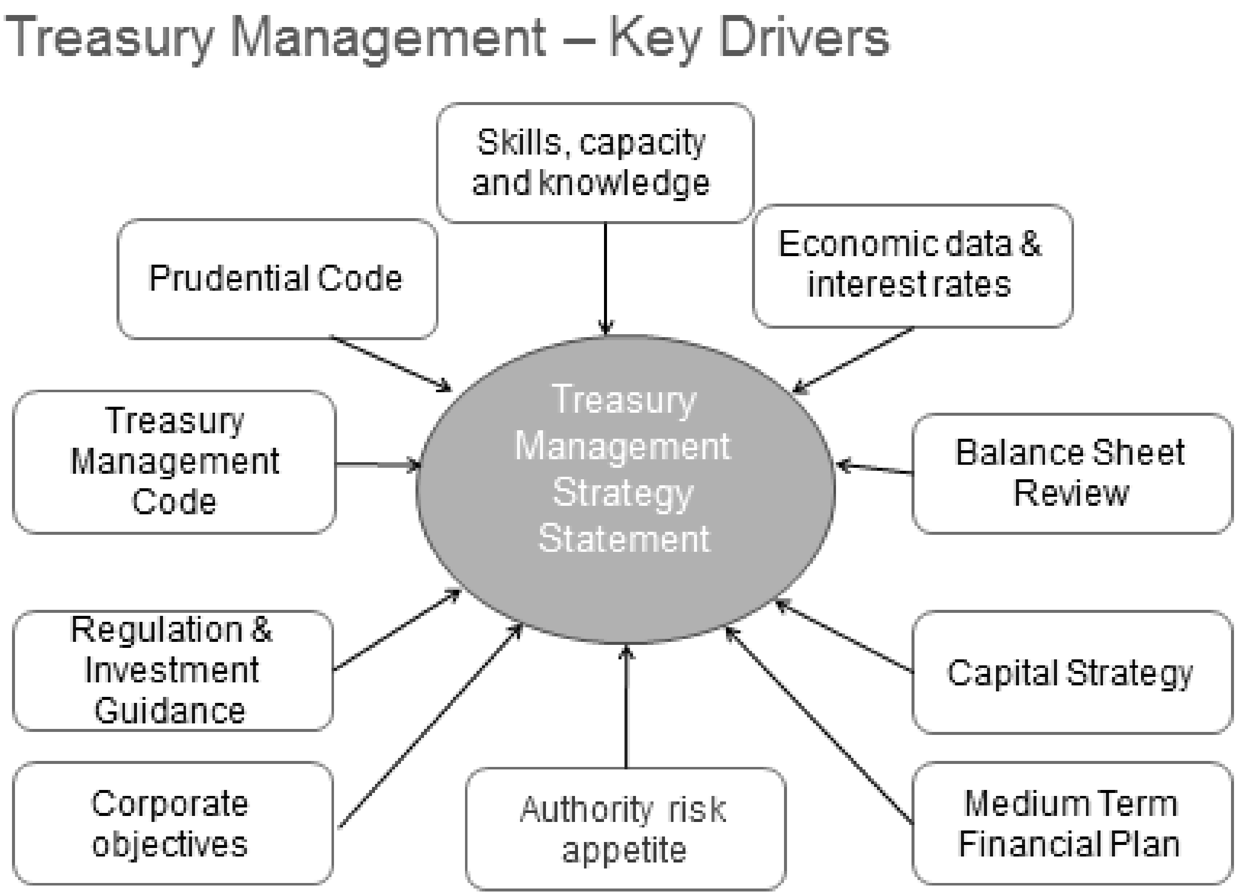
Background

1.1 The Council is required to operate a balanced budget with cash raised during the year being used to pay for spend incurred. Part of the treasury management operation is to ensure that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity with any temporary surplus monies being invested in low risk institutions.

1.2 A further function of the treasury management service is to ensure that the Council's capital borrowing requirement, the longer-term cash flow planning, is provided for. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. In addition to this and when it is prudent to do so, any debt previously obtained may be restructured.

1.3 The contribution the treasury management function makes to the Council's financial position is critical, as failure to provide sufficient funding on days of requirement would result in those payments not being made which could also have a serious negative impact on its reputation. In addition to this, cash balances generally result from reserves and balances and it is paramount to ensure adequate security of the sums invested is achieved as a loss of principal will in effect result in a loss to the General Fund Balance.

1.4 For Members reference the diagram below identifies all the necessary factors which are considered in preparing the Annual Treasury Management Strategy:



1.5 Treasury management as defined by the Chartered Institute of Public Finance Accountancy (CIPFA) is:

"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."

1.6 In December 2017, CIPFA issued a revised Treasury Management Code of Practice which primarily focused on non-treasury investments, particularly the purchase of property with a view to generating income. This update has clarified CIPFA's position in that it has now drawn a cleaner separation between treasury and non-treasury investments, the latter being included in the Capital Programme report.

1.7 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are classed as non-treasury activities, (arising usually from capital expenditure) and are separate from the day to day treasury management activities. Details of these transactions are shown in Appendix 8 for reference.

1.8 Members are required to receive and approve, as a minimum, 3 reports annually which incorporate a variety of policies, forecasts and actuals as follows;

- **Annual treasury strategy** (issued February and includes);
  - A Minimum Revenue Provision (MRP) policy (this reflects capital expenditure previously financed by borrowing and how the principal element is charged to revenue over time),
  - The treasury management strategies (how the investments and borrowings are to be organised) including treasury prudential indicators and limits and
  - An investment strategy (the parameters on how investments are to be managed).
- **Mid-year update** – (issued November / December and provides an);
  - update for members with the progress of the treasury management activities undertaken for the period April to September and
  - opportunity for amending prudential indicators and any policies if necessary.
- **Annual outturn** – (issued June and contains);
  - details of actual treasury operations undertaken in the previous financial year.

1.9 Each of the above 3 reports are required to be adequately scrutinised by the Accounts & Audit Committee before being recommended to either Executive or Council for final approval.

1.10 All treasury management transactions undertaken will comply with the statutory requirements together with Ministry of Housing Communities & Local Government (MHCLG) Guidance and CIPFA Treasury Management Code of Practice which the Council has previously adopted. A brief outline of these frameworks is provided at Appendix 1.

1.11 This report which has been prepared in accordance with the required statutory regulations and guidance includes;

- Economic & Interest Rate forecast (section 2)
- Debt Strategy (section 3)
- Minimum Revenue Provision (section 4)
- Investment Strategy (section 5)

- Investment Risk Benchmarking (section 6)
- Prudential Indicators (section 7)
- Related Treasury Issues (section 8)
- Recommendations (section 9).

1.12 The Council uses Link Asset Services (LAS) as its treasury management advisors who provide a range of services on all treasury matters from the supply of credit ratings to technical support. The Council recognises that there is value in employing external providers for this service in order to acquire access to specialist skills and resources and the provision of this service is subject to regular review.

1.13 Whilst the advisors provide support to the in-house treasury management team, the Council recognises that the final decision on all treasury management matters remains with it at all times.

1.14 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisors and the Council uses CBRE in relation to this activity.

1.15 The Council further acknowledges the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are fully equipped to undertake the duties and responsibilities allocated to them.

1.16 In order to assist with this undertaking, a Member training event was provided on 16 October 2018 and similar events will be provided when required. Officers will continue to attend courses / seminars presented by CIPFA and other suitable professional organisations.

2. Economic & Interest Rate forecast

2.1 During 2018 the world economic growth was relatively good primarily due to strong growth generated in the United States of America (US) however the US position is forecasted to fall back in 2019 which together with a weakening economic position in China, has resulted in forecasters predicting the outlook for world growth to weaken from its current position.

2.2 Further details on the major economic events which occurred during 2018 and forecasts for 2019 are outlined at Appendix 2 for reference.

2.3 LAS produces interest rate projections periodically throughout the year and the latest forecasts (November 2018) covering the period up to March 2022, are highlighted in the table below;

Average rates	2018-19 Forecast %	2019-20 Forecast %	2020-21 Forecast %	2021-22 Forecast %
Bank Rate	0.70	1.00	1.35	1.75
Investment Rates (LIBID)				
3 month	0.70	1.10	1.45	1.80
1 Year	0.95	1.40	1.80	2.20
PWLB Loan Rates				
5 Year	1.95	2.25	2.45	2.70
25 Year	2.80	3.05	3.30	3.50

2.4 The interest rate forecasts provided by LAS above have been prepared on the assumption that an agreement is reached on Brexit between the UK and the EU.

In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut the Bank Rate from its current level of 0.75% in order to help economic growth with short to medium term borrowing rates also falling. If however there was a disorderly Brexit, then any cut in Bank Rate would likely last for a longer period of time and increase short and medium borrowing rates.

2.5 The Council will continue to adopt a cautious approach to its treasury management activities whilst utilising the information available from both LAS and other external sources which may become available during this time.

3. Debt Strategy

3.1 The level of the Council's loans as at 31 December 2018 totalled £195.9m which is split between Public Works Loan Board (PWLB) £155.5m & Market (banks & publically funded companies) £40.4m. A breakdown of this debt is provided for reference at Appendix 6.

3.2 The Council holds, as mentioned above £40.4m of Market loans and of these £20.0m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. On this type of loan, the lender has the option to propose an increase in the interest rate at set dates and should this situation occur then the Council can either accept the new rate or repay the loan at no additional cost. In accordance with the Corporate Director of Finance and Systems delegated authority, should an opportunity present itself to repay a LOBO loan then this option will be fully examined to determine whether any financial benefit could be obtained including taking a replacement loan from the PWLB. The remainder of the Market loans, £20.4m are held at fixed rates of interest.

3.3 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.6m of loan debt administered by Tameside Borough Council. This follows the conversion in February 2010 of loans previously held on behalf of Manchester International Airport into an equity rated instrument.

3.4 The underlying need to borrow derives from the Capital Financing Requirement (CFR) and represents the level of capital expenditure incurred which has not yet been paid for by revenue or other capital resources, for example capital receipts or grants.

3.5 The CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset with an annual revenue charge, the Minimum Revenue Provision. The Minimum Revenue Provision charge reduces the CFR each year.

3.6 Also included within the CFR are any other long-term liabilities (e.g. Private Finance Initiative (PFI) schemes and finance leases) and whilst these increase its overall balance the Council's borrowing requirement is not increased as this type of scheme includes a borrowing facility by the PFI or lease provider. The Council currently has £5.3m liability of such schemes within the CFR which is set to fall to £4.5m as highlighted in the table below;

	2018/19	2019/20	2020/21	2021/22
	Estimate £000	**Estimate £000**	**Estimate £000**	**Estimate £000**
Other long-term liabilities – (1 April)	5,556	5,319	5,067	4,799
Expected repayment	(237)	(252)	(268)	(285)
Other long-term liabilities – (31 March)	5,319	5,067	4,799	4,514

3.7 As a result of previous years capital spending being temporarily financed by cash supporting the Council's reserves, balances and cash flow, it has avoided the need for new external loans to be taken out resulting in the Council continuing to be in an under-borrowed position (CFR balance being higher than the level of external debt). As at 31 March 2018 the Council's under borrowed position was £30.7m and this is currently set to rise to £41.0m by 31 March 2019.

3.8 This policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years due to debt interest rates being consistently higher than investment returns and which is forecasted to continue for the foreseeable future. This situation however will continue to be carefully monitored to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

3.9 Included within the Council's MTFP is a limited budgetary provision to cover interest costs for taking on new debt and the amount applied to finance the capital spend incurred, principal, is being reinstated via the Council's annual MRP charge which is explained in more detail at section 4 and Appendix 3.

3.10 The Corporate Director of Finance and Systems will contine to monitor interest rates and adopt a sensible approach to changing circumstances within the 2019/20 treasury operations before taking on any new debt to finance a proportion of the Council's capital investment projects or Asset Investment Property programme.

3.11 The table below highlights the potential level of external debt the Council may need to undertake during the period 2018/19 to 2021/22 ;

	2018/19	2019/20	2020/21	2021/22
	Estimate £000	**Estimate £000**	**Estimate £000**	**Estimate £000**
Debt at 1 April	**164,268**	**438,291**	**552,850**	**548,301**
External Debt maturing	**(4,018)**	**(4,791)**	**(16,495)**	**(3,215)**
New Debt requirement	**278,041**	**119,530**	**11,943**	**100**
Debt at 31 March	**438,291**	**552,850**	**548,301**	**545,186**

3.12 In order to assist short term cash flow or finance longer term capital investment, the Council has the powers to borrow new funds from a variety of sources comprising of;

- Other local authorities,
- The Government via the Public Works Loan Board, (PWLB),
- Dedicated publicly funded companies e.g. Salix,

- Municipal Bond Agency, or
- Financial institutions within the money market.

3.13 In the event the Corporate Director of Finance and Systems takes out any new debt or undertakes any restructuring, this action will be processed in accordance with the Council's approved scheme of delegation and reported to Members at the earliest opportunity.

3.14 The uptake of new long term debt is done in accordance with a number of factors such as affordability, proposed life of the asset, current interest rate projections and advice obtained from the Council's external advisors.

3.15 In a few instances, short term borrowing (up to 3 years) will need to be taken out prior to a receipt or income stream being received which would then be used to service debt costs. Based on the current capital programme spend profile this is currently forecasted to cost the Council £184k for the period 2019 to 2022 and is based on expenditure totalling £9.9m which will be temporairly funded from the Council's reserves.

3.16 As short term borrowing rates are cheaper than longer term fixed interest rates, there may be potential opportunities to repay debt prematurely. The cost of premiums incurred however due to early repayment, will be taken into account before any restructuring is undertaken.

3.17 The Council retains the flexibility to borrow funds in advance of requirement should market conditions unexpectedly change i.e. a sharp rise in interest rates is suddenly expected and any decision to borrow in advance will ensure that funds are taken within the forward approved CFR estimates

3.18 No new loans will be taken ahead of schedule purely to profit from the investment of the extra sums borrowed and any borrowing taken by the Corporate Director of Finance and Systems in advance of need will be done in accordance with delegated powers and within the constraints stated below;

- no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period is to be obtained in this manner and
- the Council would not look to borrow more than 12 months in advance of need.

3.19 The Council's debt maturity profile is provided at Appendix 4 for reference which also shows, in accordance with the Code of Practice, the potential first date the lending banks could amend the rate of interest for their respective market LOBO loans.

3.20 *The Council is required to approve;*

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

4. Minimum Revenue Provision Strategy

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

4.2 *The Council is requested, in accordance with MHCLG regulations, to approve an MRP Statement in advance of each year and this is detailed at Appendix 3.*

5. Investment Strategy

5.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the Council's Asset Investment Strategy, are covered in the Capital Strategy, (a separate report).

5.2 The Council undertakes investments, in the form of temporary surplus income which has been received in advance of spend requirement and from its balances and reserves which it holds. The primary principle governing the Council's investment criteria is **SLY**, **S**ecurity of its investments, followed by **L**iquidity whilst ensuring that a reasonable level of **Y**ield is also achieved.

5.3 In the continuing environment of low investment interest rates the Council is restricted in its operations to be able to generate a significant return from its investments without exposing it to additional risk factors. To search for that extra return in order to ease revenue budget pressures would expose the Council to more risk of using an institution which could possibly default. The current approach of applying SLY as outlined at paragraph 5.2 above will therefore continue to be adopted.

5.4 With respect to this, the Council's in-house treasury management team will not actively seek to place funds with institutions paying considerably over and above market levels and will continue to carry out proper and full risk assessments of any new product which may come onto the market before committing funds into it.

5.5 All of the Council's investments are undertaken in accordance with guidance issued by both the MHCLG and CIPFA and whilst investment risk will never completely be eliminated, it can be minimised and in order to reduce the risk of an institution defaulting, the Council creates and maintains a list of high creditworthy institutions which enables it to place funds across a wide range of strong quality institutions.

5.6 The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. A list is achieved by stipulating that where an institution has been issued with a credit rating it must have a minimum Long Term rating of A- and Short Term rating of F1 or equivalent as issued by 2 of the 3 main independent rating agencies Fitch, Moody's and Standard and Poor's. These minimum requirements represent, in the opinion of the credit rating agencies, the long and short term (greater than 12 months and up to 12 months respectively) financial strength of that institution.

5.7 This approach uses real time credit rating information provided by LAS and enables an institution should they meet or no longer meet the minimum credit criteria required to be immediately included on or removed off the approved list.

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

5.9 The Council's in-house treasury management team recognises ratings should not be the sole basis of determining the quality of an institution. To achieve this, the Council will with LAS, monitor market pricing on additional factors such as "credit default swaps" (CDS) and overlay this information on top of the credit ratings. This additional market information is detailed for Members' reference at Appendix 5.

5.10 In all instances when funds are being placed, the Council's in-house treasury management team will, apart from when it places funds with other local authorities which are predominately unrated and Money Market Funds as only AAA rated funds are used, always ensure that the institution:

- has been issued with both a Long and Short term credit rating from 2 of the 3 main agencies,
- that the credit ratings issued meet the minimum required and the institution appears on the Council's approved list,
- has a minimum Long Term rating of AA if funds are to be placed for a period in excess of 1 year,
- that the CDS, where issued, does not show any adverse confidence in the institution and
- the rate of interest rate being offered is in-line with levels paid by other institutions in the market for the same period.

5.11 Investment instruments identified for use in the financial year together with institution limits are detailed in Appendix 3.

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

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

- Short-term – cash required to meet known cash flow outgoings in the next month, plus a contingency to cover any unexpected transaction over the same period with bank call / notice accounts and money market funds being the main methods used for this purpose.

- Medium-term – cash required to manage the annual seasonal cash flow cycle covering the next 12 months and will generally be in the form of fixed term deposits and ultra-short dated bond funds.

- Long-term – cash not required to meet any forthcoming cash flow requirements which can be used primarily to generate investment income by using fixed or structured term deposits, certificates of deposits, government bonds or the Local Authority Property Investment fund, after taking into consideration the forecasted interest rate yield curve.

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

5.15 The largest UK banks were required by UK law, to separate core retail banking services (day to day operations) ring-fenced bank, (RFB) from their investment and international banking non-ring-fenced bank, (NRFB) activities from 1st January 2019. This is intended to ensure that the bank's core activities are not adversely affected from its more risky business. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not and the Council will continue to assess the banks in the same way that it does with any other investment institution.

5.16 The level of the Council's investments together with the average interest rate, as at 31 December 2018, is provided for reference at Appendix 6.

5.17 *The Council is requested to approve;*

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

6. Investment Risk Benchmarking

6.1 The CIPFA Code of Practice and MHCLG Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to Members with details of these being provided in Appendix 5.

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

- Security - each individual year the security benchmark is:

1 year investments	2 year investments	3 year investments
0.05%	**0.04%**	**0.10%**

Note - This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment. At 31 December 2018 the Council's default rate of its investments placed was 0.011% which is 0.039% below the 1 year benchmark of 0.05%.

- Liquidity – Weighted Average Life (WAL) - benchmark for 2019/20 is set at 6 months, with a maximum of 3 years for cash time deposits;
  - Liquid short term deposits - at least £10m is available within a week notice;
- Yield - Internal returns are aimed to achieve above the 7 day London Interbank Deposit (LIBID) rate without sacrificing any Security aspects.

7. Prudential Indicators

7.1 A number of prudential indicators have been devised for the treasury management process and these have been designed to assist managing risk and reducing the impact of an adverse movement in interest rate. These indicators have been set at levels which do not restrict day to day activities being undertaken and at the same time ensure the Council's capital expenditure plans are prudent, affordable and sustainable.

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

8. Related Treasury Issues

8.1 Greater Manchester Pension fund (GMPF). During 2017/18, the Council along with several other local Councils took advantage of GMPF wider investment powers and paid over 3 years' employer pension contributions at a discounted rate.

8.2 Asset Investment Strategy. During 2017/18 the Council introduced a programme to acquire suitable assets which will deliver significant economic development and regeneration benefits for the area and/or increase the Council's income generating capacity thereby enabling it to maintain the provision of services in future years.

8.3 Whilst the above projects are policy related activities and therefore not deemed to be treasury management, their implementation will have an impact on the Council's cash flow which is considered on each occasion.

8.4 International Financial Reporting Standards 9 (IFRS9) – This is being introduced in response to the 2008 financial crisis and is designed to generate transparency in the Council's accounts enabling the reader to fully assess the worth and risk of its financial instruments. IFRS 9 is primarily a re-classification not a re-valuation exercise and its introduction is not envisaged to have any major impact for the Council. A possible effect would be however arising from an asset previously being shown on the balance sheet under the available for sale category e.g. property funds, which will now be changed to Fair Value through the Profit and Loss (FVPL) with any profit or loss in revaluation being taken to the accounts in full in the year of measurement. To mitigate against this and in response to previous consultation, MHCLG have issued a 5 year override to enable Councils to either arrange for a planned exit over a reasonable time or for potential surpluses to be placed into an unusable reserve and applied to overcome those years when a downward revaluation occurs. The Council will be required to disclose the net impact of the unusable reserve throughout the duration of the 5 year override in order for the Government to keep the override under review and to maintain a form of transparency.

9. Recommendations

That the Accounts & Audit Committee recommend Executive note the report and request Council to approve the Treasury Management Strategy 2019/20 – 2021/22 including the:

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

Other Options

This report has been produced in order to comply with Financial Procedure Rules and relevant legislation. It provides a plan of action for the period 2019/20 to 2021/22, which is flexible enough to take account of changes in financial markets. There are an almost infinite number of other options that the Council could consider as part of its treasury management activities. This report however outlines a clear and practical approach which is recommended by the Corporate Director of Finance and Systems.

Consultation

Advice has been obtained from Link Asset Services, the Council's external advisors.

Reasons for Recommendation

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

Key Decision

This will be a key decision likely to be taken in: February 2019

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

Finance Officer Clearance **GB**

Legal Officer Clearance **DS**

Corporate Director's Signature

STATUTORY FRAMEWORK

Local Government Act 2003

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

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

CIPFA Code of Practice

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

Investment Guidance

MHCLG issued Investment Guidance in 2004 with subsequent amendments being issued periodically thereafter. This Guidance forms the structure of the Council's Investment policy as set out below:

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

MAIN ECONOMIC HEADLINES DURING 2018

GLOBAL-

- World growth was good as a result of strong economic growth in the US however during 2019 this situation is not expected to continue due to a weakening in both the US and China economies being forecasted. In October the International Monetary Fund issued updated forecasts for world growth at 3.7% for both 2018 and 2019.
- Inflation has been primarily weak during the year however as a result of unemployment rates falling to low levels in both the US and UK, an increase in wage inflation is likely to force central banks into a series of increases in bank rates.
- Since the financial crash of 2008 it can now be seen that the measures put in place by the central banks of reducing central bank interest rates together with injecting financial markets with liquidity by Quantitative Easing (a procedure where central banks bought large amounts of central government and other smaller sums of debt), has been successful.

UK-

- The first quarter's pessimism resulting from the adverse weather caused a temporary downward blip for growth of 0.1%, however since then strong returns of 0.4% in quarter 2 and 0.6% for quarter 3 were achieved in response to strong performance in the service sector, the good summer weather and England's World Cup exploits. The outlook for quarter 4 is expected to weaken from this level with the overall growth for 2018 forecasted to be 1.3% y/y.
- Consumer Price Index (CPI) fell from the January 2018 position of 2.7% to 2.0% in December 2018.
- The latest Bank of England quarterly inflation report (November), highlighted that inflation was forecasted to still be marginally above its 2% target in 2020 at about 2.1%.
- At the Monetary Policy Committee, (MPC), meeting in August 2018 the Bank Rate was increased from 0.50% to 0.75%, its highest level since 2008. At their November meeting, the MPC repeated their previous statement that future Bank Rate increases would be gradual and likely to peak at around 2.5% in 2028. It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit however the next increase in Bank Rate is now forecast to be in May 2019 with increases thereafter to be in February and November 2020 before ending up at 2.0% in February 2022.
- Unemployment continues to be at a 43 year low of 4% with employers now having major difficulties filling job vacancies with suitable staff. As a result of which wage inflation picked up to 0.7%, the highest level since 2009 in real terms, wage rates less CPI inflation.

Eurozone –

- Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, however it is still expected to be in the region of nearly 2% y/y.

- Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018.
- Inflationary pressures are starting to build with CPI being 1.9% in November after starting the year in January at 1.3%. As a result of this it is expected that the ECB will start to increase rates towards the end of 2019 from their current level of 0.00% where they have been since 2016.
- Unemployment rate fell from 8.6% in January 2017 to 8.1% in October.

US –

- President Trump's massive easing of fiscal policy is generating a temporary boost in consumption which has generated strong growth. The annualised growth rate for quarter 1 was 2.2% peaking at 4.2% in quarter 2 with quarter 3 coming in at 3.5%.
- Unemployment fell from an opening position of 4.1% in January to a 49 year low of 3.9% in December.
- CPI inflation has over the year been consistently over the target rate of 2%, being 2.2% in November after peaking at 2.9% in July.
- In response to the high CPI position, the Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fifth increase in 2018. They also indicated that they now expected rates would be increased a further two more times by the end of 2019. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.
- The current tariff war between the US and China is not expected to have a significant effect on US or world growth.

Other –

- China's economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus. Concerns remain that official economic statistics are inflating the published rate of growth.
- Japan continues to struggle to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

MAIN ECONOMIC FORECASTS FOR 2019

Producing accurate economic forecasts remains difficult as many external factors have an impact on them. Forecasters are currently predicting the following levels of activity for the year ahead and these will be liable to further amendment depending on how economic data and developments in financial markets emerge over the next year. Geopolitical developments, especially in the EU, could also have a major impact;

Indicator	UK	Eurozone	US	China
Growth Domestic Product	1.6%	2.1%	2.7%	6.5%
Consumer Price Index	2.0%	1.9%	2.4%	2.5%
Unemployment Rate	3.7%	7.5%	3.8%	4.2%
Bank Rate	1.25%	0.25%	3.00%	4.50%

Source - Trading Economics & Office for Budget Responsibility

ELEMENTS FOR COUNCIL APPROVAL

(including Prudential and Treasury Indicators, Minimum Revenue Provision & Investment Criteria)

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

The Accounts and Audit Committee and Executive are requested to recommend that Council approve these for the period 2019/20 – 2021/22 as detailed below.

TREASURY PRUDENTIAL INDICATORS AND LIMITS –

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

	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m
Authorised Limit for External debt				
- Non-Commercial	170.0	180.0	185.0	185.0
- Asset Investments	300.0	400.0	400.0	400.0
- Other long term Liabilities (PFI)	5.5	5.5	5.0	5.0
Total	**475.5**	**585.5**	**585.0**	**585.0**

Authorised external debt limit - This is a key prudential indicator and represents a control on the maximum level of borrowing that the Council will require for all known potential requirements including headroom to cover the risk of short-term cash flow variations that could lead to a need for temporary borrowing. This limit needs to be set or revised by Council and is the statutory limit determined under section 3(1) of the Local Government Act 2003.

	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m
Operational Boundary for External debt				
- Non-Commercial	155.0	165.0	170.0	170.0
- Asset Investments	300.0	400.0	400.0	400.0
- Other long term Liabilities (PFI)	5.5	5.5	5.0	5.0
Total	**460.5**	**570.5**	**575.0**	**575.0**

Operational boundary - calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year excluding any temporary borrowing and is not a limit.				
	2018/19 estimate £m	**2019/20 estimate £m**	**2020/21 estimate £m**	**2021/22 estimate £m**
Upper limit for Principal sums invested over 1 Year	**90**	**90**	**90**	**90**
Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. Included within this limit are the Manchester Airport Shares which at 31 March 2018 were independently valued at £51.9m and the Church Commissioners Local Authorities Property Investment Fund investment of £5m.				
	2018/19 estimate £m	**2019/20 estimate £m**	**2020/21 estimate £m**	**2021/22 estimate £m**
Upper limits on fixed interest rate exposure based on net debt	**5.1**	**12.8**	**12.8**	**12.2**
Upper limits on variable interest rate exposure based on net debt	**2.2**	**2.4**	**2.7**	**3.1**
Upper Interest Limits – identifies the maximum limit for both fixed and variable interest rates exposure based upon the Council's debt position net of investments.				

Maturity structure of all external loan debt – 2019/20 to 2021/22	**Lower limit %**	**Upper limit %**
Under 12 months	0	30
12 months to 2 years	0	30
2 years to 5 years	0	30
5 years to 10 years	0	30
10 years to 20 years	0	30
20 years to 30 years	0	30
30 years to 40 years	0	30
40 years and above	0	90
Maturity Structure of Borrowing – these gross limits are set to reduce the		

Council's exposure to large sums falling due for refinancing and reflect the next date on which the lending bank can amend the interest rate for any Lender Option Borrower Option loans the Council currently has.
Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be for capital purposes. The Corporate Director of Finance and Systems will ensure: • that all external debt does not exceed the capital financing requirement with any exceptions being reported to Council and • that this requirement has been complied with in the current year, does not envisage difficulties for the future and takes into account current commitments.

All the treasury prudential indicators and limits are monitored on a regular basis with any breaches being reported to Council at the earliest opportunity.

MINIMUM REVENUE PROVISION - (minor changes to policy as highlighted)

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

- Capital expenditure financed by Supported Borrowing: MRP will be calculated on a straight line basis over the expected average useful life of the assets (50yrs);
- Capital expenditure financed by Prudential Borrowing: MRP will be based on the estimated life of the assets once operational charged on a straight line or annuity basis in accordance with MHCLG guidance;
- Asset Investment Strategy financed by Prudential Borrowing: Voluntary Revenue Provision (VRP) using the periods stipulated within the MHCLG Guidance of up to 50 years will be applied. By adopting this approach it will enable the Council upon the sale of each asset, to either apply the capital receipt or use the VRP receipts to extinguish debt taken. If the capital receipt is applied then the VRP previously set-aside will have been undertaken for no purpose and therefore can be reclaimed. Annual reviews will be undertaken to ensure that this policy remains prudent and as at 31 March 2019 the total VRP overpayments are forecasted to be £0.955m.
- PFI schemes and leases shown on the balance sheet: MRP will be based on the amount of the principal element within the annual unitary service payment and financed from the provision set-up to cover the final bullet payment. Capital receipts are to be used to replenish this provision to ensure any final bullet payment can still be made in 2028/29;
- For expenditure that does not create an asset, or following the use of a Capitalisation Direction: provision will be made over a period not exceeding 20 years, in accordance with the 2010 Guidance;
- In instances where the Council lends funds to a third party and in accordance with the guidelines issued (February 2018) by the Secretary of State, MRP is required to be provided over the useful life of the asset created. The Council in this instance will not follow the guidance but rather treat any advance as

"Serviced debt" and therefore no MRP will be set-aside providing there is an agreed repayment date. Annually the Council will undertake a financial assessment of the third parties ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

- In response to the policy agreed by Council on 22 February 2017, MRP on debt incurred pre 2007/08 was to be provided for using a more appropriately linked procedure based on the average useful life of its assets. As a result of this it was established that the Council has, during the period 2007/08 to 2014/15, previously over-provided MRP by £9.93m. This level of overpayment will be recovered by reducing the annual MRP charge equally over the next four years commencing 2016/17 with the unused MRP budget being transferred to an 'Investment Fund' Earmarked Reserve. The use of this Investment Fund will only being deployed on sustainable income generating or 'invest to save' i.e. revenue saving programmes or projects of work. This reserve has been applied to support the additional shareholder loan for the Manchester Airport Group which was approved by the Executive on 30 October 2017.

INVESTMENT CRITERIA – (minor changes to policy as highlighted)

Counterparty Selection

The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. The individual credit criteria, is highlighted below and for categories 1 to 4 this will be applied to both Specified and Non-specified investments. Category 5 applies only to The Church Commissioners Local Authorities Property Investment fund.

The limits shown in the table below are set at a contingency level and operationally monies will be placed with a number of institutions with a maximum 20% of the portfolio being placed with any one institution at the time each investment is made. This situation will be monitored during the course of the year with any corrective action being undertaken at the first opportunity without any financial penalty being incurred.

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 1 – • UK & Non UK Banks (bank subsidiaries must have a parent guarantee in place), • UK Building Societies Institutions must also have an individual minimum short term credit rating of – Fitch F1 or equivalent.	AA to AAA A+ to AA- A- to A	£75m £25m £10m	3yrs 1yr 1yr
Category 2 – UK Banks part nationalised - Royal Bank of Scotland. This bank or its subsidiaries can be included provided it continues to be part nationalised or meets the ratings in category1 above.	-	£20m	1yr

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria.	-	n/a	1day
Category 4 – • Pooled Investment Vehicles: ➢ Money Market Funds ➢ Ultra-Short Dated Bond Funds • UK Government (including treasury bills, gilts and the DMO) • Local Authorities • Supranational Institutions	 AAA AA - - -	£100m	3yrs
Category 5 – • Local Authority Property Investment fund	-	£30m	10yrs

Specified and Non Specified Investments – (no change)

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

- Specified investments are both high security and liquidity investments with a maturity of no more than a year or those which could be for a longer period but where the Council has the right to be repaid within one year if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. All investments can be held under this definition,
- Non specified investments are any other type of investment not defined as specified above. A maximum of £90m is permitted to be held in this classification as detailed in Appendix 3, Prudential Indicator (5) Upper limit for sums invested over one year.

Instruments & Maximum period

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

Specified Investments

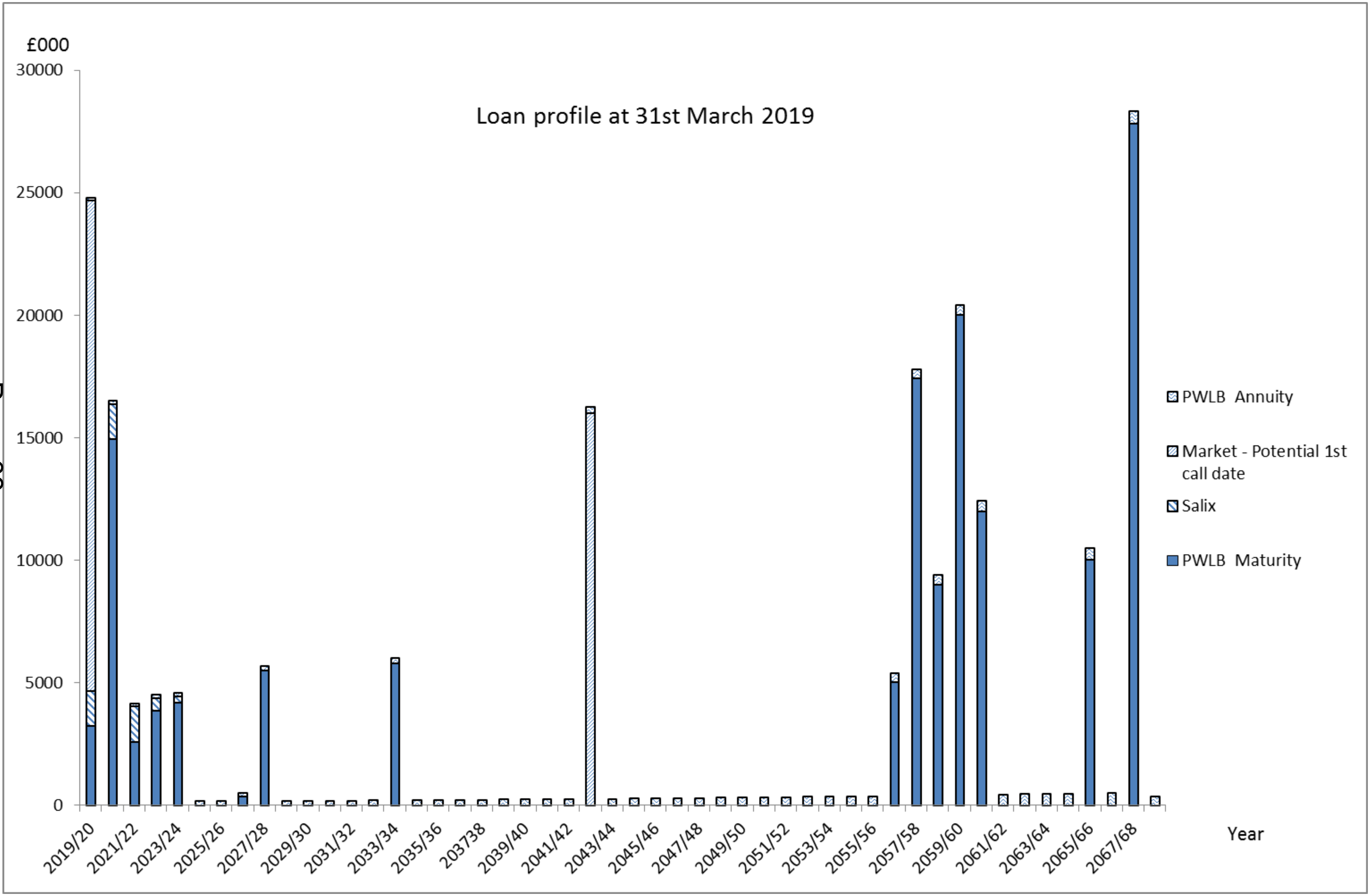
Investment	Maximum Maturity
The UK Government including Local Authorities and Debt Management Office.	1 Year
Supranational bonds of less than one year duration (e.g. International Monetary Fund)	1 Year

Investment	Maximum Maturity
Pooled investment vehicles that have been awarded an minimum AA credit rating by Fitch, a credit rating agency, such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) and low volatility bond funds.	1 Year
An institution that has been awarded a high short term credit rating (minimum F1 or equivalent) by a credit rating agency, such as a bank or building society.	1 Year

Non-Specified Investments

Investment	Maximum Maturity
Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. World Bank). The security of principal and interest on maturity is on a par with the Government and these bonds usually provide returns above equivalent gilt edged securities. The value of the bond may rise or fall and losses may accrue if the bond is sold prematurely.	3 Years
Gilt edged securities. These are Government bonds and provide the highest security of interest and principal. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	3 Years
The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.	1 Day
UK Banks which have significant Government holdings	1 Year
Any bank or building society which meets the minimum long term credit criteria detailed in Appendix 3, for deposits with a maturity of greater than one year (including forward deals in excess of 1 year from inception to repayment).	3 Years
The UK Government including Local Authorities and Debt Management Office.	3 Years
Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to being guaranteed from the parent company and is included for clarity and transparency purposes.	3 Years

Investment	Maximum Maturity
Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. It is envisaged this facility will apply to the Manchester Airport share-holding which the Council holds at a historical value of £51.9m as reported in the 2017/18 Statement of Accounts. It is not envisaged that this type of investment will be undertaken in the future.	Unspecified
Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.	Term of loans
Church Commissioners Local Authorities Property Investment Fund - This fund is aimed solely for use by public sector organisations wishing to invest in the property market whilst at the same time generating a favourable rate of return.	10 Years



Page 60

APPENDIX 4

INVESTMENT CREDIT AND INSTITUTION RISK MANAGEMENT

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

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

Investment Institution information.

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

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

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

Investment Limits

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

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

Investment Risk benchmarking

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

Security - A method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table below shows average defaults for differing periods of investment grade products for each Fitch/Moody's and Standard and Poors long term rating category over the period 1981 to 2017. The Council can place investments up to a maximum period of 3 years and for this purpose will only use high rated institutions in order to ensure any potential risk in the form of defaults are kept to a minimum. Investments placed over 1 year but up to 3 years are placed with higher rated institutions in order to ensure that any potential risk of default as highlighted in the table below is kept to a minimum.

Long term rating	Average 1 yr default	Average 2 yr default	Average 3 yr default	Average 4 yr default	Average 5 yr default
AAA	0.04%	0.10%	0.18%	0.27%	0.36%
AA	0.02%	0.04%	0.10%	0.17%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%
BB	0.71%	2.00%	3.47%	4.92%	6.22%
B	2.90%	7.00%	10.67%	13.74%	16.12%
C	18.74%	26.47%	31.60%	35.37%	38.17%

The Council's minimum long term rating criteria is currently "A-", meaning the average expectation of default for a one year investment in an institution with a "A-" long term rating would be 0.05% of the total investment (e.g. for a £1m investment the average loss would be £500). This is only an average as any specific institution loss is likely to be higher.

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

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

INVESTMENT & EXTERNAL DEBT POSITION AS AT 31.12.2018

	Principal £m	Average Rate %
DEBT		
Fixed rate:		
- PWLB	155.5	3.27
- Market	20.4	3.86
Sub-total	*175.9*	*3.34*
Variable rate:		
- PWLB	0.0	0.0
- Market	20.0	4.28
Sub-total	*20.0*	*4.28*
Total debt	**195.9**	**3.43**
INVESTMENTS		
- Fixed rate	(63.0)	0.95
- Variable rate	(18.7)	1.86
Total Investments	**(81.7)**	**1.16**
NET ACTUAL DEBT / (INVESTMENTS)	**114.2**	

SUMMARY MEDIUM FINANCIAL PLAN 2019/20-2021/22

	2019/20 £000	2020/21 £000	2021/22 £000
DEBT			
Loan Interest	4,961	4,692	4,692
MRP	2,454	5,206*	5,206
Premium	548	548	548
Other – Sale PFI interest etc.	817	238	238
Sub-total	**8,307**	**10,778**	**10,778**
INVESTMENTS			
Interest	(1,257)	(1,353)	(1,353)
MAG	(7,195)	(7,695)	(7,763)
Sub-total	**(8,452)**	**(9,048)**	**(9,116)**
TOTAL	**353**	**1,636**	**1,569**

The above table reflects the MTFP treasury management position and excludes associated debt costs from any additional borrowing undertaken to fund the Council's Asset Investment Strategy which will be self-financing.

*The increase in MRP reflects the completion of the 4 year realignment period whereby funds previously over provided are being placed into an Investment Fund.

NON-TREASURY ACTIVITIES

Details of the actual spend incurred on the Council's non-treasury activities undertaken as at 31st December 2018 are outlined below:

Description	Total £m	Purpose
General		
Manchester Airport Group	19.9	Regeneration – 2 Shareholder loans
Homestep	1.0	Regeneration – Capital loan monies advanced to assist first time buyers to acquire property within Trafford
Lancashire County Cricket Club	4.0	Loan advanced for Regeneration purposes
Town Centre	0.3	Regeneration – Capital loan monies advanced to assist businesses occupy empty high street units within Trafford.
Sub-total	**25.2**	
Asset Investment Property		
Sonova House - Warrington	12.1	
DSG - Preston	17.4	
The Grafton Centre - Altrincham	10.8	
Magistrates Courts - Sale	3.9	
Walthew House Lane - Wigan	13.7	
K Site Old Trafford - Equity contribution - Trafford / Bruntwood loan	 7.0 7.0	
Sub-total	**71.9**	
TOTAL	**169.0**	

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 February 2019
Report for: Approval
Report of: Head of Governance

Report Title

Annual Governance Statement 2018/19 – Approach / Timetable

Summary

The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015.

This report sets out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2018/19.

In facilitating the production of the Annual Governance Statement, the guidance issued by CIPFA/SOLACE in April 2016 will be used as a reference point during the process.

Recommendation

The Accounts and Audit Committee is asked to

(a) Note the timetable / action plan;

(b) Note that the Committee will have input to reviewing a draft version of the Annual Governance Statement prior to it being finalised and signed off by the Chief Executive and Leader.

Contact person for access to background papers and further information:

Name: Peter Forrester – Head of Governance
Extension: 1815

Background Papers:

None

1. Introduction

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

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

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

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

1.5 The deadline for completing the AGS is 31 July in line with the deadline for approval of the accounts. In addition, in accordance with best practice, a full draft version of the AGS will be shared with the Accounts and Audit Committee in advance of this.

1.6 This report sets out further detail regarding the Council's approach and timetable for producing its AGS for 2018/19.

2. Governance

2.1 As defined by the International Framework: Good Governance in the Public Sector (CIPFA/IFAC – 2014):

> "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
>
> To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.
>
> Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."

2.2 The CIPFA/SOLACE framework provides a structure to assist authorities with their approach to governance and the production of the AGS. The framework and supporting guidance was updated for in 2016 and in producing the 2018/19 AGS, the guidance will be taken into account through the process.

2.3 Authorities are required to review their governance arrangements against the principles contained in the Framework. The Framework, as to be applied for the 2018/19 AGS, adopts seven core principles that must be considered when defining good governance:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

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

2.4 Trafford Council's Corporate Governance Code (last updated in June 2018) reflects the core principles outlined in the CIPFA Framework and states the arrangements in place to ensure governance arrangements are reviewed annually and reported on through the AGS. The Code will be updated to reflect the updated CIPFA/SOLACE guidance comprising the principles set out in 2.3.

3. Process to Support the Annual Governance Statement

3.1 The Corporate Director for Governance and Community Strategy is responsible for facilitating the production of the AGS which is the Authority's statement on its governance processes.

3.2 The proposed timetable for producing the AGS reflects input from Members and Officers to the process.

3.3 The following arrangements are in place to enable the production of the AGS in 2018/19:

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

The Corporate Director for Governance and Community Strategy is responsible for undertaking an annual assessment to evaluate the position against the Council's Corporate Governance Code.

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

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

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

  - **Management Controls** including legal compliance, performance management, and risk and financial reporting functions operating at corporate and directorate level;
  - **Internal assurance** including Internal Audit, other compliance functions and internal review work;
  - **External assurance** e.g. External auditor and other inspectorates, partner's compliance functions etc.

Democratic Services will facilitate the coordination and reporting of available assurance evidence, both internal and external. This will require support from managers in providing the appropriate information required.

Significant governance issues will be raised with the Corporate Leadership Team as part of the process for agreeing the content of the AGS.

In addition, as part of this process, the Council's Corporate Governance Code will be updated where applicable to ensure it reflects changes including the updated CIPFA/SOLACE guidance.

b) Production and Approval of the Annual Governance Statement

- Input from Members and Officers to produce and approve the 2018/19 AGS includes:

  - Directors and senior managers, with co-ordination from the Democratic Services to contribute to the content of the Statement.
  - CLT, Directors and senior managers to review the adequacy/robustness of the Statement.
  - Chief Executive and Leader to agree the draft AGS.
  - Draft Annual Governance Statement to accompany the draft accounts to be provided to the External Auditor.
  - Draft Annual Governance Statement to be shared with the Accounts and Audit Committee.
  - Accounts and Audit Committee to approve the final version of the AGS, which is signed by the Chief Executive and Leader, and accompanies the Council's final accounts.

3.4 The planned timetable for the process of producing the AGS is in the Appendix. This may be subject to change following any further guidance from CIPFA.

4. Benefits of the Process

4.1 It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and identifies where strengths and areas for development exist in those arrangements. Where significant governance issues are identified, progress can be monitored as required through the year (and reflected within the following year's AGS).

Appendix

Action Plan to enable the production of the Annual Governance Statement for 2018/19

Actions Required	Completion date
• Accounts and Audit Committee to receive report outlining the Authority's approach to the Annual Governance Statement for 2018/19.	6 February 2019
• Obtain assurance on risk management processes / management of strategic risks – final update of Strategic Risk Register for 2018/19 to be agreed by CLT and reported to the Accounts and Audit Committee.	March 2019
• Production of the Annual Head of Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2018/19 providing assurance relating to key systems, procedures and controls in place across the Council.	May 2019
• Review and evaluation of the Authority's actual position in relation to its Corporate Governance Code. Complete collation of evidence to support the production of the draft Statement.	April/May 2019
• Production of a first draft of the Annual Governance Statement and updated Corporate Governance Code for review by / comment from senior officers (co-ordinated by Democratic Services in consultation with CLT).	May 2019
• Updated Corporate Governance Code and completed Draft Annual Governance Statement for 2018/19 to be agreed by the Chief Executive and Leader and shared with the External Auditor (end of May) and Accounts and Audit Committee (June).	May/June 2019
• Final Annual Governance Statement 2018/19, signed by the Chief Executive and Leader, to be submitted to accompany the final accounts and approved by the Accounts and Audit Committee.	July 2019

TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**6 February 2019**
Report for:	**Information**
Report of:	**Audit and Assurance Manager**

Report Title

Audit and Assurance Report for the Period September to December 2018.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period September to December 2018.**
- **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

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Audit and Assurance Service Report September to December 2018

Date: **February 2019**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between September and December 2018 and highlights progress against the 2018/19 Internal Audit Plan to date. At the end of the year, these update 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 2018/19.

2. Planned Assurance Work

Key elements of the 2018/19 Work Plan include:

- Fundamental Financial Systems reviews.
- Input to the completion of the Annual Governance Statement for 2017/18.
- Continued input to and review of risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- Audit reviews in respect of ICT and information governance.
- Anti fraud and corruption work.
- Provision of guidance and advice to services 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 – September to December 2018

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

- Audit review work in respect of financial systems including the issue of a number of audit opinion reports.
- Completion of a number of school audit reviews.
- Issue of reports and ongoing work in relation to a number of other audit reviews from the Internal Audit Plan, including service and authority-wide reviews.
- Submission of data to the Cabinet Office in October 2018, required as part of the 2018/19 National Fraud Initiative.
- Checks in relation to a number of grant claims where Internal Audit sign off is required as part of the grant certification.
- Facilitating an update of the Strategic Risk Register for the Corporate Leadership Team.

4. Summary of Assurances for September to December 2018

There were 15 internal audit opinion reports issued in the period, 12 final reports and 3 at draft stage. For 6 other audits, draft findings had been completed, with reports to be formally issued in the final quarter of 2018/19. A listing of audit report opinions issued including overall findings is shown in Section 5.

In respect of the final reports issued, opinions of "Adequate" or above were given in relation to 10 of the 12 reports. For all final reports issued, where applicable, agreed action plans are in place to implement the recommendations made.

5. Summary of Audit & Assurance Opinions Issued – September to December 2018
(See Appendix 5 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
FINAL REPORTS		
Level 4 Reports :		
Treasury Management (Finance & Systems) / (Finance)	**High (GREEN)** (3/10/18)	A high level of assurance has been maintained and no formal recommendations were made as part of the audit.
Gifts and Hospitality (Governance & Community Strategy/Authority-wide) / (Constitutional Reform and Resident Engagement)	**Medium (GREEN)** (5/10/18)	Procedures and guidance for staff to declare offers of gifts and hospitality are in place. It was recommended that the content of the procedure and guidance within the Employee Code of Conduct is reviewed to ensure it is up to date and considers best practice.
Compliance with Contract Procedure Rules (Finance & Systems / Authority-wide) / (Finance)	N/A** **(AMBER/ GREEN)**	The audit was completed by Stockport Council on behalf of Stockport, Trafford and Rochdale Councils. A number of recommendations were made and accepted (applicable across all authorities) and it was agreed that actions to address these are to be included in an action plan. These include further developing processes for monitoring adherence to the Contract Procedure Rules and also areas in relation to staff training and awareness on the Rules.
IT Change Management (Finance & Systems) / (Constitutional Reform and Resident Engagement)	**Medium/High* (GREEN)** (27/11/18)	Significant progress has been made in implementing recommendations made in the previous audit review. Of the 9 recommendations made, 3 have been implemented and 6 have been progressed with further actions planned in relation to system development.
Business Continuity (Authority-wide) / (Constitutional Reform and Resident Engagement)	**Low/Medium* (AMBER)** (29/11/18)	Whilst some progress has been made, there is substantial work still required to progress previous audit recommendations, of which 9 are still in progress and 4 yet to be implemented. Responsibilities, plans and resources available need to be reviewed and defined in respect of Business Continuity Management / Disaster Recovery Planning. It was agreed that a review will be undertaken to refresh and update the policy and procedures for Business Continuity across the Council.
Level 3 Reports :		
Stronger Families Programme (Children's Services) / (Children's Services)	**N/A* (GREEN)** (17/10/18)	There is a commitment of all Greater Manchester local authorities to undertake regular audits to provide assurance that local systems and processes meet the minimum standards of the Greater Manchester Troubled Families framework. As part of previous audit work, some areas were highlighted for improved recording of information to evidence progress/developments in relation to individual cases. This follow-up audit demonstrated an improved direction of travel. Of the 8 recommendations previously made in February 2018, 3 can be considered fully implemented, and 5 are in part implemented / in progress.
Adult Social Care Direct Payments (Adult Services) / (Adult Social Care)	**Medium* (GREEN)** (29/11/18)	Progress has been made in addressing areas for improvement in controls identified in the previous audit. Further developments are in progress to ensure service standards and procedures are clearly defined and communicated. Of the previous 19 audit recommendations, 13 had been implemented in part or in

		progress with 6 not yet implemented to date (mainly dependent on further development of existing systems to record and monitor direct payments). A further audit review will be planned for 2019/20.
Level 1 Reports:		
Woodhouse Primary School (Children's Services) / (Children's Services)	**Medium (GREEN)** (5/10/18)	Overall, systems, procedures and controls in place were found to be adequate but existing systems and processes could be enhanced in certain areas. A number of recommendations have been made including in relation to the update / approval of a number of school policies e.g. Freedom of Information and Health and Safety policies and updating of the business continuity plan.
Templemoor Infant and Nursery School (Children's Services) / (Children's Services)	**Medium/High (GREEN)** (5/10/18)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. A small number of recommendations were made including in relation to the banking of income and maintenance of the inventory of equipment.
Altrincham C of E Primary School (Children's Services) / (Children's Services)	**Medium/High (GREEN)** (20//11/18)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. A small number of recommendations were made including in relation to procedures in respect of the ordering and payment for some goods and services.
Our Lady of Lourdes Catholic Primary School (Children's Services) / (Children's Services)	**Medium/High (GOOD)** (27/11/18)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Recommendations made included the need to approve the School's Freedom of Information Policy and in terms of accounting records, ensure reconciliations between school records and bank statements are evidenced.
St. Antony's Catholic College (Children's Services) / (Children's Services)	**Medium (GREEN)** (28/11/18)	Overall, systems, procedures and controls in place were found to be adequate but a number of areas for control improvement were identified across different systems and processes. The College is currently in deficit but has a budget recovery plan to address this.
DRAFT REPORTS		
Level 4 Reports:		
Data Breaches (Governance & Community Strategy) / (Constitutional Reform and Resident Engagement)		A draft report was issued for management to consider and confirm agreed recommended actions. A final report is due to be issued in the final quarter of 2018/19.
Level 3 Reports:		
Children's Services Direct Payments (Children's Services) / (Children's Services)		A draft report was issued for management to consider and confirm agreed recommended actions. A final report is due to be issued in the final quarter of 2018/19.
Level 1 Reports:		
Willows Primary School (Children's Services) / (Children's Services)		A draft report was issued for management to consider and confirm agreed recommended actions. A final report is due to be issued in the final quarter of 2018/19.

OTHER REPORTS IN PROGRESS		
Level 4 Reports:		
STAR Procurement - Financial vetting of suppliers (Finance & Systems) / (Finance)	*	This follow-up audit was undertaken by Trafford Council on behalf of Stockport, Trafford and Rochdale Councils. Draft findings have been shared with STAR. A final report is due to be issued in the final quarter of 2018/19.
Level 2 Reports:		
Trafford Town Hall Catering (People) / (Equalities and Partnerships)		Initial findings have been shared with management. Report to be agreed with a final report planned to be issued in the final quarter of 2018/19.
Aids and Adaptations (Adult Services) / (Adult Social Care)	*****	Initial findings have been shared with management. Report to be agreed with a final report planned to be issued in the final quarter of 2018/19.
Client Finance System (Finance & Systems) / (Finance and Adult Social Care)		Initial findings have been shared with management. Report to be agreed with a final report planned to be issued in the final quarter of 2018/19.
Level 1 Reports:		
St. Hugh of Lincoln RC Primary School (Children's Services) / (Children's Services)		Draft findings have been shared with management. A final report is due to be issued in the final quarter of 2018/19.
Environmental Health (Place) / (Environment, Air Quality and Climate Change)		Draft findings have been completed and will be shared with management with a final report due to be issued in the final quarter of 2018/19.
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* * Note the audit opinions provided by Stockport Council corresponded to elements of both "Amber" and "Green" opinions per the Trafford framework (See Appendix 5).*		

6. Other Assurance Work
There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued. Work in the quarter has included the following:
• Working with CLT to update the strategic risk register with an update report shared with CLT and the Accounts and Audit Committee in October 2018. • Completing a number of checks as part of the process for certifying grant claims with work completed in relation to the 2017/18 Cycle City Ambition Grant; 2017/18 Pothole Action Fund and 2017/18 Disabled Facilities Grant. • Following liaison with relevant services across the Council, co-ordinating the submission of data to the Cabinet Office as part of the 2018/19 National Fraud Initiative. Further detail is included in Appendix 3. • Input to the Authority's contract monitoring of the One Trafford Partnership in respect of the monitoring of performance indicators. This included supporting management in validating supporting

data and providing advice in respect of the processes supporting the monitoring of some key performance indicators.
- Liaison with ICT to monitor mobile phone usage with findings shared with ICT to consider appropriateness of contracts in place.
- Work completed in liaison with Trafford Leisure in relation to Altrincham Golf Course to provide advice on internal control.

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 produced and issued by the Audit and Assurance Service during the period, 99% of recommendations have been accepted (114 out of 115 recommendations made) compared to a service target of 95%.

Implementation of Audit Recommendations

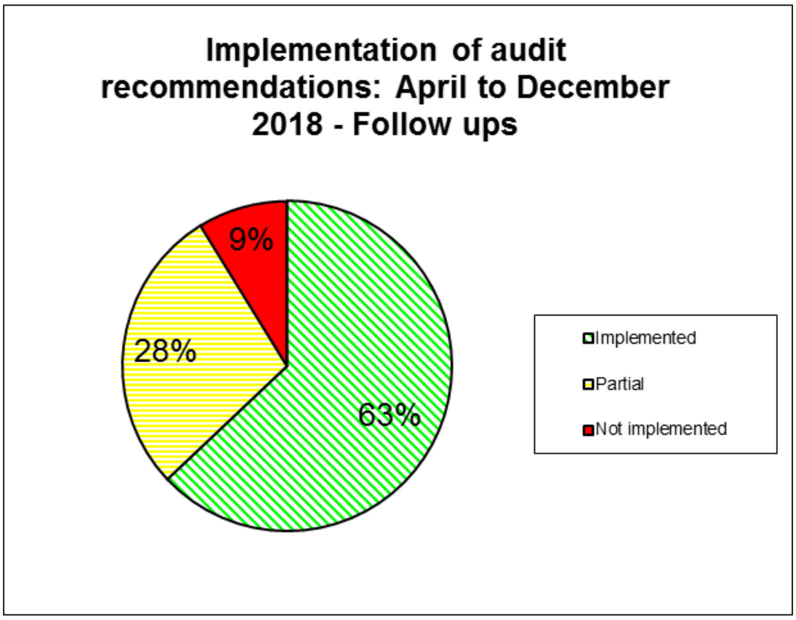
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

As listed under final reports in Section 5, audits which included follow-up work were completed in relation to four reviews (IT Change Management; Business Continuity; Stronger Families Programme and Adult Social Care Direct Payments).

In respect of two other audits previously completed, management were requested to provide an update on progress in implementing recommendations made. Outcomes are as follows:

- Stamford Park Infants School (Children's Services) – All 10 recommendations previously made have been implemented.
- St. Margaret Ward Catholic Primary School (Children's Services) – Of the 12 recommendations previously made, 11 have been implemented with one in progress.

An overall analysis of audit recommendations followed up in 2018/19 (up to 31 December 2018) 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 2018/19 Operational Internal Audit Plan

As at 31 December 2018, 671 audit days were spent against 788 planned allocated days. The difference is largely accounted for by one of the audit staff being on a temporary secondment to the Trafford CCG Finance team during the current financial year. This has been partly mitigated by the use of the contingency of 60 days included within the Plan. It is anticipated that a small number of audit reviews will be rescheduled from 2018/19 to 2019/20. This will be reported in the 2018/19 Annual Head of Internal Audit Report and also reflected in the 2019/20 Internal Audit Plan.

As part of the Internal Audit Plan, a target of 40 audit opinion reports was set to be issued during 2018/19 to final or draft stage (excluding reports issued by other partner authorities in relation to STAR Procurement). As at 31 December 2018, 22 opinion reports were issued by the Audit and Assurance Service to final stage, another 3 to draft stage and a further 6 reports had been drafted for sharing with management for initial comments (totalling 31 reports produced to date). There were 3 other audit reports in progress as at 31 December 2018. (Note: 3 other final reports were issued to final stage in relation to STAR Procurement).

A number of other reviews are due to commence in Q4 with further reports to be issued during the period. (See Appendix 2 for listings of reports issued and planned).

The number of actual reports issued by the end of March 2019 and work in progress will be set out in the Annual Head of Internal Audit Report 2018/19.

9. Client satisfaction surveys (April to December 2018)

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 98% of responses.** A summary of feedback is shown in **Appendix 4.** A summary of responses received for the whole year will be included as part of the Annual Head of Internal Audit Report 2018/19.

10. Planned Work for January to March 2019

Areas of focus include :

- Issue of final audit reports (to include agreed action plans) in relation to the 9 reviews listed in Section 5 where reports have been issued as draft or are in progress.
- Progression of other audit reviews as listed in Appendix 2.
- Commencement of review of data matches from the latest National Fraud Initiative exercise, which are due to be released in early 2019.
- Supporting CLT in updating the Strategic Risk Register with a report due to be shared with the Accounts and Audit Committee in March 2019.
- Completion and approval of the 2019/20 Internal Audit Plan.
- Review and update of the Internal Audit Charter (to reflect service changes during the year) for approval by the Accounts and Audit Committee.

APPENDIX 1

2018/19 Operational Plan: Planned against Actual Work (as at 31 December 2018)

Category	Details	Planned Allocated Days 2018/19	Planned Days (up to 31/12/18)	Actual Days (as at 31/12/18)
Fundamental Systems	**Completion of fundamental financial systems reviews:** (**See Appendix 2** for opinion reports issued and planned to be issued).	180	155	91
Governance	**Corporate Governance / Annual Governance Statement (AGS) – to provide support and advice to Legal and Democratic Services.** **Complete a review of the content of the draft 2017/18 AGS with reference to the CIPFA/SOLACE Governance framework and guidance.** **Ongoing advice / assurance in respect of governance issues.** Audit has worked with Legal and Democratic Services to assist and provide input to planning the process for producing the AGS. A review was completed as planned of the Draft AGS with findings fed back to Legal and Democratic Services before the document was finalised. An audit review was added to the Audit Plan to assess procedures for the declarations of gifts and hospitality by officers which was completed (See Appendix 2 under Governance).	30	22	13
Corporate Risk Management	**Actions to support the Council's Risk Management Strategy including:** - **facilitating the update of the strategic risk register** - **provision of guidance and reviewing existing Service / Directorate level risk registers to consider areas for development.** - Work to date: Strategic Risk update report completed in July 2018 and reviewed by CLT in August 2018. Further refresh of the risk register commenced in September with a report to CLT and the Accounts and Audit Committee in October 2018. A further update is commencing in January 2019 with a report to CLT and the Accounts and Audit Committee in March 2019. The risk management site on the intranet was updated including reviewing the layout.	35	21	15

Anti-Fraud and Corruption	**The Service will continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2018/19 exercise.** **Investigation of referred cases of suspected theft, fraud or corruption.** **Other work to support the Ant-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.** Data submitted as planned in October 2018 for the 2018/19 NFI exercise (See Appendix 2). (Investigation work and other activity undertaken during the year will be reported in the 2018/19 Head of Internal Audit Report).	110	80	63
Procurement / Contracts/ Value for money	**Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).** **See Appendix 2** for reports completed and planned. As per Section 6, input to the Authority's contract monitoring of the One Trafford Partnership in respect of the monitoring of performance indicators.	80	45	41
ICT / Information Governance Audit	**ICT Audit reviews completed by Salford Internal Audit Services.** **ICT related investigations where applicable.** **Information Governance audit reviews** **See Appendix 2** for reports completed and planned. As per Section 6, work also included monitoring of mobile phone usage with findings shared with ICT.	100	65	66
Schools	**Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard (SFVS).** **Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.** **See Appendix 2** for audit opinion reports issued and planned. (As at 31/12/18, 8 final reports issued; 1 draft report issued and 1 review where draft findings have been shared; 7 other schools audits are expected to commence between January and March 2019).	180	140	135

Assurance – Other Business Risks	**Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes:** **- Audit reviews** **- Follow up reviews including further audits and gaining assurance from service updates.** **See Appendix 2** for audit opinion reports issued and other work completed / planned.	250	171	165
Grant claims checks / Data Quality	**Internal audit checks of grant claims / statutory returns as required:** **Grant checks completed:** - Local Growth Fund (completed July 2018) **-** Cycle City Grant (completed September 2018) - Pot Hole Fund Grant (completed September 2018) - Disabled Facilities Grant (completed October 2018). (Time also includes audit review in relation to the Stronger Families programme)	35	29	22
Service Advice / Projects	**General advice, both corporately and across individual service areas.** **Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.** **To date this has Included:** - In early 2018/19, contributing to work of the Information Security Governance Board; - Guidance shared with schools in respect of commonly made audit recommendations; - Other guidance and advice through the period, including liaison with Trafford Leisure.	80	60	60
TOTAL		**1080***	**788**	**671**

- Note there was a further contingency of 60 days within the 2018/19 Plan.

APPENDIX 2

Audit Opinion Reports Issued and Planned 2018/19 (as at 31 December 2018)

Category	Audit Opinion Reports (Corporate Directorates in place when IA Plan issued in March 2018 shown in brackets)	Status (where progressed by 31/12/18)	2018/19 IA Plan (inc. planned work in Quarter 4 (Q4)
Fundamental Systems	- Income Control (T&R) - Liquid Logic/ContrOCC system – Adult Services (CFW/T&R) - Direct Payments (CFW - Adults) - Treasury Management (T&R) - Accounts Payable (T&R) - Payroll (T&R) - Liquid Logic/ContrOCC system – Children's Services (CFW/T&R) - Direct Payments (CFW – Children's Services) - Budgetary Control (Authority-wide)	Final report issued 4/6/18 Final report issued 4/6/18 Final report issued 29/11/18 Final report issued 3/10/18 - - In progress Draft report issued 20/12/18 -	Completed Completed Completed Completed Commence end of Q4 Commence end of Q4 Draft report to be issued Q4. Final report to be issued Q4. Rescheduled to Q1 2019/20
Governance	- Declaration of gifts and hospitality	Final report issued 5/10/18	Completed
Procurement /Contracts /Value for money	- Contracts Register (STAR Authorities – Rochdale lead) (T&R) - Contract Procedure Rules (STAR Authorities – Stockport lead) (T&R/Authority-Wide) - Social Value in Procurement (including follow up) (STAR authorities – Trafford lead) (T&R/Authority Wide) - STAR Quality Management System (STAR Authorities – Stockport lead) (T&R) - Chest Procurement Portal (follow up) (STAR Authorities – Rochdale lead) (T&R) - Financial vetting of firms (follow up) (STAR Authorities – Trafford lead) (T&R) - STAR Performance Indicators (STAR Authorities – lead to be confirmed) (T&R) - New vendor requests / spend monitoring (STAR Authorities – lead to be confirmed) (T&R) - Commissioning of children's external residential placements (CFW)	Final report issued 1/8/18 Final report issued 22/11/18 - Final report issued 13/6/18 - Draft findings shared with management. - - -	Completed Completed Commence in 2019 (Timing to be agreed) Completed Commence in 2019 (Timing to be agreed) Final report to be issued Q4. Commence in 2019 (Timing to be agreed) Commence in 2019 (Timing to be agreed) Commence in 2019 (Timing to be agreed)
Information Governance / ICT Audit	-IT Change Management follow-up audit (T&R) - ITrent System IT Application Controls (T&R) - Software Licensing - follow up (T&R) - Cyber Security follow-up (T&R) - Information Security Management (ISO 27001 Gap Analysis) (T&R) - Data breaches (T&R/Authority-Wide)	Final report issued 27/1118 Planning commenced Initial update completed Final report issued 2/7/18 - Draft report issued 17/12/18	Completed. Draft findings to be shared in Q4. Further update and follow-up review in Q1 2019/20. Completed Agreed with ICT Service that coverage will be considered as part of 2019/20 Cyber Security audit work. Final report to be issued Q4

Schools	14 Opinion Reports to be issued. The full list of audits to be confirmed through 2018/19. (CFW).	8 final reports issued to date: -St. Antony's Catholic College (28/11/18) -Our Lady of Lourdes Catholic Primary School (27/11/18) -Altrincham C of E Primary School (20/11/18) -Woodhouse Primary School (5/10/18) -Templemoor Infant and Nursey School (5/10/18) -Bowdon Church School (15/5/18) -The Firs Primary School (8/5/18) -Trafford Alternative Education (Trafford High School and Trafford Medical Education Service) (2/5/18) 1 draft report issued: -Willows Primary School (13/12/18) Draft findings shared with school: -St. Hugh of Lincoln RC Primary School.	5 final reports to be issued in Q4: -Willows Primary School -St. Hugh's of Lincoln RC Primary School - Flixton Primary School - Heyes Lane Primary School - English Martyrs' RC Primary School 1 draft report to be issued in Q4 (with final report by Q1 2019/20): - Navigation Primary School 3 other reviews to commence in Q4 (with final reports issued by Q1 2019/20: -Highfield Primary School -Delamere School -Egerton High School
Assurance – Other Key Business Risks	- Old Trafford Library (T&R) - Bereavement Services (T&R) - Trafford Town Hall - Catering Income (T&R) - Let Estates (EGEI) - Client Finances (Appointees and Deputyships) (T&R/CFW) - Section 17 Payments – Children (CFW)* - Music Service (T&R) - Altrincham Library (T&R) - Flixton House (T&R) - Registration Service (T&R) - Licensing (EGEI) - Planning Enforcement (EGEI) - Pest Control (EGEI) - Environmental Health (EGEI) - Strategic Growth Team (EGEI) - Statutory Homelessness Services (EGEI) - Energy Management (EGEI) - Payments to Care Leavers - follow up (CFW) - Aids and Adaptations - follow up (CFW) - Business Continuity – follow up (T&R /Authority Wide) - Stronger Families Programme (CFW)	Final report issued 10/7/18 Final report issued 21/5/18 Draft findings shared with management Final report issued 8/5/18 Draft findings shared with management. In progress - - - Final report issued 20/7/18 - - Final report issued 14/8/18 Draft findings produced - - Initial work undertaken and findings shared - Draft findings shared with management Final report issued 29/11/18 Final report issued 17/10/18	Completed Completed Final report to be issued Q4 Completed Final report to be issued Q4 Draft report to be issued Q4 Commence end of Q4 Commence planning in Q4 Rescheduled in agreement with service to 2019/20 Completed Commence in Q4 Rescheduled in agreement with service to 2019/20 Completed Final report to be issued Q4 Timing to be agreed Commence in Q4 Completed for 2018/19 / further work to be agreed. Commence in Q4 Final report to be issued in Q4. Completed Completed

National Fraud Initiative – Update on 2018/19 Exercise

The Audit and Assurance Service continues to co-ordinate the Council's participation in the Statutory National Fraud Initiative (NFI) exercise.

The NFI is a nationwide data matching exercise. It is designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. The main exercise is carried out once every two years at minimal cost to the organisations involved and is firmly established as the United Kingdom's premier public sector fraud detection exercise.

The introduction of GDPR in May 2018 required changes to the Fair Processing Notices (FPNs) the Council has traditionally published in advance of the NFI exercise. The Audit and Assurance Service liaised with the Council's Information Governance team to ensure up to date privacy notices were in place ahead of the 2018/19 exercise.

The following datasets for the 2018/19 NFI exercise were submitted to the Cabinet Office during October and December 2018:

- Payroll Data
- Pension Gratuity Payment Data
- Creditors Standing Data
- Creditors History Data
- Electoral Register Data
- Council Tax Data
- Council Tax Reduction Scheme Data
- Housing Waiting List Data
- Taxi Licensing Data
- Personal Alcohol Licensing Data
- Street Trader Data
- Personal Budget (Direct Payment) Data
- Private Residential Care Home Data
- Resident Parking Permit Data.

Dataset matches were all due to be released shortly after the time of writing this report at the end of January 2019. The Audit & Assurance Service liaises with services across the Council to ensure high priority matches are reviewed and, where appropriate, followed up through the year. Details of progress will be reported in future updates to the Corporate Leadership Team and the Accounts and Audit Committee, including in the Annual Head of Internal Audit Report

APPENDIX 4

Client Survey Responses 2018/19 (as at 31 December 2018)

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	9				
Feedback of findings and liaison during the audit	8	1			
Professionalism of auditors	8	1			
Helpfulness of auditors	8	1			
Timeliness of the review and the draft report	6	2	1		
Clarity of the report	7	2			
Accuracy of the report	6	3			
Practicality of the recommendations made	4	4	1		
Usefulness of the audit as an aid to management	6	3			
Total	**62**	**17**	**2**		
%	**77%**	**21%**	**2%**		
	Very Significant	**Significant**	**Moderate**	**Minor**	**None**
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?		2	6	1	
%		**22%**	**67%**	**11%**	

(Note: the results are based on responses from 9 client surveys received in the period).

APPENDIX 5

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 finalise agreed responses 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.

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TRAFFORD COUNCIL

Report to: Executive
Date: 28 January 2019
Report for: Information
Report of: The Executive Member for Finance and the Corporate Director of Finance and Systems

Report Title:

Budget Monitoring 2018/19 – Period 8 (April to November 2018).

Summary:

The purpose of this report is to inform Members of the current 2018/19 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 21.

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 2018/19.
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

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 21 February 2018 Council meeting is £164.25m. In determining the budget an overall gap of £22.945m was addressed by a combination of additional resources of £12.972m, including projected growth in business rates, council tax and use of general reserve and £9.973m of service savings and additional income.

2. Based on the budget monitoring for the first 8 months, the year-end forecast outturn is £0.028m below budget, a favourable movement of £0.750m since the last monitoring report, due mainly to the Business Rates Growth Pilot surplus of £0.81m detailed in paragraph 15 below.

3. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances:

Table 1: Budget Monitoring results by Service	2018/19 * Revised Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percent-age
Children's Services	32,337	34,082	1,745	5.4%
Adult Services	47,976	48,473	497	1.0%
Public Health	12,227	12,556	329	2.7%
Place	23,851	22,769	(1,082)	(4.5)%
People	2,742	2,907	165	6.0%
Finance & Systems	6,994	6,945	(49)	(0.7)%
Governance & Community Strategy	7,426	7,575	149	2.0%
Total Directorate Budgets	**133,553**	**135,307**	**1,754**	**1.3%**
Council-wide budgets	30,693	29,720	(973)	(3.2)%
Net Service Expenditure variance	**164,246**	**165,027**	**781**	**0.5%**
Funding				
Business Rates (see para. 12)	(67,619)	(68,428)	(809)	(1.2)%
Council Tax (see para. 9)	(94,497)	(94,497)	-	
Reserves	(1,630)	(1,630)	-	
Collection Fund surplus	(500)	(500)	-	
Funding variance	**(164,246)**	**(165,055)**	**(809)**	**(0.5)%**
Net Revenue Outturn variance	**0**	**(28)**	**(28)**	**(0.0)%**
Dedicated Schools Grant	**128,624**	**128,026**	**(598)**	**(0.5)%**

* A number of budget virements have been made, under delegated powers, since the Period 6 Budget Monitoring Report and are detailed in Appendix 1.

Main variances, changes to budget assumptions and key risks

4. The main variances contributing to the projected in-year budget saving of £0.028m, 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	1,745	**Outturn variance £1.745m adverse, a £176k favourable movement since P6:** ➢ £1.666m above budget in Children's placements Budget (Note 1); ➢ £417k additional Home to School Transport costs (Note 2); ➢ £338k projected underspend relating to staff cost savings, additional grant income and running cost savings, partly offset by an underachievement of other income (Note 3). **Note 1** The projected outturn position is a gross overspend of £1.906m, this is partially offset by a one off underspend of £240k on the Regional Adoption Agency. Since the last monitoring report at the end of September the service has experienced cost pressures consistent with those reported at P6. The position assumes that the £900k savings target will be achieved in full. As at 30/11/18 £1.067m of savings has been achieved via the planned de-escalation of Children's placements. Within the projected position there is a contingency for forecasted demand on the service of £0.468m. This will be released throughout the remainder of the financial year, if the service can prevent or decrease new activity then there will be a corresponding reduction in the overspend. The number of children in care as at the end of November was 407, an increase of 13 from that last reported at the end of September. A detailed narrative was included as an appendix to the period 6 report providing further detail on the pressures and initiatives in development in relation to the placements budget.

		<u>Note 2</u> The Home to School Transport (Trafford Travel Co-ordination Unit) service continues to experience high demand and increasing costs. The full extent of projected costs has now been quantified now that demand has been confirmed following the commencement of the new school year in September 2018. Current forecasts show that the service will be £417k overspent on transport runs at the year end. Although savings have been made on the staffing budget there are a number of new and expanded "runs" which have resulted in higher contractor costs for commissioned transport. The Service continues to promote independent travel training for young people and car mileage payments to parents as a package of flexible travel assistance solutions for families; this helps reduce demand for transport. The increase in the projection of £74k predominately relates to new runs to out of borough Education places. Since Period 6 five new runs have been introduced at a combined cost of £50k, £35k of this increase relates to transportation to and from an establishment in North Wales. The remainder of the variance £24k relates to increases to transportation requirements of existing users. **<u>Note 3</u>** The £338k underspend is in relation to staff cost savings (£205k), additional grant income (£93k) and minor savings in running costs (£40k).
Adult Services	497	**Outturn variance £497k adverse, a £454k adverse movement since P6:** ➢ £600k adverse variance in the Adults Client Budget (Note 1); ➢ £103k reduction in costs due to vacancies and one off savings (Note 2); **<u>Note 1</u>** The main area of volatility is in the adult client budget as follows: ➢ £400k projected overspend due to higher than expected costs of care packages; ➢ £200k overspend in relation to Discharge to Assess beds supporting the reduction in Delayed transfers of Care from hospitals.

		The market continues to be complex and there is a significant challenge for the service to procure care at the council framework prices. As at the end of November 2018 the Council is forecasting to spend around £2.489m on care exceeding framework prices. The cost projection has increased by £173k due to the additional costs above framework price for long term care packages. - Until the end of the financial year. Commissioners have had recent success in reducing exceptional top-ups paid on homecare packages, the success has been realised through a targeted approach and has involved moving people back onto framework providers or negotiating a reduced rate where packages have been historically procured from premium rate providers during winter pressure. Prior to the Period 6 report the government announced £240m of additional funding for winter pressures across Adult Services nationally. Trafford's allocation was confirmed at £0.945m and conditions were subsequently attached to the funding. This has prompted the Council to look to further increase the number of Discharge to Assess beds available to support continuing targets to reduce delayed transfers of care for hospital beds throughout the winter. This has resulted in additional projected costs of around £200k for Discharge to Assess beds until the end of the financial year. Within the budget there is a savings target of £2.620m. The current forecast reflects a projected over achievement of savings by £260k, mainly due to the Stabilise and Make Safe programme as detailed in Appendix 2. Within the current forecast there is a contingency of £0.4m. **What is the service doing to prevent an escalation in costs?** • Commissioners continue to increase the capacity of Homecare available to the council, and have brought another nine SAMS providers on board; this will ensure that some clients can increase/retain their independence in their own home therefore reducing demand for residential/nursing placements. • The service are exploring alternative contracting arrangements particularly in the form of block contracting in order to achieve

		value for money and to provide security for both the Council and providers. • Commissioning are actively reviewing the payments the Council are making over and above framework prices, where possible alternative providers will be sourced to reduce the pressure on the budget. However it is important to note that quality will not be compromised. Increases in the use of technology are being promoted and further developments will continue in this area to attempt to decrease the need for human intervention and to promote independence. **Note 2** The outturn position includes an underspend on staffing due to vacancies of £206k, this is partially offset by an overspend on costs relating to ongoing repairs and maintenance of lifts and minor adaptations to client properties of £103k.
Public Health	329	**Outturn variance £329k adverse, a £147k favourable movement since P6:** **Community Services Contract** The Council and Trafford CCG are parties in the above contract with Pennine Care NHS Foundation Trust. The contract is expected to overspend by around £1.8m in this financial year; a risk share agreement has been agreed that will see the Council responsible for around 40% of any overspend at the end of the financial year, this equates to around £700k. The service has estimated that expenditure can be reduced in other areas of the Public Health budget by £371k to mitigate against the pressure in this financial year, the remaining projected overspend is therefore £329k, the service continues to work to decrease the deficit further before the end of the financial year.

Place	(1,082)	**Outturn variance £1.082m favourable, a £90k adverse movement since P6** ➢ staff underspend from vacancies of £472k, which is £278k in excess of the savings target and equates to approximately 8.3% of the overall staffing budget. This is an adverse movement since period 6 of £60k and reflects the continuing effort to fill vacant posts and that a number of services are in the process of restructuring; ➢ net surplus income from property rents, car park income and other fees of £166k, a favourable movement of £127k since period 6; ➢ partly offset by a net budget pressure in running costs of £299k across all services, an increase of £157k since period 6. Including: • £116k from waste management disposal costs relating to an increase in trade waste since previously reported; • £138k relating to a recently notified one-off increase in the GM Waste Disposal Levy for 2018/19; • a permanent increase in business rates of £92k relating to a number of Car Parks, offset by one-off business rate refunds (net of fees) of £196k; • other one-off costs of £149k across a number of services. ➢ one-off business rate refunds (net of fees) as previously notified relating to Sale Waterside and Trafford Town Hall of £937k. ➢ Note - Planning income (net of costs) is £355k above target and is ring fenced for re-investment in the service in line with government regulations resulting in a neutral impact on the final outturn. **Period movement £90k adverse:** ➢ One-off increase in GM Waste Disposal Levy for 2018/19 of £138k; ➢ reduced underspend on staff costs £60k; ➢ additional income of £76k from Regent Road and Oakfield Road car parks remaining open longer than expected prior to development

		works; ➢ the final fees associated with car park business rate revaluations are lower than previously estimated, £41k; ➢ other minor net movements £9k.
People	165	**Outturn variance £165k adverse, a £30k adverse movement since P6:** ➢ staff underspend from vacancies of £136k, a small increase of £2k since the period 6 report. This is 2.8% of the total staffing budget; ➢ additional income mainly from traded services of £54k, an increase of £20k since the last report; ➢ These match the service savings target of £190k; ➢ one-off costs of £94k relating to changes to the Council's Executive management structure, an increase of £37k since last reported due mainly to an extension of the temporary Chief Executive post; ➢ running costs are slightly higher than budget by £71k, an increase of £15k since the last report, due mainly to additional trading losses at Flixton House during redevelopment.
Finance & Systems	(49)	**Outturn variance £49k favourable, a £2k favourable movement:** ➢ staff underspend from vacancies are £288k, an increase of £9k since last reported, representing 3.9% of the total staffing budget; ➢ underspend on running costs of £40k and an increase in income above budget of £4k means the service savings target of £283k has been exceeded by £49k; ➢ The main areas of vacancy underspending are Exchequer services, where staff turnover is traditionally high, and ICT which reflects the current difficulties in recruiting to this service.

Governance & Community Strategy	149	**Outturn variance £149k adverse, a £15k adverse movement:** ➢ staff underspend from vacancies are £331k, representing 4.9% of the total staffing budget. The main areas include £166k in Legal Services, £110k in Access Trafford and £55k in Partnerships & Communities. This is £71k in excess of the overall savings target for the service of £260k and has been achieved from natural staff turnover across the Directorate; ➢ running costs above budget of £135k, including demand led legal costs of £36k and £87k relating to the trading position of Sale Waterside Arts Centre; ➢ a shortfall in other savings of £111k, mainly relating to projected income at Sale Waterside Arts Centre of £95k. CCTV trading income is also expected to be £16k below the budgeted savings target; ➢ surplus income of £26k, including additional SLA income in Legal Services.
Council-wide budgets	(973)	➢ Outturn variance £973k favourable, a £205k favourable movement since P6: ➢ Treasury Management net savings of £363k. A recent debt restructure where a £20m RBS loan at 7.26% was extinguished and a replacement loan of the same amount taken out with the PWLB at 2.66% has generated a net in-year saving, after costs, of £0.15m. As a consequence of this restructure a sum of £1.5m has been released from the Financial Instruments Adjustment Account (FIAA), previously set aside for the old RBS loan, and added to the £9.9m Investment Fund Reserve to help pay for the recent £11.2m increase in the Council's investment in MAG. A further £0.25m of savings has also been generated arising from other new low rated debt being taken up later in the year than originally forecasted. ➢ £177k additional net income to be generated from the Investment Strategy following recent decisions made by the Investment Management Board. This is an adverse movement of £95k since the last report due

		to net slippage on a couple of investment property completions; ➢ The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £210k, largely as a result of the successful collection of prior years' housing benefit overpayments. This has reduced by £140k since the period 6 report due to a combination of a reduction in the forecast overpayment recovery plus an increase in in-year overpayments, resulting in a loss of benefit subsidy; ➢ A number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts are reviewed on a regular basis and it is considered appropriate at this stage of the year, after taking account of one-off costs relating to capital projects no longer proceeding, to release £289k; ➢ The latest monitoring information from Stockport Council has identified a projected budget pressure in Coroners and Mortuary fees of £66k. This is due mainly to an increase in body removal, body storage and post mortem contract costs. The Coroners service is currently looking at ways to reduce some of these costs and the current projection is a worst case scenario. It should also be noted that a 2018/19 Interim MAG dividend was recently received for £2.064m. This is in addition to the £3.571m already received in July 2018 for the final 2017/18 dividend. The total dividend received in the year is therefore £5.635m and is above budget by £2.038m. This one-off saving will be transferred to the MAG Dividend Reserve as a prudent measure to protect against the risk of future volatility of MAG dividend income.
Funding	(809)	See paragraph 15 below.
Dedicated Schools Grant	(598)	**High Needs Block:** The projected budget pressure within the High Needs block previously reported has reduced from period 6 due to the receipt of additional grant of £594k. Any surplus or deficit will be transferred to the DSG Reserve at year-end.

MTFP Savings and increased income

5. The 2018/19 budget is based on the achievement of permanent base budget savings and increased income of £9.97m (see para. 1 above). At this stage the latest forecast indicates that total savings of £10.24m will be achieved, which is £0.27m above target and this has been included in the monitoring position above.

Table 3 – Transformation & Business as Usual Projects	**Savings Target £**	**Savings Forecast to be Achieved £**	**Surplus \ (shortfall) £**
Original Target Agreed at Budget Council February 2018	**9,973,000**	10,240,514	**267,514**
Add savings in 2018/19 brought forward from the 2017/18 programme:-	10,000	0	**(10,000)**
Adjusted Target	**9,983,000**	**10,240,514**	**257,514**
Of which:-			
Transformation Projects	3,746,000	4,173,514	427,514
Business As Usual	6,237,000	6,067,000	(170,000)

Those projects currently in exception are listed in Appendix 2.

RESERVES

6. The Council's usable reserves at 31st March 2018 stood at £75.02m, of which £43.23m relates to Earmarked revenue reserves which were detailed in the period 6 report. A full review of all commitments on these reserves is being undertaken as part of the current 2019/20 budget process.

7. The remaining reserves consist of the General Reserve at £6.00m, which is the approved minimum level agreed by Council in February 2018, Capital Related Reserves which are fully committed to meet the costs of the Capital Programme to 2021/22 and Schools Related Reserves which are balances belonging to individual schools and are just held by the Council on their behalf.

8. As part of the current monitoring position it is proposed to transfer the following amounts to earmarked reserves in year:-

   - MAG Reserve £2.038m (see Table 2 above);
   - Business Rates Growth Pilot Reserve £2.5m (see Collection Fund paragraph 15);
   - DSG Reserve £598k (see Table 2 above).

COLLECTION FUND

Council Tax

9. The 2018/19 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%). The total surplus brought forward as at 1 April 2018 was £2.18m of which the Council's share was £1.82m.

10. As at November 2018 the end of year surplus balance is forecasted to be £1.72m, after the application of £0.59m of brought forward surplus and addition of an in-year surplus of £0.23m and £0.10m of backdated valuations. The Council's share of this is £1.64m, and is planned to support future budgets in the MTFP.

11. Council Tax collection rate as at 30 November 2018 was 77.1%, which is ahead of the target of 76.6%.

Business Rates

12. The 2018/19 budget included anticipated growth in retained business rates and related S31 grants of £9.89m. It is still anticipated that the overall budget will be achieved in year, however there has been a net reduction in the underlying amount of Rates collected of £1.5m, as explained further below, offset by a combined one-off increase in Section 31 Grants and a Tariff adjustment relating to previous years of £1.5m.

13. There has been a significant reduction in the underlying total gross rates income, of approximately £5.5m, relating to a number of significant building demolitions

and further temporary reductions due to major building refurbishments. These reductions have largely been offset by a lower provision for rates appeals of £4.0m. The lower provision is a result of a large number of appeals being dismissed by the Valuation Office Agency in respect of major infrastructure projects. This has left an overall net deficit on the Collection Fund of £1.5m. This deficit will need to be made good in 2019/20 by utilising the surplus Section 31 Grants and Tariff adjustment, which will be held in an earmarked reserve for this purpose at year end.

14. The underlying reduction in Rateable Value caused by the permanent demolitions, along with a review of the level of provision being held for appeals are being considered as part of setting the 2019/20 and future years' budgets.

15. In addition to the core rates budget, a one off receipt of £3.31m is due from Greater Manchester Combined Authority which represents Trafford's share of unutilised monies from the 2017/18 Business Rates Growth Pilot contributions. It is proposed that a figure of £2.5m is transferred to the Business Rates Growth Pilot Reserve to smooth any volatility in future year's business rates, as those being experienced in the current year. This will leave a net surplus of £0.81m which can be used to partially offset the in-year forecast budget pressures.

16. Business Rates collection rate as at 30 November 2018 was 74.82% compared to a targeted collection rate of 73.86%.

Transformation Fund

17. In October 2017 Trafford (Council and CCG) was awarded £22m from the Greater Manchester (GM) £450m Transformation Fund. .

18. This investment is to help secure a sustainable health and social care economy by 2021 and will support all Trafford's residents and GP registered population, with interventions specifically targeting those people in the borough with poorer health outcomes and the inequalities and performance issues that need to be tackled.

19. The £22m is pump priming money which is predicated on the basis that benefits will be achieved over this time period, which can then be reinvested to fund expenditure both within that time period and beyond. The benefits are also expected to exceed on-going expenditure and therefore contribute towards reducing the overall gap in funding envisaged by the Trafford locality.

20. Further details of the latest position of the Transformation Fund as reported to the CCG Governing Body can be found at Appendix 3.

CAPITAL PROGRAMME

21. The value of the indicative 2018/19 Capital Programme set in February 2018 was £59.42m and included £5.00m for the Capital Investment Programme phased to 2018/19 (see paragraph 25). Taking into account additional government grant awarded in the autumn budget and other minor changes the budget has moved from £338.65m reported in P6 to its currently estimate of £340.26m.

22. Recent changes to the budget since the last monitoring report are detailed below and are summarised as follows:

Table 6 - Capital Investment Programme 2018/19	P6 Position £m	Changes £m	Current Programme £m
Service Analysis:			
Children's Services	13.30	-	13.30
Adult Social Care	2.34	0.25	2.59
Place	63.88	0.28	64.16
Governance & Community Strategy	1.97	-	1.97
Finance & Systems	1.93	-	1.93
General Programme Total	**83.42**	**0.53**	**83.95**
Capital Investment Fund	255.23	1.08	256.31
Total Programme	**338.65**	**1.61**	**340.26**

23. **Amendments to General Capital Programme**

- **Leisure Strategy : Sale Leisure Centre - £(0.87)m**
  Following the approval of the replacement of both Altrincham and Stretford Leisure Centres it is appropriate to re-profile the planned scheme for Sale Leisure Centre to later years to mitigate the impact on service provision and on Trafford Leisure. In the short term any priority capital condition works will be met from future corporate landlord capital budgets.

- **New schemes and increases to existing budgets - £1.39m**
  - Disabled Facilities Grant: £245k - As part of the autumn budget an additional £55m was made available by Ministry of Housing, Communities and Local Government. Trafford's allocation of this amounts to £245k and must be spent before the end of March 2019.
  - Local Transport Capital Funding: £1.032m – Nationally the Department for Transport allocated an additional £420m of grant as part of the autumn 2018 budget. Trafford has received an allocation of £1.032m which in line with the terms and conditions of this additional funding a brief note will be published on the Council's website by the end of March 2019, setting out how the structural maintenance funding has been utilised, including where feasible pictorial evidence of the work undertaken.

- Westpoint: DDA works (Student Accommodation): £110k – As part of the student accommodation requirements of the UA92 project the Council has agreed to contribute £110k towards ensuring that the facilities are DDA compliant. The costs will be funded from the Major Projects Reserve.

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

Table 7 - Capital Investment Resources 2018/19	**P6 Position £m**	**Changes £m**	**Current Programme £m**
External:			
Grants	16.91	1.28	18.19
Contributions	9.93	(1.01)	8.92
Sub-total	**26.84**	**0.27**	**27.11**
Internal:			
Receipts	17.49	(3.20)	14.29
Borrowing	27.50	2.00	29.50
Reserves & revenue contributions	11.59	1.46	13.05
Sub-total	**56.58**	**0.26**	**56.84**
Total Resourcing	**83.42**	**0.53**	**83.95**

Status and progress of projects

25. On average outturn performance over the last 4 years has been £32.09m and appears to highlight that delivery of the current Capital Programme is quite ambitious. This section aims to give certainty about delivery and the level of outturn performance that can be expected.

26. 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.

Table 8 - Status on 2018/19 Projects	**Current Budget £m**	**Percentage of Budget**
Already complete	27.86	33%
On site	28.58	34%
Programmed to start later in year	24.43	29%
Not yet programmed	3.08	4%
Total	**83.95**	**100%**

27. 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 £80.87m (96%) of the budget has now been committed or is programmed to start in the year.

28. Schemes with a value of £3.08m 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, these include:

- School Expansion Programme - £1.12m: An unallocated balance remains following the approval by the Executive of the 2018/19 schools capital investment works. This will be the subject of a separate report to the Executive for inclusion in the 2019/20 programme.
- City Cycle Ambition Grant Programme - £424k: Negotiations are still ongoing with TfGM to finalise the works to be undertaken.
- 9/11 Market Street, Altrincham Redevelopment - £239k: The proposed development of these commercial properties has been delayed due to the short term occupation by the developers of the new Health and Well Being Centre. The works are expected to be undertaken in 2019/20.
- CCTV Transformation Programme (Phase 2) - £513k: The planned work is now expected to start in 2019/20 and will complete in 2020/21.
- Timperley Sports Club: Pitch contribution - £350k: The council agreed to make a contribution to the replacement of the artificial pitch for use by local schools. This contribution was expected to fall due in 2018/19, however the club are looking into a larger scale development opportunities and as a result it is not expected that the Council contribution will be required until after this financial year.

29. There are a number of schemes which, whilst they have started or are still due to start in year, are not now expected to complete until 2019/20. As a result the outturn projection is now estimated to be £58.36m in 2018/19. The table below provides a summary with scheme details shown in the following paragraph.

Table 9 – 2018/19 Outturn Projection	**£m**
Current General Programme	**83.95**
Actual spend to date	39.33
Expected spend for P9-P12	19.03
Outturn Projection	**58.36**
Variance to current budget	**(25.59)**
Major Areas which require re-phasing to 2019/20	
- Leisure Strategy - "Increasing Physical Activity"	18.76
- Schools related projects	3.12
- Altair Development, Altrincham	1.14
- ICT – Windows 10 Implementation & rollout	0.75
- City Cycle Ambition Grant	0.55
- CCTV Transformation Programme – Phase 2	0.52
- Timperley Sports Club- Artificial pitch contribution	0.35
- 9/11 Market Street, Altrincham	0.24
- Miscellaneous Building Repairs	0.16
Total re-phasing requirement	**25.59**

30. **Land Sales Programme - Capital Receipts**

In order to fund the current Capital Investment Programme there is a requirement for £14.29m of capital receipts (see Table 7). Current projections indicate that in the region of £3.75m will be generated from disposals of surplus assets during the year together with unutilised balances from previous years of £6.52m, giving £10.27m available to support capital expenditure in year. This shortfall of £4.02m would give rise to temporary borrowing costs, unless projects which are planned to be financed from capital receipts are re-phased back to 2019/20.

At this stage in the year it is now known that a number of projects, that were to be funded by capital receipts, are to be re-profiled to later years (see Para 25) meaning that there is unlikely to be a requirement for temporary borrowing in 2018/19.

CAPITAL INVESTMENT PROGRAMME

31. The Council's Investment Strategy was approved by the Executive in July 2017 when approval was given to increase the Capital Investment Fund to £300m, supported by prudential borrowing, to support the approach. The original budget for 2018/19 was £5.00m, however re-phasing from 2017/18 of £250.23m has resulted in a budget of £255.23m.

32. To date ten transactions have been agreed by the Investment Management Board at a total capital cost of £174.15m. This investment will provide a net benefit to support the revenue budget in 2018/19 and later years.

33. There have been two recent approvals:-

    a) Agreement has been reached for the purchase of a warehouse and distribution facility at Walthew House Lane in Wigan at a value of £13.75m, with the purchase being completed on 10 December 2018;

    b) The purchase of another strategic property within Trafford has also been agreed at a price of £23.83m with completion expected in the next couple of months.

Table 10: Capital Investment Strategy	**2017/18** £m	**2018/19** £m	**Total** £m
Total Investment Fund			***300.00***
Activity to date :			
Projected Cost			
K Site, Talbot Rd, Stretford	1.24	23.62	24.86
Acquisitions :			
Sonova House, Warrington	12.17		12.17
DSG, Preston	17.39		17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84		10.84
Trafford Magistrates Court, Sale		4.30	4.30
Walthew House Lane, Wigan		13.75	13.75
Committed: Future purchase of a strategic property in Trafford		23.83	23.83
Loan Advances:			
No.1, Old Trafford : Debt financing for residential development	3.13	(3.13)	0.00
The Crescent, Salford : Debt financing for residential development		60.80	60.80
Development Sites :			
Brown Street, Hale		6.21	6.21
Total investments	**44.77**	**129.38**	**174.15**
Balance available			**125.85**

Issues / Risks

34. 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

35. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 21.

<u>Other Options</u>

Not Applicable

<u>Consultation</u>

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance **GB**
Legal Officer Clearance ***DS***

CORPORATE DIRECTOR'S SIGNATURE …………

Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	* Central Services (£000's)	Council-wide (£000's)	Total (£000's)
Period 6 Report	**32,379**	**59,979**	**23,874**	**17,344**	**30,670**	**164,246**
Part reversal of previous virement re a Commissioning Post	30	(30)				0
Section 17 budget re-alignment	13	(13)				0
Corporate Director budget split between Children's and Adults	(85)	85				0
Transfer Information Unit budget from Legal Services to Adults Support Services		182		(182)		0
Re-alignment of AGMA budgets across Services			(23)		23	0
						0
Total virements	**(42)**	**224**	**(23)**	**(182)**	**23**	**0**
Period 8 Report	**32,337**	**60,203**	**23,851**	**17,162**	**30,693**	**164,246**

* People, Finance & Systems and Governance & Community Strategy.

Appendix 2

Transformation & Business as Usual Projects in exception	**Total savings to be achieved 2018/19 £**	**Total Forecast to be achieved 2018/19 £**	**Variance £**	**Reason for variance**
Continuation Children's Programme	900,000	1,067,747	167,747	Savings achieved to date through planned de-escalation of Children in care having exceeded expectations, the service is committed to providing care for Children in a home setting and hence reducing the number of high cost placements, this has been demonstrated through the increased recruitment of Foster carers and from the return to home of Children to family members aided by closer working with Social Workers.
Reshaping Continuation Adults Programme	1,479,000	1,257,150	(221,850)	The projection has been amended to reflect the decrease in savings currently coming through as a result of reassessment activity and Panel reductions as is to be expected in the final year of a 5 year programme. Savings achieved to date are in the vast majority savings from client costs transferring to health funding, savings in this area are unpredictable hence the decision to reduce the projection.
Single Handed Care	141,000	42,000	(99,000)	Delays in implementation of the new test and learn pilot have meant that there is slippage in the expected project start date. The forecasted savings for 18/19 have been amended to reflect a phased implementation of the scheme.
Stabilise and Make Safe (SAMS) 2018/19 - moving from 11 - 14 average completions p/w	200,000	780,617	580,617	The Stabilise and Make Safe initiative continues to exceed expectations and this has been reflected in the projected overachievement of savings, the service has been able to reduce the costs of interventions and has been able to maintain a steady flow of clients through the service resulting in higher savings than anticipated.
Sub-total Transformation			**427,514**	

Transformation & Business as Usual Projects in exception	Total savings to be achieved 2018/19 £	Total Forecast to be achieved 2018/19 £	Variance £	Reason for variance
CCTV New Trading Model	20,000	0	(20,000)	No new schools signed up due to technical issues at Salford delaying the marketing and growth of the service.
Waterside Arts Centre	100,000	0	(100,000)	Ongoing capital investment in the facility and further business development is anticipated to improve the position later in the year to enable a sustainable financial position to be achieved from 2019/20.
Review of PFI contract	250,000	200,000	(50,000)	Negotiations are continuing with the PFI provider to secure savings.
Sub-total Business as usual			**(170,000)**	
Total			**257,514**	

Appendix 3

NHS
Trafford
Clinical Commissioning Group

GOVERNING BODY – MEETING IN PUBLIC

8TH JANUARY 2018

Title of report	Locality Transformation Fund
Purpose of the report and key highlights	To provide members with an overview and forecast position as at the end of the March 2019 on the transformation Fund across the Locality.

Actions requested	**Decision** *(Decision and discussion required)*		**Discussion** *(No decision required. Discussion only which may lead to actions)*	**X**	**Information** *(no discussion required)*	

Strategic objectives supported by the report (*please tick appropriate objectives relating to the report***)**	
Engagement Continually improvement engagement with member practices, patients, the Public, carers, providers, our staff and other partners to effectively contribute to and influence the work of NHS Trafford CCG.	X
Commissioning and Integrated Health & Social Care Community Model Working with health and social care partners to deliver the transformation plan for Trafford, including an increasing proportion of services from primary care and community services in an integrated way.	X
Commissioning Intentions and Delivery Through effective integrated commissioning, improve the quality of services and reduce the gap in health outcomes between the most and least deprived communities in Trafford	X
Financial Recovery Plan To be a sustainable economy both in terms of clinical and financial services	X
CCG Resilience – Workforce and Governance To ensure the CCG workforce and governance has the capacity and capability to be resilient	

Commissioning a Local Care Alliance (LCA) To work to develop an LCA which deliver integrated care for the Trafford people	
Commissioning Primary Care at Scale To work to develop primary in our neighbourhoods and are able to deliver care with partners	

Recommendations	The Governing Body is asked to note the contents of this paper
Discussion history prior to the Governing Body	A background and monitoring report was presented to the Quality, Finance and Performance Committee in September 2018.
Financial implications and approval	The latest position with regards to spend on the transformation fund will be reported on a bi-monthly basis to both Quality, Finance and Performance Committee and Governing Body. Whilst funding is carried forward into future years, where appropriate, it is the impact that this has on benefits that is included in the monthly finance reports and those on the financial recovery plan.
Risk implications	Whilst funding is carried forward into future years, where appropriate, to meet expenditure, there is an impact on the achievement of benefits in year as a result of delays in the implementation of schemes.
Equality Impact Assessment	Quality impact assessments and equality impact assessments will be carried out where appropriate against individual schemes.
Communications Issues	Communications and engagement on the CCG's transformation Fund and actions will be considered against individual schemes and linked to commissioning intentions.
Public engagement summary	Public engagement of new schemes will be channelled through the Trafford Talks Health programme
Legal implications	None
Workforce implications	None

Prepared by	Helen Zammit – Joint Finance Transformation Lead
Responsible SLT Member	Nikki Bishop - Chief Finance Officer
Financial approval	

TRANSFORMATION FUND

1. INTRODUCTION AND BACKGROUND

1.1 The Trafford system was awarded £22m in October 2017 from the Greater Manchester (GM) £450m Transformation Fund which is delegated to Greater Manchester Heath & Social Care Partnership (GMHSCP) by NHS England.

1.2 This investment is to help secure a sustainable health and social care economy by 2021, in order to build a strong foundation for delivery of Trafford's vision for 2031. The investment aims to put in place:

- An integrated organisation for Trafford Council and NHS Trafford Clinical Commissioning Group (CCG)
- A new model of care for community health, primary care and social care services, to underpin Trafford's Local Care Alliance (LCA) which will also be established, designed and developed
- An optimised offer from the Trafford Co-ordination Centre (TCC)
- Care Complex which will provide coordinated care for people who are at risk of developing conditions, or exacerbating existing conditions, and allow us to proactively manage them in intermediate care facilitating their onwards journey home.
- A range of enabling activity e.g. workforce development, estates redesign, communications and engagement.

1.3 This work will support all Trafford's residents and GP registered population, with interventions specifically targeting those people in the borough with poorer health outcomes and the inequalities and performance issues that need to be tackled.

1.4 The £22m is pump priming money which is predicated on the basis that benefits will be achieved over this time period, which can then be reinvested to fund expenditure both within that time period and beyond. The benefits are also expected to exceed on going expenditure and therefore contribute towards reducing the overall gap in funding envisaged by the Trafford locality.

1.5 In addition to pump priming monies the Council and the CCG also agreed to provide £10.6m of match funding giving an overall fund value of £32.6m.

1.6 Over the four years of the fund, costs were estimated to be £52m funded from GMHSCP (£22m), match funding (£10.6m) associated benefits (£19.4m). The overall estimated value of benefits over this four-year period was £72m.

2. Performance against the fund for 8 months to 30 November 2018

2.1 Expenditure

Based on the budget monitoring for the first 8 months of this year, the year-end forecast is an underspend of £8.7m, of which £3.3m will be carried forward into 2019/20. Not all was to be funded by transformation fund/match funding; £5.4m was to be met from recycled benefits.

2.2 The reasons for the underspend are mainly as a result of delays in the implementation of some schemes whilst options or requirements are fully scoped out (e.g. homecare) or evaluated to consider roll out on a wider scale. There is also a pause in other schemes (e.g. provider development work stream) whilst they are being reviewed. This position is being closely monitored to understand the implications on the benefits associated with the schemes currently experiencing delays.

2.3 Funding

The actual expenditure of £8.4m is funded from GMHSCP (£6.1m) and match funding (£2.3m).

2.4 Benefits

The benefits to be realised from these schemes was £13.2m (this has been updated to take account of local agreements in place with providers, non-locality savings and changes to the recording of activity). However due to the reasons outlined in paragraph 1.2 the benefits forecast to be realised is £8.7m an underachievement of £4.5m. The impact of under achieving on benefits is that underspends to be met by recycled benefits cannot be carried forward and each organisation has to find alternative means of bridging the gap, be it through one-off funds which may require repaying back the following year or alternative savings.

The table 1 below outlines the position for each organisation and appendix A provides the detail by scheme.

Table 1	**Expenditure**				**Funded by**			**Benefits**		
Organisation	**Revised Budget £'000**	**Forecast £'000**	**Variance £,000**	**Cfwd £'000**	**GMHSCP £'000**	**Match Funding £'000**	**Total £'000**	**Target £'000**	**Forecast £'000**	**Variance £'000**
Council	5,439	3,375	(2,064)	411	2,210	1,165	3,375	5,952	5,929	(23)
CCG	10,537	4,561	(5,976)	2,237	3,416	1,145	4,561	7,242	2,745	(4,497)
Joint	1,141	496	(645)	645	496	0	496	0	0	0
Total	**17,117**	**8,432**	**(8,685)**	**3,293**	**6,122**	**2,310**	**8,432**	**13,194**	**8,674**	**(4,520)**

3. Forecast performance against the fund from October 2017 until March 2019

3.1 Table 2 overleaf sets out the forecast position of the fund to 31 March 2019 based on information as at 30 November 2018 incorporating all expenditure, funding and benefits since the scheme became operative in October 2017. Appendix B provides further detail by scheme for the same period.

Table 2	Expenditure				Funded by			Overall Benefit		
Organisation	**Revised Budget £'000**	**Forecast £'000**	**Variance £,000**	**Cfwd £'000**	**GMHSCP £'000**	**Match Funding £'000**	**Total £'000**	**Target £'000**	**Forecast £'000**	**Variance £'000**
Council	7,280	5,088	(2,192)	398	2,527	2,561	5,088	9,168	8,514	(654)
CCG	14,234	7,375	(6,859)	2,346	5,330	2,045	7,375	9,764	2,897	(6,867)
Joint	1,221	576	(645)	645	576	0	576	0	0	0
Total	**22,735**	**13,039**	**(9,696)**	**3,389**	**8,433**	**4,606**	**13,039**	**18,932**	**11,411**	**(7,521)**

3.2 Expenditure

At this stage there is forecast to be an underspend of £9.7m by the 31st March 2019, of which £3.4m will be carried forward. Not all was to be funded by transformation fund/match funding; £6.3m was to be met from recycled benefits.

3.3 Funding

The actual expenditure of £13.0m will be funded from GMHSCP (£8.4m) and match funding (£4.6m).

The overall forecast funding remaining from GMHSCP is £13.6m with match funding of £6.0m. The table 3 below sets this out by organisation and appendix C provides the detail by scheme:

Table 3	Funding Remaining		
Organisation	**GMHSCP £'000**	**Match Funding £'000**	**Total £'000**
Council	3,653	3,439	7,092
CCG	8,830	2,555	11,385
Joint	1,084	0	1,084
Total	**13,567**	**5,994**	**19,561**
Utilised	8,433	4,606	13,039
Remaining	13,567	5,994	19,561
Total	**22,000**	**10,600**	**32,600**

3.4 Benefits

The benefits to be realised from these schemes was £18.9m but due to delays mentioned previously the benefits forecast to be realised is £11.4m an underachievement of £7.5m. The impact of under achieving on benefits is that underspends to be met by recycled benefits cannot be carried forward and each organisation must find alternative means of bridging the gap, be it through one-off funds which may require repaying back the following year or alternative savings.

4. Summary & Recommendations

4.1 **Summary**

As shown in Appendix B, the locality is forecast to have used £8.4m of the Transformation Funds with a further £4.6m matched from CCG and Council baselines to meet the expenditure requirements to date. The forecast benefits are £11.4m of which £8.5m have been generated in adult's and children's care.

4.2 **Recommendations**

NHS Trafford CCG Governing Body is requested to note the content of the paper.

CCG	**Expenditure**				**Funded by**			**Benefits**		
Scheme	**Revised Budget £'000**	**Forecast £'000**	**Variance £,000**	**Cfwd £'000**	**GMHSCP £'000**	**Match Funding £'000**	**Total £'000**	**Target £'000**	**Forecast £'000**	**Variance £'000**
Administration	54	0	(54)	54	0		0			0
Cancer screening LES Payments	33	0	(33)	33	0		0			0
Primary care mental health and wellbeing service	771	0	(771)	0	0		0	3		(3)
Medicines Optimisation team	670	334	(336)	0	89	245	334	1,972	1,557	(415)
Care Workforce	1,273	203	(1,070)	0	203		203	1,717	281	(1,436)
TECHT (Domiciliary MDT)	2,179	1,302	(877)	0	1,302		1,302	1,765	241	(1,524)
Quality and Outcomes Framework	100	0	(100)	100	0		0	487	0	(487)
Clinical and Change Resource	214	24	(190)	190	24		24			0
Provider Leadership Capacity	152	30	(122)	122	30		30			
Quality and Outcomes framework	70	13	(57)	57	13		13	0	0	0
GP Transitional Relief	105	0	(105)	105	0		0			
New Organisational Form	412	176	(236)	236	176		176			
Training Costs	358	73	(285)	285	73		73			0
Urgent Care - Community Enhanced Care	800	0	(800)	800	0		0			
Urgent Care - Ascot House	2,293	2,184	(109)	0	1,284	900	2,184	1,298	666	(632)
Home Care	576	0	(576)	0	0		0			
Programme Management	477	222	(255)	255	222		222			0
Total	**10,537**	**4,561**	**(5,976)**	**2,237**	**3,416**	**1,145**	**4,561**	**7,242**	**2,745**	**(4,497)**

Council										
Urgent Care - Discharge to Assess Bed Facility	841	869	28	(28)	797	72	869			0
Urgent Care - Social work capacity to improve flow in hospitals	378	302	(76)	76	30	272	302			0
Urgent Care - Discharge to Assess and Process Improvements	63	62	(1)	1		62	62			0
Adult's and Children's Social Care	1,529	1,318	(211)	211	1,275	43	1,318	5,952	5,929	(23)
Homecare	1,907	180	(1,727)	74	108	72	180			0
Programme Management	596	583	(13)	13		583	583			0
Enablers	125	61	(64)	64		61	61			0
Total	**5,439**	**3,375**	**(2,064)**	**411**	**2,210**	**1,165**	**3,375**	**5,952**	**5,929**	**(23)**
Joint										
Programme Management	351	338	(13)	13	338	0	338			0
Enablers	790	158	(632)	632	158	0	158			0
Total	**1,141**	**496**	**(645)**	**645**	**496**	**0**	**496**	**0**	**0**	**0**
Grand Total	**17,117**	**8,432**	**(8,685)**	**3,293**	**6,122**	**2,310**	**8,432**	**13,194**	**8,674**	**(4,520)**

Summary 2017/18 to 2018/19

Appendix B

CCG	Expenditure				Funded by			Overall Benefit		
Scheme	**Revised Budget £'000**	**Forecast £'000**	**Variance £,000**	**Cfwd £'000**	**GMHSCP £'000**	**Match Funding £'000**	**Total £'000**	**Target £'000**	**Forecast £'000**	**Variance £'000**
Administration	54	0	(54)	54	0		0	0	0	0
Cancer screening LES Payments	33	0	(33)	33	0		0	0	0	0
Primary care mental health and wellbeing service	936	0	(936)	0	0		0	3	0	(3)
Medicines Optimisation team	1,002	364	(638)	0	119	245	364	3,391	1,557	(1,834)
Care Workforce	1,273	203	(1,070)	0	203		203	2,108	281	(1,827)
TECHT (Domiciliary MDT)	2,826	1,711	(1,115)	0	1,711	0	1,711	2,127	250	(1,877)
Quality and Outcomes Framework	100	0	(100)	100	0		0	725	0	(725)
Clinical and Change Resource	234	44	(190)	190	44		44	0	0	0
Provider Leadership Capacity	220	98	(122)	122	98		98			
Quality and Outcomes framework	90	33	(57)	57	33		33	0	0	0
GP Transitional Relief	105	0	(105)	105	0		0			
New Organisational Form	462	226	(236)	236	226		226			
Training Costs	360	75	(285)	285	75		75	0	0	0
Urgent Care - Community Enhanced Care	800	0	(800)	800	0		0			
Urgent Care - Ascot House	4,473	4,364	(109)	109	2,564	1,800	4,364	1,410	809	(601)
Home Care	754	0	(754)	0	0		0			
Programme Management	512	257	(255)	255	257		257	0	0	0
Total	**14,234**	**7,375**	**(6,859)**	**2,346**	**5,330**	**2,045**	**7,375**	**9,764**	**2,897**	**(6,867)**

Council										
Urgent Care - Discharge to Assess Bed Facility	1,401	1,429	28	(28)	797	632	1,429	0	0	0
Urgent Care - Social work capacity to improve flow in hospitals	473	397	(76)	76	30	367	397	0	0	0
Urgent Care - Discharge to Assess and Process Improvements	79	78	(1)	1	0	78	78	0	0	0
Adult's and Children's Social Care	2,003	1,792	(211)	211	1,592	200	1,792	9,168	8,514	(654)
Homecare	2,100	245	(1,855)	61	108	137	245	0	0	0
Programme Management	1,099	1,086	(13)	13	0	1,086	1,086	0	0	0
Enablers	125	61	(64)	64	0	61	61	0	0	0
Total	**7,280**	**5,088**	**(2,192)**	**398**	**2,527**	**2,561**	**5,088**	**9,168**	**8,514**	**(654)**
Joint										
Programme Management	421	408	(13)	13	408	0	408	0	0	0
Enablers	800	168	(632)	632	168	0	168	0	0	0
Total	**1,221**	**576**	**(645)**	**645**	**576**	**0**	**576**	**0**	**0**	**0**
Grand Total	**22,735**	**13,039**	**(9,696)**	**3,389**	**8,433**	**4,606**	**13,039**	**18,932**	**11,411**	**(7,521)**

Funding Remaining

Appendix C

CCG	Funding Remaining		
Scheme	**GMHSCP £'000**	**Match Funding £'000**	**Total £'000**
Administration	50	0	50
Cancer screening LES Payments	70	0	70
Primary care mental health and wellbeing service	940	0	940
Medicines Optimisation team	491	355	846
Care Workforce	1,067	0	1,067
TECHT (Domiciliary MDT)	919	400	1,319
Quality and Outcomes Framework	200	0	200
Clinical and Change Resource	476	0	476
Provider Leadership Capacity	132	0	132
Quality and Outcomes framework	127	0	127
GP Transitional Relief	180	0	180
New Organisational Form	594	0	594
Training Costs	495	0	495
Urgent Care - Community Enhanced Care	1,040	0	1,040
Urgent Care - Ascot House	476	1,800	2,276
Home Care	760	0	760
Programme Management	813	0	813
Total	**8,830**	**2,555**	**11,385**
Council			
Urgent Care - Discharge to Assess Bed Facility	0	868	868
Urgent Care - Social work capacity to improve flow in hospitals	3	403	406
Urgent Care - Discharge to Assess and Process Improvements	0	62	62
Adult's and Children's Social Care	128	1,070	1,198
Homecare	3,522	783	4,305
Programme Management	0	64	64
Enablers	0	189	189
Total	**3,653**	**3,439**	**7,092**

Joint			
Programme Management	112	0	112
Enablers	972	0	972
Total	**1,084**	**0**	**1,084**
Grand Total	**13,567**	**5,994**	**19,561**

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 February 2019
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2018/19

Summary

This report sets out the work plan for the Committee for the 2018/19 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 2018/19 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**
20 June 2018	Agree Committee's Work Programme for 2018/19 (including consideration of training and development). Training & Development/Presentation - Draft accounts (Provided outside of the Committee on 28 June 2018)					
	- 2017/18 Head of Internal Audit Annual Report	- Audit Progress Report – 2017/18 Audit (Grant Thornton) - Introduction from External Auditors for the 2018/19 accounts (Mazars)		- 2017/18 draft Annual Governance Statement - Corporate Governance Code - Accounts and Audit Committee 2017/18 Annual Report to Council		-Treasury Management update (Annual Performance Report 2017/18) -2017/18 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports (to be circulated outside of the meeting by the end of June 2018).
30 July 2018						
		- 2017/18 Audit Findings Report (Grant Thornton)		- 2017/18 Annual Governance Statement (final version) - Corporate Governance Code.	- Counter Fraud and Enforcement Team Annual Report 2017/18 .	- Approval of Annual Statement of Accounts 2017/18 - Budget Monitoring Report (Period 2 2018/19)

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**
31 October 2018	(Note: Training session on Treasury Management was provided outside of the Committee on 16 October 2018.					
	- Internal Audit monitoring report	- 2017/18 Annual Audit Letter (Grant Thornton) - Audit Update (Mazars)	- Strategic Risk Register monitoring report - Insurance Performance Report 2017/18			- Treasury Management : 2018/19 mid- year performance report - Budget Monitoring Reports (Period 4 and Period 6 2018/19 reports to be circulated to Members outside of meeting in September and November 2018 respectively).
6 February 2019						
	- Internal Audit monitoring report	-Grant Claims summary (Grant Thornton) - Audit Plan & Update (Mazars)		- Report on arrangements for 2018/19 Annual Governance Statement.	(National Fraud Initiative update, within Internal Audit monitoring report).	- Treasury Management Strategy - Budget Monitoring Report (Period 8 2018/19).

26 March 2019						
	- 2019/20 Internal Audit Plan - Internal Audit Charter and Strategy	- Audit update (Mazars)	- Strategic Risk Register monitoring report - Cyber Security Risks update			- Budget Monitoring Report (Period 10 2018/19). - Procurement update (STAR Shared Procurement Service)