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TRAFFORD
COUNCIL

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Tuesday, 23 March 2021

Time: 6.30 p.m.

Place: Virtual meeting

PLEASE NOTE: A link to the virtual meeting can be found below:
<https://www.youtube.com/channel/UCjwblOW5x0NSe38sgFU8bKq>

A G E N D A	PART I	Pages
1. ATTENDANCES		
To note attendances, including Officers and any apologies for absence.		
2. DECLARATIONS OF INTEREST		
Members to give notice of any interest and the nature of that interest relating to any item on the agenda in accordance with the adopted Code of Conduct.		
3. QUESTIONS FROM MEMBERS OF THE PUBLIC		
A maximum of 15 minutes will be allocated to public questions submitted in writing to Democratic Services (democratic.services@trafford.gov.uk) by 4 p.m. on the working day prior to the meeting. Questions must be relevant to items appearing on the agenda and will be submitted in the order in which they were received.		
4. MINUTES		1 - 4
To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 3 rd February 2021.		
5. STAR PROCUREMENT UPDATE		5 - 12
To receive a presentation from the Director of Procurement.		

Accounts and Audit Committee - Tuesday, 23 March 2021

6. **AUDIT COMPLETION LETTER 2019/20** 13 - 18
To receive correspondence from the Council's External Auditor (Mazars).
7. **ANNUAL GOVERNANCE STATEMENT (AGS) 2020/21- APPROACH AND TIMETABLE** To Follow
To consider a report of the Corporate Director, Governance and Community Strategy.
8. **AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT OPERATIONAL PLAN 2021/22** 19 - 62
To consider a report of the Audit and Assurance Manager.
9. **STRATEGIC RISK REGISTER UPDATE** To Follow
To consider a report of the Audit and Assurance Manager.
10. **BUDGET MONITORING 2020/21 - PERIOD 10 (APRIL 2020 TO JANUARY 2021)** 63 - 96
To consider a report of the Executive Member for Finance and Governance & Director of Finance and Systems.
11. **ACCOUNTING CONCEPTS AND POLICIES** 97 - 124
To consider a report of the Executive Member for Finance and Governance and the Director of Finance and Systems.
12. **ACCOUNTS AND AUDIT COMMITTEE WORK PROGRAMME 2020/21** 125 - 128
To consider a report of the Audit and Assurance Manager.
13. **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, N. Evans, J. Lloyd (Vice-Chair), A. Mitchell, R. Thompson and B.G. Winstanley; and Mrs. J. Platt.

Accounts and Audit Committee - Tuesday, 23 March 2021

Further Information

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

Joseph Maloney, Governance Officer,
Email: joseph.maloney@trafford.gov.uk

This agenda was issued on **Monday, 15 March 2021** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH.

1.

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ACCOUNTS AND AUDIT COMMITTEE – VIRTUAL MEETING

3 FEBRUARY 2021

MEMBERS PARTICIPATING

Councillor B. Brotherton (in the Chair).

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

In attendance

Director of Finance (Mr. G. Bentley),
Audit and Assurance Manager (Mr. M. Foster),
Chief Digital Officer (Mr. P. James) (part only),
Finance Manager (Mr. F. Fallon) (part only),
Governance Officer (Mr. J.M.J. Maloney).

Also in attendance

Ms. K. Murray (Mazars).

16. QUESTIONS FROM MEMBERS OF THE PUBLIC

It was noted that no questions had been received for consideration at the current meeting.

17. MINUTES

RESOLVED – That the Minutes of the Meeting held on 26th November 2020 be approved as a correct record and signed by the Chair.

18. STRATEGIC RISK UPDATE - CYBER SECURITY

Prior to the meeting it was agreed that the presentation by the Chief Digital Officer would be delivered in Part II of this meeting, in view of matters to be discussed which were potentially sensitive in security terms.

19. EXTERNAL AUDIT PROGRESS REPORT

Karen Murray, representing the Council's external auditor, Mazars, advised Members on the current position on a small number of issues, reported to the previous meeting, which were delaying the formal completion of the audit and signature of the audit report. It was noted that completion was expected in the near future; that Members would be separately advised of this; and that there would be a formal opportunity, if needed, to discuss the content of the report at the Committee's next meeting.

RESOLVED – That the content of the oral update be noted.

20. TREASURY MANAGEMENT STRATEGY 2021/22 - 2023/24

The Executive Member for Finance and Governance and Corporate Director of Finance and Systems submitted a report which outlined key aspects of the Council's proposed Treasury Management Strategy, including with regard to the strategy to be implemented during the period for investments and borrowing; the outlook for interest rates; management of associated risks; the policy to be adopted on Minimum Revenue Provision (MRP) and Prudential Indicators. Members' attention was drawn in particular to the rationale for the proposed inclusion of a number of additional building societies on the list of the Council's approved counterparties.

An opportunity was provided for Members to raise questions on the report's content, which focussed on the nature of, and possibility of the Council experiencing, negative interest rates, and on the identified potential tension between ethical investments and treasury guidance provided by CIPFA. It was noted that further information on these issues would be provided for Members outside the meeting.

RESOLVED – That the report be noted and recommended to the Executive.

21. BUDGET MONITORING REPORT PERIOD 8 2020/21

The Executive Member for Finance and Governance and Corporate Director of Finance and Systems submitted a report which informed Members of the current 2020/21 forecast outturn figures relating to both Revenue and Capital budgets. It also summarised the latest forecast position for Council Tax and Business Rates within the Collection Fund; and it was noted that it had been referred to and considered by the Executive at its meeting on 25/1/21. Whilst the report covered the period prior to the most recent national Covid-19 pandemic lockdown, it represented a more favourable position than that described in the previous report. In discussion, questions were raised in relation to the Council's treatment of shortfalls on local taxation revenue, and it was confirmed that these would be spread equally over three years, as allowed by central government provisions.

RESOLVED – That the content of the report be noted.

22. AUDIT AND ASSURANCE REPORT FOR THE PERIOD OCTOBER TO DECEMBER 2020

[Note: Councillor Lloyd declared a Personal Interest in this item in relation to her Governorship of Stretford High School.]

Accounts and Audit Committee (3.2.21)

The Audit and Assurance Manager submitted a report whose purpose was to provide a summary of the work of Audit and Assurance during the period October to December 2020 and to provide ongoing assurance to the Council on the adequacy of its control environment. A detailed update was provided for Members on work undertaken and audit opinions issued, recommendations agreed and implemented, performance against the work plan, and planned work to be undertaken. Whilst the pandemic had unavoidably had an impact on some work, for example in respect of visits to schools, there were currently no major concerns reported; and a further update would be provided to Members at the Committee's next meeting, with a full annual report to the meeting after that. In discussion Members were advised on how different aspects of issues arising from the Covid-19 pandemic were reflected in the management of the Strategic Risk Register, which was itself subject to regular reporting to this Committee.

RESOLVED – That the content of the report be noted.

23. ACCOUNTS AND AUDIT COMMITTEE WORK PROGRAMME 2020/21

The Audit and Assurance Manager submitted a report which set out the work plan 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 period. It was noted that the work programme helped to ensure that the Committee met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee. The programme was flexible, with items added or rescheduled if this ensured that the Committee best met its responsibilities. Members' attention was drawn to the work to be undertaken as part of the Committee's next meeting, which would include an update on the STAR procurement service.

RESOLVED – That the content of the work plan set out in the report be noted.

24. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED - That the public be excluded from this meeting during consideration of the remaining items on the agenda, because of the likelihood of disclosure of "exempt information" which falls within one or more descriptive category or categories of the Local Government Act 1972, Schedule 12A, as amended by The Local Government (Access to Information) (Variation) Order 2006, and specified on the agenda item or report relating to each such item respectively.

25. STRATEGIC RISK UPDATE - CYBER SECURITY

The Chief Digital Officer was in attendance to deliver a presentation on the Council's cyber security arrangements. In discussion, Members were briefed on the principal sources of threat to cyber security, mitigation measures in place, key tools and mechanisms for enhancing security, the outcome of evaluations, work to be done and key partner resources.

Accounts and Audit Committee

In discussion, Members raised a broad range of issues in connection with the Council's arrangements, including: the Council's approach to training on relevant issues; the security of the Council's networks and further enhancement measures; the impact of issues affecting the Council's key partners; and the interpretation of evaluation scores deriving from external audit input. It was suggested and agreed that a future update could helpfully include a summary briefing on evolving technologies in relation to data storage, retrieval and security.

RESOLVED – That the content of the presentation, and the issues raised by Members, be noted.

The meeting commenced at 6.30 p.m. and finished at 7.58 p.m.



**Trafford Accounts
and Audit
Committee 23rd
March 2021.**

Lorraine Cox
STAR Director

STAR

PROCUREMENT



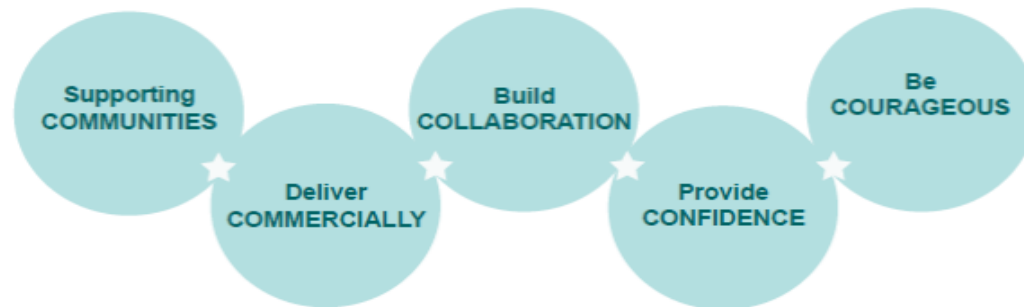
Who are we? A Public Sector Shared Service.

2021-24 Business Plan and STAR Objectives:

Our Vision

Leading Transformation Through
Procurement and Co-Operation

Our Objectives



Our Enablers



Our Achievements 2019/20



£7m+ of in-year savings



25% return secured on total contract value awarded

That's £31m to be delivered back to local communities through Social Value



37 training events with Partners and business communities



360+ contracts awarded

Work across 6 Partners



HIGHLY COMMENDED



550 hours CPD for staff



Employer of Choice through our 'Grow Your Own' Policy and training opportunities

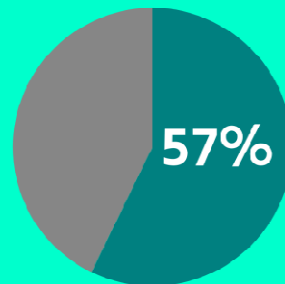
Secured 12 SLAs / Commissions



Implemented our new data management tool



363 employment opportunities



57% Of all winning bidders are GM businesses



Average Social Value Weighting Acheived

126 trainees and apprenticeships



Spend and Compliance Outputs:

Spend (Trafford)	Notes:	2019/20 New data	2018/19 reported	2017/18 reported
Total Spend		£652,962,154	£575,461,150	£544,401,832
Controllable Spend		£ 189,554,091*	£176,775,462	£138,485,100
		29%	31%	25%
Locality of Spend (Controllable)				
Local to borough	Monetary value increase	£92,750,092	£87,046,106	£23,857,539
	% stays the same	49%	49%	17%
Contained within GM		£51,272,925	£37,879,908	£39,883,900
	More retained in GM	27%	22%	29%
Spent nationally		£45,496,543*	£51,849,449	£74,743,661
	Reducing on 18/19	24%	29%	54%
On Contract (Controllable)				
Not yet verified & off-contract		£33,694,771	£19,439,089	£36,043,600
		18%	11%	26%
On Contract		£155,859,320	£157,336,373	£102,441,500
		82%	89%	74%

1

Risk-Based Sourcing

Continue with simplified quotes targeted at local businesses, SME's & VCSE's (Below OJEU)

2

Market Engagement

Use technology to continue to engage with the market 'virtually' before procurement begins

3

Communications

Useful information for suppliers provided via our website. Tender opportunities advertised via The Chest & Twitter

4

'Meet the Buyer' Event

Virtual event held in November 2020, with over 25 workshops and briefings

5

Flexible Approach

New procurement approaches to allow for cost fluctuations and extended timescales

6

Forward 'Pipeline' Planning

Continue to advertise upcoming activity to provide opportunities & support stability for the market

7

Social Value in Current Contracts

Opportunity for existing suppliers to adopt new COVID-related Social Value measures

8

Social Value in New Contracts

Suppliers can select to deliver COVID-related Social Value measures and/or current TOMs measures

9

Showcase Suppliers

Showcase suppliers who have supported the public sector with COVID-related requirements

10

Post-COVID Requirements

Planning for what the public sector will need now and once restrictions begin to be lifted and how these can be sourced locally

For more information visit www.star-procurement.gov.uk

Register for opportunities at:
www.the-chest.org.uk



@STARProcurement

What We've Delivered and What's Next?

We've Delivered:

- **STAR Social Value Performance in 19/20:**
 - 25% SV - £31+M secured
 - 57% contracts awarded to GM businesses
- **10 Point Plan to provide Business Support**
- **STAR Business Plan 21-24 (Launched January 2021)**
- **'Meet the Buyer' event. Nov 2020 (a virtual event) – 600 businesses attended**
- **Launched a 'Social Value is Everyone's Business' Campaign – STAR won a National Social Value Award for Embedding Social Value (February 2021)**
- **Shortlisted for an I-Network Award – 10 Point Plan (Response to COVID)**

What's Next?:

- **Bespoke Social Value Measures linked to Corporate Priorities**
- **A 'Social Value Organisation' Pilot – Trafford Council**





Members of the Accounts & Audit Committee
 Trafford Metropolitan Borough Council
 Town Hall
 Talbot Road
 Stretford
 M32 OTH

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 Email Karen.murray@mazars.co.uk

10 March 2021

Dear Members

Conclusion of pending matters– Audit completion report

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report dated 20 November 2020.

The outstanding matters and the conclusions reached are detailed below:

Matter	Conclusion reached
Property, Plant and Equipment (PPE) and Investment Property (IP) valuations	<p>We have completed our work in relation to our review of a sample of asset valuations undertaken by the Council's valuer on PPE and IP.</p> <p>From the 78 assets reviewed in our sample, a number of errors in the valuations were identified resulting in 19 PPE and IP assets being undervalued by a total of £10.7m, and 20 PPE and IP assets being overvalued by a total of £3.4m. This results in a net under valuation of £7.3m.</p> <p>We have extrapolated the results of our sample testing across the population of assets revalued. This indicates an unadjusted error of £6.7m understatement in respect of PPE and £0.7m overstatement in respect of IP. As these are not material management have decided not to amend the financial statements.</p> <p>We set out in Appendix 1 a recommendation arising from our work in this area. Appendix 2 confirms the unadjusted errors arising from our work.</p>

Pension liability	We have completed our work on the updated pensions liability and associated disclosures. There are no issues to report to the Committee.
Cash & cash equivalents	We have received the bank confirmation for the two schools that were outstanding. We have completed our work on cash and cash equivalents. There are no issues to report to the Committee.
Whole of Government Accounts (WGA)	We have now received the National Audit Office's Group Instructions for local authority 2019/20 audits and completed the work necessary in respect of these. Our work on the Council's WGA consolidation pack remains outstanding and will be completed in due course. We will issue our audit completion certificate when this work is complete.
Post balance sheet events	Our post balance sheet events review is now complete. There are no issues to report to the Committee.
Review and closure procedures	We have completed our final review and closure procedures, including review of the Annual Governance Statement. There are no matters to bring to your attention.

We have provided at Appendix 2 the final schedule of adjusted and unadjusted misstatements, which are updated versions of the schedules included in our Audit Completion Report dated 20 November 2020. I would be grateful if you can ensure the unadjusted misstatements schedule is returned with the management of representation letter with the required confirmation.

If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me.

Yours sincerely

Karen Murray

Karen Murray
Partner

Cc Graeme Bentley, Corporate Director of Finance and Systems

Appendix 1 – Control deficiencies

Description of deficiency

Our sample testing of PPE and IP valuations identified 39 assets with incorrect valuations due to errors in the underlying data used by the valuer. These included:

- Incorrect floor areas used;
- Incorrect Build Cost Index rates used;
- Incorrect obsolescence factors used; and
- Incorrect rental income figures used to calculate IP valuations.

The number of errors identified indicates a lack of appropriate quality checking of the valuations prior to being incorporated into the financial statements.

Potential effects

A lack of robust quality checks has the potential to lead to material errors in the Council's financial statements.

Recommendation

We recommend management review the identified errors with their valuers to ensure these are corrected in the 2020/21 financial statements. In addition, we recommend management build in quality checks of the valuation to the accounts preparation process, including spot checks of underlying data used to support the valuer's calculations.

Management response

Following the recommendations in the 2018/19 audit report, work was undertaken in late 2019 and early 2020 jointly between the Council, the Council's external valuers and the auditors to agree expected sample sizes, format of reports and level of back up detail to be provided to improve the 2019/20 audit process. This included a sensitivity analysis undertaken by Council officers on receipt of the valuation information to address queries with the valuers in advance of the audit.

This agreed process was impacted by Covid-19 (in March/April in particular), plus the external valuations team experienced staffing issues which adversely effected their ability to access and verify some of the information. The sample sizes and level of detail requested during the audit in July 2020 was also significantly higher than had been expected and for which resources were initially allocated. These issues led to the delays in providing and verifying the valuations data during the audit and has contributed significantly to the issues highlighted above.

In light of the audit findings, the Council has undertaken a further process review with its external valuer and the auditors, and a number of improvements have been agreed and implemented for the 2020/21 accounts. In particular, the valuer has recruited an additional member of staff to manage their processes and provide a single, consistent point of access for the Council and the

auditors going forward. The expectations and timetable have been communicated clearly to the valuer and weekly progress meetings are currently taking place with an escalation process if problems arise.

As part of the agreed process, the valuer is providing the back-up information to support the valuations required, which includes calculations, workings on land values and obsolescence rates being used. To quality check these figures Council officers have set up a spreadsheet that enables the following checks to be undertaken and queried in advance of the audit:

- Calculations are accurate;
 - Ensure obsolescence rates are being applied correctly;
 - Consistent approach to fees are being taken;
 - Consistent build rates are being used across same class of assets;
 - Consistent componentisation elements;
 - Highlight any significant changes in valuations that we need to understand and evidence provided.
-

Appendix 2

Unadjusted Misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cash and Cash Equivalents		353	
	Cr: Short Term Creditors			353
	Dr: Gross Income	353		
	Cr: Gross Expenditure		353	
Cash and Cash Equivalents are understated due to a creditor balance being included rather than it being disclosed as part of the creditor liability.				
2	Dr: Property, Plant and Equipment		6,715	
	Cr: Revaluation Reserve			6,715
The Council's Property, Plant and Equipment balance is understated due to errors identified in our sample testing of valuations. The amount above is the extrapolated impact of the errors.				
3	Dr: CIES	655		
	Cr: Investment Property			655
The Council's Investment Property balance is overstated due to errors identified in our sample testing of valuations. The amount above is the extrapolated impact of the errors.				

Unadjusted disclosure errors:

Note 41 Grant and Other Income includes Other Grants and Contributions £756k which is an 'expenditure' amount when this note covers income. This is because it is a net figure including grants and amounts applied in year and the amount applied in year for Community Infrastructure Levy is greater than the amount received in 2019/20. Disclosures of an overspend against some schemes is not consistent with the purpose of this note which is to set out the application of grants to fund expenditure. Management have not amended this.

Adjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Other Long Term Liabilities - Pensions			6,825	
Cr: Pension Reserve				6,825
Dr: General Fund (via MIRS)	6,827			
Cr: Net cost of service		2,758		
Cr. Re-measurement of net defined benefit/liability		4,069		

As a result of the Actuary providing a revised IAS19 report to take account of additional information regarding recent legal cases (McCloud and Goodwin). There are corresponding adjustments to the group accounts, the Movement in reserves statement, the Cash flow statement and associated notes. The £2k difference above is due to rounding.

Disclosure amendments

As a result of our work, a number of amendments have been made to the other statements, notes and disclosures within the financial statements. The most significant of these were reported as part of our Audit Completion Report. There are no further amendments to bring to your attention.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 23 March 2021
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2021/22

Summary

The purpose of the report is to provide, at a high level, the proposed Internal Audit Operational Plan for 2021/22.

The report sets out planned work for the year but acknowledges that this remains flexible and subject to review as needed during the year. There was significant disruption to planned work in 2020/21 due to the COVID1-19 pandemic and plans for the year ahead take account both new areas for review and work deferred to 2021/22.

The report also includes, in the appendices, the Internal Audit Charter and Strategy, previously approved by the Accounts and Audit Committee and recently updated to reflect the Director of Finance and Systems being designated as the Section 151 Officer from March 2021. (Relevant updates to this are highlighted in Appendices 3 and 4).

Recommendation

The Accounts and Audit Committee is asked to approve the 2021/22 Internal Audit Plan.

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

Background Information

Implications:

Relationship to Corporate Priorities	The scope of the work of Internal Audit may cover all of the Council's corporate priorities.
Relationship to GM Policy or Strategy Framework	Where appropriate, Internal Audit will liaise with GM partners and where applicable, undertake joint working in carrying out planned work.
Financial	<p>In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS).</p> <p>The work of internal audit may cover a diverse range of service areas, functions and areas of risk covering both financial controls and wider aspects of internal control, risk management and governance.</p>
Legal Implications	See Financial Implications
Equality/Diversity Implications	<i>See above</i>
Sustainability Implications	<i>See above</i>
Carbon Reduction	<i>See above</i>
Staffing/E-Government/Asset Management Implications	<i>See Above</i>
Risk Management Implications	<i>See Above</i>
Health and Safety Implications	<i>See Above</i>



TRAFFORD
COUNCIL

Internal Audit Operational Plan 2021/22

Date: **March 2021**

Internal Audit Operational Plan 2021/22 – Audit and Assurance Service

1. Introduction

- 1.1 The 2021/22 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2021/22 Plan for approval.

2. Background

- 2.1 The ongoing challenges faced by local authorities in delivering effective services with limited resources available have increased since the start of the COVID-19 pandemic. Funding and cost pressures and increasing demand for some services emphasise how important it is that local authorities manage resources effectively, manage risks and consider opportunities to help achieve the corporate priorities. As part of this, councils need to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised. Internal Audit work aims to support the organisation by providing independent review of systems, processes and controls and provides a mechanism for identifying improvement actions required by the organisation.
- 2.2 Each year the Audit and Assurance Service sets out its annual internal audit plan for review by the Corporate Leadership Team (CLT) and approval by the Accounts and Audit Committee. Subsequent updates are then provided to CLT and the Accounts and Audit Committee through the year highlighting the work undertaken and progress against key areas of the plan. Actual work undertaken during the year against work planned is set out in the Annual Head of Internal Audit Report.
- 2.3 There has been a significant impact on planned audit work as a result of COVID-19. Due to service pressures across the Council, a number of planned audit reviews in 2020/21 were delayed. In agreement with relevant Corporate Directors, the Plan for 2021/22 therefore includes a number of such reviews. In addition, during 2020/21, Audit undertook a significant amount of time, not planned for at the start of the year, to support the Council's response to the COVID-19 pandemic by assisting in checks to support the payment of COVID -19 grants to businesses. This activity is expected to continue in to 2021/22 so time has been set aside for the coming year to allow for this activity and other issues that may arise.
- 2.4 Whilst this Plan covers a full year, it is acknowledged that there must be flexibility and where needed it will be revised during the year to take

account of changes which may include issues arising as a result of the pandemic. This will be reflected in further updates during the year.

- 2.5 In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.6 The Audit and Assurance Service’s approach to undertaking internal audit work is set out in the following documents:
 - Internal Audit Charter (This defines the purpose, authority and principal responsibilities of Internal Audit – See Appendix 3)
 - Internal Audit Strategy (This details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and Assurance Service are met and the scope of it understood – see Appendix 4).
 - Quality Assurance Programme (This sets out how the Service monitors its work to ensure adherence with standards; that it operates in an effective and efficient manner; and through its work adds value to the organisation – See Appendix 5).

The Internal Audit Charter, Strategy and Quality Assurance Programme documents were previously approved by CLT and the Accounts and Audit Committee and have recently been subject to minor updates to reflect the appointment of the Director of Finance and Systems as Section 151 Officer from March 2021.

3. Compilation of the Internal Audit Plan

- 3.1 The Operational Internal Audit Plan is produced to take into account coverage of risks and associated controls in place. At the end of the year an audit opinion is given as to the overall adequacy and effectiveness of the Council’s control environment, which encompasses internal control, risk management and governance. An important consideration is that the plan should include good coverage across the Council’s services and systems.
- 3.2 A number of factors are taken into account in compiling the plan based on statutory obligations, the Council’s corporate priorities and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account.
- 3.3 The impact of COVID-19 has a significant influence on planned audit work in 2021/22. Where appropriate, individual audit reviews will take into account relevant issues such as changes in procedures arising since the start of the pandemic.

- 3.4 The Internal Audit Plan takes account of risks in relation to financial resilience with reviews covering financial systems, budgetary control and the Council's asset investment strategy (See 5.2). Other areas of strategic risk are considered including review work in relation to cyber security and information governance (See 5.7).
- 3.5 There is audit coverage across the Council's Corporate Directorates to reflect the Council's corporate priorities set out in the Corporate Plan. For instance, a variety of service audits are included within the Plan (as referred to in Section 5.9). The Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year and through information provided such as through risk registers, action plans, self-assessments and control / governance issues raised.
- 3.6 The Audit and Assurance Service has a number of obligations to take into account in producing the plan. For instance, time is set aside for the Service to co-ordinate the update of the Council's Strategic Risk Register (See 5.4) and input to the review of the Council's Annual Governance Statement (5.3). A specific category of audit time is also included to reflect the requirement for internal audit checks of information supporting particular grant claims (See 5.10). For 2021/22, this will continue to include Audit input to checks in relation to COVID-19 grants payments to businesses.
- 3.7 The risk of fraud and corruption is considered as part of planning a wide range of audits and also dedicated work in relation to fraud risks takes place, including co-ordinating, with other teams, the Council's work in relation to the National Fraud Initiative (See 5.5). For 2021/22, this will include relevant services reviewing data matches generated in relation to COVID-19 grants payments made in the previous year.
- 3.8 There is a programme of planned audits in place of the Council's maintained schools which includes providing assurance that schools are operating in accordance with the Schools Financial Value Standard (See 5.8).
- 3.9 Plans take into account other audit, assurance or development work being undertaken in particular areas. This includes work by the External Auditor and where applicable reviews by other external bodies e.g. Ofsted. Where appropriate, account will also be taken of other internal reviews which may relate, for instance, to work in relation to Scrutiny or the Modernisation Programme. Where appropriate, the Internal Audit Plan will be revised through the year.
- 3.10 Plans include co-ordination with partners to provide assurance. This includes ongoing liaison with other Internal Audit sections as part of the STAR Shared Procurement Service to co-ordinate planned work (See 5.6). Where appropriate, Audit will liaise with other Internal Audit teams in other Authorities.

- 3.11 Time is allocated to follow up on control issues previously raised in 2020/21, including previous audit review work, to assess progress in implementing action plans, particularly where significant areas for improvement in controls have been identified. The plan highlights a number of follow up audits.
- 3.12 The amount of time available to undertake the annual plan is identified, and individual areas of work selected taking into account the above factors. A contingency is also held to allow for unforeseen circumstances (For instance, in 2020/21 this was used to partly offset a reduction in days following the deletion of a vacant post).
- 3.13 For reporting and monitoring purposes the plan is divided into a number of categories although it should be noted that there are significant areas of overlap between them.
- 3.14 There are a variety of activities undertaken to fulfil the plan and in addition to conducting internal audit reviews which result in the issuing of audit reports, work may also include providing input to project / working groups, providing guidance and advice, and providing input to council policies and procedures (See 5.11). The Service also facilitates the production of a number of corporate reports presented to the Accounts and Audit Committee.
- 3.15 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risk are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, further elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Regular updates to CLT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report are further plans detailing work allocated to individual staff.
- 3.16 Time is set aside for the completion of reviews which had been included as part of the 2020/21 Plan. Work completed or in progress in 2020/21 and work carried forward to 2021/22 will be reflected in the Annual Head of Internal Audit Report to be completed by June 2021.
- 3.17 Assumptions in respect of available audit days are considered to provide the total planned days. For 2021/22, there are 1010 available operational audit days. There are currently 6 full-time internal audit staff expected to be in post in the Audit and Assurance Service for the start of 2021/22 plus resources of 50 audit days are to be purchased from Salford Internal Audit Services to undertake ICT audit work.

- 3.18 In addition to the 1010 planned days shown, it should be noted that further time is allocated for a number of other activities undertaken that are not reflected in the analysis as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Mazars), development of audit systems, procedures and guidance, networking with other North West Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate additional time allocations are given to individual staff to undertake these activities.

4. Reporting / Performance Monitoring

- 4.1 Through the year, progress updates will be provided to CLT and the Accounts and Audit Committee (through periodic updates and the Annual Head of Internal Audit Report) which will refer to details of the performance and impact of audit and progress against the plan. This will include details of:
- Actual chargeable audit days against planned days allocated.
 - Number of audit opinion reports issued against that planned for the year (Target of 32 audit opinion reports to be issued in 2021/22 to final or draft stage, with any remaining opinion reports listed to be issued in the following year (See Appendix 2 for planned audit opinion reports to be issued)).
 - The impact of audit recommendations made in terms of both initial acceptance and also implementation (the latter identified through follow up audit work).
 - A summary of feedback from managers in respect of client surveys, which is detailed in the Annual Head of Internal Audit Report.
- 4.2 Where reviews or other key areas identified in the 2021/22 Plan are not undertaken as scheduled, this will be reported in subsequent updates including in the 2021/22 Annual Head of Internal Audit Report.
- 4.3 Updates through the year will also include commentary on Audit resources available if there are issues that may impact on completion of the plan.

5. Internal Audit Plan Coverage 2021/22

- 5.1 The plan is compiled to ensure coverage across a wide and diverse range of services, systems and thematic areas of coverage. Each of the main categories of work is described in the paragraphs below.

In Appendix 1, there is a summary of the planned work and an estimated time is allocated to each category.

In Appendix 2, there is a listing of audit opinion reports to be issued. This also indicates reviews where reports are expected to be issued in quarter one of 2021/22.

At the end of Appendix 2, there is an explanation of the audit opinion levels. These have been updated in line with recent guidance from CIPFA. All audit opinion reports issued from April 2021 will use these levels.

5.2 Financial Systems

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Previous assurance obtained in earlier audits will continue to be taken into account in planning the level of audit coverage within individual reviews. The challenges in managing risks relating to the Council's financial position have increased significantly with the impact from the COVID-19 pandemic. Where appropriate, audits will consider actions to address such risks.

Coverage will include review of the following systems during the year:

- Further to the Issue of a final report in 2020/21 in relation to governance arrangements for the Council's asset investment strategy, a further review of this area to include follow-up of previous audit recommendation made.
- Further to the issue of an interim audit report in 2020/21 on the Council's payroll system and procedures, completion of a wider review to be undertaken later in 2021/22 including follow-up of any recommendations raised in the interim report.
- Audit review of other key systems and processes which are subject to regular review:
 - Annual review of Treasury Management processes covering the financial year 2020/21.
 - Council tax system review.
- Issue of final audit reports in 2021/22 for audit reviews which are in progress at the end of March 2021 which are expected to include:
 - Accounts Receivable / Debt Recovery system
 - Accounts Payable system follow up audit review.
- Commencement later in 2021/22 of an audit of budgetary control processes to include coverage of previous audit recommendations, improvement actions and consideration of good practice.
- In relation to Adult Social Care:

- A final report was issued in August 2020 setting out the findings from an audit of the Adult Social Care payment system (Liquid Logic / ContrOCC). A further review is planned for 2021/22 to include further review of progress regards previous recommendations and to consider any system developments.
 - Adult Social Care Direct Payments – A final audit report was issued in August 2020 and a further review is planned to commence later in 2021/22 to further review progress in addressing previous recommendations.
- In relation to Children’s Services:
- Completion of a review currently in progress of the Children’s Social Care payments system (Liquid Logic/ContrOCC). Other review work in this area will be considered further to completion of this review.

Audit and Assurance will also take into account findings from the External Auditor following the completion of the audit of the 2019/20 accounts, and will liaise with the Section 151 Officer to consider any further potential review work to include in the 2021/22 Internal Audit Plan.

Time will also be set aside for other issues and developments arising in respect of financial systems where further audit input or advice may be appropriate. This is expected to include progress regards implementation of the CIPFA Financial Management Code (See 5.3 Governance).

5.3 Governance

Audit and Assurance will continue to provide a role in reviewing the compilation of the Council’s Annual Governance Statement (AGS), required to be produced in accordance with the Accounts and Audit Regulations 2015. Legal and Democratic Services lead in collating the AGS and Audit and Assurance will continue to work with them to provide support where required, including providing assurance to reflect in the AGS.

Audit will also complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance and feedback to Legal and Democratic Services on its findings. (The approach/timetable for producing the Council’s 2020/21 AGS is to be finalised by Legal and Democratic Services taking into account national statutory deadlines and recent guidance from CIPFA, which includes taking into account the impact of COVID-19).

For the 2020/21 AGS, local authorities are expected to include details assessing the Council’s progress towards compliance with the principles of the CIPFA Financial Management Code. As part of reviewing the Draft AGS, Audit will liaise with Financial Management to consider outcomes to

be reflected in the AGS, including any action plan for 2021/22. This will take account of guidance from CIPFA, including a flexible and proportionate approach to implementing the Financial Management Code.

In addition, as part of reviewing the Draft AGS, this will also include reviewing developments in relation to some significant governance issues highlighted in the 2019/20 AGS, including business continuity.

Time will be set aside in the plan to provide internal audit input to reviewing other governance issues across the Council, including issues within the Council and through partnerships. This is expected to include an item originally in the 2020/21 Plan to review existing procedures in respect of the declaration of interests and consider best practice.

Where appropriate, Audit will liaise with partner organisations and time will be allocated for any assurance required to be provided in relation to Greater Manchester (GM) wide issues. This may include liaison with counterparts in other GM Councils, the Greater Manchester Combined Authority (GMCA), Trafford CCG and other organisations.

5.4 Risk Management

Time is allocated to review existing risk management arrangements across the Council and ensuring processes are evidenced. This will include continuing to facilitate the ongoing update of the Strategic Risk Register. This provides assurance in respect of the highest strategic risks faced by the Authority in terms of the management and ongoing monitoring and mitigating actions for those risks - Risks such as in relation to impact of COVID-19, Climate change, financial resilience, business continuity, the impact of Brexit, safeguarding responsibilities, cyber security, and in relation to the management of joint venture arrangements.

An internal audit review of health and safety was originally planned for 2020/21 to review this area of strategic risk, covering corporate processes in place. This was delayed at the request of the service given current commitments as part of the Council's response to the pandemic and is expected to be rescheduled to towards the end of 2021/22.

An audit review of procedures and systems for managing and administering the Council's insurance arrangements was undertaken in 2020/21 which overall provided a high level of assurance. There will be follow up in 2021/22 of the small number of recommendations made.

The Service maintains corporate risk management guidance, available on the Council's intranet, which where applicable will be further updated during the year.

5.5 Anti-Fraud & Corruption

Fraud and corruption risks are considered as part of audit planning for individual audit reviews and where appropriate recommendations are made to reduce the risk of fraud.

The Service will also continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure that data matches identified in 2020/21 are followed up in line with Cabinet Office requirements. This will include data matches in relation to COVID-19 business grant payments. Progress will be reported in future Audit and Assurance Service updates.

Specific cases of suspected internal fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year.

Audit and Assurance will continue to work with the Counter Fraud and Enforcement Team, Legal and Democratic Services, Human Resources and other services as required to consider any updates required to individual policies and guidance supporting the Anti-Fraud and Corruption Strategy.

5.6 Procurement / Contracts / Value for Money

Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.

As part of internal audit planning in relation to the STAR Shared Procurement Service, Audit liaises with both STAR and the Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans are agreed and relevant findings shared to ensure a co-ordinated audit process. At the time of this report, some planned review work had been agreed for 2021/22, with further areas to be confirmed later in 2021 as part of ongoing audit planning. Details to date are as follows:

- Review to consider the procurement procedures introduced in response to COVID-19. Details, including responsibilities for leading on this audit, are to be confirmed.
- An audit was completed in September covering Social Value in procurement, following the establishment of new processes by STAR to establish and monitor performance in respect of achieving social value in contracts. It is agreed a follow-up audit will be undertaken in the first quarter of 2021/22 to assess progress with implementing recommendations. (Lead – Trafford Council).

- STAR has acquired the In-Tend system to use to support contract management processes, initially with the aim of utilising it for the contracts register with a potential view to rolling out the system further to services across the Councils to support contract management. Later in 2021/22, Stockport Council will review developments in this area.
- As part of Audit planning a further area for consideration this year are procedures regarding compliance with Contract Procedure Rules (CPRs) in respect of exemptions to the CPRs and modifications to contracts.

Confirmation of the above planned work and any other areas to be included in the 2020/21 Internal Audit Plan in relation to STAR will be reflected in the first Audit and Assurance update report for 2021/22.

An audit report was issued in June 2019 in relation to the use of Purchase cards. These are used across a number of services, generally to enable one off or low value purchases, online purchasing or from suppliers where payment is required upfront. A follow up audit was included in the 2020/21 Plan which was in progress at year-end so it is planned a final audit report will be issues in the first quarter of 2021/22.

Other review work across the Audit Plan will include consideration of aspects of procurement and contract management. In addition to audits listed within this report, other work may be added subject to further discussions with relevant Corporate Directorates. This may include Internal Audit support to the Council review of the One Trafford Partnership with Amey. It may also include working with Adults' Services towards the end of the year to review developments in relation to Commissioning procedures.

5.7 **Information Governance (IG) / Information, Communications and Technology (ICT)**

This block of work covers both ICT auditing as well as the review of information governance processes across the Council. Risks in relation to cyber security and information governance continue to be listed on the Council's strategic risk register.

The audit of ICT covers the review of procedures, processes and controls across a range of computer systems and technical solutions. Salford Internal Audit Services undertake a significant part of this work and also contribute to audit planning in respect of this area. The following work has been planned to date:

- Further to the issue of a final report in November 2020 for a review undertaken of cyber security based primarily on the National Institute of Standards and Technology (NIST) Cyber Security Framework, a review is planned later in 2021 to focus on particular identification and

protection systems to gain assurance that these are functioning to an agreed standard and are being managed effectively.

- Two reviews were in progress at the end of 2020/21 and it is expected that final reports from these reviews will be issued in quarter 1 of 2021/22:
 - ICT Service Management Review following, where applicable, the ITIL framework (a detailed set of practices for IT service management that focuses on aligning IT services with the needs of business).
 - An Asset Management review to provide assurance that ICT assets are being effectively managed from acquisition to disposal.
- An audit review of the adequacy and effectiveness of ICT security in schools has been rescheduled to 2021/22, which will be completed using a sample of Trafford schools.
- Time may also be allocated to consider possible audit input in relation to new systems and developments e.g. implementation of Microsoft 365 across the Council. In addition, further to the completion of the above reviews, other review work will be considered as part of ongoing audit planning.

Audit work also encompasses wider information governance aspects including the following:

- A follow-up audit was in progress towards the end of 2020/21 in relation to the Council's processes for managing the risks of data breaches, taking into account the requirements of the General Data Protection Regulations (GDPR). A final report is due to be issued in Quarter 1 of 2021/22.
- As indicated in recent strategic risk register updates, a project has been completed in relation to processes for responding to Subject Access Requests (SARs) and a new operating process has been implemented and an improvement plan is in place. Later in the year, Audit will liaise with the Information Governance team to consider progress in embedding the new arrangements. It is also noted that a Council review of processes for Freedom of Information Requests is in progress so, similarly, future audit input will be considered.
- In liaison with the Information Governance team and other services as appropriate, consider other areas of risk and consideration of further possible audit work. This may include issues arising for instance from the Council's completion of the NHS Information Governance Toolkit.

5.8 Schools

A number of school audits originally planned for 2020/21 have been subject to delay and rescheduling due to the impact of COVID-19. Whilst some audits were undertaken, those delayed will be included within 2021/22 planned work (Details of work completed by the end of March 2021 will be included in the 2020/21 Head of Internal Audit Report to be issued in June 2021).

Based on a risk assessment, taking into account the information above, previous work undertaken at each school and liaison with relevant services, it is currently planned that at least 12 school audits will be undertaken during 2021/22 but this will be subject to further review during the year and any changes will be reported in future updates. Audit reports will be issued as part of each audit review.

In addition, as part of follow up audit work, requests will be made from schools previously audited during 2020/21 to provide updates regarding progress in implementing audit recommendations made.

As part of the Schools Financial Value Standard (SFVS), schools are required each year to submit a declaration to show adherence to the Standard. The audit work programme takes into account the standards expected when evaluating the adequacy and effectiveness of internal controls, governance and risk management at individual schools. Information provided in SFVS assessments submitted is utilised by Audit and Assurance to assist in planning and undertaking school audits.

Audit will continue to liaise with relevant services, including Finance, in relation to schools related issues including sharing findings and considering risk areas and future planned audit coverage.

5.9 Assurance – Other Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the plan, including director's / senior managers' recommendations, risk registers and areas identified by the Audit and Assurance Service. Reviews may cover individual services, functions and authority wide issues and risks to ensure a broad coverage of audit work across the Council.

For service related reviews, risks reviewed may encompass a number of areas of control such as procedures and responsibilities, adherence to legislation, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), expenditure; income collection and recording, data quality, performance monitoring, information governance and other risks specific to the objectives of the service under review.

As referred to below, largely due to the impact of the COVID-19 pandemic, there are a number of reviews that have been delayed and rescheduled. At the request of respective Directorates, a number of audit reviews have been rescheduled from commencing in 2020/21 to be included in the 2021/22 Plan. These are as follows:

- Aids and Adaptations (Adult Services) – review to include follow up review of a previous audit.
- Home to School Transport (Children’s Services) - review of processes including applications and monitoring of services provided.
- Building Control (Place) - Review to include systems and processes for dealing with Building Regulation applications.
- Licensing (Place) – a follow-up review of a previous audit.
- Outdoor Advertising (Place) – Processes for arranging outdoor advertising across the borough including collection of income and contract management.
- Safety at Sports Grounds (Place) - Review of the Council’s processes for fulfilling its statutory responsibilities. (Expected to commence towards the end of the year once spectators are able to attend again).
- Recruitment processes (Strategy and Resources) – The audit was agreed to be further rescheduled to commence towards the end of 2021/22.

Other audit reviews are included in the 2021/22 Plan as follows (with the relevant Corporate Directorate(s) shown in brackets):

- Deprivation of Liberty Safeguards System (Adult Services) - Review of current arrangements to meet legislation for providing protection for those deprived of their liberty as part of their care or treatment. This is ahead of expected changes in legislation with the introduction of Liberty Protection Safeguards, which have been delayed to come into effect from April 2022.
- Special Educational Needs and Disability (Children’s Services) – Review to include coverage of effectiveness of controls supporting out of borough education placements and short breaks.
- Highways Inspection and repairs (Place) – further to the completion of an audit review of Insurance in 2020/21, which included claims handling in respect of highways, this audit has been included in the Audit Plan to focus on the effectiveness of arrangements in place for monitoring this function.
- Section 106 Planning Agreements and Community Infrastructure Levy (Place) - Review of systems and controls in relation to the receipt of income or other benefits in kind which are used to fund infrastructure to mitigate the effects of the development or improve facilities for the community.

- Cleaning Services (Strategy and Resources) – Audit review of systems, procedures and controls.

For the above reviews, Audit and Assurance will contact individual services to agree the detailed scope of the reviews prior to any work being undertaken.

- A number of audit reviews completed in 2020/21 will be followed up. Further audits are not currently planned but managers will be asked to provide updates on progress made with previously agreed recommendations. These include the following where audits had previously been undertaken with final reports issued in 2020/21:
 - Complaints system (Governance and Community Strategy)
 - Altrincham Library (Governance and Community Strategy)
 - Tree Unit (Place)
- There will also be time allocated for the completion of any other work expected to not be finalised by the end of March 2021. This will be reflected in the 2020/21 Annual Head of Internal Audit Report. This will include the following list of audit reviews previously detailed in the 2020/21 Internal Audit Plan:
 - Blue Badges – final report to be issued (Governance and Community Strategy)
 - Housing Waiting list – final report to be issued (Place)
 - Let Estates – final report to be issued (Place)

Time will also be set aside to review other potential issues and risks raised with the scope of work to be determined including:

- Further to developments in relation to the Council's action plan towards reducing carbon emissions, it was agreed that further audit review work in relation to energy management will be considered later in the year.
- Provide input to the review of the delivery of Active Travel Schemes, delivered by the Amey traffic and transportation team as part of Department for Transport Funding to support local authorities in developing cycling and walking facilities.
- Later in the year, liaising with Exchequer Services to consider audit input in providing assistance in reviewing new systems and procedures within Trafford Assist, Trafford's Local Welfare Assistance scheme.
- Further to discussions with various services, other areas may be added to the Plan or are being considered for inclusion in 2021/22 planned work and future plans. These may include possible audit areas within Adults' Services, and also Children's Services in respect of the Children's Social Care Redesign.

5.10 Data Quality/Grant Claims

A block of time is included in the plan for review of grant claims and other data quality checks made through the year where the internal audit function is required as part of the review/sign off process.

During 2020/21, a significant amount of time was spent by Audit and providing input to checking processes as part of the administration of COVID-19 business grant payments. Time will be set aside for further support to be given, including working with relevant services where required to assist in providing assurance to the Department for Business, Energy and Industrial Strategy regards payments made.

There is expected to be a requirement for Audit input to sign off the 2020/21 grant claim in respect of the Disabled Facilities Grant and submit to the Ministry of Housing, Communities and Local Government.

Audit will be notified of other grant claims and returns to be checked at various stages during the year which may also relate to further grant payments in relation to COVID-19. Work actually completed will be reported in Audit updates through the year and in the Annual Head of Internal Audit Report.

5.11 Service Advice / Project support

The Audit and Assurance Service provides advice across the Council on governance, control and risk issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, and liaison with services. It may include, for instance, support and advice as part of project groups and system boards and liaison with services in respect of the development of new systems, processes and associated controls. For 2021/22, this is expected to include issues in relation to the recovery from the COVID-19 pandemic.

The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption. This will be updated where appropriate through the year.

Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from CLT and the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

2021/22 Operational Audit Plan – Allocation in Days

Appendix 1

<u>Category</u>	<u>Details</u>	<u>Impact of Audit and Assurance's work</u>	<u>Planned Days</u>
Financial Systems	<p>Coverage, includes audits of fundamental financial systems reviews as described in section 5.2:</p> <p>Advice in relation to consideration of new systems / system development.</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council's position in respect of its external audit review.</p>	150
Governance	<p>Coverage as described in section 5.3:</p> <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>Advice / assurance in respect of governance issues.</p>	<p>Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities.</p> <p>The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.</p>	25
Corporate Risk Management	<p>Coverage as described in section 5.4. and Appendix 2 Includes:</p> <p>Facilitating the updating of the Council's strategic risk register.</p>	<p>Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the allocation of resources. The work also supports the Council in evidencing good practice undertaken when subject to inspection and review.</p>	45

	<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>Anti-Fraud & Corruption</p>	<p>Coverage as described in section 5.5:</p> <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> <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>Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption. Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.</p>	<p>60</p>
<p>Procurement / Contracts / Value for money</p>	<p>Coverage as described in section 5.6:</p> <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>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.</p>	<p>60</p>

Information Governance / Information, Communications and Technology	<p>Coverage as described in section 5.7:</p> <p>ICT Audit reviews and advice conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems.</p> <p>Assurance to managers who place significant reliance on ICT systems for the delivery of services.</p> <p>Contribution to the review and further development of the Council's information governance arrangements.</p>	<p>80</p>
Schools	<p>Coverage as described in section 5.8:</p> <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 12 school audits to be undertaken during the year (subject to review during the year - Audits planned to date are listed in Appendix 2).</p> <p>Follow-up of progress for audits completed in 2020/21.</p>	<p>Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by the DfE.</p>	<p>140</p>
Assurance – Other Business Risks	<p>Coverage as described in section 5.9:</p> <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>This work enables Internal Audit to provide a breadth of assurance across the Council that there are adequate governance and control arrangements in place, that policies and procedures are being implemented, that risks are being managed, and outcomes delivered.</p>	<p>195</p>

	Audit Opinion Reports to be issued as listed in Appendix 2.		
Grant claims checks / Data Quality	<p>Coverage as described in section 5.10:</p> <p>Internal audit checks of grant claims / statutory returns and other checks as required (including in relation to COVID-19 business grant payments)</p> <p>Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off.</p>	Ensuring the Council adheres to requirements in submitting relevant grant claims where Internal Audit input is required, providing assurance regarding the accuracy of data and supporting information reviewed. Includes providing support to the Council's COVID-19 response.	90
Service Advice / Projects	<p>Coverage as described in section 5.11:</p> <p>General advice and guidance, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</p>	<p>Support to services, groups, project teams etc. around the relevance and application of corporate policies, procedure rules and good governance arrangements.</p> <p>Contributing to the delivery of effective project outcomes including input to the consideration of key risks and appropriate controls considered in the development of new systems, functions and procedures.</p>	60
		Total Allocated Days	910
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	100
		Total Planned Days	1010
		Available Days	1010
		Surplus/Deficit for Year	0

2021/22 Internal Audit Plan – Audit Opinion Reports
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Category	Audit Opinion Reports
Financial Systems	<ul style="list-style-type: none"> - Accounts Payable System (Finance and Systems) * - Accounts Receivable / Debt Recovery (Finance and Systems) * - Treasury Management (Finance and Systems) - Council Tax (Finance and Systems) - Budgetary Control (Authority-wide/Finance and Systems) - Children’s Social Care Payments System - Liquid Logic/ContrOCC (Children’s Services)* - Payroll (Strategy and Resources) - Asset Investment Strategy (Authority-Wide) - Adult Social Care Payments System (Adults’ Services) - Adult Social Care Direct Payments (Adults’ Services)
Risk Management	<ul style="list-style-type: none"> - Health and Safety (Strategy and Resources/Authority-wide)
Procurement / Contracts / Value for money	<ul style="list-style-type: none"> - Social Value in Procurement – follow-up (STAR authorities – Trafford lead) (Finance and Systems)* - Purchase cards follow-up audit (Finance and Systems)* - Based on details per Section 5.6, further reports to be issued during the year to be confirmed in 2021/22 in liaison with STAR and partner authorities and will be listed in subsequent Audit Plan progress update.
Information Governance / ICT Audit	<ul style="list-style-type: none"> - ICT Service Management (Finance and Systems)* - ICT Asset Management (Finance and Systems)* - Cyber Security: Identification and Protection Systems (Finance and Systems / Authority-wide) - ICT Security in Schools (Finance and Systems / Children’s Services) <p style="margin-left: 20px;">- Data breaches (Governance and Community Strategy/Authority-Wide)*</p> <p style="margin-left: 20px;">(Other reviews to be considered during 2021/22 and added to the Plan as appropriate)</p>
Schools	<p>12 School Audits (Children’s Services)</p> <p>The full list of school audit reports to be issued will be confirmed through 2021/22 and listed in updates through the year. To include final reports to be issued for the following schools:</p> <ul style="list-style-type: none"> - Davyhulme Primary School*

	<ul style="list-style-type: none"> - Gorse Hill Primary School* - St. Alphonsus RC Primary School* - Moorlands Primary School* - Victoria Park Junior School <p>- At least 7 other school audits to be undertaken in 2021/22.</p>
Assurance – Other Business Risks	<ul style="list-style-type: none"> - Blue Badges (Governance and Community Strategy)* - Cleaning Services (Strategy and Resources) - Recruitment Processes (Strategy and Resources) - Home to School Transport (Children’s Services) - Special Educational Needs and Disability (Children’s Services) - Housing Waiting List (Place)* - Let Estates (Place)* - Building Control (Place) - Outdoor Advertising (Place) - Safety at Sports Grounds (Place) - Licensing (Place) - Highways Inspection and Repairs (Place) - Section 106 Planning Agreements and Community Infrastructure Levy (Place) - Aids and Adaptations (Adult Services) - Deprivation of Liberty Safeguards System (Adult Services) <p>(Other audit opinion reports may be added during the year including in relation to review work set out in Section 5.9)</p>

*Denotes reviews where final audit reports are expected to be issued in Quarter One of 2021/22, which relates to reviews carried forward from 2020/21. Planned completion of work in the remainder of the year to be advised in subsequent Audit and Assurance update reports.

Note:

A target number of 32 of the above reports is planned to be issued during 2021/22 with remaining reports for reviews to have commenced in 2021/22 to be issued in the following year.

In addition, there may be other audit opinion reports issued in addition to the above which may relate to audit coverage described in Section 5 of this report or relating to other issues arising during the year.

Audit Opinion Levels

For the above reviews listed, an audit report will be issued and an audit opinion will be provided. Opinion levels are set as follows:

Audit Opinion Level	Description
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Very Low or No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.



TRAFFORD
COUNCIL

Internal Audit Charter

Audit and Assurance Service (March 2021)

TRAFFORD COUNCIL

AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 Section 151 of the Local Government Act 1972 requires Councils to “make arrangements for the proper administration of their financial affairs”. More specific requirements are detailed in the Accounts and Audit Regulations 2015 in that the relevant authority must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 1.2 The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function at Trafford which is provided by the Audit and Assurance Service.
- 1.3 The Audit and Assurance Service is required to operate in accordance with the UK Public Sector Internal Audit Standards. The Standards are mandatory for all internal auditors working in the UK Public Sector.

2. Definitions

Internal Audit

- 2.1 “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Public Sector Internal Audit Standards).
- 2.2 CIPFA provide further details in their PSIAS Local Government Application Note : “Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

The “Board” and “Senior Management”

- 2.3 The Public Sector Internal Audit Standards (PSIAS) require that the internal audit charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the Council’s Accounts and Audit Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management will be defined on an individual basis according to individual context but will usually refer to the Corporate Leadership Team (CLT).

3. **Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing**

3.1 The Mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. In order to achieve this, in accordance with the PSIAS, it should operate in accordance with the following core principles:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement.
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4. **Status**

4.1 The Audit and Assurance Service is within the Council's Finance and Systems Directorate.

4.2 Internal Audit's authority derives directly from its statutory responsibilities and the Procedure Rules established by the Council.

4.3 The responsibility for the production and execution of the internal audit plan and subsequent audit activity rests with the Audit and Assurance Manager. The Audit and Assurance Manager reports to the **Director of Finance and Systems** (Section 151 Officer) but will also report directly to the Chief Executive where required.

5. **Reporting Lines**

5.1 The work of the Audit and Assurance Service is reported directly to the Chief Executive; to Members via the committee charged with responsibility for audit and governance (The Accounts and Audit Committee, defined by the term "Board" under PSIAS) and to Executive Members. The work of the Accounts and Audit Committee is also reported annually to the Council.

5.2 Internal audit assignments are the subject of formal reports. These reports are sent to the relevant Corporate Director and Head of Service together with relevant managers. The Executive member with portfolio responsibility, Chief Executive, **Director of Finance and Systems** and External Audit will receive copies of the internal audit reports. The Monitoring Officer will also receive copies of audit reports at the discretion of the Audit and Assurance Manager. Reports are issued initially as drafts and, following agreement as to contents and responsibility for implementing recommendations, a final report is issued. The Accounts and Audit Committee is provided with a listing on a periodic basis of each audit report, summarising the findings and stating the audit opinion given.

6. Independence

6.1 The Audit and Assurance Service will be sufficiently independent of the activities being audited so that auditors are able to make impartial and effective professional judgements and recommendations.

6.2 Internal Audit will determine its priorities in consultation with the Accounts and Audit Committee.

6.3 The Audit and Assurance Manager will report impartially in his or her own name.

6.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of audit work (whether for personal reasons or through managing or undertaking any non-audit duties), this will be managed through the internal audit management and supervisory process. Work will be re-assigned where appropriate. Staff are required to declare any potential conflict of interest and a signed declaration from each member of staff is required on an annual basis. In the event that the Audit and Assurance Manager has responsibility for any activity relating to non-audit duties, to ensure independence is not impaired, the Audit and Assurance Manager would not be directly involved in the audit of this activity and arrangements would be agreed with the Section 151 Officer.

6.5 Adequate budgetary resources will be made available to enable the Internal Audit function to maintain its independence.

7. Responsibilities

7.1 The main objective of the Audit and Assurance Service is to provide the Council with an independent and objective opinion on the Council's control environment.

7.2 The Audit and Assurance Service should play a key role in shaping the ethics and standards of the Council and where appropriate, act as a catalyst for change and improvement.

7.3 The scope of internal audit work will cover all the Council's activities and encompass both the financial and non-financial aspects of the control environment. This includes activities undertaken in partnership with other

organisations where assurance will be sought in accordance with agreed protocols including access rights.

- 7.4 Internal audit work comprises an independent and objective review of the control environment. The key elements of the control environment include:
- (a) Establishing and monitoring the achievement of the organisation's objectives
 - (b) The facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the council, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
 - (c) Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness
 - (d) The financial management of the Council and the reporting of financial management
 - (e) The performance management of the Council and the reporting of performance management.
- 7.5 The Council's assurance and performance management framework will be taken into consideration when determining the work of Internal Audit. The key elements of the assurance and performance management framework are:
- Risk management both at the strategic and operational levels
 - The monitoring of key Council objectives and targets by the Corporate Leadership Team
 - Business planning - the identification and monitoring of key business targets by individual services
 - Self-assessments by managers of the operation of controls for which they are responsible
 - Reviews by External Audit
 - Reviews by other external agencies
 - Scrutiny reviews
 - Previous work of Internal Audit and the Accounts and Audit Committee.
- 7.6 Particular attention will be devoted to any aspects of the control environment affected by significant changes within the organisation's risk environment.
- 7.7 The Audit and Assurance Manager will also make a provision, in the scope of Internal Audit's work, to form an opinion where key systems are operated by the Council on behalf of other bodies or other bodies are operating key systems on behalf of the Council.
- 7.8 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.
- 7.9 The Audit and Assurance Manager will give an opinion on the operation of the Council's control environment, which encompasses internal control, risk management and governance. This is set out in the annual Head of Internal Audit report.

7.10 The Audit and Assurance Service will also take a lead role in supporting the work of the Accounts and Audit Committee. This will include co-ordinating the committee's work programme in agreement with Committee Members and supporting the Committee to report on its work undertaken.

8. Fraud and Corruption

8.1 The Audit and Assurance Service works with other services including the Counter Fraud and Enforcement Team, Human Resources and Legal Services to maintain the Council's anti-fraud and corruption policy, strategy and supporting guidance. The Service also works with others to raise awareness of anti-fraud measures across the Council and fraud risks are considered as part of Internal Audit review work.

8.2 The Audit and Assurance Manager will be informed of suspected or detected fraud, corruption or impropriety, so that he or she can consider the adequacy of the relevant controls and evaluate the implications of fraud and corruption for his or her opinion on the internal control environment.

9. Access

9.1 The Audit and Assurance Service will have unrestricted direct access to all Members, council personnel, records (whether manual or computerised), cash, stores, and other assets and may enter council property or land to obtain such information and explanations considered necessary to fulfil the responsibilities of an internal audit function. Such access shall be granted on demand and not be subject to prior notice and will also extend to partner bodies or external contractors working on behalf of the authority insofar as such access relates to work carried out or services provided on behalf of or in partnership with the authority. In respect of issues where clarity may be required in relation to access rights e.g. in relation to specific partnership arrangements, Audit and Assurance will seek advice, e.g. from relevant service areas such as Legal Services.

10. Limitations of Internal Audit Responsibilities

10.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in section 7 above, it should be noted that the Internal Audit function is not responsible for:

- Controlling the risks of the authority.
- Establishing and maintaining systems of internal control.
- Determining operational policies or procedures.

11. Resources

11.1 The Audit and Assurance Manager will hold a relevant professional qualification; have wide experience of audit and management and will be responsible for ensuring that the Audit and Assurance Service is appropriately staffed in terms of numbers, grades, qualification levels and experience.

- 11.2 The Audit and Assurance Manager will ensure that appropriate provision is made for maintaining and developing the competence of audit staff. All internal auditors will undertake a programme of continuing professional development to maintain and develop their skills. A record of training and development undertaken and planned will be maintained.
- 11.3 The Audit and Assurance Manager is responsible for ensuring that the resources of the Audit and Assurance Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient this will be formally reported to the Section 151 Officer, Chief Executive and, if the position is not resolved, to Members charged with responsibility for audit and governance (Accounts and Audit Committee).

12. Consultancy

- 12.1 Consultancy comprises the range of services, other than assurance services, provided by Internal Audit to assist management in meeting the objectives of the Council. This may include facilitation, process design, training, and advisory services. The Audit and Assurance Manager will be responsible for deciding what level of consultancy support Internal Audit can provide. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the planned annual assurance process.
- 12.2 In the event that the Service has previously performed consulting services, in planning the allocation and scoping of future assurance work, account will be taken of consultancy work performed in that area to ensure that independence and objectivity is not impaired.
- 12.3 Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

13. Review

- 13.1 The Internal Audit Charter will be subject to regular review, the results of which will be reported for approval by the Corporate Leadership Team and the Accounts and Audit Committee.

Mark Foster
Audit and Assurance Manager
March 2021



TRAFFORD
COUNCIL

Internal Audit Strategy

Audit and Assurance Service (March 2021)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

INTERNAL AUDIT STRATEGY

1. Introduction

- 1.1 The Internal Audit Charter defines the purpose, authority and principal responsibilities of Internal Audit. The Internal Audit Strategy set out in this document details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and Assurance Service are met and the scope of it understood.
- 1.2 The Audit and Assurance Service is required to deliver a risk-based audit plan in a professional independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment (which encompasses internal control, risk management and governance); and, where applicable, to make recommendations to improve it.
- 1.3 The Strategy Statement below sets out the key requirements for ensuring the Audit and Assurance Service fulfils its role effectively. The Statement sets out the overarching vision and aims of the Service. Details of how these requirements are to be met are set out in sections 3 to 8 of the Strategy.

2. Strategy Statement

- 2.1 The Mission and Core Principles for Internal Audit are defined in the Internal Audit Charter, in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Audit and Assurance Service should work to these in its planning and service delivery. (See Section 3.1 of the Internal Audit Charter).
- 2.2 The Audit and Assurance Service plays a key role in shaping the ethics, values and standards of the Council. The Service should be professional, challenging and innovative, acting as a catalyst for change and improvement by:
 - Ensuring its work adds value and maximises assurances to the Council about its positive impact on the achievement of corporate objectives and service delivery;
 - Having a sound knowledge of the organisation, being forward looking and aware of local, regional and national agendas and their impact on the Council;
 - Ensuring the service is flexible, works in partnership with managers, invests in good working relationships with all stakeholders and responds effectively to the changing needs of the Council;
 - Having sufficient resources to effectively deliver the vision and uphold professional standards, particularly officer resources with the number, skills mix, knowledge and experience to achieve this.

3. Service Provision

- 3.1 The Internal Audit function is provided by the Audit and Assurance Service, which is within the Finance and Systems Directorate. Day to day management

is the responsibility of the Audit and Assurance Manager who reports to the **Director of Finance and Systems (Section 151 Officer)**. The Service maintains independence in its reporting as set out in its Charter and associated procedures.

- 3.2 Internal audit services to the Council are currently provided by in-house resources and are complemented by bought-in resources as follows:
- Specialist ICT audit resources are provided by Salford Internal Audit Services. This arrangement was originally agreed by the Association of Greater Manchester Authorities as part of a review of joint working whereby Salford City Council provide specialist resources for use by all the Greater Manchester authorities. These specialist resources are used to complement in-house resources.
 - Internal audit resources will be bought-in if the Audit and Assurance Manager, in agreement with the **Director of Finance and Systems**, considers this to be necessary to ensure completion of the internal audit plan, and if resources permit this approach. The engagement of bought-in internal audit resources will be reported to Members charged with the responsibility for audit and governance. (Recognition will be given to potential conflicts of interest where bought in internal audit resources also provide non internal audit services to the Council).
- 3.3 The Audit and Assurance Manager is responsible for ensuring that all internal audit work complies with the Internal Audit Charter and the Public Sector Internal Audit Standards.

4. Audit Planning

- 4.1 A risk based Audit and Assurance Service plan will be produced on an annual basis. Work will be planned to ensure adequate assurance is provided towards the completion of the Council's Annual Governance Statement.
- 4.2 Resources will be allocated taking into account assurance levels required, risks involved and the potential impact of the work. The planned programme of work will be informed by:
- assurance required to be provided as a Council
 - assurance gained from other sources other than internal audit work including external audit and other inspectorates, service self-assessments etc.
 - knowledge and understanding of the organisation including future priorities and potential impacts
 - detailed consultation with key stakeholders.
- 4.3 Factors to be taken into account when undertaking a risk assessment of auditable areas will take account of the council's assurance and performance management framework including:
- Risk management both at the strategic and operational levels
 - Monitoring of key council objectives and targets by the Corporate Leadership Team
 - Directorate and Service Business Planning arrangements

- Governance and control self-assessments by managers of the operation of controls for which they are responsible
- Reviews by External Audit and other external agencies
- Other internal reviews including scrutiny work
- Previous internal audit and Accounts and Audit Committee findings.

4.4 The Annual Internal Audit Plan lists the areas to be audited and the resources required. Audit reviews and other programmes of work will focus both on strategic and operational issues. To ensure adequate flexibility, audit work will involve a number of different methods of delivery i.e. traditional internal audit reviews; provision of guidance; awareness raising; advice to project / working groups etc. The plan will be prepared to ensure:

- Fundamental financial systems are reviewed on a cyclical basis.
- Adequate resources are set aside for anti-fraud and corruption work including investigating suspected cases and raising awareness across the Council.
- Adequate resources are included to enable reviews of the Council's corporate governance and risk management arrangements.
- The Council's ICT systems and information governance processes are subject to adequate internal audit coverage.
- Procurement and contracts arrangements across the council are reviewed.
- Internal Audit fulfils its role in auditing schools, supporting the process by which schools are required to meet the Schools Financial Value Standard.
- Adequate coverage of other key business risks including individual coverage of authority-wide issues, individual services, establishments, partnerships, programmes and projects.

4.5 Provision is made to follow up work completed in previous periods. The plan also contains a contingency for unforeseen changes which may necessitate a change in priorities.

4.6 The Internal Audit Plan is flexible and will be kept under review and will be revised to take account of changes in the risk environment. Significant changes in the plan will be reported to the Corporate Leadership Team and to the Accounts and Audit Committee.

5. **Service Delivery**

5.1 There will be close working with management in agreeing the scope of individual audit assignments. The planning and scoping process takes into account any significant factors, developments and key risks to ensure the internal audit review of that area will add value for the Council.

5.2 The ongoing development of the Audit and Assurance Service's knowledge base will provide an effective source of information as part of the planning process. Knowledge will be developed by various means including ongoing liaison and discussion with managers and other key stakeholders.

5.3 Individual Audit and Assurance projects will have, within the overall project time allocation, planned time to allow the Audit and Assurance Officer(s) to research

and build their knowledge of the area (proportionate to the nature/complexity of the review).

- 5.4 The Audit and Assurance Manager will ensure that there are documented protocols and procedures for planning and conducting audits, setting out the standards for the service. These will be set out in the Audit Manual. The Audit and Assurance Manager will monitor performance against the standards set out in the Audit Manual and other relevant documents.

6. Reporting

- 6.1 Reporting arrangements for the Audit and Assurance Service are set out in protocols which form an integral part of the Service's Audit Manual.
- 6.2 The approach to reporting, delivering opinions and supporting conclusions, and developing associated improvement actions will be flexible. This will be to ensure that officer resources are effectively utilised, the needs of recipient managers/stakeholders are met, the necessary assurance is provided and the form of reporting maximises ownership and impact of resulting improvement actions / organisational change being recommended.
- 6.3 For individual audit assignments, where internal audit recommendations are made, these will be discussed with management prior to the issue of audit reports. The findings from the audit will be reported, clearly identifying and explaining the key risks and control weaknesses, with the relative priority of recommendations clearly communicated. Following each audit, the client manager will have the opportunity to provide feedback via the client satisfaction survey.
- 6.4 Progress against the annual internal audit plan will be monitored by the Audit and Assurance Manager and reported to the Corporate Leadership Team and to the Accounts and Audit Committee on a regular basis.
- 6.5 The Audit and Assurance Service will give an overall opinion each year on the Council's risk management, control and governance arrangements to support the Annual Governance Statement. The Internal Audit opinion on the control environment will be given in the Annual Head of Internal Audit Report, which will be presented to the Corporate Leadership Team and the Accounts and Audit Committee.

7. Staffing / Resources

- 7.1 In order to deliver the Internal Audit Strategy and comply with professional standards, it is important that the Audit and Assurance Service comprises staff with the appropriate skills and experience.
- 7.2 Audit and Assurance officers are expected to undertake continuing professional development as appropriate and undertake training / development activities, both for personal development and to ensure there is an effective skills balance within the Service.

- 7.3 The Service operates personal development and review processes in line with the Council's policy as well as professional good practice. Ongoing training and development needs are identified as part of this process. In addition to internal training, such as through e-learning, shadowing the work of colleagues etc., available training provided by key providers such as CIPFA and IIA is considered and where appropriate included within the ongoing programme of training. Training and development needs are reviewed regularly.
- 7.4 The Service has a clearly defined code for staff encompassing ethics, conduct and values in accordance with the Public Sector Internal Audit Standards. Staff are required to complete and sign a declaration statement in line with the PSIAS Code of Ethics.
- 7.5 If resources, including staffing, are insufficient for the Audit and Assurance Service to provide an opinion on the control environment, the Audit and Assurance Manager will report this to the **Director of Finance and Systems**, Chief Executive and to the Accounts and Audit Committee.

8. Ongoing Development Actions

- 8.1 The Service reviews its procedures, systems and working methods on a regular basis. This includes a review, at least annually, against the Public Sector Internal Audit Standards through either an internal or external assessment. Details are reported to the Accounts and Audit Committee within the Head of Internal Audit Annual Audit Report. The Service has a Quality Assurance Improvement Programme setting out its quality review processes in place which includes details in respect of both internal and external assessments (See Appendix 5).
- 8.2 There are a number of areas that are subject to ongoing or periodic review to ensure standards are maintained and where possible improvements made. The following will continue to be considered as part of ongoing service planning and monitoring of performance:
- Consider the ongoing appropriateness / application of audit procedures and protocols both in ensuring these continue to meet the organisation's requirements and remain in accordance with the Public Sector Internal Audit Standards.
 - Continue to consider and where appropriate, adopt, various approaches to audit reporting taking into account client feedback
 - Continue to consider training and development needs of staff to ensure there remains adequate knowledge and expertise in specific areas of audit activity.
 - As part of ongoing audit planning, continue to consider the approach to gathering assurance including collaboration with other Internal Audit providers e.g. in respect of audit reviews of partnerships and other arrangements where there is collaboration between organisations.
 - Continue to consider appropriate means of raising awareness of key governance and control issues. Ensure content on the Audit and Assurance Intranet site is regularly reviewed to ensure it is up to date and provides effective guidance.

- Ensure methods of working take into account any changes in the organisational structure, accommodation issues, technology, agile working protocols etc.

9. Review

- 9.1 The Internal Audit Strategy will be subject to regular review, the results of which will be reported to the Accounts and Audit Committee and the Corporate Leadership Team.

Mark Foster
Audit and Assurance Manager
March 2021



TRAFFORD
COUNCIL

Quality Assurance Improvement Programme - Audit and Assurance Service

Audit and Assurance Service (March 2021)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

Quality Assurance Improvement Programme

1. Introduction

- 1.1 The Audit and Assurance Service Quality Assurance and Improvement Programme (QAIP) is in place to provide reasonable assurance to the various stakeholders of the Internal Audit activity that the Service:
- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2 The QAIP covers Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
 - Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
 - Helping the Internal Audit activity add value and improve organisational operations;
 - Undertaking both periodic and on-going internal assessments (Standard 1311); and
 - Commissioning an external assessment at least once every five years, the results of which to be are communicated to the Accounts and Audit Committee (in accordance with Standard 1312 and 1320).

2. Internal Assessments

- 2.1 In accordance with PSIAS Standard 1311, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

- 2.2 Continual assessments are conducted through:
- Management supervision of each audit review;
 - Audit policies and procedures used as set out in in the Internal Audit Strategy and Audit Manual for each assignment in order to comply with appropriate planning, fieldwork and reporting standards;
 - Review and approval of all final reports including recommendations and levels of assurance by the Audit and Assurance Manager.
 - Feedback from audit clients obtained through a client survey issued following each internal audit review. A summary analysis of responses received is included in the Annual Head of Internal Audit report.

- Monitoring of internal performance to feed into regular reporting to the Corporate Leadership Team and Accounts and Audit Committee.

Periodic Review

2.3 Periodic assessments/reviews are conducted through:

- Reporting through the year in periodic updates and annual reporting to the Corporate Leadership Team and the Accounts and Audit Committee on the work of Internal Audit. This includes presenting the Internal Audit Plan for approval; periodic updates of progress against the Plan and work completed for the year reflected in the Annual Head of Internal Audit Report.
- Annual self-assessment against the Public Sector Internal Audit Standards with a summary of the outcome of this exercise reported in the Annual Head of Internal Audit Report, including any key improvement actions planned.
- Performance review of individual audit staff through the Council's corporate processes.

3. External Assessments

3.1 External assessments will appraise and express an opinion about Internal Audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

3.2 An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be agreed with the Section 151 Officer and Chair of the Accounts and Audit Committee.

Scope of External Assessment

3.3 The scope of the external assessment will consist of the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, Internal Audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the internal audit activity into the Council's governance and reporting framework;
- Processes undertaken by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staffing structure;
- A determination whether Internal Audit adds value to governance, risk management and internal control within the Council.

3.4 Results of external assessments will be provided to the Accounts and Audit Committee. The external assessment report will be accompanied by a written action plan in response to recommendations identified. Any significant areas of non-compliance will be reported in the Annual Head of Internal Audit Report and where applicable, considered for inclusion in the Annual Governance Statement.

4. Review of the QAIP

4.1 This document will be appropriately updated following any changes to the PSIAS or Internal Audit's operating environment and will be reviewed on a regular basis.

Audit and Assurance Service : March 2021

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TRAFFORD COUNCIL

Report to: Executive

Date: 22 March 2021

Report for: Information

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

Report Title:

Budget Monitoring 2020/21 – Period 10 (April 20 to January 2021).

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) note the updated positions on the revenue budget, collection fund and capital programme.
- b) note the movements in earmarked reserves.

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
Relationship to GM Policy or Strategy Framework	Not Applicable
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
Carbon Reduction	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 Clearance JLF...

G. Bentley

DIRECTOR'S SIGNATURE

EXECUTIVE SUMMARY

- The approved budget for 2020/21 is £175.52m; as at Period 10 an underspend of £2.301m is forecast (underspend £2.108m at Period 8). See Table 1.
- The positive movement of £193k since the last monitoring report mainly relates to minor movements in staffing costs and release of contingency budgets. (Table 2 provides detail of all the service variances).
- It is fair to say that projecting the financial impact of COVID-19 throughout the year has been difficult given the level of uncertainty in near every aspect of the council's services. At the time of the period 8 monitor, the Government had announced the third national lockdown commencing on 5th January, along with additional support of £2.23m to accommodate winter pressures. The council adopted a prudent approach to its forecast outturn and held this resource in a contingency reserve to cover expected pressures. As at period 10 this resource has not been required, although the forecast assumes it is available to be drawn down should the outturn position deteriorate in the remaining two months of the year.
- It must be stressed that the long term impact of the pandemic remains a significant risk for the Council in future years. The Spring Budget on 3rd March provided some certainty on the future level of wider economic support, particularly around the extension of the business rates relief scheme for retail, hospitality and leisure. However, there remains a high level of ongoing uncertainty concerning the recurrent impact of COVID and as such the council will continue its prudent approach to bolstering its COVID related reserves to cover potential pressures in 2021/22, should the additional winter pressures resource remain uncommitted at year end.
- Gross Covid-19 financial pressures are estimated at £56.785m an increase of £5.573m from period 8. This largely relates to costs associated with additional grants relating to Contain Outbreak, Community Champions, Workforce Capacity, Rapid Testing and contributions from the CCG. The net impact after Government support and contributions from the CCG is £13.927m and of this £8.579m relates to the deficit on the Collection Fund. The Government has allowed Councils to remove the collection fund deficit and recover this over the next three years. Once removed, the net COVID pressure in 2020/2021 is £5.348m which represents an increase of £774k from period 8. This additional pressure largely relates to increase costs in adults client demand £500k and additional ICT equipment for staff at £147k.
- The Covid-19 pressures above have been offset by savings across other service and corporate contingency budgets, such as adult placement costs and staffing vacancies, which if fully realised should help mitigate the overall Covid-19 pressures to arrive at a net underspend of £2.301m a small positive movement of £193k since period 8.

- **Council Tax** - forecasting a deficit of £4.069m which is a positive movement of £1.238m from Period 8. Improvements have been seen in collection rates continue as the year progresses. (See Para 8.)
- **Business Rates** continues to be a complex area and prone to variation which has been exacerbated by the impact of Covid-19. An in-year deficit including section 31 grants of £3.5m is still forecast. (See Para 13).
- The Government has issued exceptional guidance during the year which allows authorities to spread the full deficits on the collection fund balances for council tax and business rates over the next three financial years and will therefore have a neutral impact in the current year. Without this flexibility the Council share of the pressure on the 2020/21 would have been a further £8.5m.
- **Reserves Movements** – Any final in-year underspend in 2020/21 will be transferred to the Budget Support Reserve, along with any uncommitted COVID-19 winter pressures grant. In addition the report also includes for the transfer of reserves, particularly for Adults Social Care and Public Health. See paragraph 6.
- **Capital Programme** - Minor rephasing to the general programme of £3.2m; projected capital expenditure is £37.2m in 2020/21 (See Para 33). At this stage of the year (99%) of the budget has now been committed or is programmed to start in the year.

REVENUE BUDGET

1. 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	42,077	41,350	(727)	(1.7)%
Adult Services	49,385	49,482	97	0.2%
Public Health	12,381	12,403	22	1.8%
Place	29,360	36,429	7,069	24.1%
Strategy and Resources	5,146	7,661	2,515	48.9%
Finance & Systems	7,900	7,834	(66)	(0.8)%
Governance & Community Strategy	6,518	6,746	228	3.5%
Total Directorate Budgets	152,767	161,905	9,138	6.0
Council-wide budgets	22,755	16,038	(6,717)	(29.5)%
Net Service Expenditure variance	175,522	177,943	2,421	1.4%

Funding				
Business Rates	(65,792)	(65,792)		
Council Tax	(103,990)	(103,990)		
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)*	(180,244)	(4,722)	(2.7)%
Net Revenue Outturn variance	0	(2,301)	(2,301)	(1.3)%
Dedicated Schools Grant	139,392	140,716	1,324	0.9%

Budget Adjustments and Virements

* There has been one virement across two Directorates since Period 8, as detailed in Appendix 1.

Main variances, changes to budget assumptions and key risks

2. The main variances contributing to the projected overspend in service budgets of £2.421m, 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	(727)	<p>Projected outturn variance £727k favourable; a favourable movement of £109k since period 8.</p> <p>The coronavirus pandemic continues to have an impact on 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 anticipated to be achieved; no movement • Anticipated increase in overall demand in placements/early support of £308k, a favourable movement of £474k (Note 1); • Underspend on staffing budgets of £1.464m, an adverse movement of £260k (Note 2); • Additional transport costs of £450k, an adverse movement of £25k (Note 3); • £278k under budget on other running costs and income across the service; an adverse movement of £43k (Note 3); • Loss of income due to COVID-19 of £257k, an adverse movement of £37k, mainly seen at the two nurseries and those service areas unable to provide face to face training. <p>Note 1</p> <p>Current projections indicate there is an estimated overspend of £308k on children's placements, a favourable movement of £474k.</p> <p>The service has not seen the increase in demand it had anticipated due to the Coronavirus pandemic and has therefore revised its projections this year. At this stage it is felt that the potential impact from the pandemic may fall into the following financial year.</p> <p>The numbers of children as at the end of January 2021 are as follows:-</p> <ul style="list-style-type: none"> • children in care 406, an increase of 15; • child protection is 189, a decrease of 40; • children in need 670, an decrease of 78.

		<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 £1.608m of this has been achieved.</p> <p>A contingency of £217k 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 £1.464m; this is an adverse movement of £260k which is mainly due to an increase in and a temporary extension of agency staff.</p> <p>These underspends this year, due to delays in recruiting, are one-off in nature as the service undertakes its service redesign which will be in place in 2021/22.</p> <p><u>Note 3</u></p> <p>The adverse variance in running costs across the service is £172k; an adverse movement of £68k. The reasons for this adverse movement are as follows:</p> <ul style="list-style-type: none"> • Home to School transport, adverse movement of £25k. This is mainly due to additional costs incurred as a result of social distancing requirements; • Minor variances adverse movement of £43k. <p>In addition to this there are further estimated costs due to Covid-19 of £470k for the winter grant scheme which will be met by a specific government grant.</p>
Adult Services	97	<p>Projected Outturn variance £97k adverse, a favourable movement of £114k since period 8.</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. 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, no movement; • £3.884m below budget on Adult clients, favourable movement of £1.044m (Note 1); • £477k below budget due to vacancies and one off savings, favourable movement of £70k (Note 2); • Additional Personal Protective Equipment £551k of which £511k is recovered from the CCG and £40k is met by the Council, no movement to the Council;

	<ul style="list-style-type: none"> • £1.0m to support to the disabled facilities grant for 21/22, no movement (note 3); • £1.0m transfer to reserve to support short term pressures on the budget for 21/22, adverse movement of £1.0m (note 4). <p>It must be noted that the risk posed by further spikes in COVID-19 infections places an increased demand on the Service in supporting the NHS with ensuring speed of discharges.</p> <p>Note 1</p> <p>Adult Clients currently projects a £3.884m favourable variance; £1.044m favourable movement since period 8.</p> <p>This budget has and continues to increase in both its complexity and volatility as a result of the coronavirus pandemic.</p> <p>Estimates are made for those packages of care that are covered by the two hospital discharge programmes (HDP) as follows:-</p> <ul style="list-style-type: none"> • Scheme 1, March 2020 to August 2020 – these costs were met by the Trafford Clinical Commissioning Group (CCG) until the 12th October or for those awaiting a Continuing Healthcare Assessment (CHC) will continue to be met until the Assessment is completed; • Scheme 2 - September 2020 to March 2021 - up to 6 weeks of these cost will be met by the CCG. <p>In both schemes once CHC assessments have been undertaken costs will either be met by the CCG as continuing health care (CHC) or from the adult client’s budget whereby financial assessments will be undertaken to assess the amount of client contributions.</p> <p>The movement from P8 is largely due to a higher than anticipated number of care packages requiring CHC assessments under scheme 1 of the HDP. Until these assessments are undertaken they will continue to be fully paid for by the CCG. The expectation is that they will all be complete by the 31st March 2021.</p> <p>The current forecast cost for all those care packages still awaiting determination is £743k.</p> <p>At this stage an estimate has been included of £314k (42.2%) as to the amount that will either:-</p> <ul style="list-style-type: none"> • continue to be paid by the CCG until assessments are undertaken; • transfer to the CCG as continuing health care (CHC) packages, or; • be met from client contributions once financial assessments have been undertaken. <p>It should be noted that this estimate again has the potential to vary due to the timing of assessments, individual needs and financial</p>
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	<p>circumstances of each client who has been in receipt of a COVID-19 funded care package.</p> <p>Within the projection there is a contingency of £265k set aside for additional increases in demand/cost pressures throughout the rest of the financial year that are non COVID-19 related.</p> <p>Note 2</p> <p>The current forecasts indicate there is a favourable variance of £463k; a favourable movement of £56k. This is due to the following:</p> <ul style="list-style-type: none"> • £224k favourable variance on staffing due to vacancies; adverse movement of £36k; • £301k favourable variance on client equipment and maintenance due to the impact of COVID-19; favourable movement of £106k; • £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"> • £10.487m 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; • £550k for adult social care rapid testing which will be met by government grant; • £473k for adult social care workforce capacity which will be met by government grant; • £262k for the clinically extremely vulnerable which will be met by government grant. • £14k for contain outbreak management which will be met by government grant <p>Note 3</p> <p>Due to an anticipated demand and therefore additional pressures on the capital budget for disabled facilities in 21/22, £1.0m of the adults underspend this year will be set aside in the capital reserve to support this budget in 21/22.</p> <p>Note 4</p> <p>Due to a range of short term pressures in the service whilst continuing with their improvement journey and the potential requirements within hospital settings to reduce waiting lists, which will have an impact on discharges from hospital, £1.0m of the adults underspend this year will be set aside in an adult reserve to support this budget in 21/22.</p>
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Public Health	22	<p>Projected Outturn variance £22k adverse</p> <p>All of this variance, £22k, is projected as COVID-19 related council spend on staffing.</p> <p>Currently there is a projected underspend on business as usual of £1.029m, a favourable movement of £636k which is as a result of:</p> <ul style="list-style-type: none"> • a refund from the Pennine contract last year of £205k, no movement; • one-off reductions in the MFT contract this year £275k, favourable movement of £275k; • a projected reduction in costs for activity based areas of £249k e.g. sexual health services, a favourable movement of £61k; • a reduction in 'business as usual' staffing costs of £300k from October 2020 to March 2021 as the service continues to lead and support the outbreak management response to the pandemic, a favourably movement of £300k. <p>However for 2021/22 discussions with Manchester Foundation Trust on the community contract have yet to take place and there is also the possibility that those activity based areas that have been low this year may see higher than usual levels as we move into 2021/22. Therefore this underspend is to be ring-fenced in a public health reserve for 2021/22.</p> <p>In addition to this there are further estimated costs due to Covid-19 which will be met by a specific government grant as outline below:-</p> <ul style="list-style-type: none"> • £1.457m for the test and trace service • £300k for contain outbreak management
Place	7,069	<p>Projected outturn variance £7.069m adverse, a favourable movement of £183k since period 8.</p> <p>The forecast pressures include:</p> <ul style="list-style-type: none"> • COVID-19 related income losses are £5.690m, a reduction of £173k mainly related to better than expected forecasts of outdoor media advertising income. The overall loss includes Parking fees and fines £944k (increase of £15k), property rentals £813k, outdoor media advertising £418k (reduction of £150k), planning fees £526k (reduction of £34k), licencing fees £256k (increase of £17k), building control fees £168k, highways permits and grants £156k, street trading £114k, pest control £17k (£16k reduction) and trade waste £117k. The figures also include the requirement to support Trafford Leisure which has trading deficits for 2020/21 due to the various COVID-19 restrictions, 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

		<p>various operational restrictions, including a recent bid for grant funding;</p> <ul style="list-style-type: none"> • COVID-19 expenditure pressures are £1.141m and have increased by £2k overall. The overall pressure includes £555k in expected additional waste disposal costs based on latest tonnage estimates and £215k related to waste collection, £144k for rough sleepers, £50k for inclusive neighbourhoods, £50k for high street reopening, £35k traffic management, £22k play areas and £70k operational buildings. There are also additional costs fully offset by additional specific COVID-19 grants of £107k for “COVID Marshals”, £20k for Rough Sleepers and £77k for Public Protection/Community Safety “pandemic contain” funding. There has also been recent confirmation of a successful bid for Community Champions funding £472k; • Other non-COVID-19 forecast pressures include £279k relating to property costs, including those awaiting disposal or redevelopment. This includes £94k relating to abortive development costs associated with Altrincham and Stretford Leisure centres. There is a shortfall in building control income £188k, following on from the end of 2019/20, which is offset by an underspend in staffing from vacancies of £184k. CCTV income is also forecast at £37k below budget. There is additional income above budget for Altair £120k and other rents £19k; • There is an overall a staffing underspend of £467k relating to actual and forecast vacancies for the year (excluding the ring-fenced Planning account), which is approximately 10.2% of the staffing budget. This is £105k higher than last reported; • The Planning service is a ring-fenced account and has a forecast underspend of £204k in staffing and running costs which can be utilised to offset the COVID-19 income pressure for Planning application fees above; • The Strategic Investment Property Portfolio will deliver a net benefit to the revenue budget in 2020/21 of £6.71m. This is £728k lower than budgeted (adverse movement of £7k) due to economic factors affecting some of the income particularly from the town centre investments (see paragraph 44 for further details).
Strategy and Resources	2,515	<p>Projected outturn variance £2.515m adverse, a favourable movement of £58k since period 8.</p> <p>This includes COVID-19 pressures of £2.580m, a favourable movement of £100k since period 8:</p> <ul style="list-style-type: none"> • Trading losses in the overall outturn includes £2.047m in Catering (no change), £14k in Cleaning (reduction of £1k) and

		<p>£269k in the Music Service (reduction of £67k). The net loss of income from staff parking is now £169k (reduction of £16k) and there is also £6k loss of other SLA income (unchanged);</p> <ul style="list-style-type: none"> • Cost pressures include £32k relating to Stop Gap staffing (reduction of £14k) and £43k for COVID-19 related communications (reduced by £2k). <p>Other Variances £65k favourable, an adverse movement of £42k since period 8 including:</p> <ul style="list-style-type: none"> • Forecast staff costs are £149k below budget across the Directorate based on actual and projected vacancies across the year (2.0% of the staff budget), an adverse movement of £20k; • Bereavement Services net additional income after costs of £58k, adverse movement of £21k; • Other minor variances are net £16k adverse. <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	(66)	<p>Projected outturn variance £66k favourable, an adverse movement of £161k since period 8.</p> <p>COVID-19 Forecast Pressures £364k, adverse movement of £211k since period 8:</p> <p>This relates to additional unplanned ICT staffing costs relating to the build and configuration of hardware (laptops etc) directly related to the COVID-19 pandemic.</p> <p>There are also additional costs fully offset by additional specific COVID-19 grants totalling £516k to date in both ICT and Exchequer Services. This includes £147k relating to ICT staff and equipment, Exchequer spend of £218k Emergency Assistance Grant, £118k Winter Grant scheme and £33k Self-isolation payments.</p> <p>Other Variances £430k favourable, a favourable movement of £50k</p> <ul style="list-style-type: none"> • Forecast staff costs are £335k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 4.0% of the total staffing budget, and £2k higher than last reported. This includes £196k in Finance Services and £139k in ICT; • General running costs are forecast to be underspent by £240k, an increase of £21k. The underspend mainly relates to reduced ICT systems and maintenance costs pending major capital investment; • Other additional income is £43k above budget, favourable movement of £27k, including schools SLA income. <p>These are offset by the budgeted Directorate-wide efficiency saving target of £188k, which is expected to be achieved in full.</p>
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Governance & Community Strategy	228	<p>Projected outturn variance £228k adverse, an adverse movement of £57k since period 8.</p> <p>COVID-19 Forecast Pressures £573k, an adverse movement of £2k since period 8 (losses of income £386k and additional unplanned expenditure £187k):</p> <ul style="list-style-type: none"> • Forecast income losses include £184k relating to Sale Waterside Arts Centre (increase of £6k) and £59k for events including Flixton House (reduction of £5k). Land charges income is projected to be £25k less than budget (reduced by £17k) and Registrar’s £67k (reduction of £10k). There is also a £51k loss of income expected from library lettings (reduction of £2k); • Additional expenditure includes legal costs related to fees and additional agency staff required due to the increase in caseload. <p>Other Variances £345k favourable, adverse movement of £55k:</p> <ul style="list-style-type: none"> • Forecast staff costs are £669k below budget across the Directorate, reduced by £3k, based on actual and projected vacancies reviewed across the year (11.3% of the staff budget). This includes £243k in Legal Services, £175k in Access Trafford (contact centre), £214k in Partnerships and Communities and £37k in Arts and Culture; • General running costs are overspent by £65k, adverse movement of £53k, mainly due to library ICT costs and legal court fees; • There is a shortfall in income of £66k compared to budget excluding the COVID-19 pressures above (£1k adverse movement). This includes a £32k shortfall in capital fee income which is related to staff vacancies, and a £27k reduced forecast of grants in Democratic Services, and £7k in libraries. <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	(6,717)	<p>Projected outturn variance £6.717m favourable, a favourable movement of £144k since period 8</p> <ul style="list-style-type: none"> • COVID-19 Support Grant – favourable £10.587m, no change since period 8. 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 – £3.377m favourable - alongside the announcement of the 3rd COVID-19 support grant in July

		<p>2020, the Government announced a compensation scheme for lost income from Sales, Fees and Charges. It is now estimated £3.377m will be reimbursed by the Government which compares with £3.575m at Period 8 and although a lower figure, reflects improvements in the loss of income. This has been accounted for in Council-wide in the same manner as the support grants.</p> <ul style="list-style-type: none"> • Provision of £2.234m to accommodate winter pressures relating to COVID-19. Due to the uncertainty surrounding the financial impact of COVID-19 going forward, a contribution to a contingency reserve of £2.234m has been included in the Council-wide forecast; • £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, no change since period 8; • The Housing Benefit budget - at period 10 there is still a significant pressure on the net Housing Benefit budget (payments made, less subsidy, overpayment recovery and use of reserves) of £298k, although this has reduced by £89k since period 8 due to better collection of historic debt. • £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, no change; • Liability Order income is forecast to be £245k below budget in 20/21 due to the impact of COVID-19 and the subsequent suspension of the debt recovery process for both Council Tax and Business Rates. • 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 £925k of these, an additional £300k since period 8. • Contain Outbreak Grant – The Council has received £4.237m to date under the Contain Outbreak programme aimed at enforcement, compliance and contract tracing. As the programme is developed the budget is subsequently managed and reported within the service area forecasts.
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		<p>The balance of the grant and subsequent expenditure of £3.699m is held within Council Wide and will be reassigned to service areas as commitments are firmed up.</p> <p>In addition the Council has received within its General Fund a Council Tax Hardship Grant of £1.56m. In previous monitors it had been anticipated that the full grant would be transferred to the Collection Fund to offset the costs of Hardship awards and Local Council Tax Support Scheme pressures. The rules allowing the transfer of the grant to the Collection Fund have been clarified and only the costs of Hardship awards can be met. To date the Hardship Awards are estimated at £623k, which will subsequently result in an undercommitment of £937k on the grant. This will be transferred to a Council Tax Risk Reserve to support potential ongoing pressures within the Collection Fund relating to Hardship awards.</p>
Dedicated Schools Grant	1,324	<p>Projected outturn variance £1.324m adverse, a favourable movement of £142k since period 8.</p> <p>DSG is expected to be £1.324m over spent, this is a favourable variance of £142k from period 8. Of this over spend, £1.560m is within the High Needs Block (HNB) offset by under spends in the Schools and Central Schools Services Blocks.</p> <p>The HNB has seen an increase in demand for places and additional top-ups within Special Schools, increasing numbers and complexity of Education Health Care Plans and increasing costs and numbers of placements made out of borough.</p> <p>Although there are overall DSG reserves to cover this deficit, the HNB reserves on their own are not sufficient to cover their overspend. The HNB task and finish group has been re-established and is looking at how to manage the current deficit and also at the longer term strategies required to alleviate the pressures on this budget.</p>

MTFP SAVINGS AND INCREASED INCOME

- The 2020/21 budget is based on the achievement of permanent base budget savings and increased income of £10.055m. At this stage the latest forecast indicates that there is a projected shortfall in the savings programme of £1.75m, and this includes a number being affected by COVID-19. There has been a minor adverse movement of £23k since period 8.

RESERVES

- 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.

5. As part of the final budget report for 2021/22 a full review of reserves was undertaken. This was done primarily to identify balances which could be used to support any longer term financial impacts of the pandemic along with ensuring the level of reserves were robust and sufficient to cover the range of risks faced by the Council. Full details of the review can be found in the final budget report agreed by Council in February 2021.
6. In addition to the review of reserves undertaken as part of the preparation of the final budget, the following significant movements are also proposed as a result of the latest monitoring. Some of the figures will change depending on future monitors, however the principles surrounding the transfer will remain:-
 - The general underspend, currently estimated at £2.301m to go to Budget Support Reserve to provide a buffer against future budget uncertainty.
 - Since Period 8, GMCA has confirmed the amount of redistribution of Growth Pilot Monies relating to 2019/2020 across the Greater Manchester Business Rates Pool members. Trafford's share is £1.73m and will be transferred to our Budget Support Reserve as agreed in the 2021/22 budget report.
 - A favourable movement in the Adults clients budget will allow £1.0m to be transferred to an adults reserve to address potential pressures in discharges from hospital in 2021/22 (note 1 and note 4 Adults Service commentary).
 - As a result of various contractual and staffing underspends, the Public Health Reserve will be bolstered by £1.029m. This will be held until discussions with Manchester Foundation Trust on the future community contract have been concluded (see Public Health summary in service commentary).
 - Should the additional COVID-19 winter pressures grant of £2.23m remain uncommitted at year end, any surplus will be transferred into our covid related reserves to mitigate any potential ongoing pressures in future years.

COLLECTION FUND

Council Tax

7. The table below summarises the pressures and movements on the Council Tax Collection Fund. The Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%).

Table 3 Summary of Council Tax Collection Fund Movements	Period 8 Full Collection Fund £000	Period 10 Full Collection Fund £000	Movement P10 to P8 (improvement) /deterioration £000	Period 10 Trafford Share £000
(Surplus) Brought Forward	(1,121)	(1,121)	0	(931)
Distribution of estimated surplus	1,466	1,466	0	1,216
Over Distribution of Prior Year - Collected in 21/22 (Para 20)	345	345	0	285
In Year Position				
Shortfall in Tax Base (Para 23)	634	890	256	728
Reduction in Cash Collection (para 21)	3,718	2,207	(1,511)	1,805
Local Council Tax Support Scheme	620	677	57	553
Hardship Awards	816	623	(193)	510
Other Movements (Backdated discounts etc.)	(10)	(50)	(40)	(41)
Sub-total In Year Position before hardship grant (Para 21)	5,778	4,347	(1,431)	3,555
Contribution from Hardship Grant (Para 22)	(816)	(623)	193	(510)
Sub-Total In Year Position (Para 24)	4,962	3,724	(1,238)	3,045
Deficit Carried Forward	5,307	4,069	(1,238)	3,330

8. As reported in previous periods, there was an overpayment on the surplus brought forward as at 1 April 2020. This 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.
9. During the first half of the year the challenges faced by COVID-19 have placed considerable pressure on the Council Tax Collection Fund, largely related to a reduction in collection rates and increase in Council Tax Support. In addition, an increasing trend in claims for discounts and reliefs (such as Single Person Discount) has placed further pressure on our business as usual activity. There is currently a forecast deficit of £4.347m. This is an improvement of £1.431m on the estimated deficit of £5.778m at period 8 largely due to continued improvements in collection rates and reductions in the our assumptions on the award of hardship support.

10. The Council has received within its General Fund a Government sponsored COVID-19 Council Tax Hardship Grant of £1.561m to be used to compensate losses in the Collection Fund for Hardship Awards. Hardship awards relating to COVID-19 are estimated at £0.623m a reduction of £0.193m from period 8. The application of the grant will reduce the in-year deficit to £3.724m, compared with £4.962m at Period 8. The remaining balance of the Hardship Grant will be transferred to an earmarked reserve to support the extension of the hardship scheme in 2021/22.
11. As highlighted in the previous monitor, the Government announced changes, enabling local authorities to spread their estimated tax deficits over three years rather than the usual one, and as such the estimated deficit was completely removed from the 2020/21 outturn. The budget for 2021/22 was set using the estimated deficit at Period 8 of £4.962m spread over the next three financial years. The improvement in the outturn forecast to £3.724m will impact on these budgeted assumptions and the timing of the release of the positive movement will be considered as part of the yearend closedown.
12. In summary, as at period 10 the forecast year-end balance on the Council Tax Collection Fund is a deficit of £4.07m (£5.31m at period 8), consisting of an overpayment of £345k in the brought forward balance plus an in year shortfall of £3.72m. The Council's share of this is £3.33m, of which £285k has been identified in an earmarked reserve leaving a balance of £3.05m. The new requirement for local authorities to spread their tax deficits over three years will reduce the financial impact of the full deficit, in 2020/21, to a neutral amount, however this will need to be recovered between the periods 2021 to 2023.

Business Rates

13. 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.
14. In previous reporting periods, a broad estimate was made that there would be a reduction in income from non-retail businesses of 5% over the year, resulting in a shortfall of approximately £3.5m.
15. A similar figure is also projected at Period 10, with a shortfall in business rates income of £3.61m compared to £3.57m at Period 8. The shortfall consists of a deficit on the Collection Fund of £5.53m which is offset by various positive General Fund components (section 31 grants, GM Pilot payments) of £1.92m. 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 collection fund deficit of £5.53m in 2020/21 to a neutral amount, however this will need to be recovered between the periods 2021 to 2023. In addition, the positive outturn within the General Fund

of £1.92m will be transferred to the Business Rate Risk Reserve, as previously reported, to help absorb any future business rates volatility.

16. As reported in period 8, the above figures include a payment to Greater Manchester Combined Authority (GMCA) of £2.70m relating to the benefit of the Business Rates Growth Pilot sharing scheme in 2020/21. GMCA has clarified that due to COVID-19 pressures across GM Authorities, they now longer require the payment. This amount will be transferred to the Budget Support Reserve as stated at period 8.
17. Since Period 8, GMCA has announced an additional redistribution of Growth Pilot Monies relating to 2019/2020 across the Greater Manchester Business Rates Pool members. Trafford's share is £1.73m and is expected to be received in the current financial year. In line with our budget proposals this amount will be transferred to the budget support reserve.
18. In a similar manner to the Council Tax Income Compensation Scheme, the Government has also announced support of 75% of budgeted losses on business rates. This grant may be received in the current financial year, however will be transferred to a suitable reserve to be drawdown to meet the requirements assumed in the budget for 2021/22.

Impact of COVID-19

19. During the course of 2020/21 the implications of Covid-19 have had a major and unprecedented impact on the Council's finances. The net pressures being felt in 2020/21 have been detailed in the service narratives and a summary is shown in Table 4, along with the grant funding, CCG and earmarked reserves contributions.

Table 4 – Impact of COVID-19 on Services	Period 8 2020/21 £000	Period 10 2020/21 £000	Change P8 to P10 £000
Estimated Gross Service Pressures	41,166	47,696	6,530
Estimated Funding Pressures (Council Tax and Rates)	10,046	9,089	(957)
Gross COVID-19 Pressures	51,212	56,785	5,573
CCG contribution – PPE – Adults Services	(478)	(511)	(33)
CCG contribution - Hospital Discharges	(9,188)	(10,487)	(1,299)
Infection Control (Care Homes) Grant	(4,246)	(4,246)	0
Public Health – Test and Trace Grant	(1,457)	(1,457)	0
Council Tax Hardship Grant	(667)	(510)	157
Emergency Assist Grant (*)		(218)	(218)
Clinically Extremely Vulnerable (*)		(262)	(262)
Rough Sleeping emergency funding (*)		(20)	(20)
Self Isolation Grants (Admin Grant) (*)		(33)	(33)
COVID Winter Grant Scheme (*)		(588)	(588)
COVID Marshalls (*)		(107)	(107)
Community Champions		(473)	(473)
Rapid Testing		(550)	(550)
Workforce capacity		(473)	(473)
Total Specific Grants and Recharges to CCG	(16,036)	(19,935)	(3,899)
COVID-19 Support Reserve (Bal of 1 st Tranche held in reserve)	(4,722)	(4,722)	0
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	(2,234)	(2,234)	0
Contain Management Outbreak Grant	(2,339)	(4,237)	(1,898)
COVID-19 Support SFC Income Loss Support	(3,575)	(3,377)	198
Total General Government Support	(21,223)	(22,923)	(1,700)
Net COVID-19 Pressures 2020/21 before removal of Collection Fund Deficit	13,953	13,927	(26)
Council Tax Deficit removed and recovered 2021 onwards	(4,059)	(3,045)	1,014
Business Rates Deficit removed and recovered 2021 onwards	(5,320)	(5,534)	(214)

Total Reserves and Funding Contribution	(9,379)	(8,579)	800
Net COVID-19 Pressures 2020/21	4,574	5,348	774

(*) Grant previously shown within Gross Service pressures

Gross Covid-19 financial pressures are estimated at £56.785m an increase of £5.573m from period 8. This largely relates to costs associated with additional grants relating to Contain Outbreak, Community Champions, Workforce Capacity, Rapid Testing and contributions from the CCG.

The movement in net costs of £774k is largely associated with a potential increase in demand in Adults Services of £500k for the remainder of the year and additional ICT equipment of £147k.

Net COVID-19 related pressures are estimated at £5.348m at period 10 (£4.574m at period 8), these have been offset to a degree by favourable movements across other services to arrive at a net underspend of £2.301m.

20. Since the period 8 monitor, the Government has announced a further details of new COVID-19 support measures, as well as additional funding for existing schemes, 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. To date the Council has received grant of £4.237m (£2.339m at Period 8). Whilst firm commitments exist for the majority of the grant, the programme is evolving as to how this resource will be utilised. For the purposes of monitoring, this grant and the estimated additional costs are assumed to be neutral in the forecasts with any under committed balance likely to be rolled over to 2021/22. Further instalments of funding are expected over the next few months. The grant and expenditure associated with the programme has been reflected in Adults, Public Health and Place Directorates with the balance of funding and expenditure held within Council Wide pending firm commitment.
 - On 17th January the Government announced £269 million funding to help councils to increase staffing levels and testing. £120m funding will help councils to increase staffing levels and support rapid testing of staff and a further £149m will help care home providers with costs incurred, including setting up safe test areas and providing staff training. Trafford has been allocated £0.473m under the Workforce Capacity Fund and £0.550m to support rapid testing. For the purposes of monitoring, both of these grants have been assumed to be fully committed, with the expenditure and grant included in the adults services area.
 - Community Champions – In January 2021 the Council was successful in submitted an expression of interest for the Community Champions Fund, which was aimed supporting networks of volunteers to promote community engagement in mass testing. The amount of the award and associated expenditure at £0.473m is included in the Place Directorate forecasts.

21. Whilst the Service Areas have reported their COVID-19 related pressures separately, the COVID-19 Support Grant (1st, 2nd, 3rd and 4th tranches) have been accounted for in Council-wide as a centrally held resource for monitoring purposes. Likewise, the estimated income of £3.377m 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.

CAPITAL PROGRAMME

22. The revised programme for 2020/21 for the general Capital Programme and the Asset Investment Fund is £176.51m, a net reduction of £5.64m from the approved budget and a small net reduction of £3.17m since the last monitoring report.

Table 5: Capital Investment Programme 2020/21	Approved Programme £m	Changes £m	Current Programme £m	Change in Period (P8-P10)
Service Analysis:				
Children's Services	8.64	(1.33)	7.31	(0.85)
Adult Social Care	1.84	(0.05)	1.79	0.00
Place	29.98	(3.61)	26.37	(2.33)
Governance & Community Strategy	0.08	0.01	0.09	0.01
Finance & Systems	2.26	(0.66)	1.60	0.00
General Programme Total	42.80	(5.64)	37.16	(3.17)
Asset Investment Fund	139.35	-	139.35	
Total Programme	182.15	(5.64)	176.51	(3.17)

23. **Amendments to General Capital Programme
Re-profiling of Budgets to Future Years (£3.17m)**

Children's Services

- Basic Needs (£355k) – This element of resources is held as a contingency for basic need issues needing immediate resources to resolve and to assist in any cost pressures on active schemes. It is envisaged that these resources will not be utilised in this financial year and will be used to support the future basic need programme.
- Capital Maintenance (£365k) – This element of funding is used for both planned and reactive maintenance and as such there is an element held uncommitted this has now been transferred to 2021/22 for delivery of schemes as required.
- SEND (£130k) – Potential work for this resource has been identified at Lostock High School, this is being developed with expected delivery to take place in the 2021/22.

Place

- Integrated Transport – (£193k) – There has been a number of small schemes that have now been delayed while consultation works take place to develop the schemes, with works expected to take place once this has been completed.
- Affordable Housing – (£423k) Completion of this THT lead scheme which Trafford Council are contributing 25% of cost on completion is now expected to be completed in April 21.

- CCTV – (£189k) Work around CCTV coverage is still under development it is anticipated that this will be completed in the next financial year.
- DDA and Public Buildings – (£175k) Work on all but essential works are being carried out as a review of the corporate estate is undertaken.
- Town Centre and Business Loan Funds – (£170k) Due to the current pandemic and the lack of activity in our town centres there has not been any significant uptake for these funds. It is anticipated that once our high streets reopen there will be increased demand for these funds.
- Turn Moss – Playing Fields – (£250k) Work on this is expected to start this year with completion early in the new financial year.
- 9/11 Market Street Altrincham – (£239k) An options appraisal is currently being undertaken to assess if refurbishment or disposal is the best option for this property.
- Highways Structural Maintenance – (£753k) There are a number of schemes within Structural Maintenance and Bridge Assessments and Strengthening where work on site has not yet commenced but design work has been completed or is currently underway with work anticipated to commence early within the next financial year.
- Leisure Centres Essential Maintenance - £80k Additional essential works has been identified and brought forward across the various sites that require immediate action before financial year end.

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

Table 6: Capital Investment Resources 2020/21	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	17.27	(1.91)	15.36
Contributions	3.21	(1.56)	1.65
Sub-total	20.48	(3.47)	17.01
Internal:			
Receipts requirement	6.02	(1.06)	4.96
Borrowing	154.99	(0.83)	154.16
Reserves & revenue contributions	0.66	(0.28)	0.38
Sub-total	161.67	(2.18)	159.50
Total Resourcing	182.15	(5.64)	176.51
Forecast Capital Receipts	1.91	-	1.91
Shortfall in Capital Receipts	(4.11)	(1.06)	(3.05)

25. The Strategic Land Review 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. In the current three year capital programme, approved in February 2020, over the three year period until 2023/24 there is an anticipated deficit of £2.57m. This level has not changed since the P4 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.

26. It is currently anticipated that the 2020/21 capital receipts will be £3.05m 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.
27. The current shortfall in receipts of £3.05m would potentially give rise to the need for external borrowing with a potential revenue cost of £170k, the Council will look to mitigate these potential costs through its Treasury Management activity There is also 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.
28. Work is currently being undertaken to see if any properties currently within the Strategic Land Review 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.
29. On 17th February 2021, the Council approved the new capital programme from 2021/22 to 2023/24, and this budget reflected the requirement for £3.72m of capital receipts to be used to support the funding short fall in 2020/21, based on previous P8 monitor. The level of capital receipts estimated as being available to support the 2021/24 capital programme has been set at £19.18m. The Executive will receive regular updates on the capital programme and the level of available capital receipts during 2021/22 as part of the Capital Monitoring process.

Status and progress of projects

30. 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	22.32	60%
On site	13.22	35%
Programmed to start later in year	1.37	4%
Not yet programmed	0.25	1%
Total	37.16	100%

31. 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 £36.91m (99%) of the budget has now been committed or is programmed to start in the year.
32. 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 a rise will be reported here.

ASSET INVESTMENT PROGRAMME

33. 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 £377.1m. The facility agreement at The Crescent (£44.32m anticipated outlay) is due to be repaid this year, meaning the balance of the approved £500m which is available for further investment is £166.67m (see table below).

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	1.45	12.35
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	0.55		4.65
The Fort, Wigan	13.93			13.93
Sainsbury's, Altrincham	25.60			25.60
Brown Street, Hale	3.34	2.31	1.84	7.49
The Crescent, Salford	39.67	4.65	(44.32)	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		46.28	21.22	67.50
Former sorting office, Lacy Street, Stretford	0.86	0.01	0.09	0.96
Various Development Sites	0.29	0.21		0.50
Castle Irwell, Salford	0	8.17	10.83	19.00
Total Capital Investment	260.65	62.6	(7.54)	315.71
Albert Estate Treasury Investment	17.62			17.62
Total Investment	278.27	62.6	(7.54)	333.33
Balance available				166.67

34. These investments are forecast to generate a net benefit to the revenue budget this year of £6.70m, which is an adverse variance of £728k compared to the budgeted target of £7.43m. The key variances are made up by the below:
- The Strategic Investment Property Portfolio is being closely monitored and there are pressures forecast, due to COVID-19, in achieving the budgeted levels of income at the Stretford Mall, Stamford Quarter and the Grafton Centre. These shortfalls are anticipated to be £891k in 2020/21.

- An equity investment is required to support the cash flow at the Lumina Village LLP (K Site) until new leases are agreed and land disposal start to take place in 2021. The cost of this investment is estimated to be £250k, with £100k funded from capital.
- The Council is currently carrying the cost of the former Sorting Office at Lacy St, Stretford, while the site awaits redevelopment. This is forecast to be £53k adverse in 2020/21.
- Due to the current economic climates, there has been a reduction in the EU Reference Rate and UK LIBOR. This has impacted on the variable interest elements of the Council's loan facility at the CIS Tower and its corporate loan to Bruntwood. This is forecast to result in an income shortfall in 2020/21 of £149k. This shortfall will be met through a reduction in the forecast contribution to the Council's risk reserve from these assets.
- This year there are two new debt facilities, agreed at Investment Management Board; an early drawdown of the agreed debt facility for the Hut Group to support new regeneration, and a facility at Castle Irwell to support a residential development. This additional income, forecast to be a net £624k in 2020/21. Phase 1 of the Hut Group debt investment, £30m, has been repaid in full, and the drawdowns for Phase 2 have now begun.
- The Council has paid £122k in insurance and service charges that has been included in the outturn, the Council is seeking to recharge this under the tenancy agreement, in which case the pressure will be removed in the next monitor.
- The Crescent debt investment, £44.3m, has now been repaid in full, and a payment has been received for all outstanding interest and fees totalling £5.71m. This repayment happened later than anticipated in the budget, and so an additional £135k has been received, which paired with favourable borrowing rates for the Council has resulted in an in-year surplus of £422k. This surplus is to be contributed to the Risk Reserve.

35. The Council has set aside a Risk Reserve to mitigate against potential unforeseen cost or income pressure and to finance future investment in the Council's assets. At the start of the financial year this reserve stood at £3.9m and is forecast to rise by £1.4m this year, giving a year-end balance of £5.3m. This contribution is £352k lower than planned at the start of the year
36. 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 July 2021. The townhouses are to be sold on the open market and current advice given from the development partner's in house sales and marketing team is that the properties will achieve the market values assumed with the financial model for the scheme. The 12 affordable properties are to be sold to a Housing Registered Provider (RP). A number of offers had been received from RP's through a formal tender process and a preferred partner had been identified. Unfortunately this RP has now withdrawn. A new bidding process has been undertaken and is close to concluding. Currently the scheme is forecasting a return of £1.1m which is an IRR of 13%.
 - Sale Magistrates
A formal planning application has now been submitted with the Planning Authority and this process is now expected to be completed by March 2021. There has been a reduction of two properties within the scheme as a result of issues around building over a drainage systems which has recently been identified. This will potentially have a slight impact on the anticipated return for the scheme but an exercise is underway to mitigate this as far as possible and it is still 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 13%.
 - Jubilee Centre
The architect has been appointed for this schemes and with the rest of the design team being appointed imminently it is anticipated that consultation will start on the scheme in the New Year.

Issues / Risks

37. The main risk in the area of the capital programme is the timely delivery of the programme and the timely generation of receipts. These will continually to be closely monitored and any issues will be reported as and when they arise.

38. Risk around the investment strategy is assessed when investment options are appraised and approved with appropriate provision being made to mitigate elements of risk, including through the use of the Council's Risk Reserve.

Recommendations

39. It is recommended that that the Executive:
- a) note the updated positions on the revenue budget, collection fund and capital programme.
 - b) note the movements in earmarked reserves.

Appendix 1

	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (£000's)	Finance & Systems (£000's)	Governance & Community Strategy (£000's)	Council -wide (£000's)	Total (£000's)
Service Review/Virements								
Period 8 Report	42,095	61,766	29,360	5,128	7,900	6,518	22,755	175,522
Virements:								
Senior Business Intelligence Analyst funded by Investors in Children fund	(18)			18				0
Total movements	(18)	0	0	18	0	0	0	0
Period 10 Report	42,077	61,766	29,360	5,146	7,900	6,518	22,755	175,522

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee

Date: 23 March 2021

Report for: Decision

**Report of: The Executive Member for Finance and Governance and the
Director of Finance and Systems**

Report Title:

Accounting Concepts and Policies

Summary:

This report explains the accounting concepts and policies that will be used in preparing the 2020/21 annual accounts.

There are no material changes to the Accounting Policies for 2020/21.

Recommendation(s)

It is recommended that:

- a) The Accounts and Audit Committee is requested to approve the accounting concepts and policies that will be used in completing the 2020/21 annual accounts
- b) Note the changes in accounting standards issued but not yet adopted until 2021/22 in respect of accounting for leases.

Contact person for access to background papers and further information:

David Muggeridge, Head of Financial Management Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	None arising out of this report
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
Carbon Reduction	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
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Executive Summary

General Principles - The statutory accounts are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS).

Main Assumption - is that the Council's accounts are prepared on a **going concern** basis, ie will continue in operational existence for the foreseeable future.

The Council's accounting policies are the specific principles, conventions, rules and practices that are applied consistently in preparing and presenting the annual accounts. (Full list included at Appendix 1)

Some Key Policies

- Accruals of income and expenditure - Economic activity is accounted for in the year that it relates, not simply when cash payments are made or received.
- Accounting for Non Current Assets - Covers how assets are classified and recognised on the balance sheet including property, plant and equipment, investment property, heritage assets and assets held for sale; treatment of future valuations, depreciation and impairment.
- Accounting for Financial Instruments (financial assets and liabilities) - Covers how financial assets (eg general cash investments, loans and equity shareholdings) are held on the balance sheet and how changes in "fair value" in those assets are accounted for.
- Employee Benefits and Pensions - Covers how benefits payable during employment, post employment and termination are accounted for, including pensions
- Schools - Details the types of schools and their accounting transactions which are included in the Council's accounts.
- Group Accounts - How other entities, where the Council has significant controlling interest, are included in the accounts, for example Trafford Leisure CIC and Trafford Bruntwood LLP.

Changes in Policies 2020/21

Changes in accounting standards and policies:-

- Appendix 2 provides a summary of the changes relating to 2020/21. It should be noted that all of the changes for 2020/21 are either points of technical clarity, are not relevant to Trafford or their application need not be applied due to materiality and as such do not require any update to the accounting policies from those used for the 2019/20 annual accounts.

1. Introduction

- 1.1. This report details the accounting policies that will be used in the preparation of the 2020/21 accounts.

2. Accounting Concepts and Policies

- 2.1. The Council's accounting concepts and policies are the specific principles, conventions, rules and practices that are applied in preparing and presenting the annual accounts. These accounting concepts and policies have to be disclosed as a note to the annual accounts.
- 2.2. The accounting concepts and policies to be used in the preparation of the 2020/21 annual accounts are attached at Appendix 1. Changes to the code are attached at Appendix 2 and it should be noted that all of the changes are either points of technical clarity, are not relevant to Trafford or their application need not be applied due to materiality and as such do not require any update to our accounting policies from those used for the 2019/20 annual accounts.

3. Changes in Policies Issued but not yet adopted

- 3.1. Where a new standard has been published but has not yet been adopted by the Code, local authorities are required to disclose information relating to the impact of the accounting change. These are generally standards which are due to apply in the following financial year.
- 3.2. A disclosure is suggested which includes the title of the new standard, the nature of the change and a discussion of the estimated impact of the introduction of the new standard. If an estimate cannot be made on a reasonable basis because, for example, the base data required to estimate the impact is not available, then the financial statements should clearly explain that this is the case.

3.3. Introduction of IFRS16

Implementation of IFRS 16 (leases) will be included in the Code for 2021/22. This was previously due to be included in the Code for 2020/21 however in light of the pressures faced by COVID-19 its inclusion was postponed by a year.

Currently there is a distinction between finance leases and operating leases which require two kinds of accounting treatments. A leasing

contract is an agreement in which the lessor (owner of the equipment) conveys to the lessee (user), the right to use the equipment in return for a payment over a particular period of time. There are currently two lease classifications:-

- **A finance lease** is a leasing arrangement wherein the lessee makes lease payments to the lessor for the use of the asset, whose related risk and reward (of ownership) is also transferred to the lessee. Typically, before the end of the lease term, the lessee makes a payment of a residual value of the leased asset to the lessor and gets ownership of the asset.
- **An operating lease** is a leasing arrangement wherein the lessee makes periodic (monthly) lease payments to the lessor as a consideration for use of the asset; however the lessee has no right of ownership of the leased asset during or after the lease term.

Finance leases are currently accounted for as acquisitions (with the asset being shown on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as rental payments charged to the income and expenditure account.

Under IFRS16 the main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases, with all substantial leases to be accounted for using the acquisition approach (as used currently for finance leases), recognising the rights acquired to use an asset.

In accounting terms, this will require the relevant leased asset (eg vehicle, land, premises) to be included on our balance sheet as though we own it, offset by an equal liability showing the total value of the lifetime lease payments. The regular lease payments in our income and expenditure statement will be replaced with payments broken down into the loan repayment, interest charges and service charges. In addition, depreciation will be accounted for in line with our policy for similarly owned assets.

There are certain leases, for instance low value assets and leases less than 12 months old, which will be exempt from the need to apply the revised requirements.

The Council is currently reviewing the impact of the requirements under IFRS16 and gathering details from service areas of contracts which may now be recognised as containing leases. It is too early to state the size of the impact this will have on our statement of accounts with any degree of certainty, however initial observations are thought to be minimal. Nevertheless the council must set out the activity it has undertaken to

establish this and therefore further details of the impact will be declared in the draft Statement of Accounts.

4. **Recommendations**

4.1. The recommendations appear at the front of this report.

3a. Accounting Concepts

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end 31 March 2021. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

As local authorities need to reflect statutory conditions, specific statutory adjustments are complied with so that the Council's accounts present a true and fair view of the financial position and transactions of the Council. All accounting policies are disclosed where they are material.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Underlying Assumptions

Going Concern

The Accounting Code, (standard IAS 1) requires management to make an assessment of an entity's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The authority discloses that the accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future.

This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Code is clear that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. However, if there are material concerns about the financial health of the authority this would be raised as part of the statutory responsibilities of the Section 151 Officer and by the external auditors as part of the accounts audit process.

The accounts have been prepared on the assumption that the Council will continue and there are no material concerns over its financial position which would impact on this conclusion.

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements which have been applied when compiling these accounts:

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

3b. Accounting Policies

(a) Accruals of Income and Expenditure

Economic activity is accounted for in the year that it relates, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the

Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(b) Accounting for Non Domestic Rates (NDR) and Council Tax

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Tariff Payments included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued expenditure.

Council Tax

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income. Both NDR and Council Tax income will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement. The income for Council Tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- Revenue relating to such things as Council Tax and NDR shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Accounting for Business Improvement District

- A Business Improvement District (BID) scheme applies to Altrincham Town Centre from 1 April 2016. The scheme is funded by a BID levy paid by Business Rates ratepayers. The Council acts as an agent for the scheme. It collects the BID levy on behalf of the scheme and pays this to the BID body, without bearing any of the risks or rewards of the scheme.

(c) Acquisitions and Discontinued Operations

There are no acquisitions or discontinued operations to report.

(d) Cash and Cash Equivalents

Cash is represented by cash in hand and demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Demand deposits will include accounts where additional funds may be deposited and withdrawn at any time without prior notice e.g. a bank current account.

Cash equivalents are investments instantly repayable to the Council on demand which are readily convertible to known amounts of cash with insignificant risk of change in value. These will be balances held in Call Accounts and Money Market Funds with associated accrued interest.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

(e) Exceptional Items

When exceptional items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are due to an understanding of the Council's financial performance.

(f) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(g) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible non-current assets attributable to the service.

Charges are based on the opening balance sheet value of the asset. Where assets are revalued during the year charges are based on the revaluation amount.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is done through the Movement in Reserves Statement with the Capital Adjustment Account charged with the difference between the two amounts.

(h) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination Benefits are charged on an accrual basis to the appropriate service line within Cost of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

- the Teachers' Pension Scheme, administered nationally by Capita plc on behalf of the Department for Education (DfE);
- the NHS Pension Scheme, administered by NHS Pensions;
- The Greater Manchester Pensions Fund (part of the Local Government Pension Scheme), administered by Tameside Metropolitan Borough Council.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

The Greater Manchester Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- Property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Greater Manchester Pension Fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

(i) Events After the reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Adjusting Events - those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Non-adjusting Events - those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

(j) Financial Instruments

Financial Liabilities (Debt and Interest Charges)

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly

discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

For stepped Lender Option Borrower Option loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and the interest paid has been adjusted in the carrying amount of the loan and the amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets e.g. investments (excluding those in companies included in the Council's group accounts) are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

Where the authority's business model is to hold investments to collect contractual cash flows the Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument), i.e. where assets are held to sell or receive dividends.

Financial Assets Measured at Amortised Cost

Financial assets, including simple deposits, treasury bills and gilts, money market funds, measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the

outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis.

The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The authority has grouped the loans into four groups for assessing loss allowances:

Loans

- Group 1 – the Council has made three loans to Manchester Airport Group. An initial loan of £8.7m was made in 2009/10 is due to expire in 2055, a loan of £11.3m was made in 2018/19 specifically for the development of Terminal 2 due for repayment in 2058 and a further loan advance was made during 2019/20 in respect of new car parking facilities. Loss allowances for these loans will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.
- Group 2 – Loans made under Investment Strategy – The scope of the Council's investment strategy covers direct investment in properties (see policy covering investment property) as well as loans made to third party developers. To date the Council has made four developer loan advances. Loss allowances for these types of loan will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.
- Group 3 – Town Centre Loans – The Council offers an interest-free loan scheme for businesses that want to occupy ground floor, vacant premises in Altrincham, Sale, Urmston or Stretford town centres to part-fund works, overheads and marketing costs that are needed to bring a vacant unit back into use. The loans are advanced in two instalments and the first instalment is made within Long Term Debtors and Prepayments. Once the second instalment is made, the debt is transferred into our debtor collection system and appears in Short Term Debtors. Due to the immaterial value of these loans, Credit losses will be calculated under the simplified approach adopted for all Trade Debtors.
- Group 4 -Homestep Loans – these are loans provided to first time buyers to assist key workers to purchase a home. The amount advanced has been included as a long term debtor and is repayable when the property is sold. Credit losses will not be calculated on a collective basis using information available on any mortgage defaults.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has one investment, the CCLA Property Investment Fund, which is currently classified as Fair Value through Profit and Loss. Subsequently, any Fair Value gains and losses should be recognised as they arrive in the Surplus or Deficit on the Provision of Services, thus impacting on the Council's General Fund balance. However, investments in CCLA property funds fall under the category of "pooled investment funds" as defined in Statutory Instrument SI 2018/1207. This means that until 31 March 2023, English Local Authorities are prohibited from charging to a revenue account fair value gains or losses, unless the gain or loss relates to an impairment or the sale of the asset.

The Statutory override will allow the gain or losses to be reversed via the Movement In Reserves to the Financial Instruments Revaluation Reserve.

Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council has a number of equity instruments, which by definition would automatically fall under the category of FVPL, meaning that changes in fair value would impact on the General Fund.

In 2018/19, due to the strategic and regional economic development nature associated with the following non-tradeable equity holdings, the Council elected to designate them as FVOCI.

- Manchester Airport Holding Limited

The impact of this election in relation to these equity instrument is to post gains/losses in fair value to other comprehensive income to the Surplus or Deficit on the Provision of Services as they arise with such movements being reversed via the Movement In Reserve account and accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss would be transferred to the General Fund Balance.

(k) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(l) Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and are recognised when there is reasonable assurance that;

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

The grants are recognised in the Comprehensive Income and Expenditure Statement once any conditions, which stipulate how the grant is to be used to avoid repayment, are satisfied. Where they have not been satisfied they are carried on the Balance Sheet as creditors. Where grants are recognised in the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where a grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve, or Revenue Grants Reserve where they support revenue expenditure funded from capital under statute. Where it has been applied it is posted to the Capital Adjustment Account.

Where capital expenditure is classified as Revenue Expenditure Funded from Capital under Statute then any related grants or contributions are transferred to the service account in the Comprehensive Income and Expenditure Statement.

New Homes Bonus and Education Services Grant are general grants allocated by central government directly to local authorities as additional revenue funding. They are all non-ring-fenced and are credited to Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement.

(m) Heritage Assets

The Council is required to recognise and measure Heritage Assets at fair valuation in the accounts. Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value. They are therefore held by the Council in relation to the maintenance of heritage. The Council's separate policy on Heritage Assets includes details of the records maintained by the Authority of its collection of assets.

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The de-minimis threshold for a heritage asset is set at £10,000 in order to remain consistent with the Council's capitalisation policy. Where valuations or historic cost figures are available, the assets will be recognised on the Balance Sheet.

As there are no council-owned museums or galleries, the majority of the Council's heritage assets are retained for historical and cultural importance but not for public display. The heritage assets held by the Council include silver, paintings, furniture, statues, civic regalia, artefacts, sculptures and historic buildings. Where it is disproportionately expensive to obtain valuations, the Code allows authorities to exclude such items from the Balance Sheet. Many of the assets are therefore not recognised on the Balance Sheet as valuations are not cost effective.

Trafford Town Hall Collection

The collection of silver, statues, paintings, furniture and other miscellaneous items are held at Trafford Town Hall due to their historical and cultural importance. These items are reported in the Balance Sheet at insurance valuations provided by Vivienne Milburn FRICS (Independent Antiques Valuer and Auctioneer) in July 2011. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Historic Buildings

The historic buildings were valued by the Council's Asset Manager – Estates and Valuations who is a member of the Royal Institute of Chartered Surveyors as part of the five year rolling programme. These buildings are non-operational and held for their cultural and historical value.

Depreciation on historic buildings will be charged in accordance with the Council's policy on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Proceeds from the disposal of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Heritage Assets not reported on the balance sheet

Trafford owns 25 listed assets that have heritage status per the National Planning Framework, e.g. Trafford Town Hall, Stretford Public Hall and numerous war memorials. Listed buildings like the Town Hall are used in the delivery of services and as such are included in the balance sheet as Property Plant and Equipment. In respect of other listed assets e.g. war memorials no valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements; those assets have not been included on the balance sheet.

(n) Intangible Assets

Intangible assets do not have physical substance but are controlled by the Council, for example software licences. Intangible assets are capitalised when it is expected that the future economic benefits or service potential will flow to the Council.

(o) Interests in Companies and Other Entities

The Council owns minority interests in a small number of companies, mainly arising from the dissolution of the former Greater Manchester County Council. In the Council's accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provisions for losses.

In addition, two community interest companies (CIC's) were established during 2015/16 for the provision of leisure and youth services.

The Trust Youth Trafford remains to be immaterial; Trafford Leisure CIC Ltd has been included in group accounts since 2016/17.

Trafford Bruntwood LLP is a Joint Venture Company with K Site Ltd (a wholly owned Subsidiary of Bruntwood Development Holdings Ltd) with each investor owning a 50% share in the Joint Venture.

Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter) are joint venture companies with Bruntwood Development Holdings Ltd with each investor owning a 50% share in the Joint Venture.

In the Council's single-entity accounts the interests in Trafford Leisure CIC and the three joint ventures are recorded as long term investments at cost.

As a subsidiary, Trafford Leisure CIC Ltd. has been consolidated on a line by line basis with all intra-group transactions and balances removed.

The three joint ventures with Bruntwood Development Holdings Ltd have been consolidated on an equity basis with the group accounts. These investment are shown under a separate line in the group balance sheet and adjusted by the Council's share (50%) in the joint venture's net asset movement since acquisition. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

(p) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Work in progress on capital projects is included in the Balance Sheet within Assets Under Construction at historic cost.

(q) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Statutory arrangements do not allow any gains or losses from a change in fair value to have an impact on the General Fund Balance and are therefore reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(r) Joint Ventures

On 20 March 2018 the Council set up a joint venture with Bruntwood (K Site Ltd) called Trafford Bruntwood LLP. The entity will deliver a new university campus on the former Kelloggs headquarters site at Talbot Road Stretford. From 2018/19 the entity forms part of the Council's group accounts and will be treated as a Joint Venture and consolidated on an equity basis.

(s) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Leases and lease-type arrangements have been reviewed. No reclassification has been required under the Code. The Council has no finance leases.

The Council as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

(t) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The main basis of apportionment is by estimation of time spent on the various services. The cost of administrative buildings has been recharged on the basis of floor area occupied. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

(u) Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on assets is capitalised, provided that the item yields benefits to the Council for a period of more than one year and can be measured reliably. Routine repairs and maintenance of PPE are charged direct to service revenue accounts.

Measurement

Assets are initially measured at cost comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community and assets under construction – depreciated historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use.

Depreciated replacement cost is used as an estimate of fair value when there is no market based evidence of fair value because of the specialist nature of the asset.

Surplus assets were previously valued at existing use value. The change in measurement basis has been applied prospectively from 1 April 2015 and there has been no restatement of prior year balances.

Assets are revalued with sufficient regularity by a qualified valuer to ensure that the carrying amount is not materially different from their fair value at year end and as a minimum at least every five years. Increases in asset value are matched by a credit to the Revaluation Reserve to represent the unrealised gain. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement for a particular asset where the Comprehensive Income and Expenditure Statement have previously been charged with an impairment loss for that asset. Losses on revaluation are written off to the Revaluation Reserve, or if no Revaluation Reserve exists for that asset, charged to the Comprehensive Income and Expenditure Account.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment with a finite useful life, which can be determined at the time of acquisition or revaluation, according to the following policies :-

- Freehold land, Investment Properties and Assets Held For Sale are not depreciated;
- newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use.

For all other assets depreciation is calculated using the straight line method over the estimated useful life of the asset and are as follows:

- vehicles, plant and equipment between 3 and 8 years;
- all other property, including infrastructure and community assets between 10 and 60 years;
- intangible assets 20 years.

Where an asset value exceeds £1m a review is undertaken to determine whether any major components comprising plant, equipment and services exist and these components are depreciated separately.

Revaluation and Impairment Losses

Assets are reviewed annually at each year end for any impairment or revaluation loss. Where a loss has occurred on an asset used by the service these are written off to the Revaluation Reserve, where a balance exists, or charged to the service revenue account where there is no remaining balance on the Revaluation Reserve.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Any charges for the use of Property, Plant and Equipment with the exception of external interest payments have a neutral impact on the amount to be raised from local taxation and

are reversed from service revenue accounts through the Movement in Reserves Statement to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that an asset will be sold then it is reclassified as an Asset Held For Sale. These assets are then carried at a value of the lower of its carrying amount and fair value less costs to sell.

When assets are disposed of or decommissioned the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal and matched against any capital receipt from the disposal. Any revaluation gains on the asset held in the Revaluation Reserve are transferred to the Capital Adjustment Account. Resultant gains or losses following the transfer of schools to academy status are included under financing and investment income and expenditure.

Individual asset disposal proceeds in excess of £10,000 are categorised as capital receipts.

Capital Receipts

Capital receipts from the disposal of assets are treated in accordance with provisions of the Local Government Act 2003. They can be used to fund capital expenditure in the year, to meet debts or other liabilities, or used to cover payments to the Secretary of State under receipts pooling arrangements.

(v) Schools

In accordance with the Code of Practice the Council includes all maintained schools under its control in the single entity accounts and where control exists includes all income, expenditure, assets, liabilities, reserves and cash-flows is recognised in the Council's single entity accounts. Other assets and funds under the control of the school such as school funds are also included in the Council's accounts where material.

Community and Foundation schools are owned by the Council and are recognised on the balance sheet.

Voluntary aided and controlled schools are owned by the respective diocese with no formal rights to use the assets passed onto the school or governing body, therefore these are not included on the balance sheet.

(w) Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as the

Council controls the residual interest in the asset at the end of the contract, the Council carries the assets used under the contract on the Balance Sheet.

The Council has entered into a Private Finance Initiative (PFI) contract for the provision of new office and community facilities in Sale Town Centre. The contract commenced in October 2003 with the initial period ending in 2028/29.

The original recognition of these assets was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets.

Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost - an interest charge on the outstanding Balance Sheet Liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle replacement costs - recognised as Property, Plant and Equipment on the Balance Sheet.

(x) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up on the balance sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed in the future by events not wholly within the control of the Council. Contingent liabilities can also arise where it is either not probable economic benefits will flow out from the Council or the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable there will be an inflow of benefits or service potential to the Council.

(y) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. In line with the Code, expenditure is charged to revenue and not directly to any reserve.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Insurance

The Council essentially self-insures on its major risk areas and operates with significant excess levels, for example liability insurance policies carry an excess of £0.275m and property insurance £0.250m. A provision is maintained to cover costs for which it is responsible for liability claims and a reserve is maintained for property related costs. Further details can be found in note 10 and 25.

(z) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made. This reverses out the amounts charged so there is no impact on the level of Council Tax.

(aa) VAT

VAT payable is included as an expense only to the extent that it is irrecoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(ab) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – unobservable inputs for the asset or liability.

Schedule of changes

The key accounting changes principally introduced by the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21*, including:

- a) Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. Clarification that IFRS 9 applies to long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied
- b) Annual Improvements to IFRS Standards 2015–2017 Cycle
- c) Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- d) Amendments to References to the Conceptual Framework in IFRS Standards
- e) Amendment to line item specifications for the net assets statement as detailed in Section 6.5, paragraph 6.5.3.6

The following amendments to the Code shall be made prospectively, unless otherwise required by the relevant amendments to standards:

- a) Annual Improvements to IFRS Standards 2015–2017 Cycle affecting: – IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Previously Held Interest in a Joint Operation – IAS 23 Borrowing Costs – Borrowing Costs Eligible for Capitalisation
- b) Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- c) Amendments to References to the Conceptual Framework in IFRS Standards.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 23 March 2021
Report for: Discussion
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 i.e. items covered during the year in addition to the agenda for the March 2021 meeting.

It outlines areas considered by the Committee at each of its meetings, over the period of the year. The work programme has assisted in ensuring that the Committee has met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee.

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 September 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)
3 February 2021	Treasury Management Training – 21 January 2021					
Page 127	- Internal Audit Monitoring Report (October to December 2020)	- Audit Progress Update	- Strategic Risk update - Cyber Security		(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	- 2019/20 Annual Audit Letter - Audit Strategy Memorandum for year-ending 31 st March 2021)	- Strategic Risk Register Report	- Report on arrangements for 2020/21 Annual Governance Statement		- 2020/21 Budget Monitoring Report (Period10) -Accounting Policies - Procurement update (STAR)

*Note: In the event that any reports listed are not presented at the meeting, these will be circulated to Members at a later date.

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