



AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Thursday, 26 November 2020

Time: 4.00 p.m.

Place: Virtual meeting

PLEASE NOTE: A link to the virtual meeting can be found below:
<https://www.youtube.com/channel/UCjwblOW5x0NSe38sgFU8bKg>

A G E N D A	PART I	Pages
1. ATTENDANCES		
To note attendances, including Officers and any apologies for absence.		
2. COMMITTEE'S MEMBERSHIP		1 - 2
To note the Committee's Membership for the remainder of the municipal year.		
NOTE: Subject to confirmation at the Council Meeting on 25/11/20: any changes will be reported to the Committee.		
3. COMMITTEE'S TERMS OF REFERENCE		3 - 4
To note the Committee's Terms of Reference for 2020/21.		
4. QUESTIONS FROM MEMBERS OF THE PUBLIC		
To note any questions received, and responses made.		
5. MINUTES		5 - 10
To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 15 th July, 2020.		
NOTE: The Meeting initially scheduled for 28 th October, 2020 was cancelled.		
6. COUNTER FRAUD AND ENFORCEMENT TEAM UPDATE REPORT		11 - 16
To consider a report of the Counter Fraud and Enforcement Manager.		

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|-----|---|-----------|
| 7. | 2019/20 AUDIT COMPLETION REPORT | To Follow |
| | To consider a report from the Council's External Auditor. | |
| 8. | 2019/20 ANNUAL GOVERNANCE STATEMENT | To Follow |
| | To consider a report of the Corporate Director, Governance and Community Strategy. For approval. | |
| 9. | 2019/20 ACCOUNTS | To Follow |
| | To consider a report of the Corporate Director, Finance and Systems. For approval. | |
| 10. | INSURANCE PERFORMANCE REPORT 2019/20 | 17 - 26 |
| | To consider a report of the Corporate Director, Finance and Systems. | |
| 11. | TREASURY MANAGEMENT 2020/21 MID-YEAR PERFORMANCE REPORT | 27 - 44 |
| | To consider a report of the Executive Member for Finance and Investment and Corporate Director, Finance and Systems. | |
| 12. | BUDGET MONITORING REPORT 2020/21 PERIOD 6 | 45 - 74 |
| | To consider a report of the Executive Member for Finance and Investment and Corporate Director, Finance and Systems. | |
| 13. | 2020/21 AUDIT AND ASSURANCE SERVICE UPDATE REPORT, APRIL TO SEPTEMBER 2020 | 75 - 90 |
| | To consider a report of the Audit and Assurance Manager. | |
| 14. | STRATEGIC RISK REGISTER - NOVEMBER 2020 UPDATE | 91 - 116 |
| | To consider a report of the Audit and Assurance Manager. | |
| 15. | ACCOUNTS AND AUDIT COMMITTEE WORK PROGRAMME 2020/21 | 117 - 120 |
| | To consider a report of the Audit and Assurance Manager. | |
| 16. | URGENT BUSINESS (IF ANY) | |
| | Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency. | |

SARA TODD
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), C. Boyes, G. Coggins, J. Dillon, A. Duffield, N. Evans, J. Lloyd (Vice-Chair), A. Mitchell, B.G. Winstanley; and Mrs. J. Platt.

Further Information

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

Joseph Maloney, Governance Officer,
Tel: 0161 912 4298
Email: joseph.maloney@trafford.gov.uk

This agenda was issued on **Wednesday, 18 November 2020** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH.

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TRAFFORD COUNCIL

MEMBERSHIP OF COMMITTEES 2020/21

[NOTE: Subject to confirmation by Council on 25/11/20.]

Note on Membership: In accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) recommended practice the Chair and Vice-Chair of the Accounts and Audit Committee should not also be a Chair or Vice-Chair of an Overview and Scrutiny Committee / Select Committee.

COMMITTEE		NO. OF MEMBERS	
ACCOUNTS AND AUDIT		9	
		(plus 1 Co-optee)	
LABOUR GROUP	CONSERVATIVE GROUP	LIBERAL DEMOCRAT GROUP	GREEN PARTY GROUP
Councillors:	Councillors:	Councillors:	Councillors:
Barry Brotherton CH Jayne Dillon Anne Duffield Judith Lloyd V-CH Barry Winstanley	Chris Boyes OS Nathan Evans Alan Mitchell		Geraldine Coggins
TOTAL	5	3	0
			1

NON-VOTING CO-OPTEE (1) – Mrs. Jeannie Platt

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ACCOUNTS AND AUDIT COMMITTEE

Statement of Purpose

The purpose of the committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Composition

Membership of the Audit and Accounts Committee shall comprise 9 Members, be politically balanced and shall not include any Members of the Executive. A non voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Terms of Reference

Internal and External Audit

- a) Review and approve (but not direct) the Internal Audit Charter and Strategy, including internal audit resourcing.
- b) Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual Internal Audit coverage and whether this provides adequate assurance on organisations main business risks, review the performance of Internal Audit.
- c) Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and action plans.
- d) Review arrangements made for cooperation between Internal Audit, External Audit and other review bodies and ensure that there are effective relationships which actively promote the value of the audit process.
- e) Receive the Annual Internal Audit report and opinion.
- f) Review and consider proposed and actual External Audit coverage and its adequacy and consider the reports of external audit and inspection agencies.
- g) Receive updates from External Audit on External Audit findings and opinions (including the audit of the annual financial statements and the value for money conclusion) and seek assurance on the adequacy of management response to External Audit advice, recommendations and action plans.

Risk Management

- a) Review the adequacy of arrangements for identifying and managing the organisation's business risks, including partnerships with other organisations. This includes review of the Council's risk management policy and strategy and their implementation.

- b) Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- c) Receive and consider regular reports on the risk environment and associated management action.

Internal Control Arrangements, Corporate Governance and the Annual Governance Statement

- a) Review the effectiveness of corporate governance arrangements and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- b) Conduct a review of the draft Annual Governance Statement (AGS), which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations 2015.
- c) Approve the final version of the Annual Governance Statement.

Anti - Fraud and Corruption Arrangements

- a) Review and ensure the adequacy of the organisation's Anti – Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- b) Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

Accounts

- a) Approve the annual Statement of Accounts, including subsequent amendments.
- b) Consider the External Auditor's report on the audit of the annual financial statements.
- c) Be responsible for any matters arising from the audit of the Council's accounts, including the auditor's opinion on the accounts, identification of any misstatements, comments on the accounting and internal control systems and qualitative aspects of accounting practices and financial reporting.

Access and Reporting

- a) To have the right of access to senior officers and all committees of the Council.
- b) To report directly to the Executive or Council, as appropriate, on matters within these terms of reference.

Delegation

In exercising the power and duties assigned to the Committee in its terms of reference, the Audit and Accounts Committee shall have delegated power to resolve and to act on behalf of and in the name of the Council.

ACCOUNTS AND AUDIT COMMITTEE

15 JULY 2020

MEMBERS PARTICIPATING

Councillor B. Brotherton (in the Chair).
Councillors C. Boyes, G. Coggins, J. Dillon, A. Duffield, J. Lloyd (Vice-Chair),
A. Mitchell and B.G. Winstanley; and Mrs. J. Platt.

In attendance

Deputy Director of Finance (Mr. G. Bentley),
Audit and Assurance Manager (Mr. M. Foster),
Governance Officer (Mr. J.M.J. Maloney),
Governance Officer (Mr. A. Murray).

ALSO PARTICIPATING

Councillor T. Ross (Item 52).

Also in attendance

Mr. T. Rooney (Mazars).

45. QUESTIONS FROM MEMBERS OF THE PUBLIC

It was noted that there were no questions to be referred to the current meeting.

46. DECLARATIONS OF INTEREST

No declarations were made by Members.

47. MINUTES

RESOLVED – That the Minutes of the Meeting held on 5th February, 2020
be approved as a correct record and signed by the Chair.

48. 2019/20 DRAFT ANNUAL GOVERNANCE STATEMENT

The Audit and Assurance Manager introduced a report of the Corporate Director of Governance and Community Strategy which set out the Draft 2019/20 Annual Governance Statement (AGS). Members were advised that the preparation and publication of an AGS was necessary to meet the statutory requirement set out in the Accounts and Audit Regulations. Due to COVID-19, the timing for the statutory completion of the AGS had been changed this year as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The content of the draft AGS had been reviewed and agreed by CLT, including agreeing significant governance issues detailed in the draft, which had also been shared with External Audit to accompany the 2019/20 draft accounts. The AGS had been produced taking into account both the framework and guidance on the AGS issued by CIPFA/SOLACE in April 2016. The final version would take into account any further feedback from this Committee and would accompany the Council's Accounts, with the final version being signed off by the Leader of the Council and Chief Executive.

In discussion, Members were advised of a small number of minor amendments which were already under consideration; and it was requested that any further comments / observations from Members be passed to the Corporate Director of Governance and Community Strategy or Mr. A Murray (Governance Services).

RESOLVED – That the content of the report, and the process which it set out to finalise the AGS, be noted.

49. EXTERNAL AUDIT PROGRESS REPORT

Tommy Rooney (Mazars) was in attendance to introduce a report which set out details of progress on the work of the External Auditor as at July 2020, including the impact of Covid-19 on such matters as audit testing, remote working, etc. Some deadlines had been amended in consequence; and a further update would be made to the Committee in October 2020.

In discussion a question was raised regarding the Council's arrangements for the management of its commercial investment portfolio. The audit response was that whilst it was not a matter for the auditor to provide a view on individual investment decisions, the broad arrangements operated by the Council were kept under review, and no concerns had been identified.

RESOLVED – That the content of the report be noted.

50. 2020/21 AUDIT FEE LETTER

The Deputy Director of Finance introduced a letter from Public Sector Audit Appointments which set out details of the scale fee for the Council's external audit in 2010/21.

RESOLVED – That the content of the letter be noted.

51. 2019/20 TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT

The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems submitted a report which outlined the key treasury management activities undertaken during 2019/20, including: compliance with legislative and regulatory requirements, including all treasury management prudential indicators; average levels of external debt and interest rates payable for 2019/20, and comparisons with the previous year; average levels of treasury investments for 2019/20 and rates of return; and net budget savings of £(1.2)m generated mainly as a result of increased levels of income received from Manchester Airport Holding Limited. Members were advised that the report was also to be referred to the Executive and Council.

In discussion, Members raised issues and queries, including in relation to rates of debt supporting the Capital Investment Programme, and associated funding sources and consequences; possible implications of the Covid-19 pandemic for the performance of retail investment assets, and the concept of under-borrowing, including its relationship with the level of the Council's reserves.

RESOLVED –

- (1) That the Treasury Management activities undertaken in 2019/20 be noted and approved.
- (2) That the Executive and Council be recommended to note the content of the report.

52. 2019/20 REVENUE BUDGET MONITORING OUTTURN AND CAPITAL INVESTMENT PROGRAMME OUTTURN REPORTS

The Executive Member for Finance and Investment was in attendance to present a report which informed Members of the 2019/20 outturn figures relating to both Revenue and Capital budgets, and the level of General and Service Reserves. It also summarised the final unaudited position for Council Tax and Business Rates within the Collection Fund. The Executive Member also took the opportunity to brief the Committee on some of the principal challenges, mainly linked to the impact of Covid-19, facing the Council's budget in the current and coming years.

An opportunity was provided for Members to raise questions on the content of the report. These centred on the level of the Council's reserves; the nature and timing of support received from central Governments; the approach to managing demand-led budgets; the position in respect of capital funding for cycling schemes; and underspends on staffing. On the latter two points, it was agreed that further updates could be provided outside the meeting.

RESOLVED – That the content of the report be noted.

53. 2019/20 ANNUAL HEAD OF INTERNAL AUDIT REPORT

The Audit and Assurance Manager submitted a report which provided a summary of the work of the Audit and Assurance Service during 2019/20, and provided an opinion on the overall adequacy and effectiveness of the Council's control environment (which encompassed internal control, risk management and governance) during 2019/20. Members' attention was drawn in particular to the Summary Audit Opinion, namely that "overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard".

Members noted that some amendments had been made during the year to the initial plan; but also that levels of acceptance and implementation of recommendations during the year had been generally good.

RESOLVED – That the content of the report be noted.

54. 2020/21 INTERNAL AUDIT PLAN

The Audit and Assurance Manager submitted a report, previously shared with Accounts and Audit Committee Members in March 2020, which provided, at a high level, the Internal Audit Operational Plan for 2020/21. The report also contained the Internal Audit Charter and Strategy, previously approved by the Accounts and Audit Committee in March 2019. The content was subject to review, not least because of the impact of Covid-19. Some activities, such as visits to schools, had appropriately been deferred; and update on progress against the Plan was to be provided to the Committee's meeting in October 2020.

RESOLVED – That it be noted that the 2020/21 Internal Audit Plan within the report would be subject to changes through the year and that updates would be provided to the Committee at future meetings.

55. STRATEGIC RISK REGISTER UPDATE REPORT

The Audit and Assurance Manager submitted a report which provided an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks. It was noted that the report was developed in liaison with the Corporate Leadership Team, and had been recently updated. Members' attention was drawn to areas where the designation or categorisation of risks had been amended.

In discussion, a number of queries and issues were raised by Members, including: aspects of the presentation of risk data (direction of travel indicators, separation of impact / likelihood columns); static nature of the MTFP and Brexit risks and non-inclusion of Climate Emergency; position of the ICO in relation to data breaches; and assessment methodology for individual risks. It was noted that feedback would be referred to CLT on these issues, the presentation of the data reviewed for the next meeting, and the existing guidance on the assessment of risk circulated to Members for information.

RESOLVED – That the content of the report, and the observations made by Members, be noted.

56. ACCOUNTS AND AUDIT COMMITTEE 2019/20 ANNUAL REPORT

The Chair of the Committee presented the report, summarising the Committee's role, purpose and activities during the year 2019/20, noting that it was intended for onward referral to Council.

RESOLVED – That the content of the report be noted.

57. ACCOUNTS AND AUDIT COMMITTEE 2020/21 WORK PROGRAMME

The Audit and Assurance Manager submitted a report which set out the proposed work programme for the Committee for the 2020/21 municipal year. It outlined areas to be considered by the Committee at each of its meetings, over the remainder of the year. The programme would help to ensure that the Committee met its responsibilities under its terms of reference and maintained focus on key issues and priorities. It had been produced in the light of the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 which set out revised statutory deadlines for completion of the Council's Accounts and Annual Governance Statement. It was emphasised that the programme was flexible and responsive to emerging priorities and / or Members' suggestions referred to the Committee's Chair or Vice-Chair.

In relation to the budgetary challenges currently faced by the Council, it was noted that a briefing session was to be held for Members on the Council's Final Accounts, and that Members would be sent the current year's Period 2 Budget Monitor report when it became available.

RESOLVED – That the 2020/21 work programme for this Committee be approved.

58. URGENT BUSINESS (IF ANY)

(a) Mr. Graeme Bentley

[Note: The Chair agreed to allow consideration of this item as Urgent Business in order for information to be promptly conveyed to Members.]

The Chair advised that the Deputy Director of Finance was to be appointed to a more senior position within the Council from 1st August 2020. Both he and the Corporate Director would be in position with the Council for a while to come. Congratulations were accorded to Mr. Bentley on behalf of the Committee.

The meeting commenced at 4.00 p.m. and finished at 5.30 p.m.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26th November 2020
Report for: Information
Report of: Counter Fraud & Enforcement Manager

Report Title

Counter Fraud & Enforcement Team (CFT) : 2019/20 Annual Report

Summary

The report:

- outlines the Council's fraud prevention and detection performance and activities in 2019/20 and
- outlines the team's plans for 2020/21

Recommendation

The Committee is asked to note the content of the report.

Contact person for access to background papers and further information:

Name: David Wright – Counter Fraud & Enforcement Manager

Extension: 2228

Background Papers:

None

1.0 Introduction

- 1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.
- 1.2 The Council operates a Counter Fraud and Enforcement Team to ensure a continued commitment to the authorities' zero tolerance towards fraud

2.0 Counter Fraud and Enforcement Team

- 2.1 The team is based within Exchequer Services located at Sale Waterside – whose main remit is to investigate Revenues related matters such as Council Tax Support, Council Tax discounts & exemptions, Non Domestic rates liability avoidance and Social Care Fraud.
- 2.2 Over the last 12 months the team has spent a large amount of its time and resources continuing to support a rolling Council Tax Single Person discount review that has been undertaken on behalf of the authority by a 3rd party company. The review has targeted householders claiming the discount where credit based data had highlighted that there may be additional person(s) residing in the property. Using this risk based approach meant that review forms were only issued where there was doubt over entitlement. A breakdown of the outcomes of the review in relation to accounts reviewed during 2019/20 can be seen below:

Table 1

No. of Accounts Canvassed	4877
Admission of non Eligibility	1011
Non responders	207
Total removed	1218
Additional Liability Generated	436.1k

An additional aspect of the review was to further investigate account holders who had responded to the review by confirming that they continued to be eligible to receive the discount when the data obtained strongly indicated that this statement was false. An example of such a case can be seen below in **Case Study 1**.

- 2.3. In addition to the Council Tax discount exercise, the team has also been doing a great deal of work with the Non Domestic Rates team, surrounding Small Business Rates Relief. This project involved the purchase of software which identified businesses who were incorrectly claiming Small Business rates relief to reduce their Business Rate liability due to the fact that they also had businesses in other areas. As a result of having their rate relief cancelled

or reduced, this would result in them being liable for Non Domestic rates payments that would not otherwise have been made to the authority

- 2.4 The team has also continued to see a rise in referrals linked to adult social care financial irregularities and expertise is now growing in this field to equip the investigators to be able to fully support these referrals. Cases are being identified from various sources such as social workers, Direct Payment Audits and from cases linked to social care debt which has identified scenarios involving financial misuse - where a person who was supposed to have been acting in the best interests of the service user (often a close family member) has not been doing. In 2019/20 the team secured a criminal conviction in relation to such an occurrence – **see Case Study 2.**

Case Study 1

An investigation was commenced following a referral in relation to a single discount review which the customer had initially responded to by confirming her continued eligibility to the discount. However there was a large amount of, mainly credit related data, linking an additional male to her address going back to 2010. When further challenged about this the customer, after initially claiming that although the additional male was her partner they did not live together, admitted they had been living together for a number of years, and this also covered periods when, in addition to receiving her Council tax discount, she had been claiming Housing Benefit and Council Tax support on the basis she lived alone. A decision was taken to remove her eligibility for the discount back to 2010, with the additional Council Tax liability created of £2.1k recovered in full.

Case Study 2

An investigation was set up following a Direct Payments Audit which had raised concerns that funds intended for the care and support for the son of the recipients was not being correctly managed by them. Further investigation identified that large chunks of the monies being paid by Trafford to pay for his care such as social inclusion activities and one to one support was actually being re-directed into their own personal bank accounts and used for general family expenditure with payments being then also transferred into further accounts belonging to various unknown persons (presumably family members and friends). When the child's father was interviewed he admitted there had been "mistakes" with the way the money had been spent, but failed to account for how the money had been actually spent. As a result of the investigation, it was identified there had been £21.9k of Direct Payments spent inappropriately. As a result of the seriousness of the offences the child's father was prosecuted and, in addition to having to repay the stolen funds was given a nine-month custodial sentence, suspended for 12 months.

Table 2 below shows the amount of income generated by the investigations element of the team during the 2019/20 financial year:

Table 2 – Counter Fraud & Enforcement Team Investigations

	Amount (£)
Council Tax Discount Cancellations	67k
Council Tax Exemption Cancellations	0.5k
Council Tax Support/ Council Tax Benefit Overpayments	37.7k
Council Tax Liability Irregularities	10.5k
Non-Domestic-Rate, Liability Irregularities (net)	65.9k
Social Care Finance	39.2k
Employee Fraud	6.5k
Total Income Generated	227.3k

Table 3 below shows the amount of debt recovered by the litigation officers employed by the authority during the last 3 financial years since they became part of the team. A large percentage of this relates to adult social care debt which initial recovery actions taken had been unable to collect. However the threat of use of formal procedures involving civil litigation (which are often avoided by mediation with the debtors and/or their representatives) has seen a regular increase in the amounts being successfully recovered as shown in the table below

Table 3 – Counter Fraud & Enforcement Team Recovery

Year	Amount (£)
2017/18	402.7k
2018/19	587.7k
2019/20	640.9k

5.0 Planned activity for 2020/21

- 5.1 Over the next 12 months it is anticipated that the Counter Fraud and Enforcement Team will continue to develop into other areas of investigation. It has also played a major part in the administration, and investigation into the different Covid-19 related grant support schemes which the Council has been administering to support local businesses affected by the ongoing pandemic

The main priorities for the team will be to:

- **Work closely with Internal Audit and Exchequer Services to use our joint expertise to help combat all types of fraud being perpetrated against the Council, in particular in relation to Council Tax, Non Domestic Rates & Adult Social Care**
- **The administration and investigation of Covid-19 related business support grants**
- **Take the lead role in an ongoing Council Tax Single Person discount review.**
- **Continue to take the lead role in a Small Business Rate Relief Review**
- **Further increase expertise in adult social care financial abuse matters**
- **Support the National Fraud Initiative data matching exercise**
- **To progress cases in a timely manner that have been referred for the consideration of civil proceedings in relation to debts owed to the authority**

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee
Date: 26th November 2020
Report of: Corporate Director of Finance and Systems

Insurance Performance Report 2019/20

Summary

This report provides a summary of insurance performance for 2019/20:

- Gross cost of the insurance activity was £1.118m; comprising £470k of premium costs and £648k for claims. Savings in costs of premiums and a reduction in the number of claims resulted in a net underspend of £287k against budget.
- The provision for outstanding liability claims was £3.162m as at 31 March 2020, compared to £3.030m as at 31 March 2019, an increase of £132k.
- Claim numbers decreased with 390 new claims compared to 520 in 2018/19.
- Repudiation rates for liability claims is 71%, currently defending approximately 3 out of every 4 claims the Council receives.

Recommendations

That the report be noted.

Contact person for access to background papers and further information:

Name: Dave Muggeridge

Extension: 4534

Background Papers: None

1. Introduction

1.1 This report updates the Committee on the Council's insurance activities for 2019/20 and the report focuses on:

- **Section 2** - Cost of Insurance
- **Section 3** - Claims
- **Section 4** – Achievements/Outlook

2. Cost of Insurance

2.1 The current insurance programme covers a broad range of insurable risks and a summary of these policies and the applicable insurers is shown in **Annex 1**.

2.2 Premium and claims costs are the main items of expenditure for the insurance budget with an annual provision made to cover the estimated cost of claims. An Insurance Risk Reserve is also available to absorb and smooth out any significant pressures during years when claims exceed the net revenue budget.

2.3 The Council's Insurance Provision was £3.162m as at the 31st March 2020 and is the amount set aside by the Council to meet the cost of claims that fall within the Council's elected policy excesses as detailed in Annex 1. The level of provision is subject to review by an external Actuary, on a biennial basis, taking into account the likely cost of claims received and an estimate of those claims yet to be reported (based on past claims experience).

2.4 The Insurance Risk Reserve is maintained in the event of a catastrophic insurance loss or a large number of high claims, to balance any fluctuation in the overall provision level and additional costs associated with historic Municipal Mutual Insurance claims. A review of all reserves is undertaken as part of our annual processes and as a result, the Insurance Risk Reserve was marginally increased by £29k to £1.9m. This would be sufficient to cover the excess of up between three and four large insurance claims where the Council would be required to cover the first £275k/£250k. Plus figures of £500k potential additional costs associated with historic Municipal Mutual Insurance Claims and a balance of £400k to smooth any fluctuation in provision level and cover any uninsured losses over budget.

2.5 The 2019/2020 net budget for insurance activity of £753k consists of insurance premiums of £586k, provision for claims of £712k, provision for self-insured loss claims of £100k (which are largely property related) and income from recharges to schools and trading functions at £645k.

2.6 The net outturn cost of the insurance activity for 2019/20 was £466k resulting in an underspend against budget of £287k, which was declared in line with the Council's general outturn. The insurance portfolio was tendered in April 2019 and as a result produced premium saving costs of £116k. The in-year contribution to the provision was £175k lower than originally estimated due to lower claims costs. Self-insured claims were marginally higher than budget by £11k, due in large to one storm damage claim within a school. Additional income was received from schools resulting in a positive movement of £36k.

A contribution was made of £29k to bring the Insurance Reserve to a revised closing balance of £1.9m as explained in paragraph 2.4.

Table 1 – Insurance Expenditure for 2019/2020	Budget £000	Actual £000	(Under)/ Over Spend £000
Premiums	586	470	(116)
Provision for Claims	712	537	(175)
Self-insured Loss Claims	100	111	11
Gross Cost	1,398	1,118	(280)
Income	(645)	(681)	(36)
Contribution to/(from) reserves		29	29
Net Cost	753	466	(287)

- 2.7 The balances of the Insurance Provision and the Insurance Risk Reserve at the 2019/2020 year end were as follows:-

Table 2 – Provision and Reserve Balances			
Provision	£000:	Insurance Risk Reserve	£000:
Balance as at 01/04/2019	(3,030)	Balance as at 01/04/2019	(1,871)
Less Claims Paid	405	Contribution from Revenue	(29)
Reassessed Provision	(537)		
Balance as at 31/03/2020	(3,162)	Balance as at 31/03/2020	(1,900)

3. Claims

3.1 Activity

Financial Year	Amount Paid in Claims Across All Policy Years (01/04/1992 to 31/03/2020) £000	Number of New Claims Received and Processed in Year
2019/2020	405	390
2018/2019	634	520
2017/2018	544	431

- 3.2 Current claims paid during 2019/2020 are £405k a reduction of 36% when compared to 2018/19. A positive contributor to this is that no high value claims (ie those over £50k) were settled.
- 3.3 We have also seen a 25% reduction in claim numbers for 2019/2020, mainly due to a decrease in the number of highway property claims. The Insurance team continue to work in partnership with the wider Highway teams to ensure this positive trend continues.

3.4 Overall Claims Profile.

Annex 2 provides the current claims experience over the last five policy years. We have broken down the claims across the main five classes; Employer's Liability, Highway Injury, Highway Property, Highway Trees and Public Liability.

3.5 Trends and Observations:

- 3.6 Employer's Liability** – the frequency of claims continues to be extremely low across all years. This reflects Trafford's office based workforce and the systems and controls in place to help mitigate and manage risk. It is worthy of note that since the Amey contract was let in July 2015, most frontline services and their associated risks transferred to Amey.

However, we currently have one high value claim with an estimated value of £0.363m relating to an incident which occurred in 2017. Given the nature of this claim, external Solicitors have been appointed and we are advised that this claim is one which Trafford can successfully defend.

- 3.7 Highway Injury** – Claim numbers remain consistent, however, we do expect claim numbers to increase in 2019/2020 as the number of claims will continue to be received relating to that year (for instance claims can be made up to three years post incident).

- 3.8 Highway Property** – 2019/2020 saw a reduction of almost a third at 206; down from 299 claims in 2018/2019 and 300 claims in 2017/2018. This reduction was due to additional investment in highways infrastructure financed from the Pot Hole Action Fund Grant plus the combination of favourable weather conditions over the winter period.

- 3.9 Highway Trees** – A growth in the number of Tree liability claims is beginning to be seen, this increase is not unique to Trafford, nevertheless, we are engaging early with Insurers and our Solicitors to greater understand the contributing factors. We have risk management work scheduled to help us mitigate this risk and strengthen current policies and procedures to ensure we are best placed to defend and mitigate these claim costs.

- 3.10 Public Liability** – The public liability claims which span across various Council departments remain consistent. However, although the claims numbers are relatively low, claims from Social Services do have the propensity to be extremely costly. We are beginning to see a rise in the frequency of claims in light of high profile decisions in both the Court of Appeal and the Supreme Court where Councils have been criticised for their actions under the Human Rights Act.

Currently, we have four of these types of claims which total £559k of the total outstanding estimate provision value of £813k.

3.11 Defence Rates

Class	Number of Closed Cases between Policy Years 01/04/2015 and 31/03/2020	Number of Closed Cases Defended between Policy Years 01/04/2015 and 31/03/2020	Defence Rate
Employer's Liability	11	10	91%
Highway – Injury	340	280	82%
Highway – Property	963	683	71%
Highway – Tree	151	87	58%
Public Liability	167	106	63%
Total	1,632	1,166	71%

- 3.12 We have a positive defence rate across all policies of 71%. If we look at the defence rates in isolation, this increases to 82% in respect of Highways Injury and 91% for Employer's Liability risks. The continued work we do to maintain such high defence rates, allows us to demonstrate to Insurers that Trafford remains a good risk; helping to manage premium rate levels.
- 3.13 As previously stated, we are beginning to see an increase in tree liability claims and which currently have a much lower defence rate at 58%. Highway tree claims are dealt with under the Law (Tort) of nuisance. This means that the Law can impose strict liability against the Council; where no intent or fault is required. Consequently, these claims are very difficult to defend.
- 3.14 Public Liability defence rates remain strong at 63%. An investigation into incident circumstances is undertaken on all new claims with a dedicated Claims Inspector to support Council teams throughout this process and help mitigate any potential loss.

4. Achievements / Outlook

4.1 LGA Mutual

Trafford Council, along with thirteen other councils, and the Local Government Association (LGA), have joined together to establish the new Local Government Hybrid Discretionary Mutual (LGDM). It is drawing on best practice from other mutuals and aims to offer a cost-effective alternative to traditional insurance. It will use local government capabilities and resources more effectively to manage and, where possible, reduce the cost of risk whilst continuing to work with the insurance market to procure protection against large losses.

As the mutual was not operational at the time of our own insurance tender, they were unable to provide us with a quotation.

As a Founding Member, and with representation by the Leader of the Council on the Board of Directors, we continue to offer our support by sharing information and attendance at meetings, where required. The Mutual is currently undergoing a period of self-review and it is understood that they are set for a relaunch sometime soon.

We will continue to support and engage with the Mutual and watch their offering with interest.

4.2 Insurance Market Update

The insurance market is facing some of the most challenging conditions for many years. Previously Insurers were competing hard for business and this saw falling premium rates, however, rates are now increasing and some insurers are withdrawing from the market place.

Some of the main factors affecting the insurance market are climate change – 2017 was the costliest year on record for weather disasters, valued at approx. USD\$136bn. Insurers were also hit hard by the UK floods of 2019 and the effects and frequency of global catastrophes sees re-insurance costs continue to rise.

The Grenfell Tower fire has further exacerbated insurer caution when it comes to the property risks and the construction of buildings. We need now more than ever, to effectively demonstrate that Trafford and their partners are investing in risk management strategies.

The appetite of those Insurers who continue to write cover has changed whereby they are only willing to write well managed risks, despite this, some insurers are offering reduced insurance cover whilst seeking increased premium levels and more onerous terms and conditions.

Trafford's insurance programme underwent a full Tender Exercise in April 2019 and entered a five year Long Term Agreement with our incumbent Insurer. This agreement gives some certainty on our premium ratings and programme coverage providing Trafford with protection against volatility in the insurance market.

4.3 Covid-19

The impact of the pandemic on the insurance industry will undoubtedly be severe, we have seen premium levels increase on certain lines of business, such as travel and events and Insurers move away from cover on financial lines such as Directors and Officers Liability.

Whilst the full impact of the economic fallout has yet to emerge, on a local level, we have seen an increase in travel claims/cancellation as per the table below. These claims stem from planned school journeys impacted by travel restrictions, whilst many schools have been able to make alternative arrangements with their travel providers, we have received 21 claims from schools seeking refunds.

Year	Number of School Journey Claims
2018/2019	2
2019/2020	0
2020/2021 to date	21

Whilst the number of claims received has risen significantly, the cost of these types of claims is low. Insurers have settled 13 claims to date, the average cost of which is £1,000.

A positive impact of the pandemic felt by Local Authorities is the sharp fall in road traffic use and footfall since April 2020 and the resulting drop in claims numbers. The Highways team have continued with investment work and have utilised this time as an opportunity to get ahead with repairs. However, with an increase in cycling routes and new cycle lanes, we may begin to see an increase in claims involving cyclists. Also, any economic downturn tends to see an increased risk of claims and in particular, the potential for the increase in fraudulent claims.

4.4 Insurance Renewal 2021

Given the outlook of the insurance market detailed above, these external factors will undoubtedly impact on our premium rates going forward. As part of the renewal process, Insurers utilise the current claims experience to evaluate risk and formulate the premium ratings, therefore, we estimate that our premiums may increase at renewal stage, however, the insurance team will endeavour to negotiate any increase to a minimum.

4.5 **Cyber and Data Risks**

Bespoke Cyber and Data cover is another area of insurance cover that has continued to harden over the past few years, making cover difficult to place and expensive to insure. Unlike Commercial entities, the cover available to Local Authorities is limited.

However, whilst the Council does not currently hold a separate specialist Cyber policy, there are elements of cover via the wide range of policies held with our current Insurer. Discussions continue to be held with all Council departments to establish the total cost of risk by evaluating our insurance programme alongside departmental action plans and recovery strategies in the event of a breach.

Trafford Council Current Insurance Programme






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	Policy									
	Property Damage / Business Interruption	Employers' Liability / Officials Indemnity	Public Liability	Motor	Personal Accident	Money	Crime	Professional Negligence	Commercial Investment Properties	
Limit of Indemnity	Declared Value	£50m Employers Liability		Unlimited Third Party Injury £5m Third Party Damage	Accidental bodily injury, death, disablement or the incurring of Medical Expenses	Various	£5m		£5m	Declared Value
	Business Interruption Max Indemnity Period 36 months	£2m Officials Indemnity	£50m				Financial loss sustained as a result of a criminal act			
Insurer										
	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Commercial via Marsh	
Excess	£250,000	£275,000	£275,000	£1,000	Nil	£250	£10,000	£100,000	£250	
Aggregate Stop Loss*	£1M	£2M	£2M							

* Provides budget certainty – Trafford's claims exposure is capped per policy year. Once the ASL is breached, insurers pay all claims thereafter, no excess required.

Claims History by Policy Year as at 31/03/2020

Annex 2

Class of Business	2015/2016			2016/2017			2017/2018			2018/2019			2019/2020		
	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000	No of Claims	Paid £000	Res £000
Employer's Liability 	2	0	0	6	13	0	5	0	395	1	1	7	4	0	40
Highway Injury 	91	231	0	89	417	46	81	53	118	81	90	116	64	15	381
Highway Property 	124	12	0	133	11	0	300	33	0	299	48	18	206	15	111
Highway Tree 	33	33	0	30	45	5	40	37	61	46	19	47	54	22	75
Public Liability 	53	86	199	36	20	69	38	41	0	43	62	235	24	1	310
Total	303	362	199	294	506	120	464	164	574	470	220	423	352	53	917

The total of the provisions (Res column) above is £2.233m for the policy years 2015 to 2020, the provision also includes £929k relating to the policy years 1992 – 2015 bringing the total balance to £3.162m

TRAFFORD COUNCIL

Report to: Accounts & Audit Committee – 26 November 2020
Executive – 14 December 2020

Report for: Information

Report of: The Executive Member for Finance and Investment and the
Corporate Director of Finance and Systems

Report Title

Treasury Management 2020-21 Mid-Year Performance Report

Summary

This report gives Members a summary of the Treasury Management activities undertaken for the first half of 2020/21 as follows;

Debt Activity:-

- The level of external debt rose from £377.3m at 31st March to £400.9m at 30 September 2020,
- Gross loan interest costs totalling £10.02m are to be contained within the Medium Term Financial Plan,

Investment Activity:-

- A shortfall in investment interest for 2020/21 of £0.13m is currently forecasted,
- A net loss of £5.193m MAG income due to Dividend £5.597m not being received offset by additional income from strategic investments of £404k.
- Both of these adverse movements reflect the impact Covid-19 has had on the economy.
- Overall Rate of Return achieved during the period April to September 2020 was 1.04%, or 1.10% £387k above the comparable performance indicator of average 7-day London Interbank **BID** interest rate of -0.05%
- The level of investments fell from £106m at 31st March to £62.5m at 30 September.

Prudential indicators:-

- The Council complied with its legislative and regulatory requirements and
- There were no breaches of prudential indicators.

Recommendations

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

1. Note the Treasury Management activities undertaken in the first half of 2020/21.

Contact person for background papers and further information:

Name: Graham Perkins

Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Treasury Management impacts on the Council's budget in terms of borrowing costs and investment returns. Earlier this year it was reported in the Council's bi-monthly Revenue monitor reports, that a shortfall in the treasury management budgets of £5.2m (primarily due to the Manchester Airport Group activities) is forecasted for 2020/21. This forecast remains the current position.
Legal Implications:	All actions undertaken during this period were in accordance with legislation, Ministry of Housing Communities and Local Government (MHCLG) Guidance, Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	All treasury management transactions undertaken by the Council are carried out with institutions with no known direct links to any illegal regimes or which promote the use of forced labour.
Sustainability Implications	The Council, when undertaking any treasury management investment fully supports the ethos of socially responsible investments and will avoid direct investment in institutions with material links to environmentally harmful activities.
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the systems and procedures for this function which are independently tested on a regular basis. The Council's in-house treasury management team ensures that the overriding factor when undertaking any transaction remains the security of its monies. Interest rate movements are also monitored to ensure that any exposure to adverse fluctuations in interest rates is minimised. Failure to properly manage and monitor the Council's loans and investments could lead to service failure and a loss of reputation.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Executive Summary

This report provides Members with a summary of the treasury management activities undertaken during the first half year of 2020/21.

Economic position (Section 2)

- The COVID-19 pandemic has since March 2020 sent the World into recession and whilst a slow and gradual recovery is anticipated to take place in the UK during 2021, it is too early to say how the second lighter lockdown will impact on this.
- The Monetary Policy Committee (MPC) reduced the Bank Rate from 0.75% to 0.10% in March 2020 where it has been since and increased Quantitative Easing from £445bn to £895bn.
- Negotiations between the UK & EU continue to establish a suitable Brexit trade agreement ahead of the year-end deadline.

Debt (Section 4)

- Total loan debt rose from £377.3m 31.03.2020 to £400.9m 30.09.2020 a net increase of £23.6m comprising of:
 - New loans totalling £9.6m (Long term) taken from the Public Works Loan Board (PWLb) and £70m (Short term) from Local Authorities to fund the Council's capital programme and further details on this can be found at paragraphs 4.3 to 4.5.
 - Loan repayments totalling £56m, were made consisting of £3.3m PWLB, £0.7m Salix and a further £52m to Local Authorities
- Total loan interest of £10.0m is forecasted to be paid in the year of which £4.5m relates to the Council's Asset Investment programme funded from rental income received. The balance of £5.5m relates to debt taken to fund historical and current capital spend.
- The average rate of interest payable has fallen from 2.68% 31.03.2020 to 2.48% 30.09.20. This fall in interest rate is due to high interest rated loans maturing and new low interest rate loans being taken.

Investments (See Section 5)

- The level of investments fell from £106.0m 31.03.2020 to £62.5m 30.09.2020 a movement of £43.5m with the main factors for this are;
 - 2.5 years up-front employer pension contributions,
 - Temporary cash flow timing issues as a result of COVID-19 related transactions and
 - Council balances applied to fund short term capital spend enabling returns to be maximised.
- The Average Rate of Return for investments for the first half of 2020/21 was:
 - Short term 0.78% which was 0.83% or £0.278m above the recognised performance indicator of 7-day LIBID.
 - Long term 4.52% which was 4.58%.
- The Investment interest forecasted to be earned for 2020/21 is currently £0.13m below the budget set of £0.66m due to historically low interest rates.
- All investments were repaid on time without issue and placed in accordance with the Council's approved strategy.

Prudential Indicators and limits (Section 7)

No breaches to any of these limits occurred during this period.

1. BACKGROUND

- 1.1 This report has been produced in accordance with the requirements of the CIPFA Code of Practice on Treasury Management which requires that the Council receives 3 separate Treasury Management reports on an annual basis as follows;
- 3 year Strategy Statement including the Annual Investment Strategy and Minimum Revenue Provision Policy (issued February),
 - Mid-year Review (this report) and
 - Performance update, covering activities undertaken during the previous financial year (issued July).
- 1.2 This mid-year report highlights the treasury management activities undertaken during the first half year of 2020/21 as follows;
- Economic Update (section 2)
 - Treasury Position (section 3)
 - Debt Activity (section 4)
 - Investment Activity (section 5)
 - Risk Benchmarking (section 6)
 - Prudential and Performance Indicators (section 7)
 - Outlook 2020/21 (section 8)
 - Recommendations (section 9)
 - Appendices
- 1.3 The treasury management operation ensures;
- The Council's cash flows are effectively planned and funded,
 - That all surplus monies are invested in low risk counterparties, providing sufficient liquidity before considering investment return,
 - All new borrowing supporting the Council's multi-million pound capital programme is taken in the form of either long or short term loans or using longer term cash flow surpluses and
 - That debt previously taken is restructured when opportunities arise to meet Council risk or cost objectives.

2. ECONOMIC UPDATE

- 2.1 During the first half of 2020/21, the main economic headlines are outlined below with a revised forecast of the key indicators for 2020 being provided at Appendix B for reference:

UK

- As a result of the COVID-19 pandemic the first half of 2020 saw the annualised Gross Domestic Product (GDP) fall by 23% which is one of the largest falls in output of any developed nation.
- The MPC at each of its monthly meetings since March 2020 has left the bank rate at 0.10% and increased Quantitative Easing from £445bn to £895bn. Whilst some forecasters had suggested a cut to negative interest rates could happen, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage to the economy than good and that more quantitative easing is the favoured tool if further action becomes necessary.

- Consumer Price Index (CPI) was 0.7% in September 2020 which was 1.3% below the Government's target rate of 2.0%.
- Unemployment is currently set to peak at 7% in Qtr. 4 of 2020 from a low of 3.9% in March 2020.
- Uncertainty over the UK/EU trade negotiations (Brexit) remain ahead of the year-end deadline.
- A second albeit slightly lighter lockdown from that previously implemented in March 2020 was put in place on 5 November for 1 month and it is too early to determine how this will impact on the economy. Overall, the economic pace of recovery from the COVID-19 pandemic is not expected to be rapid and that it will be slow and gradual over the forthcoming couple of years.

USA

- The number of new daily COVID-19 infections is increasing again and this will most likely restrict the economic recovery which was seen to be gaining momentum over the summer months.
- The Federal Reserve (Fed) central bank of the US, called on Congress to end its political disagreement over providing more support for the unemployed urging it to move to a more directed central government fiscal policy. It also at its August meeting, tweaked its inflation target from "2%" to "maintaining an average of 2% over an unspecified time period". This change is aimed to provide more stimulus for economic growth, higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. Inflation has been under the 2% target significantly for most of the last decade however financial markets are now expecting higher levels of inflation to come through.
- The tariff trade war with China continues to depress US and world growth and the increase in tension over the last year between these two countries is unlikely to lead to a positive outcome.
- It is too early to establish what impact the outcome of the recent Presidential election will have the economy.

Eurozone

- A recovery in the economy was seen towards the end of Quarter 2 of 2020 however the second wave of the COVID-19 virus will cause a significant slowdown in the pace of this recovery, especially in countries which are more dependent on tourism.
- A fiscal support package, agreed by the EU after lengthy disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in the weaker countries.
- The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing.

Other Countries

- Japan - Has been struggling for a number of years to get out of its deflation trap and to stimulate consistent significant GDP growth to enable inflation to get up to its target of 2%, despite huge monetary and fiscal stimulus. The recent resignation of Shinzo Abe with Yoshihide Suga replacing him as Prime Minister is not expected to result in any significant change in economic policy.
- China – A strenuous effort by the government to get on top of the COVID-19 virus outbreak in Quarter 1 resulted in its economy suffering as a result of this action however a strong recovery in Quarter 2 saw these losses reversed as a result of yet further spending by central government on more infrastructure projects.

2.2 The Council's treasury management advisors Link Group (LG), provide interest rate forecasts periodically through-out the year and the table below outlines the latest **average** forecasted rates, as issued in August 2020, for the periods stated:

	2020-21 Original Forecast %	2020-21 Revised Forecast %	2021-22 Revised Forecast %	2022-23 Revised Forecast %
Bank Rate	0.81	0.10	0.10	0.10
Investment Rates				
3 month	0.85	0.10	0.10	0.10
1 Year	1.15	0.20	0.20	0.20
PWLB Loan Rates				
5 Year	2.50	1.90	2.00	2.10
25 Year	3.48	2.50	2.60	2.70
50 Year	3.30	2.30	2.40	2.50

- 2.3 The original 2020-21 interest rate forecasts provided by LG were issued before the COVID-19 pandemic however the above table now reflects the impact this pandemic continues to have on the financial markets.
- 2.4 Whilst it is currently unlikely interest rates will go into a negative position it has to be acknowledged that the current economic climate is completely new territory and no scenario can be ruled out. As a consequence of this situation the levels of returns expected to be generated on the Council's investments over the forthcoming couple of years will be lower than originally anticipated and this revised position is reflected in the updated Medium Term Financial Plan for the period 2021/24.
- 2.5 To reduce any risk aspects arising from this situation the Council will continue its policy to take a cautious approach when undertaking all money market transactions.

3. TREASURY POSITION

- 3.1 The Council's investment and debt positions at the beginning and mid-way through the current financial year are listed in the table below;

	31 March 2020		30 September 2020	
	Principal £m	Average Interest Rate %	Principal £m	Average Interest Rate %
DEBT				
<i>Short term (payable before 31.03.21)</i>				
PWLB	15.1	3.33	11.8	1.75
Market	17.0	1.52	35.0	0.41
Government Loans - Salix	1.4	0.00	0.7	0.00
Sub-total	33.5	2.27	47.5	0.73
<i>Long term (payable after 31.03.21)</i>				
PWLB	307.0	2.51	316.7	2.51
Market	36.0	4.56	36.0	4.56
Government Loans - Salix	0.8	0.00	0.7	0.00
Sub-total	343.8	2.72	353.4	2.71
Total debt	377.3	2.68	400.9	2.48
INVESTMENTS				
<i>Short term (less than 1 year duration)</i>				
- Instant access	32.8	0.52	9.9	0.08
- Notice accounts	2.5	0.10	2.4	0.20
- Term deposit	48.3	1.03	28.0	1.10
Sub-total	83.6	0.81	40.3	0.79
<i>Long term (greater than 1 year duration)</i>				
- CCLA	4.8	4.90	4.6	4.52
- Asset Investment programme (AIP)	17.6	n/a	17.6	n/a
Sub-total	22.4	4.90	22.2	4.52
Total Investments	106.0	1.48	62.5	1.90

3.2 Information in the above table reflects the;

- levels of investments which fluctuate on a daily basis as a result of monies being received ahead of spend and
- increase in monies borrowed on a short term basis.

4. DEBT ACTIVITY

4.1 The Council's total borrowing requirement as highlighted by the Capital Financing Requirement (CFR), reflects the underlying need to borrow for capital purposes 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. As at 31st March 2020 the CFR was £417.3m which was higher than the actual level of external debt of £377.3m and reflects that the Council was under borrowed by the difference of £40m as at that date.

- 4.2 During the first half of 2020/21, a number of loan transactions were undertaken and as a result of which the Council's overall external debt increased as shown in the table below:

Loans	31 March 2020	Borrowed	Debt Repaid	30 September 2020
	£m	£m	£m	£m
Short Term	33.5	70.0	56.0	47.5
Long Term	343.8	9.6	0.0	353.4
Total	377.3	79.6	56.0	400.9

- 4.3 From the table above it can be seen that;
- £70m of new short term loans were borrowed and these were taken from 9 different Local Authorities for periods ranging from 1 month to 6 months at rates of 0.15% to 1.05%. This action has enabled funding costs for short term capital requirements to be kept to a minimum.
 - £9.6m of Long term loans, this loan was taken from the PWLB for a period of 40 years at a rate of 2.34% and is to fund longer term capital spend.
 - Debt Repaid of £56m includes £4m of loans which had previously been borrowed by the Council for a period initially exceeding more than 1 Year and £52m in respect of short term loans referred to in the first point above.
- 4.4 The table below provides an outline of the Council's loan portfolio as at 30th September 2020;

Lender	No. Loans	Interest rate range	Maturity	Total Principal £m
PWLB	25	1.21% to 9.125%	Mar 2021 to Oct 2069	328.5
Market (short term)	4	0.15% to 1.05%	Oct 2020 to Feb 2021	35.0
Market (long term)	3	4.41% to 4.99%	Aug 2042 to Dec 2067	21.0
Market LOBO (long term)	2	4.20% to 4.27%	Dec 2036 to Dec 2038	15.0
Government Salix -	1	0.00%	Aug 2022	1.4
Total	35			400.9

- 4.5 As highlighted in the above table the Council holds, £71.0m of Market loans and of these £15.0m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. With regards to 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 another lender. The remainder of the Market loans, £56.0m are held at fixed rates of interest.

- 4.6 Short term transactions cover all periods up to 1 Year in duration and subsequently Long term relates to periods in excess of this. The Short term market is a very active one with institutions lending and borrowing all the time. For reference in the current economic climate debt can be obtained at historically low levels, typically a loan for 3 months can potentially be obtained at around 0.05%. The downside to this is that these interest rates are subject to market forces and if supply was to dry up then this would see interest rates go up sharply as encountered in March 2020 when the 3 month rate reached 2.50%.
- 4.7 For 2020/21 the total loan interest costs are £10.0m of which £5.5m is being met from an existing revenue provision within the Medium Term Financial Plan and £4.5m from applying a proportion of the rental returns generated from the commercial investment programme.
- 4.8 The PWLB has 2 main sets of interest rates which Public Sector organisations can borrow funds at referred to as Standard and Certainty rates and these are defined as:
- Standard rate - prevailing market gilt rate for each respective period plus 200pts (2.00%)and
 - Certainty rate - prevailing market gilt rate for each respective period plus 180pts (1.80%).
- 4.9 To ensure the Council continues to be eligible to take loans from the PWLB at the lower Certainty rate, the in-house treasury management team is required to complete and submit annually an application form for this facility. This process was successfully completed in May 2020 and based on the sums borrowed in the first half of 2020/21 of £9.67m this has enabled annual savings in interest payable of £19k ($£9.67m \times 0.20\%$) or £760k over the life of the loan to be achieved.
- 4.10 Members may recall that in the Treasury Management 2019/20 Annual Performance report a reference was made to the Government's recent consultation exercise which sought the views of all Councils concerning the PWLB. A response to each of the points identified in the consultation paper was issued to the Government by the Council and the outcome of this exercise is still awaited. Members will be informed of any significant changes which may be introduced to the way PWLB operates as a result of this consultation.
- 4.11 As a consequence of low interest rates, debt rescheduling opportunities continue to be expensive to undertake due to the high breakage (premium) costs which would be incurred. During the first half of the year no debt restructuring was undertaken however this situation will continue to be monitored.

5. INVESTMENT ACTIVITY

- 5.1 In compliance with the Council's Annual Investment Strategy, approved by Council in February 2020, the priorities when placing any temporary surplus

funds will continue to be that as adopted in previous years which is **Security** of capital, **Liquidity** and finally obtaining an appropriate level of **Yield**.

- 5.2 The table below highlights the level of investment transactions carried out during the first half of 2020/21;

Investments	31 March 2020 £m	New £m	Repaid £m	Fund values £m	30 September 2020 £m
Instant access	32.8	247.6	-270.5	0.0	9.9
Notice accounts	2.5	2.4	-2.5	0.0	2.4
Term deposit	48.3	13.0	-33.3	0.0	28.0
CCLA*	4.8	0.0	-0.0	-0.2	4.6
Long term - AIP	17.6	0.0	-0.0	0.0	17.6
Total	106.0	263.0	-306.3	-0.2	62.5

* Note – Figures reflect reduction in valuation of holdings in fund by £0.2m.

- 5.3 The reduction in the level of investments as at 31 March 2020 to 30 September 2020 reflects the day to day cash flow movements including;
- 3 years upfront employer pension contributions,
 - COVID-19 related transactions (as highlighted in the Council's Budget Monitoring Reports and
 - Council balances applied to fund short term capital spend enabling returns to be maximised.
- 5.4 Despite the economic crisis caused from COVID-19 all of the Council's investments maturing during the first half of the financial year were repaid on time without any difficulties.
- 5.5 A breakdown of the Council's temporary investments as at 31 March 2020 compared to 30 September 2020 per each classification of institution is provided below for reference:

Sector	31 March 2020 £m	30 September 2020 £m
UK Banks	16.8	10.4
Non UK Banks	4.0	0.0
Money Market Funds	32.8	9.9
Local Authority	30.0	20.0
Other - CCLA	4.8	4.6
Other - AIP	17.6	17.6
Total	106.0	62.5

The maturity structure of the investment portfolio was as follows:

Period	31 March 2020 £m	30 September 2020 £m
Instant Access	32.8	9.9
Notice Accounts	2.5	2.4
Up to 3 Months	20.3	20.5
3 to 6 Months	15.5	5.0
6 to 9 Months	7.5	2.5
9 to 12 months	5.0	0.0
Over 1 year	22.4	22.2
Total	106.0	62.5

- 5.6 During the first half of the year, a total of 63 short term temporary investments were undertaken by the Council's in-house treasury management team in a historically low interest rate environment. The table below highlights the results of the **short term** investment activities and this clearly illustrates the Council outperforming the 7day LIBID benchmark, a recognised market performance indicator, by 0.83% on its short term investments whilst ensuring that all risk was kept to a minimum during this period.

Average level of short term investments (up to 1 yr.) 1 April to 30 Sept £m	Average interest rate earned %	Average 7 day LIBID rate %	Additional interest earned against 7 day LIBID £k
67.0	0.78	-0.05	(278)

- 5.7 With regards to the Council's 2 **long term** investments totalling £22.2m, details of these investments are provided below;

- **Church Commissioners Local Authority (CCLA)** - In September 2015, the Council invested £5m, for a minimum of 5 years in the Local Authority Property Investment fund, managed by CCLA and this enabled 1,643,872 units to be purchased in the fund. The objective of this fund which invests in commercial property throughout the UK, is to create long term returns in the form of capital growth and short term income from quarterly dividend returns. At 31 March 2020 the Council's investment was worth £4.86m and by 30th September 2020 this had fallen to £4.66m. This decrease in valuation was in response to the COVID-19 virus sending the world economy into recession which in turn had a negative impact on property valuations during the first half of 2020. Whilst a recovery in this market is now starting to take effect, it may take a little time for the losses incurred to recover to pre COVID-19 levels. Currently the outlook for 2021 remains positive and it is predicted that the property market recovery will continue albeit at a slow pace. During the height of the pandemic and in line with all property funds, all trading into and out of the fund was suspended however with effect from 30th September 2020 this suspension was removed, which is another positive indicator that the market is recovering. The level of dividends received for this fund continue to be strong as a result of strong rental returns with the annualised level of return generated for the first half of 2020/21 being 4.52% gross of fees compared to 4.75% for the same period in 2019/20.

Despite all the current market uncertainties it is anticipated that returns for the remainder of the year will be in line to that achieved for the first half year, with a continuing positive outlook going forward.

- **Asset Investment Programme** - In August 2019 the Council entered into a £17.6m 5 year loan facility agreement with Queens Holding Limited secured on 4 prominent income producing properties known as Albert Estate within Manchester City Centre. All interest repayments on the facility have been made in full and on time.

5.8 For 2020/21 the level of investment interest to be generated from all of the Council's investments is currently forecasted to be £0.13m short of that budgeted for of £(0.66)m and this has previously been reported to Members in the bi-monthly revenue monitor reports. This shortfall in budget is due to the impact COVID-19 continues to have on the world economy particularly in the form of reducing interest rates to historically low levels.

5.9 As a result of the economic position outlined at Section 2, the ability to generate a respectable level of investment interest will be extremely difficult to achieve during 2020/21 with interest rates at historically low levels. Whilst LG are currently forecasting that interest rates will not move drastically from their current levels during the next 18 months or so, it must also be acknowledged that the MPC could still further reduce the bank rate to 0% or even into negative territory. Should this situation occur then it would further impact on the ability of the Council's in-house team to be able to achieve a decent or even generate a level of return. To maintain risk at a minimum, funds will continue to be placed in low risk counterparties with returns set to reflect this strategy.

5.10 As a guide for Members the table below shows the movement in investment interest rates since October 2019 to this year:

Period	Interest rates – 01 October 2019	Interest rates – 01 October 2020
1 Month	0.63%	0.02%
3 Month	0.70%	0.05%
6 Month	0.80%	0.20%
9 Month	0.85%	0.30%
1 Year	0.90%	0.35%

5.11 For reference Appendix A details the Council's investments, as at 30th September 2020.

6. RISK BENCHMARKING

6.1 In accordance with the Code and MHCLG Investment Guidance, appropriate security and liquidity benchmarks are used by the in-house treasury management team to monitor the current and future potential risk conditions enabling any corrective action to the strategy to be applied if required.

6.2 These benchmarks are simple guides to maximum risk (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria.

- 6.3 During the first half of 2020/21 it can be reported that no benchmarks, which were set in the Strategy report in February 2020, were breached as shown from the table below.

Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on rates issued by the 3 main credit rating agencies.	Max 0.05%	Max 0.01%
Liquidity – investments available within 1 week notice	£5m min.	Achieved
Liquidity – Weighted Average Life of investments (ex CCLA Property Fund)	6 months	This was not breached and as at 30 September was 2 months.
Yield – Investment interest return to exceed 7 day London Interbank BID rate	-0.05% (Avg. 7 day LIBID)	1.04% (All Investments 1 April to 30 Sept)
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Achieved

7. PRUDENTIAL AND PERFORMANCE INDICATORS

- 7.1 In accordance with MHCLG Guidance and the Code, a number of prudential indicators are in place ensuring that the Council's capital expenditure plans and borrowing remain robust, prudent and sustainable.
- 7.2 These indicators which were approved by Council in February 2020 are monitored on a monthly basis and during the first half of 2020/21 it can be reported that no breaches occurred.
- 7.3 The Council's treasury management operation processes multi-million pound transactions on a daily basis and to ensure the Council's finances are protected with all associated risk kept to a minimum, robust systems and procedures have been put into place. These systems and procedures are continually reviewed by the in-house team to ensure they remain fit for purpose. The robustness of these procedures were put to the test when at very short notice and in response the COVID-19 pandemic staff had to work from home, a process never previously undertaken. I am pleased to report that the Council's treasury management function did not at any time face any disruption to service and all of the Council's payments were able to be processed on time thereby protecting the Council's reputation. This situation was acknowledged by the Audit & Assurance Service, when in accordance with their annual audit plan, a review of the treasury management function was undertaken during the Summer. The objective of this review was to provide assurance on the operation of the key controls within the treasury management process and for the 14th year in succession a report was issued stating that the in-house treasury management team offered a High Level of Assurance (very good) and there were no recommendations required to be implemented.

8. OUTLOOK 2020/21

- 8.1 As a result of the COVID-19 pandemic, economies across the world have suffered considerably in 2020 particularly during the first half of the year. With the easing of confinement measures, the initial re-opening of businesses and the effect of the enormous financial stimulus provided by governments a recovery of sorts was expected to occur in the second half of the year resulting in the World economy reducing by around 4.5% in 2020. Since this forecast was issued a second wave of the pandemic has become widespread and it is currently too early to state how this will impact on the World economy and its rate of recovery.
- 8.2 Although it is still early to be confident, results recently released from several vaccine trials are encouraging and it is becoming increasingly likely that effective vaccines against this virus will become available shortly.
- 8.3 If the threat from the coronavirus fades more quickly than expected, improved confidence could boost global activity significantly in 2021. Consequently however if there is a stronger resurgence of the virus then this could reduce global growth further resulting in higher unemployment.
- 8.4 To suppress the virus in all parts of the world and speed up the economic recovery greater global co-operation to ensure borders remain open enabling the free flow of trade, investment and medical equipment will be essential.
- 8.5 As highlighted at paragraph 2.2 with the updated interest rate forecasts, it is now impossible to earn the level of interest commonly seen in previous years / decades as all investment rates for the foreseeable future are at historically low levels. Given this risk environment and the fact that increases in interest rates are unlikely to occur before the end of 31st March 2023, investment returns are expected to remain low.

9. RECOMMENDATIONS

- 9.1 That the Accounts & Audit Committee & Executive be requested to;
- Note the Treasury Management activities undertaken in the first half of 2020/21.

Other Options

This report is a mandatory report which has been produced in order to comply with Financial Regulations, relevant legislation and provides an overview of transactions undertaken during the first half of 2020/21. There are no other options to consider.

Consultation

There are no applicable consultation requirements in respect of this report.

Information for the period 1st April to 30th September 2020 was obtained from Link Asset Services, the Council's external consultants.

Reasons for Recommendation

The report is a mandatory report which has been produced in order to comply with the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.

Finance Officer Clearance ...GB

Legal Officer Clearance ...DS



Corporate Director's signature

APPENDIX A

Breakdown of Investments as at 30 September 2020

Counterparty	Amount (31 March 2020) £	Amount (30 Sept 2020) £	Long Term Credit Rating
<i>Money Market Fund</i>			
Federated Investors	15,400,000	3,050,000	AAA
Invesco Aim	8,000,000	0	AAA
Aberdeen	9,350,000	6,860,000	AAA
<i>Sub total</i>	32,750,000	9,910,000	
<i>Notice Accounts</i>			
Barclays Bank	2,500,000	0	A
<i>Sub total</i>	2,500,000	0	
<i>Term Deposit</i>			
Australia and New Zealand Bank	2,000,000	0	AA
Blackburn with Darwen Council	2,500,000	0	Not rated
Brentwood Council	2,000,000	2,000,000	Not rated
Cheshire East Council	2,000,000	0	Not rated
Close Brothers Bank	7,000,000	8,000,000	A
Eastleigh Borough Council	2,000,000	0	Not rated
First Abu Dhabi Bank	2,000,000	0	AA
Gloucester City Council	3,000,000	0	Not rated
Lloyds Bank	7,270,000	2,370,000	A
Medway Council	3,000,000	3,000,000	Not rated
Moray Council	0	5,000,000	Not rated
North Lanarkshire Council	5,500,000	0	Not rated
Peterborough City Council	5,000,000	0	Not rated
Stockport Council	0	5,000,000	Not rated
South Ayrshire Council	5,000,000	5,000,000	Not rated
<i>Sub total</i>	48,270,000	30,370,000	
<i>Property Funds</i>			
Church Commissioners Local Authority	4,861,587	4,659,226	Not rated
<i>Sub total</i>	4,861,587	4,659,226	
<i>Other</i>			
Asset Investment Programme	17,600,000	17,600,000	Not rated
<i>Sub total</i>	17,600,000	17,600,000	
Total	105,981,587	62,539,226	

Note:- Close Brothers short term credit rating no longer meets the minimum required by the Council and therefore all monies upon maturity are being repaid.

APPENDIX B**Major Economic Forecasts for Calendar Year 2020****Original - February 2020**

Location	Gross Domestic Product	Unemployment Rate	Consumer Price Index	Bank Rate
UK	1.0%	3.8%	2.3%	0.75%
Euro Area	1.1%	7.3%	1.2%	0.00%
USA	2.0%	3.9%	2.0%	1.50%
China	5.8%	4.0%	2.0%	3.50%

Revised - September 2020

Location	Gross Domestic Product	Unemployment Rate	Consumer Price Index	Bank Rate
UK	-10.1%	9.7%	1.1%	0.10%
Euro Area	-7.9%	11.1%	0.9%	-0.40%
USA	-3.8%	10.4%	1.6%	0.30%
China	1.8%	5.4%	2.0%	4.30%

Source of information Organisation for Economic Co-operation & Development and Trading Economics

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TRAFFORD COUNCIL

Report to: Executive

Date: 23 November 2020

Report for: Information

Report of: The Executive Member for Finance and Investment and the
Corporate Director of Finance and Systems

Report Title:

Budget Monitoring 2020/21 – Period 6 (April to September 2020).

Summary:

The purpose of this report is to inform Members of the current 2020/21 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 the Executive:

- a) Recommend to Council to approve an increase to the net Revenue Budget of £261k to £175.52m as detailed in paragraph 2 below;
- b) note the updated positions on the revenue budget, collection fund and capital programme.

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 2020/21.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance ...GB.....

Legal Officer ClearanceDS.....



CORPORATE DIRECTOR'S SIGNATURE

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget for 2020/21 agreed at the 19 February 2020 Council meeting was £175.26m. In determining the budget an overall gap of £18.56m was addressed by a combination of additional resources of £8.50m, including projected growth in business rates, council tax and use of reserves and £10.06m of service savings and additional income.
2. The Revenue Budget has now been increased by £261k to £175.52m as a result of a minor late change in the financial settlement relating to resources to support the Public Health budget. This change to the net budget will need to be formally approved and will be considered at full Council in November 2020.
3. Since the budget was set, the outbreak of COVID-19 has had far reaching implications on the Council's expenditure, income and overall funding both in the current financial year and also future years. The impact in future years was included in the draft budget report presented to the Executive on 12 October 2020 and will be updated to reflect any significant changes in assumptions before the final budget is presented for approval in February 2021.
4. The situation regarding the impact of COVID-19 is constantly evolving and the complexity of forecasting the short and medium term impact has been exacerbated by the evident second wave, the recently announced Tier 3 restrictions across the Greater Manchester Region and full national lockdown from 5 November 2020.
5. Since the period 4 report, the Government has announced further support comprising:
 - A Contain Outbreak Management Fund – this scheme was announced at the time of drafting this period 6 monitoring report to support activities like enforcement, compliance and contact tracing. Initially payments were to be made to local authorities ranging from £1 to £8 per head of population depending on the level of local restriction in place (Tier 1 to 3). However with effect from 5th November, the national lockdown will in effect place all authorities in Tier 3 and with a population of 237,000, the Council will receive a grant of £1.899m. This grant and the estimated additional costs are assumed to be neutral in the forecasts at this stage;
 - On 12 October 2020, the Government announced a further £900m of support to Councils to meet additional COVID-19 related pressures over the winter period plus a further £100m support for Local Authority Leisure Centres. Trafford will receive a £2.23m share of the £900m allocation. However, firm details of the Leisure Centre support have yet to be released. The general support grant has been included in the forecasts, however this will be used to contribute to a contingency reserve in the immediate term due to the uncertainty surrounding any potential increase in costs associated with a second wave.

- On 22 September 2020 the Prime Minister announced that £60 million will be made available to local authorities and the police to support additional compliance and enforcement activities. Of this, Trafford's share is £107k and has been included in the Place Directorate forecasts to offset an equal estimated cost.
 - Following the Prime Minister's announcement on 31st October regarding the national lockdown, local authorities have been requested to administer specific grant funding to cover a range of support businesses in local areas. This includes the The Local Restrictions Support Grant which will provide up to £3,000 per 4 week period for businesses forced to close during the national lockdown. A further Additional Restrictions Grant which is a single allocation based on £20 per head of population for each local authority to use to run a discretionary grant scheme, for example for businesses that are severely impacted rather than closed has also been announced. The allocation can also be used for other direct business support at the discretion of the local authority, for example support for businesses from Growth Hubs. These grants will not form part of the Council's core budget monitoring reports.
6. Monitoring the impact of COVID-19 is undertaken and reported to MHCLG monthly and based on the latest return is due to be submitted on 6 November the total gross pressures in 2020/21 amount to £51.48m compared with £45.58m reported in September 2020 and the period 4 monitoring report. The movement of £5.9m largely relates to potential increases in gross cost due to uncertainty surrounding the impact of the escalating second wave of COVID-19. The increase in gross cost has been offset by additional grant support and contributions from the CCG, leaving a net COVID-19 pressure of £6.59m, compared to £8.31m at period 4.
7. As in previous periods the variances included in the projections in the report need to be treated with caution as there are many unknowns such as:
- how demand, particularly in adults and children's social care services will impact on the budget during the remainder of the year;
 - the implications of a second spike in infections would inevitably increase the costs associated with hospital discharges as well as other council income streams;
 - the impact of the second wave on the local economy may still affect Council Tax collection rates and could lead to an increase in benefits such as Council Tax Support and Housing Benefit awards;
 - The Council generates many income streams against which it holds numerous balances for outstanding debtors. Examples include social care debt, general debtors and investment debtors. Whilst collection rates remain reasonably stable, the potential for default cannot be ignored, particularly the impact the second lockdown will have on commercial rent income;
 - as mentioned above, the Council will receive an additional £2.23m to accommodate winter pressures relating to COVID-19. Due to the

uncertainty surrounding the increased costs related to the second wave, the full amount of the additional grant will be held in a contingency reserve to cover the types of pressures mentioned above.

8. **Given these uncertainties it not possible to put a definitive figure on the projected outturn position. The Covid-19 related pressures, including the contingency budget of £2.23m referred to in Paragraph 7 above, amount to £6.586m. This takes account of Government Support received to date, contributions from the CCG and the deferral of the in year estimated deficits on the Council Tax and Business Rates collection fund. At this stage of the year the overall budget forecasts are currently indicating some potential savings across other service and corporate contingency budgets which if fully realised should help mitigate the overall Covid-19 pressures to arrive at a net overspend of £220k; a favourable movement compared to the projected overspend of £2.248m at period 4.**
9. The outturn forecast includes some significant movements, however due to their treatment and manner of funding many have had a neutral effect. The salient movements being:
 - Improved council tax collection. Collection rates have continued to improve month on month and forecasts include a £0.84m improvement since period 4. However, as the collection fund deficit was removed from the current year to be spread over the next three years, the effect in 2020/21 is neutral. The benefit, if it continues, will be reflected in the final budget assumptions for 2021 to 2023;
 - As a result of the Tier 3 restrictions, followed by the national lockdown, income losses across a number of Services from sales, fees and charges are estimated to increase further. However, these losses have largely been covered by the Government's compensation scheme and the claim to Government of £3.562m is included in the Council-wide underspend, an increase of £562k since last reported;
 - Home to school transport costs have been revised downward by £394k;
 - A net favourable movement across other Children's Services of £477k, particularly relating to staffing costs;
 - Increased costs of discharge to assess £1.53m and infection control £1.98m are anticipated since period 4, however both are offset by additional contributions from the CCG and grant income, resulting in a neutral effect;
 - A favourable net movement across Adult Services of £548k;
 - Further income losses across the Place Directorate, partly offset by vacancy savings, have increased the overspend by £535k;
 - A net favourable movement across Central Services of £108k;
 - The contingency budget held within Council-wide has been reviewed and a figure of £375k has been released;
 - Other net favourable movements of £99k.

10. 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	2020/21 Budget* (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	42,142	42,840	698	1.7%
Adult Services	49,398	50,258	860	1.7%
Public Health	12,376	12,398	22	0.2%
Place	29,340	36,162	6,822	23.3%
Strategy and Resources	5,105	7,831	2,726	53.4%
Finance & Systems	7,900	7,697	(203)	(2.6)%
Governance & Community Strategy	6,458	6,866	408	6.3%
Total Directorate Budgets	152,719	164,052	11,333	7.4%
Council-wide budgets	22,803	16,268	(6,535)	(28.7%)
Net Service Expenditure variance	175,522*	180,320	4,798	2.7%

Funding				
Business Rates (see para. 21)	(65,792)*	(65,792)		
Council Tax (see para. 15)	(103,990)	(103,846)	144	0.1%
Reserves Budget Support	(4,524)	(4,524)		
Reserves to Support COVID-19		(4,722)	(4,722)	
Collection Fund surplus	(1,216)	(1,216)		
Funding variance	(175,522)*	(180,100)	(4,578)	(2.6%)
Net Revenue Outturn variance	0	220	220	0.1%
Dedicated Schools Grant	139,392	140,490	1,098	0.8%

Budget Adjustments and Virements

* A change to the net revenue budget and a number of virements across Directorates are detailed in Appendix 1.

Main variances, changes to budget assumptions and key risks

11. The main variances contributing to the projected overspend in service budgets of £4.798m, 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	698	Projected outturn variance £698k adverse; a favourable movement of £871k since period 4. The coronavirus pandemic continues to have a significant impact on

		<p>the service both in terms of changes to its service delivery and finances. The estimated pressures are outlined below:</p> <ul style="list-style-type: none"> • The overall savings target for the service of £1.611m, is now anticipated to be achieved; • Anticipated increase in overall demand in placements of £1.206m, a minor increase of 6k (Note 1); • Underspend on staffing budgets of £1.875m, a favourable movement of £504k (Note 2); • Additional transport costs of £639k, a £394k favourable movement (Note 3); • £185k under budget on other running costs and income across the service; a favourable movement of £18k (Note 3); • Anticipated surge in demand and subsequent support required at an early stage £600k, no change; • Loss of income of £290k, an adverse movement of £39k, mainly seen at the two nurseries and those service areas unable to provide face to face training; • Other minor additional costs £23k, no change. <p><u>Note 1</u></p> <p>Current projections indicate there is an estimated overspend of £1.206m on children's placements, an adverse movement of £6k;</p> <p>The numbers of children as at the end of September 2020 are as follows:-</p> <ul style="list-style-type: none"> • children in care 387, an increase of 9; • child protection is 218, an increase of 1; • children in need 672, a reduction of 86. <p>The above position assumes that £1.611m of the original savings target will be achieved in full and as at the end of September 2020 £1.383m of this has been achieved.</p> <p>A contingency of £1.150m is also included to cover any further demand and potential timeline changes to the anticipated reductions mentioned above.</p> <p><u>Note 2</u></p> <p>There are underspends in staffing of £1.875m; this is a favourable movement of £504k which is mainly due to further delays in recruiting to the posts created as a result of the additional investment in the service.</p> <p>These staffing delays are one-off in nature as the service undertakes its service redesign which will be in place in 2021/22.</p>
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		<p><u>Note 3</u></p> <p>The adverse variance in running costs across the service is £454k; a favourable movement of £412k. The reasons for this favourable movement are as follows:-</p> <ul style="list-style-type: none"> • Home to School transport favourable movement of £394k. This includes an adverse movement of £263k on business as usual due to the impact of revised routes and numbers for the new school year in September 2020, and a favourable movement of £657k for social distancing requirements which are less than originally anticipated. • Minor variances favourable movement of £18k.
Adult Services	860	<p>Projected Outturn variance £860k adverse, a favourable movement of £548k since period 4.</p> <p>The coronavirus pandemic is continuing to have a significant impact on the service both in terms of changes to its service delivery and finances and is bracing itself for a second spike in COVID-19 infection. The areas of estimated pressures are outlined below:</p> <ul style="list-style-type: none"> • The overall savings target for the service was £1.348m, of which £949k is not anticipated to be achieved, no movement; • Payments to care providers of £1.469m to meet additional costs, a favourable movement of £316k due to this amount being funded by the CCG from their allocation; • £1.250m below budget on Adult clients; a £46k favourable movement. This includes a saving against budget of £2.250m relating to lower than projected client numbers, partly offset by an anticipated increase in costs following the isolation of many vulnerable people within the population both due to increased physical need and mental health support, £1.0m. (Note 1); • £348k below budget due to vacancies and one off savings, favourable movement of £106k Note 2); • Additional Personal Protective Equipment £475k of which £435k is recovered from the CCG and £40k is met by the Council, £80k favourable movement to the Council; <p>It must be noted that the risk posed by a second spike in COVID-19 infections would place an increased demand on the Service in supporting the NHS with ensuring speed of discharges. At this stage the only allowance included within these projections is that as from the 1st September 2020, up to 6 weeks cost of discharges from hospital will be met by Trafford Clinical Commissioning Group (CCG).</p> <p>Note 1</p> <p>Adult Clients currently projects a £2.250m favourable variance; £46k</p>

		<p>favourable movement since period 4.</p> <p>This budget has and continues to increase in both its complexity and volatility as a result of the coronavirus pandemic.</p> <p>Although there is little movement from period 4 within the forecast there is an estimate of the costs of those on going packages of care, currently met by Trafford CCG from the outset of COVID-19 in line with the national COVID-19 guidance, which during September/October 2020 will become the financial responsibility of the appropriate organisation. The current forecast cost for those care packages still awaiting determination is £2.9m. At this stage an estimate has been included of £672k (just over 20%) as to the amount that will either transfer to the CCG as continuing health care (CHC) packages or from client contributions once financial assessments have been undertaken. It should be noted that this estimate has the potential to vary and it is not until the next monitoring report that a more exact figure will be available together with the client numbers in receipt of adult social care.</p> <p>Within the projection there is a contingency of £604k set aside for additional increases in demand/cost pressures throughout the financial year that are non COVID-19 related and £1m for anticipated COVID related increases in costs following the isolation of many vulnerable people within the population both due to increased physical need and mental health support.</p> <p>Savings of £313k have been achieved mainly as a result of the work undertaken during 2019/20 and its full year impact into 2020/21, with an expectation that another £50k will be achieved by the end of March 2021. The remaining target for adult clients of £748k is not anticipated to be achieved due to the need to respond to the COVID-19 pandemic.</p> <p><u>Note 2</u></p> <p>The current forecasts indicate there is a favourable variance of £348k; a favourable movement of £106k. This is due to the following:-</p> <ul style="list-style-type: none"> • £263k favourable variance on staffing due to vacancies; favourable movement of £143k; • £133k favourable variance on client equipment and maintenance due to the impact of COVID-19; adverse movement of £37k; • £48k adverse variance on contracts; no movement. <p>In addition to this there are further estimated costs as outlined below:-</p> <ul style="list-style-type: none"> • £8.883m which will be met by the CCG from their allocation given by NHSE for hospital discharges; • £4.246m for infection control for care providers which will be met by government grant an increase of £1.976m following the release
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		of round 2 funding from government on 1st October 2020.
Public Health	22	<p>Projected Outturn variance £22k adverse, no movement from period 4.</p> <p>All of this variance, £22k, is projected as COVID-19 related council spend on staffing.</p> <p>In addition to this there are further estimated costs due to COVID-19 of £1.457m for the test and trace service which will be met by a specific government grant an increase of £300k following a further grant allocation from government.</p> <p>Due to the need to respond to the COVID-19 pandemic, discussions with Manchester Foundation Trust on the community contract are currently on hold. The current forecast anticipates that spend will be in line with current budget.</p>
Place	6,822	<p>Projected outturn variance £6.822m adverse, an adverse movement of £535k since period 4</p> <p>The forecast pressures include:</p> <ul style="list-style-type: none"> • COVID-19 related income losses are £6.162m, an increase of £659k due to the extension of COVID-19 restrictions now assumed to the end of the financial year. This includes parking fees and fines £929k (increase of £43k), property rentals £813k (increase of £50k), outdoor media advertising £611k, planning fees £558k, licencing fees £239k (increase of £109k), building control fees £168k, highways permits and grants £164k (increase of £65k), street trading £114k (increase of £54k), pest control £38k and trade waste not previously reported £117k. The figures also include the potential requirement to support Trafford Leisure which has estimated trading deficits for 2020/21 due to the various COVID-19 restrictions from the Government to date and assumed for the remainder of the year, as reported previously. Trafford Leisure are working closely with the Council to monitor finances and mitigate the budget pressures as far as possible within the various operational restrictions; • COVID-19 related expenditure pressures are £1.108m and have reduced by £44k overall. This includes a reduction of £150k in expected additional waste disposal costs based on latest tonnage estimates, which are now £555k in total. The overall pressure also includes £215k related to waste collection (increase of £101k), £140k for rough sleepers, £50k for inclusive neighbourhoods, £50k for high street re-opening, £35k traffic management, £22k play areas, £30k operational buildings and £11k staff overtime; • Other non-COVID-19 forecast pressures include £227k relating to property costs, including those awaiting disposal or

		<p>redevelopment plus shortfalls in building control income £160k, following on from the end of 2019/20, and community safety CCTV £34k. These are offset by additional income above budget for Altair £120k and other rents £19k;</p> <ul style="list-style-type: none"> • There is an overall staffing underspend of £494k relating to actual and forecast vacancies for the year (excluding the ringfenced Planning account), which is approximately 7.7% of the staffing budget. This is £173k higher than last reported; • The Planning service is a ringfenced account and has a forecast underspend of £236k in staffing and running costs which can be utilised to offset the COVID-19 income pressure for Planning application fees above. <p>The Strategic Investment Property Portfolio is being closely monitored and pressures are forecast in achieving the budgeted levels of income primarily from the town centre related assets, namely Streford Mall, Stamford Quarter and Grafton Centre. At this stage the estimated income from the other assets is broadly as expected, although, a number of tenants have requested to pay rent on a monthly basis. Any shortfall in budgeted income at year end will be met through a reduced contribution to the Strategic Property Investment Reserve or offset by additional income. The portfolio is therefore still forecast to provide a net benefit to the Council's revenue budget of £7.43m in 2020/21, while making a prudent contribution to the risk reserve; the projected balance is estimated to be £5.748m at 31/3/21.</p>
Strategy and Resources	2,726	<p>Projected outturn variance £2.726m adverse, an adverse movement of £146k since period 4.</p> <p>This includes COVID-19 pressures of £2.866m, an adverse movement of £165k since period 4:</p> <ul style="list-style-type: none"> • Trading losses of £2.154m in Catering and £50k in Cleaning (both unchanged) and £383k in the Music Service (reduction of £13k). There is also a £6k loss of other SLA income and a net £206k loss of income from staff parking which is now expected to be suspended for most of the financial year due to extended COVID-19 restrictions (£132k higher); • Additional expenditure relating to staffing is £20k (unchanged) and there are now additional communications cost of £47k since period 4. <p>All forecasts reflect the extension of COVID-19 restrictions, since last reported, and are now assumed to the end of the financial year.</p> <p>Other Variances £140k favourable, a favourable movement of £19k since period 4:</p> <ul style="list-style-type: none"> • Forecast staff costs are £188k below budget across the Directorate based on actual and projected vacancies across

		<p>the year (2.9% of the staff budget), a favourable movement of £18k;</p> <ul style="list-style-type: none"> • General running costs are underspend by £12k, favourable movement of £37k; • Net additional income below budget of £4k, adverse movement of £38k including £26k relating to events and advertising; • Bereavement Services net additional income after costs of £70k, favourable movement of £1k; <p>These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which is projected to be achieved in full.</p>
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Finance & Systems	(203)	<p>Projected outturn variance £203k favourable, a favourable movement of £29k since period 4.</p> <p>COVID-19 Forecast Pressures £137k, no movement since period 4:</p> <p>This relates to additional unplanned expenditure of £142k directly related to the COVID-19 pandemic, in particular related to ICT equipment and systems. Exchequer also has a number of COVID-19 related cost pressures relating to staff £31k, welfare assist food costs £20k and £8k for NNDR software changes. These are offset by a £64k increase in the Local Housing Allowance grant.</p> <p>Other Variances £340k favourable, a favourable movement of £29k</p> <ul style="list-style-type: none"> • Forecast staff costs are £310k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 3.7% of the total staffing budget, and £23k higher than last reported. This includes £193k in Finance and Exchequer Services and £117k in ICT; • General running costs are forecast to be underspent by £203k, a minor reduction of £2k. The underspend mainly relates to reduced ICT systems and maintenance costs pending major capital investment; • Other additional income is £15k above budget, favourable movement of £8k. <p>These are offset by the budgeted Directorate-wide efficiency saving target of £188k, which is expected to be achieved in full.</p>
Governance & Community Strategy	408	<p>Projected outturn variance £408k adverse, a favourable movement of £225k since period 4.</p> <p>COVID-19 Forecast Pressures £639k, an adverse movement of £19k since period 4 (losses of income £361k and additional unplanned expenditure £278k):</p> <ul style="list-style-type: none"> • Forecast income losses include £179k relating to Sale Waterside Arts Centre and £65k for events including at Flixton House. Land charges income is projected to be £53k less than budget and Registrar's £30k. There is also a £34k loss of income expected from library lettings; • Additional expenditure includes £428k of legal costs related to fees and additional agency staff required due to the increase in caseload, which has increased by £13k. This is offset by £150k saving from the local election being deferred until 2021 as previously reported. <p>All forecasts reflect the extension of COVID-19 restrictions, since last reported, and are now assumed to the end of the financial year.</p>

		<p>Other Variances £231k favourable, favourable movement of £244k:</p> <ul style="list-style-type: none"> • Forecast staff costs are £541k below budget across the Directorate, an increase of £175k, based on actual and projected vacancies reviewed across the year (9.2% of the staff budget). This includes £200k in Legal Services, £130k in Access Trafford (contact centre), £172k in Partnerships and Communities and £39k in Arts and Culture; • General running costs are overspent by £39k, favourable movement of £66k, mainly due to reduced library purchases in-year due to a change in supplier contractor; • There is a shortfall in income of £78k compared to budget excluding the COVID-19 pressures above, an adverse movement of £6k. This includes a £38k shortfall in capital fee income which is related to staff vacancies, and a £27k reduced forecast of grants in Democratic Services. <p>The net overall underspend of the above is offset by the reduced budgeted Directorate-wide efficiency saving target of £193k.</p>
Council-wide budgets	£(6,535)	<p>Projected outturn variance £6.535m favourable, a favourable movement of £982k since period 4</p> <ul style="list-style-type: none"> • COVID-19 Support Grant – favourable £10.587m a favourable £2.234m since period 4 to reflect the recently announced 4th COVID-19 support grant. The Government has announced various general packages to support the financial impact of COVID-19. All of these generic support grants have been accounted for in Council-wide as a centrally held resource for monitoring purposes; • COVID-19 Sales, Fees and Charges Compensation Scheme – £3.562m favourable - alongside the announcement of the 3rd COVID-19 support grant in July 2020, the Government announced a compensation scheme for lost income from Sales, Fees and Charges. Further details are shown in paragraph 30. It is estimated £3.562m will be reimbursed by the Government, an improvement of £562k over that assumed in period 4; this has been accounted for in Council-wide in the same manner as the support grants. • As mentioned above, the Council is expecting to receive an additional £2.234m to accommodate winter pressures relating to COVID-19. Due to the uncertainty surrounding the financial impact of a second wave, as mentioned in paragraph 5, a contribution to a contingency reserve of £2.234m has been included in the Council-wide forecast; • Due to Tier 3 status/national lockdown, the Council will

		<p>receive a Contain Management and Outbreak Grant at £1.899m to support activities like enforcement, compliance and contact tracing. This grant and the estimated additional costs are assumed to be neutral in the forecasts at this stage;</p> <ul style="list-style-type: none"> • £5.142m adverse variance on Treasury Management – due to the impact of COVID-19 on the economy the budgeted MAG Dividend of £5.597m is no longer expected. Also, there is a reduction in investment income due to lower interest rates of £169k, offset by additional income from strategic investments of £624k. A favourable net movement of £51k since period 4; • The Housing Benefit budget is notoriously difficult to predict and was compounded by a backlog of claims during the first quarter of the year. The backlog has now been cleared but resulted in overpayments being made and subsequent loss of subsidy. The suspension of the collection of previous overpayments during the first quarter of the year also added to the pressures. At period 6 there is a significant pressure on the net Housing Benefit budget (payments made, less subsidy and overpayment recovery) of £860k, an adverse movement of £56k compared to period 4, although there is a wide margin for error given the unknowns. It was considered prudent at the end of the last financial year to bolster the Housing Benefit Reserve by a figure of £500k and this will be drawn on as a minimum to alleviate some of the in-year pressure. A reserve contribution of £500k will reduce the pressure to £360k; • £203k relating to Trafford's share of the AGMA-wide Trafford Park Mortuary facility set up in response to the COVID-19 pandemic, no change; • £100k relating to Trafford's share of the increased costs of the South Manchester Coroners' service due to the COVID-19 pandemic, no change; • £50k saving relating to Members Allowances. This is due to the two current vacancies and both the Labour and Conservative Groups not taking the 2% pay awards for 2018/19 and 2019/20; • In addition, a number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts have been reviewed. It is considered appropriate at this stage of the year, after taking account of un-budgeted one-off costs to release £375k of these.
Dedicated Schools Grant	1.098	<p>Projected outturn variance £1.098m adverse, an adverse movement of £474k since period 4.</p> <p>De-delegated budgets - £8k favourable - the £40k adverse</p>

		<p>movement is due to under spends on de-delegated budgets such as maternity and civic duties, lower than first expected.</p> <p>Central Schools Services Block - £35k favourable - the £40k favourable movement is due to the Primary Targeted budget not going to be fully spent (this saving will be ring fenced and carried forward for future years).</p> <p>High Needs Block - £1.173m adverse - expected spend has increased by £506k due to new and increasing Out of Borough (OOB) placements costs offset by reduced expenditure within SEN, Special Schools & Behaviour & Attendance. This over spend can be met from DSG reserves</p> <p>Early Years - £32k favourable - the underspend will be carried forward and allocated to early years settings in 21/22.</p>
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MTFP SAVINGS AND INCREASED INCOME

12. The 2020/21 budget is based on the achievement of permanent base budget savings and increased income of £10.055m (see paragraph 1 above). At this stage the latest forecast indicates that there is a projected shortfall in the savings programme of £1.72m, and this includes a number being affected by COVID-19. The movement since period 4 of £1.03m relates mainly to the Children's Placements savings target now being achieved in full, a £974k favourable movement.

RESERVES

13. The balance brought forward as at 1 April 2020 of usable reserves was £91.35m, including schools and capital reserves. In February 2020, a figure of £4.53m was agreed to help support the 2020/21 revenue budget.
14. In light of the budget pressures stemming from the impact of the COVID-19 pandemic a full review of all reserves has been undertaken with both service management and the Corporate Leadership Team. This was done primarily to identify balances which could be used to support any longer term financial impacts of the pandemic. In undertaking the review, close consideration has been given to the reasons the reserves are held and due regard has been placed on ensuring any remaining reserves remain sufficient to cover the range of risks faced by the Council. Full details of the review can be found in the draft budget report and a summary of the reserves can be seen in the table below.

<i>Table 3</i>	Opening Balance 1/4/20	Balance 20/21	Balance 21/22	Balance 22/23
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Usable Reserves	£m	£m	£m	£m
Budget Resilience and Smoothing (*)	31.25	27.67	11.21	11.48
Strategic Priority	11.74	5.89	6.80	6.92
Corporate	2.05	(3.19)	0.32	0.00
General Reserve	7.00	7.00	7.00	7.00
Service Area Priorities	6.64	3.68	2.09	0.65
Earmarked Reserves	58.68	41.05	27.42	26.05
Capital Related Reserves	21.77	14.82	7.86	0.91
School Related Reserves	10.90	10.90	10.90	10.90
Total Usable Reserves	91.35	66.77	46.18	37.86

(*) The contribution to a general covid contingency reserve relating to the 4th tranche of the COVID-19 general support grant at £2.23m (see para 5) has not yet been reflected in the balances above.

TRANSFORMATION FUND

- Due to the impact of COVID-19 on workloads the update on the delivery of the projects financed from Transformation Funding will now be provided in the period 8 monitoring report.

COLLECTION FUND

Council Tax

- The 2020/21 surplus on the Council Tax element of the Collection Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%). The total surplus brought forward as at 1 April 2020 was £1.12m. At the time the 2020/21 budget was prepared, an estimated surplus of £1.466m was anticipated and used to support the budget. The effect of this will result in an overpayment being made by the Collection Fund which will be made good in 2021/22 by the three preceptors. Trafford's share is £285k and was set aside in 2019/20 in an earmarked reserve for this purpose.
- During the first half of the year the challenges faced by COVID-19 have placed considerable pressure on the Council Tax Collection Fund and there is currently a forecast deficit of £5.94m caused by a fall of in year collection rates, an increase in Local Council Tax Support and higher than anticipated

application of discounts and reliefs. This is an improvement on the estimated deficit of £7.02m at period 4 and has been largely due to an increase in the collection rates from that seen during the first quarter.

18. The Council has received a Government sponsored COVID-19 Council Tax Hardship Grant of £1.56m which will be used to compensate the Collection Fund for the Hardship Cases and will reduce the in year deficit to £4.38m, of which the Council's share would be £3.58m.
19. Of the pressures being experienced, a figure of £5.77m can be attributed to COVID-19, consisting of Cash Collection pressures, increase in Council Tax Support Scheme and delays in new properties coming online. Although there has been an improvement in cash collection rates since period 4, there remains potential uncertainty in the projections due to the unknown impact of the changes in the Government Job Retention Scheme from October 2020 and the impact of the recent change to Tier 3 status for the Greater Manchester region.
20. It is also noted that there is an underlying pressure of £175k (Trafford's share is £144k) included in the projections relating to an increasing trend of properties attracting single person discount. Applications for these discounts are routinely investigated to confirm eligibility, however if the underlying pattern continues this recurrent pressure will need to be reflected in our future budget plans.
21. As at period 6 the forecast year end balance on the Council Tax Collection Fund is a deficit of £4.73m (£5.8m at period 4), consisting of an overpayment of £345k in the brought forward balance plus an in year shortfall of £4.38m. The Council's share of this is £3.87m, of which £284k has been identified in an earmarked reserve leaving a balance of £3.59m. As highlighted in paragraph 8, the Government announced changes, enabling local authorities to spread their tax deficits over three years rather than the usual one. This will reduce the financial impact of the COVID-19 related deficit, of which Trafford's share is £3.44m in 2020/21, to a neutral amount, however this will need to be recovered between the period 2021 to 2023.

Business Rates

22. The 2020/21 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £11.35m. Projecting business rates is by its nature complex and prone to variation, in addition the impact of COVID-19 has added further uncertainty to the accuracy of projections, therefore only quarterly updates will be given throughout the year.
23. In order to support businesses with the impacts of COVID-19, the Government has provided various rate relief packages. The largest relief has been awarded to all retail and leisure sites who have been granted a 100% rates holiday until 31 March 2021. These reliefs, which are currently estimated at £89.9m, will result in an equivalent reduction in the rateable income paid

into the Collection Fund and therefore a substantial deficit in the current year. However, this loss will be fully compensated via a Section 31 Grant paid into the Council's General Fund.

24. The level of reliefs represents approximately 50% of the total rateable income with the remaining 50% largely relating to non-retail sites. The ability of both retail and non-retail businesses weathering the impact of COVID-19 will be unknown for some time, adding to the uncertainty in forecasting rateable income for the year. As mentioned in paragraph 22, the Council is compensated for the Government sponsored 100% retail rates relief. However, if there is a fall in retail occupancy due to an economic downturn during the year this may lead to an increase in vacant properties/insolvencies and a requirement to repay the grant.
25. During the first quarter of the year, all recovery and billing activity was suspended, which has added a further level of uncertainty in forecasting collection rates. Recovery activity has recently recommenced and will be used to inform collection rates over the remainder of the year. As a broad estimate, an assumption continues to be made that there will be a reduction in income from non-retail businesses of 5% over the year, resulting in a shortfall of £3.49m, as also reported in period 4. The Government has announced changes, enabling local authorities to spread their tax deficits over three years rather than the usual one. This will reduce the financial impact of the COVID-19 related deficit of £3.49m in 2020/21 to a neutral amount, however this will need to be recovered between the period 2021 to 2023.
26. The underlying Rateable Value (RV) provides a useful indication of the health of the rates baseline. In the financial year 2019/20, there continued to be significant volatility in the rating system as a result of a pattern of properties being converted to residential settings and this was reflected in a reduced RV when setting the 2020/21 budget. However, proposed new sites were added to offset some of this loss. The latest projections as at period 6 show the RV is approximately £700k above budget, which is a positive sign, however once again, the impact on the long term RV as a result of COVID-19 cannot be predicted at this stage.
27. For completeness, Business rates collection for this year as at 31 August 20 is 38.04% (compared to 48.57% for 19/20) and is because retail premises are not required to pay rates during 2020/21. Due to the impact of COVID-19, additional support measures were introduced by the Government in March 2020 to enable local authorities to offer financial support to local organisations to pay business rates. This included special payment arrangements to defer 2020/21 instalments until July 2020. This has had a direct impact on the collection rates for the first 6 months and is likely to continue for the rest of the year. The broad estimated shortfall in income, highlighted in paragraph 24, includes the impact on reduced collection rates.

Impact of COVID-19

28. As a result of the COVID-19 Pandemic, the Government has announced a number of packages to support businesses and to help local authorities respond to some of the underlying pressures in their local area.
29. Since the period 4 monitor, the Government announced a further set of support measures, including:
- A Contain Outbreak Management Fund – this scheme was announced at the time of drafting this period 6 monitoring report to support proactive containment and intervention measures. Payments will be made of between £1 per head of population to £8 per head depending on Local COVID-19 Alert Levels (Tier 1 to Tier 3). However with effect from 5th November, the national lockdown will in effect place all authorities in Tier 3 and with a population of 237,000, the Council will receive a grant of £1.899m. This grant and the estimated additional costs are assumed to be neutral in the forecasts at this stage; Detailed projections will be reviewed for inclusion in the next period monitoring report.
 - On 12 October 2020, the Government announced a further £900m of support to Councils to meet additional COVID-19 related pressures over the winter period plus a further £100m support for Local Authority Leisure Centres. Trafford will receive a £2.234m share of the £900m allocation, however firm details of the Leisure Centre support have yet to be released. The general support grant has been included in the forecasts, however it will be used to contribute to a contingency reserve in the immediate term due to the uncertainty surrounding any potential increase in costs associated with a second wave.
 - On 22 September 2020 the Prime Minister announced £60million will be made available to local authorities and the police to support additional compliance and enforcement activities. Of this £60million, £30million is being allocated to all district and unitary authorities including Metropolitan borough and London borough councils in England to spend on COVID-19 related compliance and enforcement activities. Trafford's share is £107k and has been included in the Place Directorate forecasts to offset the equal cost.
30. At the time of writing this report, many parts of the country are experiencing a significant increase in the rates of COVID-19 infections and with effect from 23 October 2020, Trafford moved to Tier 3 restrictions and along with the rest of the Country moved to national lockdown on 5th November. The financial impact of a second wave is difficult to forecast and will depend on many variables such as the length of time of a local lock down, including any potential for the closure of schools, the sectors affected and the impact on the local economy and consequent job losses. It is likely that the council will see further reductions in council tax collection rates, increases in applications under the Local Council Tax Support Scheme and additional impact on income from Sales, Fees and Charges as well as increased demand in services. The period 6 forecasts are largely based on assumptions made before the Tier 3 restrictions were announced. An exercise is currently ongoing involving knowledge sharing with other local authorities to determine an approach to future forecasting. Details will be provided in the next period monitoring report.

31. Whilst the Service Areas have reported their COVID-19 related pressures separately, the COVID-19 Support Grant (1st, 2nd and 3rd and 4th tranches) and Contain Management Outbreak Grant have been accounted for in Council-wide as a centrally held resource for monitoring purposes. Likewise, the estimated income of £3.562m from the Sales, Fees and Charges compensation scheme will also be accounted for in Council-wide. The Council Tax Hardship Grant along with the Rates Relief Grants are also accounted for in Council-wide, however these will be utilised to offset pressures felt within Council Tax and Business Rates in the Collection Fund.
32. The net pressures being felt in 2020/21 have been detailed in the service narratives and a summary is shown in Table 1, along with the grant funding, CCG and earmarked reserves contributions, with the remaining balance being the subject of ongoing discussions with Government Departments in meeting the substantial and ongoing impact in 2020/21.

Table 4 – Impact of COVID-19 on Services	Period 4 2020/21 £000	Period 6 2020/21 £000	Change P6 to P4 £000
Estimated Gross Service Pressures	36,556	43,277	6,721
Estimated Funding Pressures (Council Tax and Rates)	9,022	8,205	(817)
Gross COVID-19 Pressures	45,578	51,482	5,904
CCG contribution – PPE – Adults Services	(490)	(435)	55
CCG contribution - Hospital Discharges	(7,357)	(8,883)	(1,526)
Infection Control (Care Homes) Grant	(2,270)	(4,246)	(1,976)
Public Health – Test and Trace Grant	(1,157)	(1,457)	(300)
Council Tax Hardship Grant	(1,277)	(1,277)	0
Total Specific Grants and Recharges to CCG	(12,551)	(16,298)	(3,747)
COVID-19 Support Grant 2nd Tranche	(6,539)	(6,539)	0
COVID-19 Support Grant 3rd Tranche	(1,814)	(1,814)	0
COVID-19 Support Grant 4th Tranche	0	(2,234)	(2,234)
Contain Management Outbreak Grant		(1,899)	(1,899)
COVID-19 Support SFC Income Loss Support	(3,000)	(3,562)	(562)
Total Government Support	(11,353)	(16,048)	(4,698)
COVID-19 Support Reserve (Bal of 1 st Tranche held in reserve)	(4,722)	(4,722)	0
Strategic Investment Property Risk Reserve (*)	(900)	(900)	0

Council Tax Deficit removed and recovered 2021 onwards	(4,257)	(3,440)	817
Business Rates Deficit removed and recovered 2021 onwards	(3,488)	(3,488)	0
Total Reserves and Funding Contribution	(13,367)	(12,550)	817
Net COVID-19 Pressures 2020/21	8,307	6,586	(1,721)

(*) The use of the Strategic Investment Property Reserve is the estimated cost of COVID-19 related pressures within the Strategic Investment Property Portfolio held within the Place Directorate.

Net COVID-19 related pressures are estimated at £6.586m at period 6 (£8.3m at period 4), these have been offset to a degree by favourable movements across other services to arrive at a net overspend of £220k.

CAPITAL PROGRAMME

Approved Budget

33. The original general Capital Programme for 2020/21 approved in February 2020 was £62.77m, and with the addition of the net slippage from 2019/20 of £27.15m this increased the revised programme for 2020/21 to £89.92m. As part of the period 4 monitoring process a review of the planned expenditure to reflect the impact of COVID-19 was undertaken, along with a review of the historic slippage and any changes in the level of forecast receipts. As a consequence of these reviews, the programme was re-aligned to a level that could be expected to be realistically delivered within the 2020/21 financial year. This resulted in a revised indicative 2020/21 general Capital Programme of £42.80m. There is also £139.35m for the Asset Investment Fund phased for 2020/21. Following the period 6 monitoring process the revised forecast general programme for 2020/21 is currently £41.63m, which is a net reduction of £1.17m as outlined below:

Table 5 - Capital Investment Programme 2020/21	Approved Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children's Services	8.64	-	8.64
Adult Social Care	1.84	(0.05)	1.79
Place	29.98	(1.16)	28.82
Governance & Community Strategy	0.08	-	0.08
Finance & Systems	2.26	0.04	2.30
General Programme Total	42.80	(1.17)	41.63
Asset Investment Fund	139.35	-	139.35
Total Programme	182.15	(1.17)	180.98

34. Amendments to General Capital Programme

Changes to existing budgets – £(110)k

- Altair – £(110)k – Final settlement of the land assembly element of this scheme has now been agreed.

Re-profiling of Budgets to Future Years £(1.10)m

Adult Social Care

- Right Care for you – £(50)k – This work is adaptation based within people's homes, due to the current situation around COVID-19 the ability to get access to assess and carry out works is limited;

Place

- Trafford Waters £(720)k – Peel who are undertaking the work have provided a revised programme of works that is now due to commence early in 2021;
- Ascot House – £(100)k – This property is currently being used for delivery of services linked to COVID-19 which has resulted in limited

access to the site. Work is currently underway to complete designs for the scheme with work likely to commence in the New Year;

- Borough-wide – Boundary/Village Entry Signs £(30)k - There is currently a review of where these are to be installed and at the moment there are supply issues getting hold of the stock needed;
- Electric Vehicle Charging Points – £(200)k - Work is currently being undertaken to develop a strategy around the location of the EV charging points;
- Assistance to Owner Occupiers – £(50)k – These are capital grants to home owners for adaptations but with the current COVID-19 situation assessments have been delayed.

Works to be delivered ahead of schedule assumed at period 4, £93k

Place

- Parks Infrastructure – £5k;
- Highways Infrastructure – £46k.

Finance and Systems

- ICT Service and Infrastructure - £42k.

35. 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 6 - Capital Investment Resources 2020/21	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	17.27	0.56	17.83
Contributions	3.21	(1.14)	2.07
Sub-total	20.48	(0.58)	19.90
Internal:			
Receipts requirement	6.02	(0.31)	5.71
Borrowing	154.99	(0.20)	154.79
Reserves & revenue contributions	0.66	(0.08)	0.58
Sub-total	161.67	(0.59)	161.08
Total Resourcing	182.15	(1.17)	180.98
Forecast Capital Receipts	1.91	-	1.91
Shortfall in Capital Receipts	(4.11)	0.31	(3.80)

36. The land sales programme is under continuous review with an active programme of work to dispose of assets to realise receipts as soon as possible at an appropriate value to assist with the funding of the capital programme. Currently within the overall capital programme over the three year period until 2023/24 there is an anticipated deficit of £2.74m. This level has not changed since the period 4 monitor but it is to be noted that there are a number of pressures on receipts from both straight forward disposals and self-development schemes that will continue to be monitored and will be reflected within the programme as more certainty is reached. Clearly a deficit of this level will factor into the assessment of the current bidding round for new capital programmes and also inform any level of short term borrowing required to maintain the current programme.
37. It is currently anticipated that the 2020/21 capital receipts will be £3.80m below those levels required within this financial year. The shortfall in capital receipts is partially due to the Council taking forward a number of proposals for the self-development of sites rather than a straightforward disposal, which had generally been the case previously. This is expected to generate an increase in the returns from the sites, however, their longer term nature will have an impact on the short term funding of the current capital programme.
38. If there is no re-phasing of schemes funded by receipts or capital receipts are not realised in advance of what is currently assumed, there will potentially be the requirement for short term borrowing to fund this deficit for the next two years. This would have an additional revenue costs of approximately £220k not currently budgeted for. This carries a risk that if receipts are not realised over the longer period, or at all, then borrowing will then need to be paid for on a longer or more permanent basis and will result in a revenue budget pressure in the Medium Term Financial Plan.
39. Work is currently being undertaken to see if any properties currently within the Land Sales Programme can be sold in advance of current assumptions. This is to assist with the current in year shortfall in receipts and reduce the need for short term borrowing.

Status and progress of projects

40. 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 7 - Status on 2020/21 Projects	Current Budget £m	Percentage of Budget
Already complete	19.29	46%
On site	14.65	35%
Programmed to start later in year	6.03	15%
Not yet programmed	1.66	4%
Total	41.63	100%

41. 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 £39.97m (96%) of the budget has now been committed or is programmed to start in the year.
42. Currently within the main capital programme, there have not been any specific schemes identified that will have a significant impact on the forecast levels of delivery and the current capital receipts position. This is under constant review with service areas and any issue that arise will be reported here.

ASSET INVESTMENT PROGRAMME

43. In February 2020 approval was given to increase the Asset Investment Fund to £500m, supported by prudential borrowing, to support the Council's Investment Strategy. The transactions that have been agreed by the Investment Management Board to date have a total committed cost of £377.10m. The facility agreement at The Crescent (£44.26m anticipated outlay) is due to be repaid this year, meaning the balance of the approved £500m which is available for further investment is £167.16m (Table 8). These investments are forecast to generate a net benefit to the revenue budget this year of £7.43m

Table 8 : Asset Investment Fund	Prior Years £m	2020/21 £m	Commitment £m	Total £m
Total Investment Fund				500.00
Cost				
K Site, Stretford:-				
Equity in Trafford Bruntwood LLP	10.69	0.21	1.35	12.25
Development Loan to Bruntwood	10.69	0.21	1.35	12.25
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	4.10			4.10
The Fort, Wigan	13.93			13.93
Sainsbury's, Altrincham	25.60			25.60
Brown Street, Hale	3.34	0.54	3.61	7.49
The Crescent, Salford (*)	39.67	4.59	(44.26)	0
CIS Building, Manchester	60.00			60.00
Stretford Mall & Stamford Qtr				
Stretford Mall, Equity	8.82			8.82
Stamford Quarter, Equity	16.69			16.69
Acquisition Loan to Bruntwood	25.57			25.57
The Hut Group		25.00	42.50	67.50
Former sorting office, Lacy Street, Stretford	0.86		0.10	0.96
Various Development Sites	0.29	0.37		0.66
Castle Irwell, Salford	0	0	19.00	19.00
Total Capital Investment	260.65	30.92	23.65	315.22
Albert Estate Treasury Investment	17.62			17.62
Total Investment	278.27	30.92	23.65	332.84
Balance available				167.16

44. This year there are two new development loan facilities, agreed at Investment Management Board. These include an early drawdown of the agreed debt facility for the Hut Group to support new regeneration, including a new logistics and office facility near Manchester Airport and a facility to support a regeneration scheme at Castle Irwell in Salford. This will include a new residential development and support the development of 157 houses to be undertaken by the developer Salboy.
45. There are a number of self-development schemes that are currently being undertaken to generate resources to support the capital programme. There is

significant progress being made on these. Below is an update on the current schemes either currently on site or where progress has been significantly made;

➤ Brown Street

This scheme is on site and is progressing well, it is still anticipated that completion of the 10 townhouse and 12 affordable apartments will be in June 2021. As with all schemes of this nature particularly with the impacts of COVID-19 and the original contractor going into administration there have been additional cost pressures identified. These are currently being assessed and managed to mitigate where possible but it is inevitable that some of these costs will increase the overall expenditure within the scheme. Currently there are potential increases as a result of issues with services to the site, rectification of previous contractor work and issues around fire safety within the buildings and car park which along with a number of smaller issues potentially could increase costs by £300k. In terms of the receipts from the scheme Novo, the current contractor, have appointed a marketing and sales officer to assess that value and have indicated that at least an additional £150k could be achieved. This is also supported by a RICS valuation. If realised this will assist in mitigating some of the cost increases. Currently the scheme is forecasting a return of £1.1m which is an Internal Rate of Return (IRR) of 13%, which is a reduction from the £1.3m reported in Period 4;

➤ Sale Magistrates

After a procurement process, Seddons were selected as the Council's preferred contractor and have been working with the authority with the aim of applying for planning approval later this year. Work is now ongoing to produce a revised financial model for the scheme but it is expected that this will still be delivered within the current assumptions in the capital programme, with a development return of £3.0m which is an IRR OF 13%.

Issues / Risks

46. 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

47. It is recommended that that the Executive:
- a) request Council to approve the an increase to the net Revenue Budget of £261k to £175.52m as detailed in paragraph 2
 - b) note the updated positions on the revenue budget, collection fund and capital programme.

Appendix 1

Service Review/Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (was People & Traded Services) (£000's)	Finance & Systems (£000's)	Governance & Community Strategy (£000's)	Council -wide (£000's)	Total (£000's)
Period 4 Report	41,920	61,410	29,284	5,066	7,812	6,391	23,378	175,261
Public Health Grant increase		261						261
Virements:								
0.75% Pay Award	222	103	56	39	97	58	(575)	0
Council meeting streaming costs					(9)	9		0
Total movements	222	364	56	39	88	67	(575)	261
Period 6 Report	42,142	61,774	29,340	5,105	7,900	6,458	22,803	175,522

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 November 2020
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period April to September 2020.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period April to September 2020.**
- **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
Email: mark.foster@trafford.gov.uk

Background Papers: None

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TRAFFORD
COUNCIL

Audit and Assurance Service Report April to September 2020

Date: **November 2020**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April and September 2020 and highlights progress against the 2020/21 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 2020/21.

2. Planned Assurance Work

It should be noted that the 2020/21 Internal Audit Plan was produced prior to the start of the COVID-19 pandemic lockdown in March 2020 and consequently, elements of the plan are subject to ongoing review and revision. This is reflected in Sections 3, 6 and 8 of this report.

Key elements of the 2020/21 Work Plan produced in March 2020 include:

- Fundamental Financial Systems reviews.
- Review work in relation to the 2019/20 Annual Governance Statement
- 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, including the National Fraud Initiative.
- School audits and other establishment audit reviews.
- Grant claim certification work
- Audit reviews of other areas of business risk.
- Provision of guidance and advice to services across the Council.

3. Main areas of focus – April to September 2020

Significant time has been spent in providing support to the Council's response to the COVID-19 pandemic:

- During April and May 2020, Audit and Assurance provided support to the Council's Exchequer Services in completing checks supporting the administration of the payments of COVID-19 Business Rates Grants in respect of the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. At different times, this involved all Audit staff providing some support to the process.
- From June to September 2020, Audit staff also provided assistance to the Strategic Growth team in completing checks to support the processing of applications for the payment of grants to local businesses in respect of the Coronavirus Local Authority Discretionary Grants Fund.

Work in this period also focussed on issuing a number of reports in respect of audit reviews that had commenced around March 2020 but were then subject to some delay before work resumed and final reports were able to be completed. This included a number of audit reviews of financial systems. In addition, a number of reviews commenced from April, and where applicable, took account of any revised procedures introduced to take into account of the COVID-19 pandemic, including new ways of working.

All audit opinion reports completed or in progress are listed in Section 5 and other key areas of audit work undertaken are referred to in Section 6.

4. Summary of Assurances in April to September 2020

There were 16 internal audit opinion reports produced in the period, 15 final reports and 1 draft report were issued. A listing of audit report opinions issued including overall findings is shown in Section 5.

In respect of the final reports issued, opinions of "Medium" (Adequate) or above were given in relation to all reports. For all final reports issued, where applicable, agreed action plans are in place to implement the recommendations made. It is acknowledged that agreed timing for implementation of recommendations may be subject to ongoing review given disruption faced by services and this will be taken into account in any subsequent follow-up audit work.

5. Summary of Audit & Assurance Opinions Issued – April to September 2020

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

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS ISSUED		
Level 4 Reports :		
Housing Benefits / Council Tax Support (Finance and Systems) / (Finance and Investment)	High (GREEN) (28/4/20)	A high level of assurance is given as systems, procedures and controls were found to be operating effectively. Roles and responsibilities are clearly defined for the administration of the benefits system and there is appropriate segregation of duties in place.
Asset Investment Strategy (Authority-wide) / (Finance and Investment)	High (GREEN) (13/7/20)	A review of the Council's governance arrangements in respect of its property investment activity was undertaken towards the end of 2019/20. The review found that arrangements in place for the identification and appraisal of potential investments are good. The Council has adopted a prudent approach to investments to date, and utilised appropriate measures and indicators to, as far as possible, estimate the risks to the Council over the medium and long term life of the investment. A small number of areas were identified where existing procedures could be enhanced to support future reporting on investment activity.
ICT Incident Management (Finance and Systems) / (Public Safety, Governance and Reform)	Medium (GREEN) (20/8/20)	The objective of the audit was to evaluate the effectiveness of the arrangements in place for responding to IT incidents i.e. unplanned service interruption. The review concluded that, overall, key risks are being managed although there are a number of areas for improvement. This includes the recommended development of up to date IT incident management documentation to ensure that all individuals involved in the process are fully aware of their roles and responsibilities.
Social Value in Procurement (Finance and Systems) / (Finance and Investment)	Medium/High (GREEN) (17/9/20)	The audit was completed by Audit and Assurance on behalf of all four Local Authorities within the STAR Shared Procurement Service. The introduction of the use of the Social Value Portal has resulted in significant development of processes to establish targets and monitor performance for individual contracts in respect of levels of social value achieved. Audit recommendations include ensuring adequate feedback is received from contractors in the use of the portal to aid continuous improvement in processes.
Treasury Management (Finance and Systems) / (Finance and Investment)	High (GREEN) (21/9/20)	The Council's treasury management processes continue to achieve a high level assurance opinion. As a result of the COVID-19 pandemic and the need for many staff to work from home, new processes have been effectively developed to accommodate new ways of working.
Level 3 Reports :		
Direct Payments (Children's Services) / (Children's Services)	Medium/High (GREEN) * (5/8/20)	The audit focussed on follow up of the previous review recommendations reported in January 2019. It was noted 2 recommendations had been fully implemented whilst the

		remaining five recommendations were all being progressed. This includes continued review and update of the Children's Direct Payment Policy.
Adult Social Care Payments System (Adults' Services) / (Adult Social Care)	Medium/High (GREEN) * (5/8/20)	The audit focussed on follow up of the previous review recommendations reported in March 2018. It was noted that 4 recommendations have been fully implemented whilst 13 recommendations have been implemented in part or are being progressed with 3 recommendations yet to be addressed; these include actions to consider further review of current IT access to the system.
Direct Payments (Adults' Services) / (Adult Social Care)	Medium (GREEN) * (5/8/20)	The audit focussed on follow up of the previous review recommendations reported in November 2018. It was noted that 4 recommendations have been fully implemented whilst 14 recommendations have been implemented in part or are being progressed with only 1 recommendation yet to be addressed; this relating to the introduction of sample quality assurance checks of direct payments audits completed within the Service.
<u>Level 2 Reports:</u>		
Client finance system (Finance and Systems) / (Finance and Investment & Adult Social Care)	Medium/High (GREEN) * (5/8/20)	The Council acts in the capacity of Appointee or Deputy for managing vulnerable clients' finances where no other options are available. The Client Finance System comprises the banking arrangements, supporting records and processes for managing client funds. An audit review was originally completed in 2018/19. This follow-up review confirmed that 4 of the previous 7 recommendations made had been implemented with the other 3 being progressed. This includes further developing system reporting, to assist in the review and monitoring of client accounts.
Tree Unit (Place) / (Environment, Air Quality and Climate Change)	Medium/High (GREEN) (7/8/20)	Overall it was found that processes for the management, inspection and maintenance arrangements for the trees the Council is responsible for are effective. It was noted that a risk based approach to inspections is being developed and progress is being made in reducing a backlog of inspections and pruning cycles.
STAR Performance Management follow up review (Finance and Systems) / (Finance and Investment)	N/A (GREEN) ** (21/9/20)	A review had previously been completed by Stockport Council on behalf of Stockport, Trafford, Rochdale and Tameside Councils. This follow up review found that of the 5 recommendations previously made, all had been implemented. This included implementation of improved processes for the recording and reporting of details on savings information.
<u>Level 1 Reports:</u>		
Flixton House (Governance and Community Strategy) / (Culture and Leisure)	Medium/High (GREEN) (8/7/20)	The audit findings were largely based on work undertaken up to March 2020, prior to the national lockdown. As a commercial events venue, whilst overall controls in place were found to be satisfactory, the key issue that the venue faces is generating sufficient income to cover its running costs. This issue was discussed and raised prior to the closure of the facility due to the COVID-19 outbreak and it is acknowledged that the impact of this will have to be considered going forward.
Altrincham Library (Governance and Community Strategy) / (Culture and Leisure)	High (GREEN) (3/7/20)	The audit findings were largely based on work undertaken up to March 2020, prior to the national lockdown. Effective governance and internal control arrangements were in place. A final report was subsequently issued in July 2020 and as part of the agreed management response to the report, this included an action to complete an authority-wide Library strategy in 2020/21.
Highfield Primary School (Children's Services) /	Medium/High (GREEN)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit.

(Education)	(29/6/20)	Some recommendations made included ensuring adequate evidence is maintained of particular checks and authorisation as part of some ordering and payments procedures.
St. Vincent's Catholic Primary School (Children's Services) / (Education)	High (GREEN) (22/7/20)	A good standard of governance and internal control arrangements were found to be in place. The roles and responsibilities of governors, sub-committees and key staff are clearly defined. Relevant school policies are reviewed on a regular basis.
<u>DRAFT REPORTS ISSUED</u>		
<u>Level 4 Reports:</u>		
Revenues and Benefits Service IT Systems Review (Finance and Systems) / (Finance and Investment)		An IT Application review of the Civica Open Revenues and Northgate Information at Work systems operated by the Revenues and Benefits Service was undertaken. Draft findings were shared with management and the final report will be issued later in 2020.
<p><i>*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.</i></p> <p><i>** The audit was completed by Stockport Council. Although a revised opinion was not stated, it was noted that all previous recommendations had been implemented.</i></p>		

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 period has included the following:

- As referred to in Section 3, supporting other services in administering the payment of COVID-19 grants to businesses.
- Working with CLT to update the strategic risk register with an update report shared with CLT and the Accounts and Audit Committee in July 2020 and commencing work on a further update report for completion in November 2020.
- Commencing work to support the 2020/21 National Fraud Initiative, preparing for the submission of data through liaison with all services that are required to provide information. (Update on work completed to be included in the October to December 2020 Audit and Assurance update).
- Working to support Legal and Democratic Services in the process of compiling the 2019/20 Draft Annual Governance Statement including completing an independent review of a draft version of the statement.
- Providing ad hoc guidance and advice. Updating the Audit intranet site with updated reference documents such as the internal Audit Plan, Charter and Strategy.

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, all recommendations have been accepted (55 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 issued in Section 5, follow up audits were completed in relation to 5 audit reviews, and where applicable, there will be further reviews of progress in implementing recommendations that remain to be implemented.

In respect of one other audit previously completed, management were requested to provide an update on progress in implementing recommendations made. This was in relation to the following:

- Worthington Primary School (Education) – All 15 recommendations previously made had been implemented.

A number of other audits completed in 2019/20 will be followed up during the rest of 2020/21. This will be both through follow-up audit reviews and also through managers providing an update on progress in implementing previous recommendations made. The next Audit and Assurance update will include an overall analysis of all audit recommendations followed up between April and December 2020 in terms of progress in implementing recommendations.

8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2020/21 Operational Internal Audit Plan

As at 30 September 2020, 461 audit days were spent against 450 planned allocated days (See Appendix 1). A further 70 contingency days were in the 2020/21 Internal Audit Plan but these will be used to mitigate any loss of days from the decision not to fill a vacant post.

In terms of time spent on each category of audit work, there are some significant variations in certain areas as a result of the pandemic. As referred to in Section 3, there has been some revision to planned internal audit work to support the Council's COVID-19 response. Significant time has been spent throughout April to September to provide support to the process of making grant payments to businesses – this fully accounts for the significant time variation in respect of time spent against planned on Grant Checks / Data Quality.

There was significant reduction in time spent on school audits with a number of reviews delayed until later in the year. Similarly, a number of other planned audits are subject to delay and in some cases will be subject to review and possible rescheduling to 2021/22. It is expected that further time will be required to support the Council in its response to the pandemic and the Audit Plan will be subject to ongoing review as a result. There will be liaison with relevant Corporate Directorates from November 2020 to March 2021 to agree priorities and the timing of planned work, both in the current year and planned audit coverage for 2021/22.

As part of the Internal Audit Plan, a target of 38 audit opinion reports was set to be produced during 2020/21 to final or draft stage (excluding reports issued by other partner authorities in relation to STAR Procurement). The target was set prior to the lockdown in March 2020 and whilst a significant number of planned reports have continued to be issued during the period, it is envisaged that by year end the actual number may not reach the target, given new priorities arising during the year i.e. time spent that was not originally planned for

in supporting the Council's COVID-19 response. As at 30 September 2020, 15 audit opinion reports were produced (with one other report produced in relation to STAR Procurement by another authority). By the end of September, a further 7 audit reviews were in progress with opinion reports due to be issued by December 2020. A number of other reviews are planned to commence between October 2020 and March 2020 across a range of areas included in the Plan to ensure adequate assurance can be provided. (See Appendix 2 for a listings of reports issued and planned).

A further update on progress against the 2020/21 Internal Plan, including reports issued to date, will be provided in the October to December 2020 update report.

9. Planned Work for October to December 2020

Areas of focus include :

- Progression of internal audit reviews as listed in Appendix 2.
- Consideration of timing of some planned audit reviews including agreeing possible work for carry forward to the 2021/22 Internal Audit Plan.
- Submission of data to the Cabinet Office in October 2020 as required as part of deadlines set for the National Fraud Initiative.
- Continuing to support CLT in updating the Strategic Risk Register with a report due to be shared with the Accounts and Audit Committee in November 2020.
- Completion of checks in order to certify the grant claim in relation to the 2019/20 Disabled Facilities Grant by October 2020.
- Other support, as required, as part of the response to the COVID-19 pandemic.

2020/21 Operational Plan: Planned against Actual Work (as at 30 September 2020)

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2020/21</u>	<u>Planned Days (up to 30/9/20)</u>	<u>Actual Days (as at 30/9/20)</u>
Financial Systems	<p>Completion of fundamental financial systems audit reviews</p> <p>See Appendix 2 for opinion reports issued and planned.</p>	175	85	76
Governance	<p>Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Declaration of interests (Officers) review.</p> <p>Advice / assurance in respect of governance issues.</p> <p>Work to date has included liaising with Democratic Services on the collation of the Draft AGS collated, including reviewing the content and feeding back to Legal and Democratic Services before the document was issued.</p>	20	10	10
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register.</p> <p>Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p> <p>Strategic Risk update report completed and reviewed by CLT and the Accounts and Audit Committee in July 2020. A further refresh of the risk register commenced in September with a report to CLT and the Accounts and Audit Committee due in November 2020.</p> <p>Also See Appendix 2 for opinion reports issued and planned.</p>	40	17	26
Anti-Fraud and Corruption	<p>Co-ordinate the Council's activity in respect of the National Fraud Initiative ensuring work completed across services in investigating data matches is progressed in accordance with Cabinet Office requirements.</p> <p>Contributing to Investigations of referred cases of suspected theft, fraud or corruption.</p>	80	40	47

	<p>Other work to support the Anti-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</p> <p>Summary of work completed during the year to be set out in Annual Head of Internal Audit Report and reflected where applicable in updates. Work to date has largely focussed on supporting the National Fraud Initiative and details will be included in the September to December 2020 Audit and Assurance update.</p>			
Procurement / Contracts/ Value for money	<p>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).</p> <p>See Appendix 2 for reports issued and planned.</p>	70	25	31
ICT / Information Governance Audit	<p>ICT Audit reviews and advice, including reviews conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews</p> <p>See Appendix 2 for reports issued and planned.</p>	100	40	30
Schools	<p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.</p> <p>See Appendix 2 for audit opinion reports issued and planned. (As at 30/9/20, 2 reports completed. Planned school audits commencing between April and July 2020 were postponed due to the COVID-19 pandemic and are resuming from November 2020).</p>	170	75	14
Assurance – Other Business Risks	<p>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:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. <p>See Appendix 2 for audit opinion reports issued and planned.</p>	260	111	62
Grant claims checks / Data Quality	Internal audit checks of grant claims / statutory returns and other data quality checks as required:	25	17	153 **

	Planned Work: In progress as at September 2020: - Certification of Disabled Facilities Grant 2019/20 Unplanned work (not in 2020/21 Audit Plan): Work completed as part of COVID-19 response - Support to Exchequer Services and the Strategic Growth team in completing checks to support administering the payment of business grants. (See Section 3)			
Service Advice / Project Support	General advice and guidance, 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. Summary of work completed during the year to be set out in Annual Head of Internal Audit Report and reflected where applicable in updates. (Also See Section 6.)	60	30	12
TOTAL		1000*	450	461

* Note there was a further contingency of 70 days within the 2020/21 Plan.

** Actual Days spent in this category includes unplanned work as part of the Council's COVID-19 response.

Audit Opinion Reports Issued and Planned 2020/21 (as at 30 September 2020)

<u>Category</u>	<u>Audit Opinion Reports</u>	<u>Status (where progressed by 30/9/20)</u>	<u>2020/21 IA Plan</u>
Financial Systems	<ul style="list-style-type: none"> - Direct Payments (Children's Services) - Client Finance system (Finance and Systems) - Housing Benefit / Council Tax Support (Finance and Systems) - Payroll (Strategy and Resources) - Asset Investment Strategy (Authority-Wide) - Adult Social Care Payments System - Liquid Logic/ContrOCC (Adult Services) - Children's Social Care Payments System - Liquid Logic/ContrOCC (Children's Services) - Direct Payments (Adult Services) - Accounts Receivable / Debt Recovery (Finance and Systems) - Budgetary Control (Authority-wide/Finance and Systems) - Accounts Payable (Finance and Systems) - Treasury Management (Finance and Systems) - Foster Carer payments (Children's Services) - Cash handling (Children's Services) 	<ul style="list-style-type: none"> Final report issued 5/8/20 Final report issued 5/8/20 Final report issued 28/4/20 In progress Final report issued 13/7/20 Final report issued 5/8/20 In progress Final report issued 5/8/20 - - In progress Final report issued 21/9/20 - - 	<ul style="list-style-type: none"> Completed Completed Completed Findings to date to be shared with management in Quarter 3 (Q3) with further work rescheduled to 2021/22. Completed Completed Draft report to be issued Q3 Completed To commence Q3 Timing to be agreed Draft report to be issued Q3 Completed Timing to be agreed Timing to be agreed
Risk Management	<ul style="list-style-type: none"> - Health and Safety (Strategy and Resources / Authority-wide) - Insurance (Finance and Systems) 	<ul style="list-style-type: none"> - In progress 	<ul style="list-style-type: none"> Timing to be agreed Final report to be issued Q3
Procurement /Contracts /Value for money	<ul style="list-style-type: none"> - Social Value in Procurement (STAR authorities – Trafford lead) (Finance and Systems) -STAR Performance Management follow-up review (Finance and Systems) - Purchase cards follow-up audit (Finance and Systems) (Further reports to be issued during the year to be confirmed in liaison with STAR and partner authorities) 	<ul style="list-style-type: none"> Final report issued 17/9/20 Final report issued 21/9/20 In progress 	<ul style="list-style-type: none"> Completed Completed Draft report to be issued Q3
Information Governance / ICT Audit	<ul style="list-style-type: none"> - Data breaches (Governance and Community Strategy/Authority-Wide) - Subject Access Requests (Governance and Community Strategy / Authority-Wide) - Freedom of Information Requests (Governance and Community Strategy / Authority-Wide) 	<ul style="list-style-type: none"> - - - 	<ul style="list-style-type: none"> Timing to be agreed Timing to be agreed Timing to be agreed

	<ul style="list-style-type: none"> - IT Incident Management (Finance and Systems) - Civica System IT Application review (Finance and Systems) - ICT Service Management (Finance and Systems) - Cyber Security (Finance and Systems / Authority-wide) - ICT Asset Management (Finance and Systems) - ICT Security in Schools (Finance and Systems / Children's Services) 	<p>Final report issued 20/8/20</p> <p>Draft findings report shared with management.</p> <p>-</p> <p>In progress</p> <p>-</p> <p>-</p>	<p>Completed</p> <p>Final report to be issued Q3</p> <p>Timing to be agreed</p> <p>Final report to be issued Q3</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p>
Schools	<p>School Audits (Children's Services)</p> <p>To include reports to be issued for the following schools:</p> <ul style="list-style-type: none"> - Highfield Primary School - St. Vincent's Catholic Primary School - Urmston Primary School - St. Alphonsus RC Primary School - Victoria Park Junior School - Moorlands Junior School - 8 other schools audits planned to be undertaken in 2020/21. 	<p>Final report issued 29/6/20</p> <p>Final report issued 22/7/20</p> <p>Planning commenced</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>Completed</p> <p>Completed</p> <p>Draft report to be issued Q3</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p>
Assurance – Other Business Risks	<ul style="list-style-type: none"> - Altrincham Library (Governance and Community Strategy) - Tree Unit (Place) - Sale Waterside Arts Centre (Governance and Community Strategy) - Flixton House (Governance and Community Strategy) - Blue Badges (Governance and Community Strategy) - Complaints System (Authority-Wide / Governance and Community Strategy) - Recruitment Processes (Strategy and Resources) - Aids and Adaptations (Adult Services) - Liberty Protection Safeguards (Adult Services) - Social Care Transitions (Children's/Adult Services) - Troubled Families (Children's Services) - Children's external residential placements (Children's Services) - Out of Borough Education Placements (Children's Services) - Home to School Transport (Children's Services) - Licensing (Place) - Building Control (Place) - Housing Waiting List (Place) - Let and Operational Estates (Place) - Outdoor Advertising (Place) - Safety at Sports Grounds (Place) - Strategic Growth Team (Place) 	<p>Final report issued 3/7/20</p> <p>Final report issued 7/8/20</p> <p>-</p> <p>Final report issued 8/7/20</p> <p>-</p> <p>In progress</p> <p>-</p> <p>Planning commenced</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>Planning commenced</p> <p>Planning commenced</p> <p>Planning commenced</p> <p>-</p> <p>-</p> <p>-</p>	<p>Completed</p> <p>Completed</p> <p>Timing to be agreed</p> <p>Completed</p> <p>Timing to be agreed</p> <p>Final report to be issued Q3</p> <p>Timing to be agreed</p> <p>Draft report to be issued Q3</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Final report to be issued Q4</p> <p>Final report to be issued Q4</p> <p>Final report to be issued Q4</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p> <p>Timing to be agreed</p>

APPENDIX 3

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: Accounts and Audit Committee
Date: 26 November 2020
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Strategic Risk Register 2020/21 (November 2020 update)

Summary

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

Recommendation

The Accounts and Audit Committee notes the report.
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Contact person for access to background papers and further information:

Mark Foster – Audit & Assurance Manager. Email: mark.foster@trafford.gov.uk
Peter Morris – Senior Audit & Assurance Officer. Email: peter.morris@trafford.gov.uk

Background Papers:

None

1. INTRODUCTION

- 1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.
- 1.2 In accordance with the Council's Risk Management Policy, the Corporate Leadership Team (CLT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.
- 1.3 This report is based on information provided by risk owners between September and November 2020 for each risk.

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

- 2.1 The Audit and Assurance Service liaised with CLT and senior managers to agree the risks to be included in the strategic risk register and provide updates on risks under their remit, including progress in managing these risks. Section 3 of this report contains an update on the strategic risks, previously reported in July 2020. Where applicable, risks have been updated in light of developments in respect of the COVID-19 pandemic.
- 2.2 The risk chart below shows an analysis of the current strategic risks. The chart analyses the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown as at November 2020 as well as for the previous update in July 2020.
- 2.3 For each risk listed in Section 3, this includes the relevant Executive Portfolio and Service Directorate.
- 2.4 A risk has been added to the strategic risk register (See Risk 2) in relation to the impact of the Climate Change Emergency.
- 2.5 The next strategic risk update will be undertaken through the final quarter of 2020/21 and reported to the Accounts and Audit Committee at its meeting in March 2021.

Comparison of Risk Levels July and November 2020

IMPACT		Risk Levels – July 2020				
Very High(5)			6	6		
High (4)			1	1	1	
Medium (3)						
Low (2)						
Very Low (1)						
		Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)
LIKELIHOOD						

IMPACT		Risk Levels – November 2020				
Very High(5)			6	6		
High (4)			1	1	2	
Medium (3)						
Low (2)						
Very Low (1)						
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)	
		LIKELIHOOD				

High Risk
Medium Risk
Low Risk

3. Strategic Risks (November 2020)

<div> <div>Red</div> <div>Amber</div> <div>Green</div> </div>						
<i>Risk Ref. *</i>	<i>Strategic Risk Title / (Directorate / Portfolio)</i>	<i>Likelihood (1-5)</i> (A)	<i>Impact (1-5)</i> (B)	<i>Risk Score</i> (A x B)	<i>Change in Risk Score</i>	<i>Comments</i>
1 (1)	Significant disruption as a consequence of the COVID-19 outbreak (Authority-Wide)	5	4	20 High	↔ No change	<p>The Council is continuing to work to the GM Pandemic Strategic Response Plan in preparing a coordinated response to the COVID 19 outbreaks in Trafford. The governance arrangements have been set up with the Recovery Coordinating Group Chaired by the Chief Executive of the Council. This acts at the gold command level.</p> <p>We published our Outbreak Management Plan as required on 30th June 2020 and have established two new Boards: a Health Protection Board, chaired by Eleanor Roaf (DPH) and a Public Engagement Board, to be chaired by the Leader of the Council. Three further Silver level thematic groups are meeting weekly chaired by Corporate Directors. They are Adults Health and Social Care, Chaired by Diane Eaton, Children's Health and Social Care and Education Chaired by Jill McGregor and Operations and Resilience Group chaired by Sara Saleh and Richard Roe. Terms of reference have been established for all the groups with the key areas that each group will oversee and provide assurance that these critical areas are being addressed. A number of sub groups / and time limited task groups have been established.</p> <p>There has been an ongoing communication programme for residents, staff and partners. New HR arrangements have been issued to staff to facilitate home working. ICT capacity has been enhanced through an increase in VPN licences. Directorates have updated their business continuity plans to focus on critical services. Major changes have been implemented to working practices to ensure that all staff whose job role allows them to work from home are able to do so. A range of programmes to support residents and businesses to mitigate economic impact have been introduced.</p> <p>The Health and Social Care Group has progressed both strategic and operational work providing support to Care Homes, Direct Payments services, Home Care, Drug and Alcohol services and Domestic Abuse and, training for care providers.</p>

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>Commissioners have sought assurance of business continuity from all service providers. The group works closely with CCG , primary care and the Trafford Local Care Organisation</p> <p>The Children's Social Care and Health is working towards trying to secure placement stability for Looked After Children, staffing resilience for maintaining front line critical services, children's health and wellbeing, youth justice and cohesion and advising supporting school and educational settings.</p> <p>With the current high rates of infection in Trafford and the national lockdown in place, the plans for staff returning to work have been put on hold and staff are being encouraged to work from home wherever possible.</p> <p>We have also identified resources for a neighbourhood based community engagement team to work in localities on community engagement and behaviour change in relation to Covid.</p>
2	Climate Change Emergency (Place / Environment, Air Quality and Climate Change)	5	4	20 High	New Risk	<p>This considered to have a very high likelihood, in that all available indicators suggest that climate change is already occurring and will, if anything, become more prominent. The Impact is considered to be High as a minimum, as the consequence of climate change give rise to unpredictable and severe weather events – and events that occur with increasing regularity.</p> <p>Climate Change can be addressed firstly through adaption - actions that designed to promote greater resilience to more extreme weather events. Secondly it can be addressed through mitigation – actions that are intended to slow or avoid the more severe climatic impacts. These are primarily focussed on reductions in local Carbon Emissions.</p> <p>To progress these matters the Council has prepared a draft Carbon Neutral Action Plan as a means of establishing actions to reduce emissions in Trafford. These will contribute to wider Low Carbon targets across Greater Manchester – and ultimately the UK as part of the National 25 year Environment Plan. It is proposed that progress be governed through the expansion of the existing Trafford Air Quality</p>

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						Commission into a Trafford Air Quality and Climate Change Commission.
3 (2)	The Council does not fulfil its statutory duties and all accompanying policy requirements in terms of identifying and safeguarding vulnerable children. (Children's Services / Children's Services).	4	5	20 High	↔ No change	<p>Safeguarding children is an area of Council responsibility that requires constant high levels of vigilance to guard against the risk of harm or abuse to children that could have been prevented through early help, identification, assessment and support.</p> <p>Trafford Children's Services was inspected under the Inspection Local Authority Children's Service Framework in March 2019 and received an overall rating of inadequate. The sub-judgements were Requires Improvement for children in need of protection, Requires Improvement for children in care and care-leavers and Inadequate for Leadership. Following this judgement a number of actions are being progressed to address the issues:</p> <ul style="list-style-type: none"> • A full Improvement Board has been established with an Independent Chair and attended by senior politicians and senior officers from the Council and key partners. • A full and comprehensive Action Plan has been published, implemented and we are now developing the next stage of this plan. • Progress towards improvement is now being monitored by the Department of Education regularly through the Involvement of our Improvement Advisor and DfE link officer. • Ofsted will now conduct a series of quarterly Monitoring Visits with published outcomes to measure our progress. First Monitoring Visit was October 2019, the outcome of this visit is not published. We expected the next Monitoring Visit in March 2020 but this was cancelled due to Covid 19. • Additional resources were released immediately following the inspection to respond in key areas with increased staffing and resources. A further 3 year financial commitment has now been agreed to embed improvements. • Significant changes have been made to the Early Help and Children's Social Care Front Door processes to improve timeliness and quality of decision making. Discussions are now well developed with partners about an agreed approach to Early Help. There has been

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>significant focus on improving Quality Assurance processes within the service and better reporting to Senior Managers. These changes are starting to inform a better self-view of our quality of practice. There will be a focus on embedding improvements and measuring impact going forward.</p> <ul style="list-style-type: none"> During Covid-19 we have established processes to focus on keeping children safe and maintaining placement stability for our cared for children. Our Sit-Reps have shown an average of 75% resilience in all services. There have been regular Incident meetings and sub-groups to ensure safe delivery of practice. We have issued new guidance to staff, initiated an extensive Work from Home programme, used a monitoring process to measure our performance and continued with key aspects of our Improvement Journey.
4 (4)	Continuing uncertainty regarding the Council's medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes that are planned concerning the reform of local government funding (Fair Funding) and the review of the business rate retention system with a planned full	4	5	20 High	↔ No change	<p>The 2020/21 budget proposals were agreed by the Council on 19 February 2020 when setting a net budget of £175.20m and which addressed a funding gap of £18.50m caused by overall cost pressures of £15.32m and funding reductions of £3.18m. The budget gap in 2020/21 was met by a combination of new funding, additional income and new savings including:-</p> <ul style="list-style-type: none"> A 3.99% increase in the council tax (1.99% general increase and 2% for adult social care) £3.98m; Income from strategic investments and the Asset Investment Strategy £6.12m; New and continuing savings programmes of £3.93m; and Use of Budget Support Reserve £4.47m. <p>Impact of the Covid-19 pandemic: the outbreak of the virus during March 2020 has had significant and far reaching implications on the Council and the way it has delivered its services during the response phase and how it will deliver them in the recovery phase.</p> <p>During March the impact started to be felt financially with an impact mainly on income streams and the provision of digital solutions and hardware to facilitate a rapid increase in home working. These costs</p>

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
	reset of business rate baselines expected from April 2021. (Finance & Systems / Finance and Investment).					<p>amounted to £1.40m and were financed by Government grant funding.</p> <p>The impact has been felt across all Council services which financially has placed a burden on expenditure, reduced income streams from fees and charges and impacted funding from council tax and business rates.</p> <p>The latest forecast of the in-year Covid related pressures reported to MHCLG on 6 November 2020 projected an overall pressure of £51.5m. The Government has provided a package of support measures to support local authorities, details of which include:-</p> <ul style="list-style-type: none"> ○ Four tranches of funding worth £15.3m to support expenditure pressures in 2020/21, ○ Support for reductions in Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income, estimated to be worth £3.56m ○ Phased repayment of Collection Fund deficits over the next 3 years. At this stage in the year it is projected a shortfall in income from council tax and business rates of £6.92m; this will not impact on the budget position in 2020/21 and instead be spread over the following three years. Government has given a commitment to determine what support is needed to help councils meet the pressures of irrecoverable tax income at the Spending Review. ○ Exceptional Support at an individual authority basis for those with unique circumstances <p>At this stage of the financial year there are still a number of financial uncertainties, particularly stemming from the impact of the second lockdown and uncertainties around the impact on demand on social care services. Therefore given these uncertainties it is not possible to put a definitive figure on the projected outturn position. The net Covid-19 related pressures amount to £6.586m. This takes account of Government Support received to date, contributions from the CCG and the deferral of the in-year estimated deficits on the Council Tax and Business Rates collection fund. At this stage of the year the overall budget forecasts are currently indicating some potential savings across other</p>

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>service and corporate contingency budgets which if fully realised should help mitigate the overall Covid-19 pressures to arrive at a net overspend of £220k.</p> <p>As well as addressing the impact in 2020/21, attention is also focussed on the budget for 2021/22. A budget gap of £37.5m is forecast, comprising recurring pressures from 2020/21 (as a direct result of Covid-19) of £15.6m and £21.9m of business as usual pressures. The proposal to bridge this gap will be included in the draft budget report and include the one-off use of reserves to cover the impact of the Covid-19 related pressures and £17.2m of savings and additional funding proposals, leaving a remaining gap of £4.7m. This will be addressed by a combination of additional savings proposals not yet quantified and further review of assumptions in the overall budget.</p>
5 (6)	<p>Trafford Council must ensure that it and 3rd parties acting on their behalf are handling personal/ sensitive and commercial data securely both in technology and physical terms and in accordance with legislation and Trafford Council's policies and procedures. The following areas of risk have been identified:</p> <ul style="list-style-type: none"> • Compliance risks • SAR delays • FOI compliance 	4	5	20 High	↔ No change	<p><u>Records Management:</u></p> <p>There are ongoing compliance issues being addressed around records management (retention of both physical and electronic records).</p> <ul style="list-style-type: none"> • A review of the council's physical storage position from both a compliance and cost perspective is underway. A piece of work is following on from this, beginning with a review of the full inventory of boxes in storage. <p><u>Subject Access Requests (SAR):</u></p> <p>There is still an outstanding backlog of SAR. The IG Project team (Created July 2020) has completed its initial review of the SAR's backlog and an improvement plan is in place. The Information Commissioner's Office (ICO) is expected to review the Council's position before March 2021.</p> <ul style="list-style-type: none"> • The IG project made its main priority to reduce the outstanding backlog of cases. • An improvement plan and resources to address the outstanding volume of cases are in place. <p><u>Freedom of Information (FOI) / Environmental Information Regulations (EIR):</u></p>

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
	<ul style="list-style-type: none"> Data breaches Mandatory Training (Governance & Community Strategy / Public Safety, Governance and Reform).					<p>The risks associated with the delays in providing FOI/EIR responses was previously brought to the attention of CLT.</p> <ul style="list-style-type: none"> The Council was the subject of a number of ICO complaints in Q1 2019/20 about delayed FOI/EIR responses. In concluding a case in June 2019, the ICO indicated that the procedural breach (delay) had been recorded as part of their monitoring activities and any further similar complaints may result in consideration being given to enforcement action. The target compliance rate (and ICO expectation) is 90%. Compliance rates for July, August and September 2020 were 83%, 84% and 78% respectively. The IG project will look to ensure the compliance rate is addressed and performance is improved. <p><u>Data Breaches:</u></p> <p>Two significant data breaches have recently been concluded by the ICO. However, correspondence remains ongoing in relation to a claim/possible litigation.</p> <p>Further data incidents have reinforced that the most common problem involves correspondence (email or by post) being sent to the wrong address/recipient. This is still happening with greater regularity than it should and has highlighted the need for a renewed focus on training and awareness raising.</p> <ul style="list-style-type: none"> The IG project has flagged an IG Communications plan as being a high priority to put together some prominent key messages to display in a variety of media (including the Intranet homepage, screen savers, posters, postcards on desks) to ensure staff are aware of the need to check carefully and thoroughly that correspondence contains the correct information, is being sent to the correct customer and to the correct address. <p><u>Mandatory Data Protection and Information Security training</u></p> <ul style="list-style-type: none"> As of 30 September 91% of staff had completed mandatory Data Protection training

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>and 89% had completed Information Security E learning modules. This is an improving picture (and work being carried out to improve the quality of training data will see this figure increase further).</p> <ul style="list-style-type: none"> The Data Security and Protection Toolkit, an annual submission overseen by NHS Digital, requires local authorities delivering Social Care functions to have a minimum 95% training completion level in order to meet the necessary standard. <p>Together, the above issues raise the following risks – legal/regulatory (non-compliance with legal requirements), reputational, financial, adverse publicity.</p>
6 (10)	<p>Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations.</p> <p>(People / Finance and Investment).</p>	4	5	20 High	↔ No change	<ul style="list-style-type: none"> Risk level remains high in light of current COVID-19 Pandemic, increasing levels of COVID transmission locally and nationally and further local and national restrictions. Strategies remain in place and are regularly reviewed to manage this risk. These include increased home-working where possible, workforce re-integration strategy and support, buildings, service and individual risk assessment approaches, access to PPE where required and refocused mental wellbeing support. Current Health & Safety Policy and comprehensive arrangements in place. Subject to periodic review as required and available to the workforce via the intranet. Health and Safety Audit programme in place across all Directorates and schools. This programme includes proactive monitoring of compliance with health & safety law and internal H&S management arrangements. Policy, arrangements, protocols and guidance for Directorates and schools updated to reflect legislative or organisational changes and any new or emerging risks (in addition, a targeted rolling programme is ongoing). Health & Safety Unit (HSU) support in the comprehensive assessment and investigation, where required, of health and safety issues or incidents. Facilitates the effective management of risk and statutory compliance.

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<ul style="list-style-type: none"> • HSU support in responding to occupational health and workforce referrals to ensure the health, safety and welfare of staff. • Staff consultation processes in place to report and liaise on Health and Safety performance issues. • Competent HSU advisory service with advisors subject to continuing professional development requirements. • Employee Health and Wellbeing Strategy in place which incorporates ill health reduction and mental wellbeing support. • Online training available to support managers and schools in ensuring staff are competent to undertake tasks/role. • Arrangements in place for the health and safety assessment of providers/contractors prior to approval and for subsequent monitoring of performance. • HSU engagement in Health, Safety, Welfare and Security issues relating to the Council's Corporate and Let Estate through Corporate Landlord and associated focused audits and reviews.
7 (11)	<p>Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</p> <p>(Place / Environment, Air Quality and Climate Change).</p>	4	5	20 High	↔ No change	<p>Following the Council's Overview and Scrutiny Committee review into the service delivery of Amey in 2018, a report to Executive on 28 October 2019 has been submitted to agree the next steps. A business case has been submitted and Trafford council will be taking the following option:</p> <ul style="list-style-type: none"> ▪ Consider alternative models of service delivery, including the development of a predominately In-House Service model, with a view to ending the contract with Amey. ▪ Should an amicable agreement not be reached with Amey that keeps the council whole and allows services to be undertaken without detriment by an in house or further procurement measure then the council shall continue the Amey contract and seek significant improvements to the delivery of existing services. <p>The risk during any change to the contract of further service standard falls will be mitigated by review measures in the transition agreement and augmentation of the client and support teams.</p>

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>The Covid-19 Crisis has delayed the process of negotiation for this. Amey's performance during this period has continued to be generally good.</p> <p>Currently discussions are on-going with Amey on the first option above. These are due to come to a conclusion and a paper detailing the current position will come out in October.</p>
(8) 15	Leisure Services (Place/ Authority wide)	4	5	20 High	↔ No change	<p>All facilities operated by Trafford Leisure Community Interest Company (CIC) were closed from the 20th March 2020, in line with the Government's lockdown.</p> <p>Trafford Council has provided an initial pre-Covid loan of £300,000, and a further facility of £840,000 has been made available. The Council have also re-designated the Leisure Centre Refurbishment Earmarked Reserve to enable it to be used to provide additional financial support to the end of the financial year.</p> <p>The Council have identified additional internal and external resource to work alongside Trafford Leisure.</p> <p>The Council and Trafford Leisure are working on a financial plan to the end of the fiscal year, and a wider review of the Council's leisure strategy in light of the challenging financial position, the condition of leisure assets and the Council's recovery plan.</p> <p>Before the latest national lockdown, in line with the earlier easing of Government restrictions, Altrincham Golf Course and the leisure centres in Urmston, Sale, Stretford and Altrincham had re-opened, with proposals in place to open Partington in the future. The provision of services remains conditional on changes to national or local lockdown restrictions.</p>
(9) 14	Impact of Brexit. (Authority-wide)	4	4	16 High	↔ No change	<p>Whilst the UK has agreed the terms of its EU departure, both sides still need to decide what their future relationship will look like, which means that there still remains a high degree of uncertainty. This will be worked out during the 'Transition Period', which begins immediately after Brexit day and is due to end on 31 December 2020. The government originally set a date of 15 October 2020 to either agree a trade agreement or not, and if no agreement was reached then the UK would follow WTO tariff rules. However, a Trade Deal was not agreed at the</p>

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>EU Council meeting and there is currently a stalemate over the issues of fisheries policy and the 'level playing field'. The EU believes that the 'fishing states' need to compromise but that the UK also needs to compromise on its position on the 'level playing field', particularly with regards State Aid and on regulatory / standards issues on a number of areas. Fundamentally, time is running out to reach an agreement and since the 19 October 2020, the UK and EU negotiators have continued to meet and negotiations progressed to the 'tunnel phase' of intensive talks to try and reach agreement, The current deadline to agree a 'deal' is by the EU leaders meeting on 19 November 2020.</p> <p>The effects of a no deal, coupled with the current Covid crisis, would be significant on the UK, regional and local economy. During the 11-month Transition period, the UK will continue to follow all of the EU's rules and its trading relationship will remain the same. So at the moment, there is no change.</p> <p>In late 2018 the Council commissioned a study, Brexit: An Economic Impact Assessment for Trafford (published in February 2019) to understand the implications on the economy under a Deal and No Deal scenario, and on Council service delivery. A number of the recommendations identified in the Assessment have been enacted including the Council's Brexit co-ordination role being formalised with the Corporate Director for Place acting as the Senior Responsible Officer for monitoring its impact and reporting to CLT. Also an internal project group, the Trafford Brexit Impact Group, has been established to provide the cross-Council mechanism to plan, coordinate, monitor and mitigate against the impacts of Brexit on the Council. The Group has produced a Brexit Preparedness Plan which is a 'live' document to identify key issues and activities to mitigate risk. It will also work with key stakeholders to help deal with the impacts of Brexit on the economy of the borough as a whole, such as the GM Combined Authority. The Preparedness Plan is currently being reviewed / updated and a review of the Brexit Impact Assessment will be commissioned once there is clarity on the outcome of the trade negotiations. The Trafford Resilience Forum leads on emergency planning and works closely with GM in</p>

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						the Resilience Forum that is co-ordinating with all 10 Local Authorities on civil contingency planning for the end of the Transition period.
10 (3)	Demand for school places under-estimated and/or additional school places are not delivered to satisfy increased demand. (Children's Services / Children's Services).	3	5	15 Medium	↔ No change	<ul style="list-style-type: none"> The demand for primary and secondary school places continues to be monitored and capital resources allocated to ensure sufficient places are provided to meet our statutory duty. Public consultation for how SEND Provision Capital Funding allocation of £1.75m for 2018-2021 can be spent to create new places or improve facilities in existing provision has been completed.
11 (5)	Loss / absence and retention of senior managers to the organisation. (People / Finance and Investment).	3	5	15 Medium	↔ No change	<ul style="list-style-type: none"> Strengthening of the senior leadership team - introduction of new roles at Assistant Director level to aid succession planning. Leadership development & coaching is available for all managers/senior managers across the organisation to support them in leading and engaging their staff through transformational change. An EPIC People Manager offer is in place to ensure managers are conversant with all People management responsibilities. A succession planning strategy approach helps to retain key skills, whilst up-skilling staff to take on higher graded roles. This approach has yielded several internal succession appointments. Successors will continue to be identified at senior manager level and targeted development initiatives provided to ensure that we are equipped to flex our workforce to react to resource and skills gaps. Each successor will also have access to a coach. A refreshed performance management approach to the PDR process has been developed. This will enable coaching based development conversations to become the norm and identify senior management potential early. Trafford Leaders events and leadership conferences are in the diary throughout 2020/21 to enable our senior managers to hear from keynote

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>speakers, benefit from networking opportunities and sharing learning.</p> <ul style="list-style-type: none"> • EPIC values and a supporting behaviour framework have been developed in line with Trafford's new vision aligned to corporate priorities. • Pro-active attendance management strategy developed and will be rolled out across Trafford with refresher training for managers. • A Health & Well-being strategy is in place with actions to maintain and improve employee morale and well-being.
12 (7)	<p>University Academy 92: failure to implement programme and achieve possible benefits this may bring in terms of regeneration around Stretford and Old Trafford.</p> <p>(Authority wide - Place) / (Housing and Regeneration).</p>	3	5	15 Medium	↔ No change	<p>University Academy 92 (UA92) was launched in September 2017 to establish a new model of university by bringing together the best of academia, business and sport. It is a unique collaboration involving the Class of 92, Lancaster University, Microsoft, Trafford College and Bruntwood as well as Trafford Council.</p> <p>Trafford Council believe UA92 will help regenerate the area around Stretford and Old Trafford as it presents a fantastic opportunity to revitalise and support local communities to maximise their potential.</p> <p>The Executive has approved that the Council proceed to the next stage of developing the Civic Quarter Masterplan as an Area Action Plan.</p> <p>The official UA92 launch took place on the 19th September 2019, and the university has commenced teaching with an initial student intake of 60-70. UA92 have commenced recruitment for the year two student intake, who would commence in September 2020.</p> <p>An outline planning application has been approved for the redevelopment of the remainder of the former Kellogg's site, and consultation has commenced on the revised Civic Quarter masterplan.</p> <p>Teaching at UA92 continues to be delivered, but has all moved on line. The university sector nationally will face challenges as we enter recovery phase in student recruitment, with potential reductions in overseas students, and recruitment is therefore expected to be competitive. The Council remains in</p>


Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						regular dialogue with UA92 as landlord and key partner.
13 (8)	A successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the Council's computing services or severe degradation or loss of control of those services. (Finance & Systems / Public Safety, Governance and Reform).	3	5	15 Medium	↔ No change	<p>The Council is subject to cyber-attacks on a daily basis but a range of technical solutions and processes are in place to protect Trafford's IT systems and data. The volume and level of sophistication of these attacks is increasing so the Council needs to continuously review and improve how it protects systems and data. The National Cyber Security Centre are reporting increased cyber threats during the Covid-19 crisis as criminals take advantage of vulnerabilities.</p> <p>The increase in home working poses security challenges but solutions have been put in place to maintain cyber security. The rollout of Microsoft Teams and the Pulse Virtual Private Network (VPN) have helped protect the Council's data and systems.</p> <p>There remains a significant risk that the Council's defences could be breached even with effective tools and approaches in place, so it is equally important to ensure the processes for dealing with an attack are effective.</p> <p>A detailed assessment of the Council's and CCG's cyber security technical solutions and processes was completed in February 2020 by Internal Audit.</p> <p>The assessment:</p> <ul style="list-style-type: none"> • Captured a baseline of the current tools and processes; drawing on a number of existing controls that exist including the annual Penetration Test of the Council's network, and completion of the Data Security and Protection Toolkit for the NHS. • Undertook a thorough assessment of the Council's tools, processes, and controls against the National Institute of Standards and Technologies (NIST) (800-53) Framework, this is a US standard built around public service and widely used in the UK. <p>The draft outcome of the assessment was received in March 2020 but the response to the</p>

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						<p>recommendations and action plan has been delayed due to the Covid-19 crisis. The response will include:</p> <ul style="list-style-type: none"> Proposed solutions where the assessment identifies areas for improvement; making the business case for change or investment where appropriate. An agreed improvement plan, the recommendations have been put into a plan and allocated to the ICT teams. The Cyber security audit report has been finalised. A meeting was held with internal audit in October and an update on the responses to be provided in early November. Progress against the recommendations is monitored at the ICT quarterly security meetings. <p>Other controls and activities are:</p> <ul style="list-style-type: none"> An internal cyber security group has been formed which meets quarterly to review and manage the Council and CCG's cyber defences and processes. Key IT Managers are attending the National Cyber Security Centre / iNetwork Cyber Resilience Training Programme. Trafford is actively sharing information about potential cyber threats with partners including the North West Warning, Advice and Reporting Point (WARP) and nationally with the NHS CareCert service. The Network People (TNP) provide Trafford Council with specialist security advice to help develop, manage and monitor Trafford's security defences and incident response. Public Services Network (PSN) compliance is maintained which includes annual vulnerability penetration testing of both the internal and external networks. The 2020 penetration test took place in May and the report was delivered in June. The PSN report has been received and the identified vulnerabilities split between the infrastructure and network & Telecoms teams. Progress is monitored through 3 weekly meetings

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						<p>and a target to have this completed by 30th November 2020.</p> <ul style="list-style-type: none"> Phishing awareness campaign with Purplefish has been procured which will be delivered electronically to all Council and CCG staff. Engaged with the Comms teams to develop the action plan. The comms for the phishing campaign have been signed off. The campaign is due to start in December 2020 and will last for 12 months. The campaign is to provide staff with automated, ongoing and regular security awareness training. Cyber Essential plus accreditation – We have been informed by Pentest People with whom we are working with to achieve this accreditation that the template has changed. A pre-scoping document has been completed ahead of access to the portal where an online questionnaire will be completed. Progress is monitored at the quarterly IT Security meetings.
14 (12)	<p>Delay in completing the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption.</p> <p>(Authority-wide / Public Safety, Governance and Reform).</p>	3	5	15 Medium	↔ No change	<p>A corporate Coronavirus task and finish group has been established to identify business continuity plans to ensure services can be maintained in the event of a local outbreak. The group will monitor the national and local picture and respond to the changing position.</p> <p>As instructed by the Corporate Leadership Team, services are updating their business continuity plans. This is in the event of managing staffing shortages in particular.</p> <p>A previous internal audit review reported a number of areas for development in business continuity in relation to the following - roles and responsibilities; identification of priorities including completion of business impact analyses (BIA) to identify the impact of disruptions; co-ordinated planning including incident management, recovery and resumption plans; monitoring to ensure compliance with the agreed process and testing of plans; and to ensure adequate, accessible records are maintained.</p> <p>As reported previously, a Business Case had been approved by CLT and work has started to review the Business Continuity Management process. In</p>

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						<p>response to the COVID-19 crisis, priority was given to mobilise business critical services to ensure effective business continuity. This, therefore, reflects the risk level increasing. Procedures will continue to be reviewed across the Council during 2020 onwards.</p> <p>A full update briefing has been prepared and work continues however, plans are updated in response to the current challenges of Covid and winter preparedness, resources are impacting on the pace of the project and is regularly reviewed.</p> <p>(Refer also to the comments regarding Strategic Risks 1 and 8).</p>																														
15 (13)	Investment Strategy (Finance & Systems / Finance and Investment).	3	5	15 Medium	↔ No change	<ul style="list-style-type: none">In February 2020 the Council agreed to an increase to the Investment Fund to £500m and to date £376m of commitments have been made. This investment to date has already provided a net benefit to support the revenue budget of £1.67m and £3.12m in 2018/19 and 2019/20 respectively and is projected to contribute a further £7.4m in 2020/21. <table><tr><th>Asset Investment Fund</th><th>Total £m</th></tr><tr><td>Total Investment Fund</td><td>500.00</td></tr><tr><td>Cost</td><td></td></tr><tr><td>K Site, Stretford:-</td><td></td></tr><tr><td>Equity in Trafford Bruntwood LLP</td><td>12.25</td></tr><tr><td>Development Loan to Bruntwood</td><td>12.25</td></tr><tr><td>Sonova House, Warrington</td><td>12.17</td></tr><tr><td>DSG, Preston</td><td>17.39</td></tr><tr><td>Grafton Centre incl. Travelodge Hotel, Altrincham</td><td>10.84</td></tr><tr><td>Trafford Magistrates Court</td><td>4.10</td></tr><tr><td>The Fort, Wigan</td><td>13.93</td></tr><tr><td>Sainsbury's, Altrincham</td><td>25.60</td></tr><tr><td>Brown Street, Hale</td><td>7.49</td></tr><tr><td>The Crescent, Salford (*)</td><td>44.26</td></tr><tr><td>CIS Building, Manchester</td><td>60.00</td></tr></table>	Asset Investment Fund	Total £m	Total Investment Fund	500.00	Cost		K Site, Stretford:-		Equity in Trafford Bruntwood LLP	12.25	Development Loan to Bruntwood	12.25	Sonova House, Warrington	12.17	DSG, Preston	17.39	Grafton Centre incl. Travelodge Hotel, Altrincham	10.84	Trafford Magistrates Court	4.10	The Fort, Wigan	13.93	Sainsbury's, Altrincham	25.60	Brown Street, Hale	7.49	The Crescent, Salford (*)	44.26	CIS Building, Manchester	60.00
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						<ul style="list-style-type: none">• To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets.• Each year all investments are reviewed as part of a risk assessment process by our advisors together with an annual valuation. This review takes account of the rental market, financial health of the tenants and whether anything is likely to impact on future income streams. Since the outbreak of Covid-19 more frequent reviews have been undertaken to identify the potential risk to income streams. The impact is mitigated to some extent due to the broad range of asset classes in the Council's portfolio, including offices, retail and industrial assets. The vast majority of income is derived from tenants that are considered to be low, or below average, risk according to credit agencies Experian and Dunn and Bradstreet. In respect of the loan portfolio, these are made at prudent loan to value levels and to borrowers of good covenant.• The annual revaluation exercise is used to determine if an appropriate level of debt repayment is being made. It is inevitable there will be changes in valuation year on year but the risks of downward movements in value are being mitigated through a diversified portfolio of assets.• Further risk mitigation is being undertaken through the creation of a "Risk Reserve" through the ring-fencing of an element of the returns and an allowance for debt repayment (in accordance with national regulations).																								

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						<ul style="list-style-type: none"> • All investments are scrutinised by an Investment Management Board which includes cross-party representation. • When evaluating potential opportunities extensive legal and property due diligence is undertaken which places a significant emphasis on security and liquidity and includes for example an assessment of the financial strength of the tenants and market sector, length of unexpired lease, location, asset condition and residual land value. • As part of the budget proposals for 2020/21 it was proposed to increase the budget to £500m. The increase will allow borrowing to be undertaken which will be used to finance construction costs on a number of regeneration schemes that are being developed in the borough, including the K Site in Old Trafford, Sale Magistrates Court and Grafton Centre. No additional borrowing will be undertaken unless there is a robust business case behind each project. • The impact of the Coronavirus is already having a marked impact on global economies with a significant impact on stock markets worldwide and potential cuts in interest rates. The impact of this on the Council's investments is being closely monitored and regular updates are being received from our external advisors. It is inevitable that there will be an impact on rental streams, particularly from some of our town centre investments and for this reason additional resources have been set aside from the commercial income streams to bolster reserves in 2019/20 by £3.50m.
16 (9)	Failure of the Adult Safeguarding Service. (Adult Services / Adult Social Care).	3	4	12 Medium	 No change	<p>The responsibility for Adults has been transferred to Adult Social Care through the Principal Social Worker role (May 2019).</p> <ul style="list-style-type: none"> • Serious Case Review Panel (Adults) reviewed and in place, has completed several Learning Reviews, a Safeguarding Adults Review (SAR) has been published, more SAR's have now been commissioned and Independent Authors procured. Learning from these processes will be rolled out to staff. Learning review sessions are being delivered to staff across Adult Social Care (ASC). • The process of handling provider notifications has been revised. The notifications will be sent to the

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>Commissioning team giving greater oversight of issues across the care market.</p> <ul style="list-style-type: none"> • As part of the adult improvement programme all referrals into Screening are immediately risk assessed and Safeguarding referrals are prioritised. Jointly with children's services and Greater Manchester Police (GMP) and Mental Health. • There is a discrete Adult Protection Line for members of the public to directly contact social care to raise safeguarding concerns. • There are advanced plans for GMP officers to co-locate with the Screening Team to enhance our response to safeguarding referrals. Daily meetings between the Screening team and the Police are in place. • Considerable work completed on incoming safeguarding referrals resulting in significant improvement in the timeliness of allocation • Consultation completed regarding the creation of a separate Safeguarding Hub for Adults Safeguarding notifications. This change will enable thematic analysis and action planning to gain greater oversight of issues. Union response being sought and finalising of Job Descriptions underway. Following this, final sign off sought corporately and 'Go Live' to be agreed. • Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards (DoLS) e-learning available for all staff and use is monitored. • Increased demand presenting at Screening and the Community Team is being managed with additional staff capacity both short and long term and daily risk management reviews with GMP. • Member training has been completed regarding safeguarding. • All deprivation of liberty safeguarding assessments now allocated immediately due to changes in process and improved staffing arrangements. • Planning work is underway for the implementation of new legislation on Liberty Protection Safeguards. • Applications to the court of protection for community deprivation arrangements completed. • Revised internal joint Legal and Social Care Coroners process introduced January 2019.

Risk Ref. *	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>Review completed June 2019. Now embedded in to practice.</p> <ul style="list-style-type: none"> • Legal/Adult Social Care Surgeries introduced to enable proactive planning with legal services to reduce risk of safeguarding, DoLS etc. • Joint Quality Improvement Board re-established with Trafford Clinical Commissioning Group. Jointly chaired by DASS (Trafford Council) and Deputy Chief Nurse supported by primary care, pharmacy to track and support quality improvement in care homes, homecare, deliver improvements in practice, and embed learning and overall aims to improve quality and safeguarding of vulnerable adults in Trafford. • During Covid-19 risk increased as referrals reduced – similar to patterns nationally and similar to patterns in NHS re: A&E use etc. Mitigation – Daily screening and situation advice, adverts on Council Website, media, signposting etc., leaflets in letter boxes, tracking referrals in place, regular contact with residents known to social care, community hubs in place across the borough to support those people shielding and in need of access to food, medication, information and advice including welfare rights advice via CAB, Adults recovery plan underway. • Reports on safeguarding incidents, by individual provider, to be introduced and moved to commissioning team to enhance market improvement plans. Ongoing developments to be added intelligently and data supported. • Annual Safeguarding plan completed. • Annual report for safeguarding Board completed. • SAR process fully embedded into Trafford Strategic Safeguarding Board (TSSB). • Target monitoring areas set by DASS and chair of Joint Quality Improvement Board to include neglect, falls and medication errors, and providers operating below the good or outstanding and improvement plans/support implemented in readiness for restart of CQC inspection regime. • We are looking to strengthen our internal assurances processes including development of a quality assurance framework that complements our safeguarding policy and procedures. This will commence with Supported Living but will be developed in a way as to facilitate wider

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						implementation across other internal support services.

*Note re Risk Reference - Number in brackets was the risk reference number per the previous July 2020 risk report.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 November 2020
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2020/21

Summary

This report sets out the work plan for the Committee for the 2020/21 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 2020/21 work programme.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Email: mark.foster@trafford.gov.uk

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
15 July 2020	Agree Committee's Work Programme for 2020/21 (including consideration of training and development) (Training workshop held on 22 July 2020 on the 2019/20 Statement of Accounts)					
	- 2019/20 Head of Internal Audit Annual Report - 2020/21 Internal Audit Operational Plan (Previously circulated to Members in March 2020)	- Audit Progress Report - 2020/21 Audit Fee Letter (Public Sector Audit Appointments)	- Strategic Risk Register Report	- 2019/20 Draft Annual Governance Statement - Accounts and Audit Committee 2019/20 Annual Report to Council		- Treasury Management update (Annual Performance Report 2019/20) - 2019/20 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn Reports - 2020/21 Budget Monitoring Report (Period 2 report, which includes an update on the financial implications of COVID-19, to be circulated at a later date following the meeting).
26 November 2020						
	- Internal Audit Monitoring Report (April to August 2020)	- 2019/20 Audit Completion Report	- Strategic Risk Register Report. (Also see Financial Management -	- 2019/20 Annual Governance Statement (final version)	- Counter Fraud and Enforcement Team Update Report	- Approval of Annual Statement of Accounts 2019/20 - Treasury Management : 2020/21 Mid-Year

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
			Insurance Performance Report 2019/20)			Performance Report - Insurance Performance Report 2019/20 - 2020/21 Budget Monitoring Report (Period 6 report)
19 February 2021 Page 119	- Internal Audit Monitoring Report (September to December 2020)	- 2019/20 Annual Audit Letter - Audit Progress Report - Audit Strategy Memorandum for year-ending 31 st March 2021)	- Strategic Risk update - Cyber Security	- Report on arrangements for 2020/21 Annual Governance Statement	(Ant-Fraud update, within Internal Audit monitoring report)	- Treasury Management Strategy - 2020/21 Budget Monitoring Report (Period 8)
23 March 2021	- 2021/22 Internal Audit Plan - Internal Audit Charter and Strategy	- Audit Progress Report	- Strategic Risk Register Report			- 2020/21 Budget Monitoring Report (Period10) -Accounting Policies - Procurement update (STAR)

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