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TRAFFORD COUNCIL

AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 2 February 2022

Time: 6.30 p.m.

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

PLEASE NOTE: Owing to COVID-19 precautions, attendance for those who are not Elected Members is by prior registration only. A link to the meeting broadcast can be found at:
https://www.youtube.com/channel/UCjwbIOW5x0NSe38sgFU8bK

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

1. **ATTENDANCES**

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

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

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

3. **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.

4. **MINUTES** 1 - 6

To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 25th November, 2021.

5. **STAR PROCUREMENT UPDATE** 7 - 14

To receive a presentation by the Director of Procurement.

SARA TODD
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), J. Lloyd (Vice-Chair), C. Boyes, G. Carter, M. Cordingley, W. Hassan, D. Jerrome, A. Mitchell and R. Thompson; and Mrs. J. Platt.

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 **Tuesday, 25 January 2022** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH.
1.

ACCOUNTS AND AUDIT COMMITTEE

25 NOVEMBER 2021

PRESENT

Councillor B. Brotherton (in the Chair).
Councillors C. Boyes, G. Carter, M. Cordingley, W. Hassan, D. Jerrome, J. Lloyd (Vice-Chair) and R. Thompson; and Mrs. J. Platt.

In attendance

Director of Finance and Systems (Mr. G. Bentley),
Audit and Assurance Manager (Mr. M. Foster),
Head of Financial Management (Mr. D. Muggeridge),
Counter Fraud & Litigation Manager (Mr. D. Wright) (part only),
Finance Manager (Mr. F. Fallon) (part only),
Governance Officer (Mr. J.M.J. Maloney).

Also In Attendance

Ms. K. Murray (Mazars),
Mr. M. Khan (Mazars).

25. QUESTIONS FROM MEMBERS OF THE PUBLIC

It was noted that no questions had been received for referral to the current meeting.

26. DECLARATIONS OF INTEREST

Councillor Boyes declared a Personal Interest in Item 31 in respect of a highways insurance issue.

27. MINUTES

RESOLVED – That the Minutes of the Meeting held on 28th September 2021 be approved as a correct record and signed by the Chair.

28. COUNTER FRAUD AND ENFORCEMENT TEAM (CFT): 2020/21 ANNUAL REPORT

The Counter Fraud & Litigation Manager submitted and introduced a report which outlined the Council's fraud prevention and detection performance and activities in 2020/21, and the CFT team's plans for 2021/22.The report gave highlights of activity in key areas of the Team's focus, including in relation to Council Tax and benefits, Non-Domestic-Rate Liability, Social Care Finance and Business Support Grant Irregularities. Members noted the significant volumes of additional income secured, and inappropriate expenditure averted, through these activities, and the Committee's appreciation was passed on to the Team accordingly.

In discussion, Members noted the potential implications and costs of prosecuting fraudulent claims, and wished to explore the potential benefits, for income recovery and fraud deterrence, of imposing civil penalties in appropriate cases. It was agreed that the Executive be requested to give this issue further consideration, in the light of practice by other local authorities and any relevant national guidance.

RESOLVED –

(1) That the content of the report be noted.

(2) That that the Executive be requested to give further consideration to the potential benefits of imposing civil penalties in appropriate cases, in the light of practice by other local authorities and any relevant national guidance.

29. 2020/21 AUDIT COMPLETION REPORT

On behalf of the Council's external auditor (Mazars), Karen Murray introduced the Audit Completion Report for the year ended 31 March 2021, extending thanks to the Council's finance team for assistance in what had been a very challenging year. The key issues arising from the audit were highlighted, along with an update on a small number of issues which had remained unresolved at the time the report was prepared; with it being noted that it was expected that an unqualified opinion would be issued on the accounts on Monday 29th November. A small number of corrections were also noted, with it being confirmed that no objections had been received from any member of the public. Members were reminded of the changes to the process and timescale in relation to the auditors' opinion on the Council's Value for Money arrangements.

RESOLVED – That the content of the Audit Completion Report be noted.

30. 2020/21 ACCOUNTS

In close connection with the foregoing item, the Director of Finance and Systems submitted a report which presented the Council's Final Accounts for 2021 in their latest form. The Committee received the redrafted Final Accounts for 2020/21, as they currently stand at the time of the Committee report distribution and pending any changes prior to the completion of the audit which was expected imminently, as advised. Amendments made from the draft had been highlighted and accommodated changes currently agreed with the external auditors during their audit. Thanks were accorded to the Finance team and to the auditor, with the Director of Finance and Systems welcoming the envisaged unqualified audit opinion.

As formal signature of the accounts remained premature, delegated authority was sought from the Committee to permit this to be done as soon as the auditor's opinion had been confirmed.

RESOLVED –

(1) That, following review, the Accounts as they currently stand be noted.

(2) That Authority be delegated to the Chair of Accounts and Audit Committee and the Director of Finance and Systems to approve the Final Accounts for 2020/21 once the auditor has issued their final opinion.

31. INSURANCE PERFORMANCE REPORT 2020/21

[NOTE: Councillor Boyes declared a Personal Interest in this item in respect of a highways insurance issue.]

The Director of Finance and Systems submitted a report which provided a summary of insurance performance for 2020/21, focussing on the issues of the cost of insurance, claims made, achievements during the year and the outlook for the insurance market. Members noted in particular the potential impact of GDPR claims, and the expected increase in the levels of insurance premiums. An opportunity was provided for Members to raise questions on the report's content; and it was noted that further information would be sought on issues including the numbers of trees within the Council's estate, the stage at which insurance claims were successfully defended, the time taken to respond to highways claims and the benchmark used for determining a high rate of defended claims.

RESOLVED – That the content of the report be noted.

32. TREASURY MANAGEMENT 2021/22 MID-YEAR PERFORMANCE REPORT

The Executive Member for Finance and Governance and the Director of Finance and Systems submitted a report which provided Members with a summary of the Treasury Management activities undertaken for the first half of 2021/22, focussing on the key areas of debt activity, investment activity and prudential indicators. In reviewing the report, Members were advised that the Council's Internal Audit team had reviewed its Treasury Management activities, and had accorded the function the highest level of audit assurance.

RESOLVED – That the Treasury Management activities undertaken in the first half of 2021/22 be noted.

33. BUDGET MONITORING 2021/22 - PERIOD 6 (APRIL TO SEPTEMBER 2021)

The Executive Member for Finance and Governance and the Director of Finance and Systems submitted a report which informed Members of the current 2021/22 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. The Committee noted that the report had been referred to and considered by the Executive at its meeting on 22nd November, as part of its regular financial monitoring activity.

In discussion it was noted that the Council had lobbied Government regarding the position ow low-funded Councils; this communication, and any response, could be shared with Members. Responses were also given in respect of queries on the Council's methods of prioritising funding, and on the presentation of variances arising from the Collection Fund.

RESOLVED – That the updated positions on the revenue budget, collection fund and capital programme be noted.

34. AUDIT AND ASSURANCE REPORT FOR THE PERIOD AUGUST 2021 TO OCTOBER 2021

The Audit and Assurance Manager submitted and introduced a report whose purpose was to provide a summary of the work of Audit and Assurance during the relevant period and to provide ongoing assurance to the Council on the adequacy of its control environment. Members noted good levels of compliance with recommendations and follow-up of previous audit reports, and were advised of the reasons for deployment of the audit contingency.

RESOLVED – That the content of the report be noted.

35. STRATEGIC RISK REGISTER - NOVEMBER 2021 UPDATE

The Audit and Assurance Manager submitted a report which provided an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks. Members noted the increased risk categorisation in respect of the Council's overall financial position; and that more specific reports, including in relation to cyber security, would be brought to the Committee's meeting in February 2022. In respect of the newly included Climate Emergency risk, Members noted that the refinement of the definition of the risk and associated objectives and targets would facilitate the monitoring of its impact and mitigation.

RESOLVED – That the content of the report be noted.

36. PROCESS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR

[NOTE: The representatives of Mazars left the room during consideration of this item.]

The Director of Finance and Systems submitted a report which set out options and proposals for appointing the Council's external auditor for the five-year period from 2023/24. In view of the comparatively lengthy lead-in period, the Committee was requested to consider the options for the procurement of external audit services and support and recommend to Council the preferred option, namely to opt into the sector-led option through Public Sector Auditor Appointments (PSAA) for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

RESOLVED – That the preferred option, namely to opt into the sector-led option through Public Sector Auditor Appointments (PSAA) for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023, be supported and recommended to Council.

37. ACCOUNTS AND AUDIT COMMITTEE WORK PROGRAMME 2021/22

The Audit and Assurance Manager submitted a report which set out the work plan for the Committee for the 2021/22 municipal year, highlighting key issues scheduled to be reviewed during the remaining meetings in the municipal year. The report outlined areas to be considered by the Committee at each of its meetings, over the period of the year, with the programme designed to ensure that the Committee met its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee. It was noted that the work programme was flexible and could have items added or rescheduled if this ensured that the Committee best met its responsibilities.

RESOLVED – That the content of the report be noted.

The meeting commenced at 6.30 p.m. and finished at 8.27 p.m.

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STAR PROCUREMENT

Trafford Accounts and Audit Committee: 2nd February 2022.

Lorraine Cox
STAR Director

Page

STAR PROCUREMENT

TRAFFORD COUNCIL

ROCHDALE BOROUGH COUNCIL

Tameside Metropolitan Borough

STOCKPORT METROPOLITAN BOROUGH COUNCIL

NHS Trafford Clinical Commissioning Group

NHS Tameside and Glossop Clinical Commissioning Group

Who are we? A Public Sector Shared Service.

2021-24 Business Plan and STAR Objectives:

STAR PROCUREMENT

Our Vision

Leading Transformation Through Procurement and Co-Operation

Our Objectives

- Supporting COMMUNITIES
- Deliver COMMERCIALLY
- Build COLLABORATION
- Provide CONFIDENCE
- Be COURAGEOUS

Our Enablers

- LEADERSHIP & GOVERNANCE
- COMMUNICATIONS & ENGAGEMENT
- TECHNOLOGY & DATA
- TALENT MANAGEMENT

Our Achievements 2020/21

STAR PROCUREMENT

£6.1m of in-year savings

28%

Social Value return secured on total contract value awarded

That's £60m to be delivered back to local communities through Social Value

Innovation Awards

Shortlisted for 3 x iNetwork Awards

639 procurements undertaken

Delivered £1m of Social Value through our own workforce

Lead over 75% of GM Collaborative Procurement Activity

75+

90% On-Contract Spend

77% of spend was in Greater Manchester

Winner

National Social Value Awards

EMBEDDING SOCIAL VALUE IN PROCUREMENT PROCESSES: PROJECT AWARD

Safe, Happy, and Healthy Workforce during a very difficult year

1st Virtual Meet the Buyer Event with 296 attendees

Supporting 6 team members through their CIPS qualifications and Apprenticeships

Implemented our COVID 10 Point Plan to support Local Businesses & SMEs

Secured 15 SLAs / Commissions across the UK

Spend and Compliance Outputs:

Spend (Trafford)	Notes:	2020/21	2019/20	2018/19
Total Spend		£626,274,797	£652,962,154	£575,461,150
Controllable Spend		£244,475,334	£ 189,554,091	£176,775,462
		39%	29%	31%
Local to borough	**Monetary value increase on 19/20**	**£97,349,153**	**£92,750,092**	**£87,046,106**
	% decreases	**40%**	**49%**	**49%**
Contained within GM	**Monetary value increase on 19/20**	**£78,034,872**	**£51,272,925**	**£37,879,908**
	% Increases	**32%**	**27%**	**22%**
Spent nationally		**£65,572,307**	**£45,496,543**	**£51,849,449**
		27%	**24%**	**29%**
On contract				
		90%	82%	89%

STAR PROCUREMENT

Social Value Performance:

Target for STAR:

CAPTURE: Added SV as a % of contract value (activity above the value of £50K)

TARGET: 25% per annum

<u>**Performance:**</u>	**19/20:**	**20/21:**	**21/22 (current year):**
STAR:	25%	28%	35% to date Q2*
Trafford:	30.50%	67.10%	52% to date Q2*

* (Q2 IS TO THE END OF September 2021)

12 Steps to Social Value

Support ‘**Better Bidders**’ to be ‘Match fit’ to tender and respond to Social Value

Use the **Policies and Law** - NPPS and New Regulations to direct change

Focus on **removing barriers** to increase bidders/winners and remove inequality (VCSE/SME etc.)

STAR Partners to become **‘Social Value Organisations’** consider wide scale SV requirements.

Increase **Local Spending** within our STAR Boroughs and GM

STAR **Social Value Strategy** and refresh **Responsible Procurement Strategy**

Targeting Social Value to our **Key Priorities** e.g. Sustainability/Carbon Neutral 2038

STAR Partners to produce an **Annual Social Value Statement**

Challenge Social Value through the **Supply Chain**

Targeted Social Value TOMs to our desired **Outcomes** e.g.’ Fred and Bob and Sue’

Review of our Approach to **Managing/Reporting Social Value**

Develop a **‘Place-based’ approach** within our STAR Boroughs (Influence Anchor Institutions)

STAR Procurement

TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee 2 February 2022** **Executive and Council 16 February 2022**
Report for:	**Decision**
Report of:	**The Executive Member for Finance and Governance and the Director of Finance and Systems**

<u>Report Title</u>

TREASURY MANAGEMENT STRATEGY 2022/23 – 2024/25

<u>Summary</u>

This report outlines the:-

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

<u>Recommendations</u>

That Accounts & Audit Committee be requested to note and recommend the report to Executive.
That Executive notes the report and recommends that Council approves;

- the Treasury Management Strategy 2022/23 – 2024/25 including the:
- policy on debt strategy as set out in section 4;
- investment strategy as set out in section 6;
- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

<u>Contact person for access to background papers and further information:</u>

Name: Graham Perkins
Extension: 4017

Background papers: None

Relationship to Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	The treasury management strategy will aim to minimise risk to the Council whilst maximising investment interest. The Council’s debt position will be administered effectively and any new loans taken will be in-line with that provided for within the Medium Term Financial Plan and Prudential Indicators.
Legal Implications:	Actions are undertaken in accordance with legislation issued by Department for Levelling Up, Housing and Communities (DLUHC) and guidance from Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and the Treasury Management Code of Practice.
Equality/Diversity Implications	All treasury management transactions undertaken by the Council are carried out with institutions with no known direct links to any illegal regimes or which promote the use of forced labour.
Sustainability Implications	The Council, when undertaking any treasury management investment fully supports the ethos of socially responsible investments and will avoid direct investment in institutions with material links to environmentally harmful activities. Opportunities to invest monies in products which both supports sustainable assets and complies with the Council’s investment strategy will continue to be explored as and when they become available.
Carbon Reduction	Not directly applicable – See above
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the systems and procedures for this function which are independently tested on a regular basis. Failure to properly manage and monitor the Council’s loans and investments could lead to service failure and a loss of reputation. Whilst no Treasury activity is without risk, the Council’s in-house treasury management team continually monitor risks to ensure that security of capital sums is maintained at all times and adverse fluctuations in interest rates are avoided.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Executive Summary

This report has been prepared in accordance with the Council's Financial Procedure Rules number 8 and outlines the forecasted treasury management activities for the forthcoming three years. Additional reports are produced during the course of the year informing Members of the preceding financial year actual activities together with a current mid-year update.

Economic position (Appendix 2)

The COVID-19 pandemic continued to dominate the headlines however as a result of the production of effective vaccines and their fast rollout, economies across the world started to bounce back following the negative impact the virus had in 2020. As a result of shortages in both staff and raw materials together with increasing energy prices, increases in interest rates are now predicted to be implemented in order to try and maintain inflation at manageable levels.

At its December meeting the Monetary Policy Committee (MPC) applied its first increase in rates since August 2018 when it raised the bank rate from 0.10% to 0.25% which surprised markets who expected no changes due to the threat of Omicron strain of COVID-19 virus.

Debt (Section 4)

Whilst borrowing interest rates are forecasted to move upwards, this movement will not be significant from their current levels during the immediate future.

Any new external borrowing the Council undertakes will be taken to assist in financing the capital borrowing requirement as outlined in the 2022/25 Capital Programme report with all associated costs being contained within the Medium Term Financial Plan.

At the end of November 2021 the DLUHC published a consultation document on proposed changes to the Minimum Revenue Provision (MRP) concerning the application of future potential capital receipts instead of setting aside annual MRP on any Council investment asset or capital loan which it may hold. The outcome from this consultation will not be known until early in 2022/23 and will be required to be implemented in 2023/24.

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

Investments (See Section 6 and Appendix 3)

The Council's investment criteria remains unchanged from that previously adopted of SLY, **S**ecurity of capital first, then **L**iquidity of its cash flows and finally **Y**ields.

Council is required to agree the Investment criteria and this is set out for Member approval at Appendix 3.

Prudential Indicators and limits (Section 8 and Appendix 3)

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

Medium Term Financial Plan (See Appendix 6)

The current forecasted financial requirements of the Council's treasury management functions during this reporting period are shown for Members reference at Appendix 6.

1. Background

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

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

1.3 The Council's in-house treasury management team will ensure that;

- all treasury management transactions undertaken comply with the statutory requirements as stipulated within the relevant professional codes and legislation (Local Government Act 2003, CIPFA Prudential Code and Treasury Management Code, MRP Guidance, and DLUHC Investment Guidance, (a brief outline of these frameworks is provided at Appendix 1),
- sufficient cash is available to meet both service activity and the Council's capital strategy,
- various periodic cash flows are prepared and maintained accurately using all known information available,
- where capital plans require, appropriate borrowing facilities are undertaken and
- when financially prudent any debt previously obtained is restructured.

1.4 Treasury management as defined by CIPFA is;

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

1.5 The contribution the treasury management function makes to the Council's overall financial situation is significant. Failure to ensure sufficient funding is in place to cover planned payments or undertaking the investment of temporary surplus funds when available, in a secure manner would create both a negative impact on the Council's reputation and a loss of income.

1.6 Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of all monies invested is achieved in order to avoid any potential loss of principal which in turn would result in a loss to the General Fund Balance

1.7 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions as covered by this report), and more strategic type investments, such as regeneration properties. In order to assist with this activity the Council uses a specialist external advisor.

1.8 Whilst any strategic initiatives or loans to third parties will impact on the treasury function, these activities are classed as non-treasury activities, (arising from capital expenditure) and are separate from the day to day treasury management activities. Details of these transactions are shown in Appendix 7 for reference.

1.9 Members are required to receive and approve, as a minimum, 3 main treasury reports each year which incorporate a variety of policies, forecasts and actuals as follows;

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

1.10 Each of the above 3 reports are scrutinised by the Council's Accounts & Audit Committee before being forwarded onto either Executive or Council for final approval.

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

- The current treasury position (section 2);
- Economic & Interest Rate forecast (section 3)
- Debt Strategy (section 4)
- Minimum Revenue Provision (section 5)
- Investment Strategy (section 6)
- Investment Risk Benchmarking (section 7)
- Prudential Indicators (section 8)
- Related Treasury Issues (section 9)
- Medium Term Financial Plan (section 10)
- Recommendations (section 11)
- Appendices.

1.12 The Council uses Link Group (LG) as its external treasury management advisors who provide a range of services on treasury matters from the supply of credit ratings to technical support. The Council recognises that there is value in using external providers for this service which is subject to regular reviews.

1.13 Whilst the external advisors provide support to the in-house team, the Council will consider all available information when forming an opinion on matters concerning treasury management and acknowledges that the final decision remains with it at all times.

1.14 The Council also acknowledges the importance of ensuring that all members and staff involved in the treasury management function receive adequate and relevant training in order to undertake the duties and responsibilities allocated to them. This is further highlighted in the CIPFA Code which requires the responsible officer, Director of Finance and Systems, ensures that members with responsibility for this task, receive adequate training in treasury management.

1.15 For reference a member training event was provided on 27th January 2022 by the Council's in-house team and its external advisors LG. Continuing attendance at relevant courses / seminars / webinars by staff and members as presented by CIPFA, LG and other suitable professional organisations will be encouraged.

2. Treasury Position

2.1 The Council's investment and debt positions at the beginning of the current financial year and as at 31st December are listed in the table below;

	31 March 2021		31 December 2021	
	Principal £m	**Average Interest Rate %**	**Principal £m**	**Average Interest Rate %**
DEBT				
Short term (payable before 31.03.22)				
PWLB	2.7	8.80	0.0	0.00
Market	26.7	0.07	0.0	0.00
Government Loans - Salix	0.5	0.00	0.3	0.00
Sub-total	29.9	0.86	0.3	0.00
Long term (payable after 31.03.22)				
PWLB	313.9	2.45	313.9	2.45
Market	36.0	4.56	36.0	4.56
Government Loans - Salix	0.3	0.00	0.3	0.00
Sub-total	350.2	2.67	350.2	2.67
Total debt	**380.1**	**2.53**	**350.5**	**2.67**
INVESTMENTS				
Short term(less than 1 year duration)				
- Instant access	12.5	0.03	33.2	0.08
- Call accounts	22.9	0.07	0.4	0.05
- Term deposit	39.5	0.17	75.7	0.24
Sub-total	74.9	0.12	109.3	0.20
Long term (greater than 1 year duration)				
- CCLA	4.8	4.51	5.4	4.40
- Strategic Investment programme (SIP)	17.6	n/a	17.6	n/a
Sub-total	22.4	4.51	23.0	4.40
Total Investments	**97.3**	**0.99**	**132.3**	**0.84**

Information in the above table reflects the;

- level of funds available on a temporary basis for investment purposes which fluctuate on a daily basis due to the timing of precept payments, receipt of grants and spend progress on the capital programme,
- repayment of monies borrowed and
- value of original monies placed with CCLA is £5m.

3. Economic & Interest Rate forecast

3.1 During the course of 2021 world's economies continued to slowly re-open as Governments began to scale back on the huge levels of emergency financial support provided during the imposed lockdowns in 2020 resulting from the COVID-19 pandemic. As a result of rising inflation caused by shortages in raw materials and staff, together with higher energy prices, interest rates are expected to increase over the next couple of years. In addition to this there continues to be a risk that further variants of the COVID-19 virus together with the winter flu season, could also have a negative impact on economic activity.

3.2 An outline of the major economic events which occurred during 2021 together with market forecasters expectations for 2022 are provided for reference at Appendix 2.

3.3 LG produce interest rate projections periodically throughout the year and the latest forecasts (December 2021) are shown below for reference;

Average rates	2021-22 Forecast %	2022-23 Forecast %	2023-24 Forecast %	2024-25 Forecast %
Bank Rate	0.15	0.56	0.81	1.06
Investment Rates				
3 month	0.23	0.58	0.90	1.00
1 Year	0.45	0.78	1.10	1.20
PWLB Loan Rates				
5 Year	1.33	1.60	1.83	1.95
25 Year	1.98	2.10	2.25	2.45
50 Year	1.75	1.90	2.05	2.25

3.4 As shown in the table above, interest rates are expected to continue on an upwards path following the first increase in Bank Rate being implemented by the MPC on 16th December 2021, the first increase since August 2018. This December increase in the Bank Rate comes from the continuous upwards trend in inflation over and above the Government's target of 2% (5.4% in December 2021). Whilst interest rates are forecasted to move up, it is currently expected that there will be 4 separate increases of 0.25% to the Bank Rate being implemented before the end of March 2024.

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

4. Debt Strategy

4.1 The Council's capital expenditure plans are set out in the Capital Programme report and this provides details of the service activity. The treasury management function ensures in accordance with the relevant professional codes, that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and where capital plans require, appropriate borrowing facilities.

4.2 The underlying need to borrow comes from the Capital Financing Requirement (CFR) which represents the total level of outstanding capital expenditure both historic and current, not yet paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness or its underlying borrowing need.

4.3 The Council needs to ensure that its debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates going out to

2024/25. Whilst this allows some flexibility for limited early borrowing for future years, it also ensures that borrowing is not undertaken for revenue or speculative purposes. The Director of Finance and Systems can confirm that to date the Council has not exceeded the CFR with its debt.

4.4 The CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset with an annual revenue charge, the MRP, being applied to reduce the CFR each year.

4.5 Included within the CFR are any other long-term liabilities such as Private Finance Initiative (PFI) schemes and finance leases. Whilst these increase the overall balance of the CFR, the Council's borrowing requirement is not increased as this type of liability includes a borrowing facility by the PFI or lease provider. The Council currently has £4.1m (31 March 2022) liability of such schemes within the CFR which is set to fall to £3.0m by 31 March 2025 as highlighted in the table below;

Other long-term liabilities	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
Total at 1 April	4,434	4,106	3,755	3,380
Expected repayment	(328)	(351)	(375)	(401)
Total at 31 March	4,106	3,755	3,380	2,979

4.6 With effect from April 2022, the International Financial Reporting Standard 16 will require that all Council leases are also included with the CFR. Whilst the compliance of this new accounting requirement will impact on the Council's overall long term liabilities, it is deemed at this stage to be immaterial.

4.7 The total of the Council's loans outstanding as at 31 December 2021 totalled £350.5m and a breakdown of this debt is provided for reference in Section 2 above.

4.8 The Council holds, as mentioned above £36.5m of Non-PWLB loans and of these £15.0m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. With regards to this type of loan, the lender has the option to propose an increase in the interest rate at set dates and should this situation occur then the Council can either accept the new rate or repay the loan at no additional cost. In accordance with the Director of Finance and Systems delegated authority, should an opportunity present itself to repay a LOBO loan then this option will be fully examined to determine whether any financial benefit could be obtained including taking a replacement loan from another lender.

4.9 The Council continues, as in previous years, to be in an under-borrowed position which reflects that the CFR balance is greater than the level of external debt and this is in line with the majority of other UK local authorities. This under-borrowed position has arisen from previous and current years annual CFR (borrowing need), not being fully funded with new loans, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure.

4.10 The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years due to debt interest rates being consistently higher than investment returns, a situation which is forecasted to continue for the foreseeable future. This situation will continue to be carefully monitored to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure or the refinancing of maturing debt. For reference as at 31 March 2021 the Council's under borrowed position was £43.4m.

4.11 As in line with previous years requirements any new capital projects which are to be funded from borrowing will need to generate sufficient revenue savings in order to be self-financing therefore avoiding any impact on the Council's MTFP.

4.12 The Director of Finance and Systems will continue to monitor interest rates and adopt a sensible approach to changing circumstances within the 2022/23 treasury operations before taking on any new debt.

4.13 Based on current c\ommitments the table below reflects the level of external debt the Council potentially may have for the period 2021/22 to 2024/25 which is used to part fund its capital programme. In addition, it reflects to the borrowing required to finance the projected future pipeline of schemes for the Council's Strategic ;

	2021/22 Estimate £000	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**
Strategic Investment programme				
Total at 1 April	215,636	269,850	400,000	475,000
Planned repayments	(26,837)	(141)	(145)	(149)
Potential New debt	81,051	130,291	75,145	25,149
Total at 31 March	269,850	400,000	475,000	500,000

General capital programme				
Total at 1 April	164,496	166,636	180,295	197,291
Planned repayments	(3,078)	(4,114)	(4,185)	(17,000)
Potential New debt	5,218	17,773	21,181	24,485
Total at 31 March	166,636	180,295	197,291	204,776

4.14 All interest incurred on the Council's external debt is charged directly to treasury management apart from where it has previously been agreed by Executive for interest incurred on major development schemes i.e. Brown Street Hale to be capitalised.

4.15 When any form of borrowing is required to finance the Council's capital expenditure, be this Long or Short term, consideration will continue to be given to obtaining funds at the most advantegous rates possible at that time, from the following souces:

- Other local authorities,
- The Government via the PWLB,
- Dedicated publicly funded companies e.g. Salix,
- Municipal Bond Agency, or
- Financial institutions within the money market (insurance companies, pension funds and banks).

4.16 The uptake of new long term debt will be processed in accordance with the Council's approved scheme of delegation and reported to members at the earliest opportunity. Action of this sort will be undertaken in accordance with a number of factors such as affordability, proposed life of the asset, current interest rate projections and advice obtained from the Council's external advisors.

4.17 Rescheduling any of the Council's current loans will only be undertaken when it is cost effective to do so taking into account the high early repayment penalty (premium) which will be incurred. This situation will be monitored during the course of the year and in the event any debt rescheduling is done, it will be reported to the members at the earliest opportunity following its action.

4.18 Whilst the Council retains the flexibility to borrow funds in advance of requirement as a result of potential changes to market conditions i.e. a sharp rise in interest rates, it will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will ensure that funds are taken within the forward approved CFR estimates and that value for money can be demonstrated.

4.19 Any borrowing taken by the Director of Finance and Systems in advance of need will be done in accordance with delegated powers and within the constraints stated below;

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

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

4.21 *The Council is required to approve;*

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

5. Minimum Revenue Provision Strategy

5.1 In November 2021 DLUHC published a consultation document on proposed changes to the MRP which concerned the application of future potential capital receipts instead of setting aside annual MRP on any Council investment asset or capital loan which it may hold. These proposed changes which the government is proposing, are to be incorporated into the current legislation, Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (the 2003 Regulations) and not to the 2018 Statutory MRP Guidance thereby making it compulsory for Local Authorities to adopt.

5.2 It is not expected the outcome from this consultation will be available until early 2022/23 with recommendations from this exercise being required to be put in place for the financial year 2023/24.

5.3 Members will be informed of the outcome of this consultation at the first opportunity and how it will impact on the Council's MRP policy.

5.4 In the meantime the Council is required in accordance with existing DLUHC regulations to approve an MRP Statement in advance of each financial year. This Statement details how the Council will set aside annual amounts for the repayment of debt (by reducing the CFR), through a revenue MRP charge and any additional Voluntary Revenue Payments (VRP).

5.5 *The Council is requested to approve the MRP Statement as detailed at Appendix 3.*

6. Investment Strategy

6.1 In accordance with both DLUHC and CIPFA guidelines, the term 'investments' now reflects both financial and non-financial investments. This report deals solely with financial investments, (as managed by the in-house treasury management team). Non-financial investments, essentially the Council's Strategic Investment programme, are covered in the Capital Strategy, (a separate report).

6.2 When the Council's in-house treasury management team places an investment, it does so with regard to current legislation and guidance as highlighted below but also with regards to the outlook for short-term interest rates.

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

6.3 On each occasion when the Council's in-house treasury management team places an investment it continues to ensure that the primary principle will be as that followed in previous years of **SLY**, **S**ecurity of funds first, **L**iquidity second followed by **Y**ield.

6.4 Whilst the active use of Ethical investments is a topic of increasing interest to both members and officers, investment guidance, both statutory and from CIPFA, clearly states that all investing must follow the SLY principles with all ethical issues taking a secondary role. The Council's in-house treasury management team will continue to follow this principle whilst monitoring the market in order to be able to take advantage of any new investment product which supports this aspect providing it complies with the current investment credit criteria.

6.5 The Council will aim to achieve the maximum return (yield) on its investments appropriate with proper levels of security and liquidity in line with the Council's risk appetite. In the current economic climate of low investment interest rates the Council is restricted in generating a significant return from its investments without exposing it to additional risk factors. In order to safeguard its funds the Council's in-house treasury management team will continue its approach of not undertaking any investment without thoroughly understanding the product together with associated risks or in any institution which is paying considerably over and above market levels.

6.6 Funds making up the Council's investments derive from monies received in advance of spend requirement and from the balances and reserves which it holds. Whilst greater returns are usually obtainable by investing for longer periods, most cash balances are required to manage the movements of the Council's day to day cash flows. Cash not required for immediate use may be invested for longer periods of time, however before doing so careful assessment to the value to be obtained from this is undertaken.

6.7 Guidance issued by both the DLUHC and CIPFA as identified at paragraph 6.2 places a high priority on the management of risk and whilst this will never completely be eliminated, it can be minimised. The Director of Finance and Systems will maintain a counterparty list with the assistance of LG specifying which institutions it can place funds with. By only placing funds with those institutions which appear on this list it reduces the risk of an institution defaulting, enables diversification and avoids concentration risk. The key credit ratings used to monitor institutions are the short term and long-term ratings.

6.8 The Council will use UK institutions, including banks, building societies and local authorities together with banks located in a country which has a minimum Sovereign Long term credit rating of AA-. As well as detailing the criteria institutions must meet to enable them to be included onto the Council's approved lending list, within their respective category, Appendix 3 also specifies both the maximum value and duration funds can be placed at any one time.

6.9 Credit rating information is supplied by LG, the Council's treasury advisors, on all active counterparties that comply with the criteria above. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to an institution at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

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

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

6.12 The Council's in-house treasury management team recognises ratings should not be the sole basis of determining the quality of an institution. It is important to continually assess and monitor institutions both on the economic and political environments in which they operate together with information that reflects the opinion of the markets. To achieve this, the Council will, with LG, monitor market pricing on additional factors such as "credit default swaps" (CDS) and overlay this information on top of the credit ratings. This additional market information is detailed for members' reference at Appendix 5.

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

6.14 Investments will continue to be placed as follows;

- Short-term – cash required to meet known cash flow outgoings in the next month, plus a contingency to cover any unexpected transaction over the same period with bank notice accounts and money market funds being the main methods used for this purpose.
- Medium-term – cash required to manage the annual seasonal cash flow cycle covering the next 12 months and will generally be in the form of fixed term deposits and ultra-short dated bond funds.
- Long-term – cash not required to meet any immediate cash flow requirements and can be used primarily to generate investment income by using fixed or structured term deposits, certificates of deposits, government bonds or the Local Authority Property Investment fund.

6.15 Investment instruments identified for use in the financial year together with institution limits are detailed for members reference in Appendix 3. The use of longer term instruments (greater than one year from inception to repayment) falls in the Non-specified investment category and these will only be used where the

Council's liquidity requirements are safeguarded and be limited to the Prudential Indicator which is also detailed at Appendix 3.

6.16 The level of the Council's investments together with the average interest rate, as at 31 December 2021, is provided for reference at paragraph 2.1

6.17 *The Council is requested to approve the;*

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

7. Investment Risk Benchmarking

7.1 The CIPFA Code of Practice and DLUHC Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to members annually and details of these are provided below with more detail concerning the security benchmark being provided in Appendix 5.

7.2 Benchmarks are simple guides (not limits) to maximum risk for use with cash deposits and so may be breached from time to time, depending on movements in interest rates and institution criteria. The purpose of the benchmark is to assist officers to monitor the current and trend position and amend the operational strategy to manage risk as conditions change. For reference the benchmarks proposed are;

- Security - Each individual year the security benchmark is:

1 year investments	2 year investments	3 year investments
0.05%	**0.04%**	**0.09%**

Note - This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment. At 31 December 2021 the Council's default rate of its investments placed was 0.019% which is 0.031% below the 1 year benchmark of 0.05%.

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

  -Weighted Average Life (WAL) - benchmark for 2022/23 is set at 6 months, with a maximum of 3 years for cash time deposits;

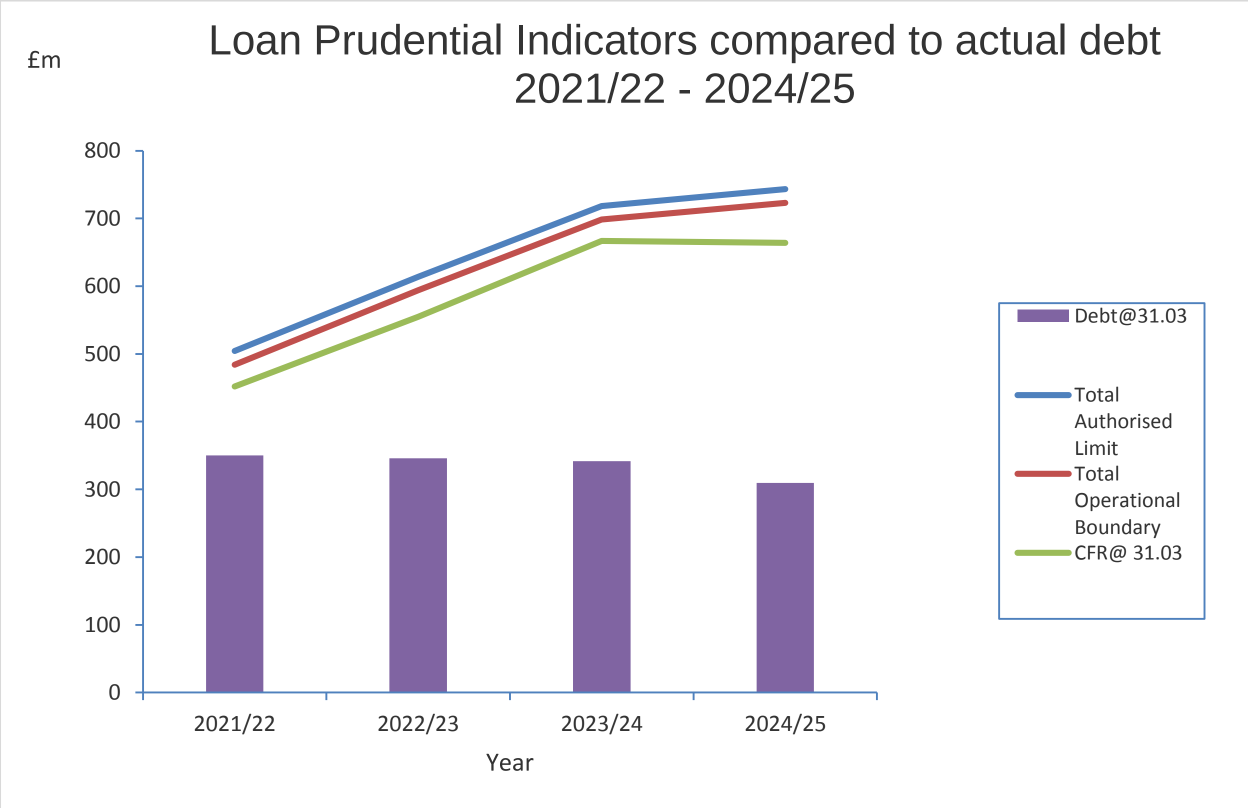
  -Liquid short term deposits - at least £5m is available within a week's notice.

- Yield - Previously the Council aimed to achieve a return on its investments of greater than the 7 day London Interbank Deposit (LIBID) rate without sacrificing any security aspects. This rate was a daily average of what banks say they would charge to lend to one another. The Financial Conduct Authority (FCA) announced in July 2017 that it was to look at replacing this rate together with several other rates as they had become unreliable. With effect from the close of business on 31st December 2021, LIBID ceased to exist and was replaced by Sterling Overnight Index Average (SONIA). As a consequence of this the Council will adopt the 7 day SONIA rate as its replacement benchmark which is based on previous day's actual transactions and administered by the Bank of England,

8. Prudential Indicators

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

8.2 The graph below shows how 2 of these prudential indicators (Authorised Limit and Operational Boundary) relate to actual levels of debt currently in place and *members are requested to approve the full set of Prudential Indicators for the Council's treasury management activities as detailed at Appendix 3.*



9. Related Treasury Issues

9.1 Greater Manchester Pension Fund (GMPF). During April 2020, the Council together with several other Greater Manchester councils, paid over to the GMPF a discounted advance equivalent to 3 years of employer pension contributions in order to take advantage of GMPF's wider investment powers. This initial payment will have run its course by 31st March 2023.

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

9.3 Whilst investments under Strategic Investment Regeneration are made to support policy related activities and are therefore considered outside the treasury management function, their implementation will have an impact on the Council's cash flow. All such investments are also considered on each occasion in accordance with the principles set out in paragraphs 6.2 and 6.3 above.

9.4 International Financial Reporting Standards 9 (IFRS9). This was introduced to enable a reader of the Council's accounts to fully assess the worth and risk of its financial instruments with any potential losses or profits being taken to the accounts in full in the year they occur. To mitigate against this, DLUHC issued a 5 year override which is set to expire on 31 March 2023 enabling local authorities' time to either arrange for a planned exit or for potential surpluses to be placed into an unusable reserve and applied in those years when a downward revaluation occurs. Whilst IFRS 9 is primarily a re-classification not a re-valuation exercise, its introduction is not envisaged to have any major impact for the Council. Currently there is 1 investment which is effected by this re-classification which is placed with the Church Commissioners Local Authority in its Property fund. Whilst this investment generates a return of approximately 4.25% to 4.75% per annum the Council's in-house team will;

- continue to monitor both the monthly valuations received for this investment and the quarterly market forecasts produced to ensure that any potential losses in valuation are kept to a minimum and
- consider setting aside a proportion of the annual interest received into a reserve for use to smooth out any potential losses.

9.5 In September 2021, CIPFA released the second proposed set of changes to the current version of the Treasury Management Code (previously updated in 2017) to all local authorities for consultation and in December 2021 the outcome of this exercise was released in the form of the publication of a revised and updated Code.

For reference the main updates in the revised code for implementation in 2023/24 are as follows:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement,
- clarification on what CIPFA expects a local authority to borrow for and what they do not view as appropriate, i.e. Local Authorities must not borrow to invest for the primary pupose of financial return,
- ensure that any long term treasury investment is supported by a business model,
- a requirement to effectively manage liquidity and longer term cash flow requirements,
- a knowledge and skills register for individuals involved in the treasury management function to be maintained proportionate to the size and complexity of the treasury management.

In addition, all investments and investment income must be attributed to one of the following three purposes: -

- Treasury management - Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use.
- Service delivery **-** Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure.
- Commercial return - Investments held primarily for financial return with no treasury management or direct service provision purpose.

Members will be updated on how all these changes will impact on the Council's current approach and any changes required to be formally adopted within the 2023/24 Treasury Management Strategy Statement report.

9.6 In addition to the changes stated above, CIPFA have also made changes to its Prudential Code, similarly published, after consultation, in December 2021. For reference the main updates in the revised code are as follows:

- the provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code,
- proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes,
- Heritage Assets are to be included in the Local Authority's Capital Financing Requirement (CFR) calculations.
- a new requirement has been added so that capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.
- Local Authorities will be required to monitor and report against all forward looking prudential indicators on at least a quarterly basis.
- Authorities which have an expected need to borrow should review options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies. The options should include using the sale proceeds to repay debt or reduce new borrowing requirements.
- Local Authorities will need to monitor and report on a new Prudential Indicator which reviews net income from commercial and service investments as a percentage of the Authority's net revenue stream.

10. Medium Term Financial Plan

10.1 Detailed for reference at Appendix 6 is a headline breakdown of the treasury management budgets for the period 2022/23 – 2024/25 split between Treasury and Non-Treasury activities. Whilst these budgets have been produced using the latest interest rate forecasts and predicted movements in the Council's income and expenditure plans, they will be subject to change due to factors beyond the Council's control i.e. interest rate movements.

11. Recommendations

That Accounts & Audit Committee be requested to note and recommend the report to Executive.

That Executive notes the report and recommends that Council approves;

- the Treasury Management Strategy 2022/23 – 2024/25 including the:
- policy on debt strategy as set out in section 4;
- investment strategy as set out in section 6;

Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

<u>Other Options</u>

This report is a mandatory report which has been produced in order to comply with Financial Procedure Rules and relevant legislation. The DLUHC Guidance and CIPFA Code do not prescribe any particular treasury management strategy for

Councils to adopt and there are an unlimited number of other options that the Council could consider as part of its treasury management activities. This report however outlines a clear and practical approach with an appropriate balance between risk management and cost effectiveness and is recommended by the Director of Finance and Systems.

<u>Consultation</u>

There are no applicable consultation requirements in respect of this report. Advice has been obtained from Link Group, the Council's external advisors.

<u>Reasons for Recommendation</u>

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

<u>Key Decision</u>

This will be a key decision likely to be taken in: February 2022

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

Finance Officer Clearance **FF**

Legal Officer Clearance

Corporate Director's Signature **GB**

STATUTORY FRAMEWORK

Local Government Act 2003

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

- The debt strategy in accordance with the CIPFA Code of Practice on Treasury Management (section 4);
- The investment strategy in accordance with the DLUHC investment guidance (section 6);
- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix 3).

CIPFA Code of Practice

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

Investment Guidance

DLUHC issued Investment Guidance in 2018 and this forms the structure of the Council's Investment policy as set out below:

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

APPENDIX 2

MAIN 2021 ECONOMIC HEADLINES

ECONOMIC BACKGROUND

GLOBAL-

- World growth recovered in 2021 from the recession in 2020 as a result of the COVID-19 pandemic however towards the later part of the year this recovery slowed due to the new variant of the virus.
- According to the World Health Organisation 42.7% (Nov21) have received full vaccination from the COVID-19 virus.
- Inflation has been rising due to increases in energy prices, shipping costs and supply shortages.
- The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains.
- The International Monetary Fund (IMF) predicts that the world economic growth rate will grow by 5.9% in 2021 following a 4.9% contraction in 2020.

UK-

- Whilst the successful rollout of the COVID-19 vaccines started to restore confidence that life could move to a new normal, this maybe a little premature due to the winter flu season combined with new strains of COVID-19 impacting on hospitals.
- Strong GDP growth of 6.9% in 2021 is currently being projected following a reduction in 2020 of -9.8%.
- Consumer Price Index (CPI) which started the year off at 1.5% in April increased to 5.4% in December 2021 which is 3.4% above the Government's target rate of 2.0%
- The potential for the Bank Rate to go negative during the year did not materialise and has now disappeared. At its December meeting, the MPC surprised everybody when it increased the Bank Rate from 0.10% to 0.25%, removing the emergency reduction of 0.15% in March 2020 which was in response to the COVID-19 pandemic. Despite this increase in Bank Rate no changes to its programme of quantitative easing purchases, which totals £895bn, were undertaken.
- The Government's furlough scheme, implemented during the first lockdown in 2020 and which had an estimated 1 million people on it, finished on 30th September 2021. It was feared by some market forecasters that this would lead to possible large job losses however this did not occur due to job vacancies being at record levels together with continual shortage of workers.
- In October 2021, the employment rate was estimated to be at 75.5% which is slightly lower than before the pandemic with the unemployment rate being 4.2%, the lowest level it has been in 2021
- Ports are becoming increasingly clogged up with containers due to a shortage of lorry drivers being available to move the goods and supplies to their respective destinations.

Eurozone –

- The initial slow role out of vaccines delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then.
- Some strong growth in quarters 2 & 3 was seen although some countries which are more dependent on tourism have struggled.
- The European Central Bank (ECB) is expected to see the current situation of rising energy prices as being only temporary and therefore unlikely to be raising interest rates for a considerable time.

US –

- Shortages of goods are fuelling increases in prices and reducing economic growth potential.
- The economy is now bigger than it was before the pandemic with economists expecting growth of 5.9% in 2021, the fastest levels in decades despite ongoing labour market troubles,

China-

- The spread of the Delta variation of the COVID-19 virus earlier in the year resulted in sharp lockdowns being enforced however despite this, GDP growth is expected to be 8.0% compared to 2.34% in 2020.
- Shortages of gas and coal are restricting industrial production through power cuts
- The decline in demand for imported raw materials has impacted on the economies of commodity exporting countries, especially developing countries.

Japan-

- After a slow start, the majority of the population is now vaccinated against the COVID-19 virus.
- The Bank of Japan is continuing its very loose monetary policy and continues to struggle with getting inflation, which was negative in July, above 1% and towards its target of 2%.

MAIN ECONOMIC FORECASTS FOR 2022

Producing accurate economic forecasts continues to be an extremely difficult task due to the many external factors which have an impact on them. Forecasters are currently predicting the following levels of activity for the year ahead however these will be liable to change as the year progresses;

Indicator	UK	Eurozone	US	China
Gross Domestic Product	4.8%	3.3%	2.3%	5.8%
Consumer Price Index	4.0%	3.0%	3.1%	2.1%
Unemployment Rate	4.1%	7.4%	5.0%	5.0%
Bank Rate (Average)	0.6%	0.0%	0.6%	3.9%

Source - Trading Economics

ELEMENTS FOR COUNCIL APPROVAL

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

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

The Accounts and Audit Committee and Executive are requested to recommend that Council approve these for the period 2022/23 – 2024/25 as detailed below. Upon recommendation, Council is required to approve the prudential indicators and limits affecting treasury management performance for this period.

TREASURY PRUDENTIAL INDICATORS AND LIMITS –

In accordance with the current CIPFA Prudential code, the Council is required to produce prudential indicators and limits reflecting the projected capital activity regarding its capital investment programme. These have an impact on the Council's treasury management activities and are monitored on a regular basis with any breaches being reported to Council at the earliest opportunity.

Authorised Limit for External debt	**2021/22 estimate £m**	**2022/23 estimate £m**	**2023/24 estimate £m**	**2024/25 estimate £m**
General capital programme	200.0	210.0	240.0	240.0
Strategic Investment programme	300.0	400.0	475.0	500.0
Other long term Liabilities (PFI)	4.2	3.9	3.5	3.1
Total	**504.2**	**613.9**	**718.5**	**743.1**

Authorised external debt limit - This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing and any potential effects arising from bringing "off balance sheet" leased assets onto the balance sheet in compliance with IFRS 16. This statutory limit as determined under section 3(1) of the Local Government Act 2003 needs to be approved by Council prior to the commencement of each financial year.

Operational Boundary for External debt	**2021/22 estimate £m**	**2022/23 estimate £m**	**2023/24 estimate £m**	**2024/25 estimate £m**
General capital programme	180.0	190.0	220.0	220.0
Strategic Investment programme	300.0	400.0	475.0	500.0
Other long term Liabilities (PFI)	4.2	3.9	3.5	3.1
Total	**484.2**	**593.9**	**698.5**	**723.1**

Operational boundary - calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year and is not a limit.

Upper limit for Principal sums invested over 1 Year	**2021/22 estimate £m**	**2022/23 estimate £m**	**2023/24 estimate £m**	**2024/25 estimate £m**
Maximum limit	**100.0**	**100.0**	**100.0**	**100.0**
Current investments:				
Manchester Airport Shares @ (31 March 2021) *	37.7	37.7	37.7	37.7
Church Commissioners Local Authorities Property Investment Fund	5.0	5.0	5.0	5.0
Strategic Investments	17.6	17.6	17.6	17.6

* Manchester airport shares are included for clarity and transparency purposes only as they are a non-treasury investment.

Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council's liquidity requirements.

Upper Interest limits	**2021/22 estimate £m**	**2022/23 estimate £m**	**2023/24 estimate £m**	**2024/25 estimate £m**
Fixed interest rate exposure based on net debt	9.5	9.5	9.5	9.5
Variable interest rate exposure based on net debt	1.0	1.0	1.0	1.0

Upper Interest Limits – identifies the maximum limit of interest payable after deducting all investment interest for each category of interest rate fixing

Maturity structure of all external loan debt – 2022/23 to 2024/25	**Lower limit %**	**Upper limit %**
Under 12 months	0	40
12 months to 2 years	0	40
2 years to 5 years	0	40
5 years to 10 years	0	40
10 years to 20 years	0	40
20 years to 30 years	0	40
30 years to 40 years	0	70
40 years and above	0	90

Maturity Structure of Borrowing – these gross limits are set to reduce the Council's exposure to large sums falling due for payment or refinancing and reflect the next date on which the lending bank can amend the interest rate for any Lender Option Borrower Option loans the Council currently has.

Gross Debt and the Capital Financing Requirement

The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance and Systems reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

MINIMUM REVENUE PROVISION

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

- **Capital expenditure financed by Supported Borrowing:** MRP will be calculated on a straight line basis over the expected average useful life of the assets (50yrs);
- **Capital expenditure financed by Prudential Borrowing:** MRP will be based on the estimated life of the assets once operational and charged on a straight line or annuity basis in accordance with DLUHC guidance;
- **Strategic Asset Investment Strategy financed by Prudential Borrowing:** Voluntary Revenue Provision (VRP) using the periods stipulated within the DLUHC Guidance of up to 50 years will be applied. By adopting this approach it will enable the Council upon the sale of each asset, to either apply the capital receipt or use the VRP receipts to extinguish debt taken. If the capital receipt is applied then the VRP previously set-aside will have been undertaken for no purpose and therefore can be reclaimed. Annual reviews are undertaken to ensure that this policy remains prudent and as at 31 March 2021 the total VRP overpayments were £4.789m and are forecasted to total £7.031m by 31 March 2022.
- **PFI schemes and leases shown on the balance sheet:** MRP will be based on the amount of the principal element within the annual unitary service payment and financed from the provision set-up to cover the final bullet payment. Capital receipts are to be used to replenish this provision to ensure any final bullet payment can still be made in 2028/29;
- **Expenditure that does not create an asset:** this is where the Council through the Strategic Asset Investment Strategy has made equity investment with Joint Venture companies with VRP being provided and calculated on a straight line basis for periods up to 50 years. Whilst this is a departure from statutory guidance for equity it is equivalent to the period allowed for Investment Property;
- **Use of a Capitalisation Direction**: Expenditure incurred in response to the issuance of a Capitalisation Direction by Central Government, MRP will be made over a period not exceeding 20 years, in accordance with the 2018 Guidance;
- **Lending to a third party**: In instances where the Council lends funds to a third party and in accordance with the guidelines issued (February 2018) by the Secretary of State, MRP is required to be provided over the useful life of the asset created. The Council in this instance will not follow the guidance but rather treat any advance as "Serviced debt" and therefore no MRP will be set-

aside providing there is an agreed repayment date. Annually the Council will undertake a financial assessment of the third parties ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

- **Equity** – MRP for the acquisition of share capital will be calculated on a straight line basis for a period up to 20 years. The Council will consider on a case by case basis the appropriateness of the application of this period against any equity investments it undertakes.

<u>INVESTMENT CRITERIA</u> – (no changes)

Counterparty Selection

- The Council will only use institutions which are located in the UK or from a country with a minimum Sovereign Long term credit rating of AA-. The individual credit criteria, is highlighted below and where credit ratings have been issued, both the Long and Short term rating from 2 of the 3 main agencies will need to meet the minimum required. The requirements shown below for categories 1 to 5 and 7 will be applied to both Specified and Non-specified investments. Category 6 applies only to The Church Commissioners Local Authorities Property Investment fund.

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

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 1 – • UK & Non UK Banks (bank subsidiaries must have a parent guarantee in place), • UK Building Societies Institutions must also have an individual minimum short term credit rating of – Fitch F1 or equivalent.	AA to AAA A+ to AA- A- to A	£75m £25m £10m	3yrs 1yr 1yr
Category 2 – UK Building Societies which are unrated or do not meet the minimum ratings as per Category 1 with assets in excess of; • £5bln+, • £2.5bln - £4.99bln	- -	£5m £3m	1yr 1yr
Category 3 – UK Banks part nationalised - Royal Bank of Scotland. This bank or its subsidiaries can be included provided it continues to be part nationalised or meets the ratings in category1 above.	-	£20m	1yr
Category 4 – The Council's own banker for transactional purposes if the bank falls below the above criteria.	-	n/a	1day

Cont.	**Fitch (or equivalent) – Long Term**	**Maximum Group Limit**	**Maximum Time Limit**
Category 5 – • Pooled Investment Vehicles: ➢ Money Market Funds (per fund) ➢ Ultra-Short Dated Bond Funds(per fund) • Social & Ethical funds (per fund) • UK Government (including treasury bills, gilts and the DMO) • Local Authorities (per authority) • Supranational Institutions	 AAA AA - - - -	 £20m £15m £5m £20m £10m £20m	 3yrs 3yrs 10yrs 3yrs 3yrs 1yrs
Category 6 – • Local Authority Property Investment fund	-	£10m	10yrs
Category 7 – • Support for the Strategic Asset Investment Programme	-	£50m	5yrs

Specified and Non Specified Investments – (no changes)

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

- **Specified investments** - are high security and liquid investments with a maturity of no more than a year or those which could be for a longer period but where the Council has the right to be repaid within one year if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small.
- **Non specified investments** - are any other type of investment not defined as specified above. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity. A maximum of £100m is permitted to be held in this classification as detailed on page 21, Prudential Indicator Upper limit for sums invested over one year.

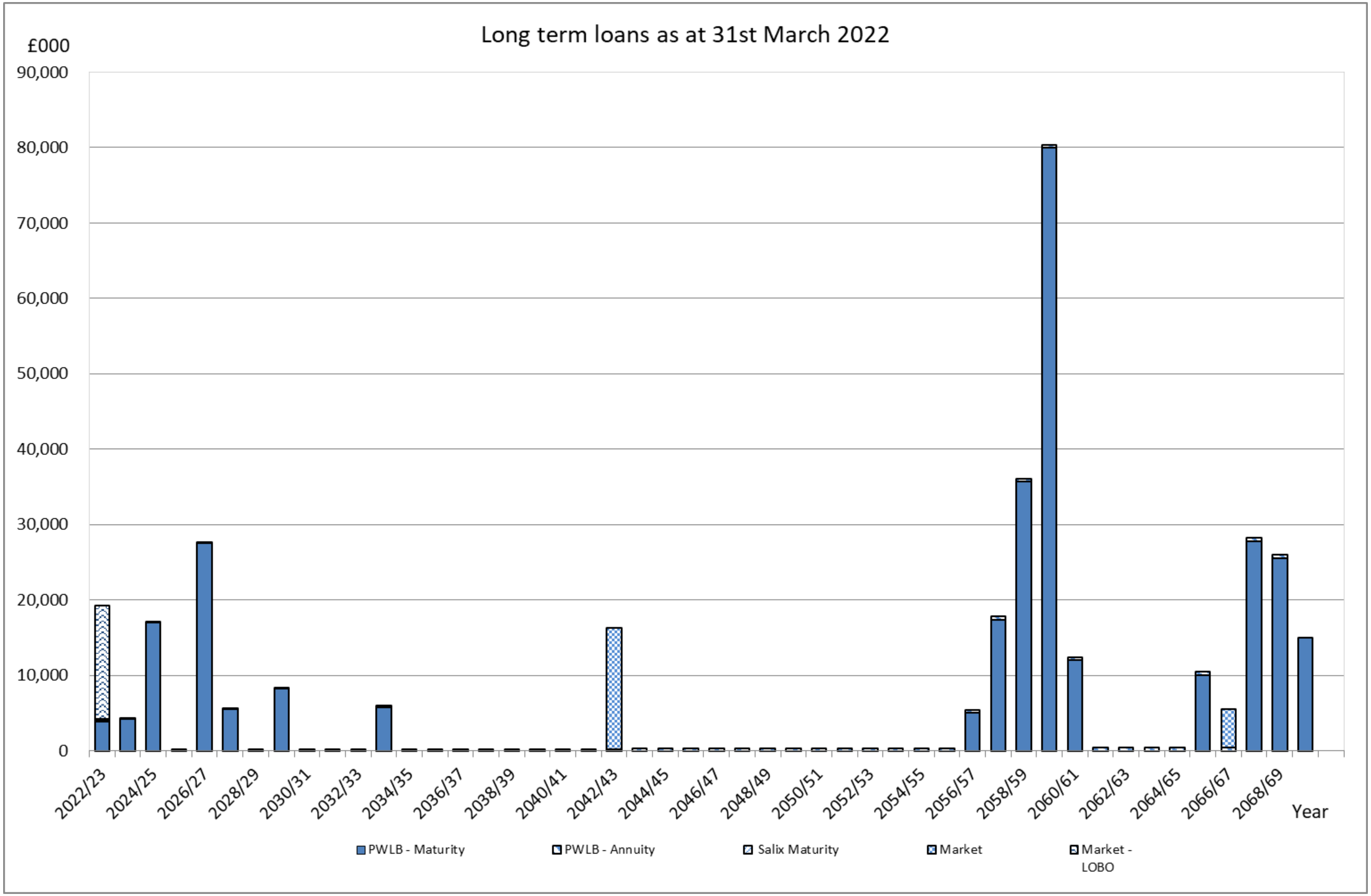
Instruments & Maximum period

All Investments undertaken will be in Sterling and placed in any of the following instruments: Term Deposits, Money Market Funds, Ultra Short Dated Bond Funds, Treasury Bills, Bonds, Gilts or Certificates of Deposits unless otherwise stated below;

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

Pooled investment vehicles such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) Social & Ethical funds and low volatility bond funds.	1 Year
Specified Investments…..cont.	**Maximum Maturity**
An institution that has been awarded a high short term credit rating (minimum F1 or equivalent) by a credit rating agency, such as a bank or building society.	1 Year
Non-Specified Investments	
Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. World Bank). The security of principal and interest on maturity is on a par with the Government and these bonds usually provide returns above equivalent gilt edged securities. The value of the bond may rise or fall and losses may accrue if the bond is sold prematurely.	3 Years
Gilt edged securities. These are Government bonds and provide the highest security of interest and principal. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	3 Years
The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.	1 Day
UK Banks which have significant Government holdings	1 Year
Any bank or building society which meets the minimum long term credit criteria for Category 1 institutions detailed on page 23 with a maturity of greater than one year (including forward deals in excess of 1 year from inception to repayment).	3 Years
Building societies The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £2.5bln but will restrict these type of investments as shown for Category 2 institutions on page 23.	1 Year
The UK Government including Local Authorities and Debt Management Office.	3 Years
Pooled investment vehicles such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) Social & Ethical funds and low volatility bond funds.	10 Years
Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. It is envisaged this facility will apply to the Manchester Airport share-holding which the Council holds at a historical value of	Unspecified

£37.7m as reported in the 2020/21 Statement of Accounts.	
Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.	Term of loans
Non-Specified Investments cont.	**Maximum Maturity**
Church Commissioners Local Authorities Property Investment Fund - This fund is aimed solely for use by public sector organisations wishing to invest in the property market whilst at the same time generating a favourable rate of return.	10 Years
Support the Strategic Asset Investment programme - where external borrowing to support the investment would not be in accordance with the CIPFA Prudential Code.	5 Years



Page 42

APPENDIX 4

INVESTMENT CREDIT AND INSTITUTION RISK MANAGEMENT

Monitoring of investment counterparties - The Council receives credit rating advice from Link Group and when ratings change this information is checked promptly to ensure institutions affected comply with the Council's criteria. On the occasion a rating may be downgraded when an investment has already been made, the criteria used are such that this should not affect the full receipt of the principal and interest. Any institution failing to meet the criteria, or those on the minimum criteria placed on negative credit watch, will be removed from the list immediately and if required new institutions which meet the criteria will be added.

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

The Council's list of Investment institutions is prepared primarily using credit rating information with full regard also being given to other sources of available information concerning credit quality. The information below will continue to be considered when undertaking investments;

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

- Market & Financial Press information – information obtained from the money market brokers used by the Council in respect of interest rates & institutions will also be considered.

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

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

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

Investment Risk benchmarking

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

A method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table below shows the latest average defaults for differing periods of investment grade products for each of Fitch, Moody's and Standard and Poors long term rating category over the period 1981 to 2020. The Council can generally place investments up to a maximum period of 3 years and for this purpose will only use high rated institutions in order to ensure any potential risk in the form of defaults are kept to a minimum. Investments placed over 1 year but up to 3 years are placed with higher rated institutions in order to ensure that any potential risk of default as highlighted in the table below is kept to a minimum.

Long term rating	Average 1 yr default	Average 2 yr default	Average 3 yr default	Average 4 yr default	Average 5 yr default
AAA	0.04%	0.09%	0.17%	0.26%	0.35%
AA	0.02%	0.04%	0.09%	0.16%	0.23%
A	0.05%	0.14%	0.26%	0.38%	0.54%
BBB	0.14%	0.38%	0.66%	1.01%	1.36%
BB	0.64%	1.79%	3.14%	4.48%	5.73%
B	2.81%	6.83%	10.44%	13.48%	16.03%
CCC	19.89%	27.52%	32.84%	36.31%	39.42%

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

SUMMARY MEDIUM FINANCIAL PLAN 2022/23-2024/25

Non-Treasury Management

	2022/23 £000	2023/24 £000	2024/25 £000
Loan Interest	3,773	3,769	3,765
Interest for aspirational Strategic Investment growth	1,817	2,869	3,222
Loss of Investment interest	356	760	727
VRP	2,517	2,521	2,526
Sub-total	6,646	7,050	7,018
Interest for aspirational Strategic Investment growth	1,817	2,869	3,222
TOTAL	8,463	9,919	10,240

Treasury Management

	2022/23 £000	2023/24 £000	2024/25 £000
Net Interest payable	6,697	6,782	6,835
Net MRP payable	5,668	6,127	6,129
Net Interest receivable	(1,346)	(1,291)	(1,236)
Other Income - MAG	(3,393)	(3,892)	(4,002)
TOTAL	7,626	7,726	7,726

NON-TREASURY INVESTMENT ACTIVITIES

Details of the actual spend and commitments on the Council's non-treasury activities are outlined below:

Description	£m	Purpose
General		
Manchester Airport Group	29.7	Regeneration – 3 Shareholder loans
Homestep	0.5	Regeneration – Capital loan monies advanced to assist first time buyers to acquire property within Trafford which remains in place
Town Centre	0.2	Regeneration – Capital loan monies advanced to assist businesses occupy empty high street units within Trafford.
Sub-total	**30.4**	
Asset Regeneration Schemes		
Sonova House - Warrington	12.2	
DSG - Preston	17.4	
The Grafton Centre - Altrincham	10.8	
Magistrates Courts - Sale	5.1	
The Fort - Wigan	13.9	
Sainsbury's Altrincham	25.6	
Former Sorting Office - Stretford	0.9	
CIS - Manchester	60.0	
Altrincham & Stretford Shopping Malls - Equity contribution Trafford / Bruntwood loan	 34.0 34.0	
K Site Old Trafford - Equity contribution Trafford / Bruntwood loan	 12.3 12.4	
Brown Street Hale	8.7	
Care homes	2.4	
Castle Irwell Salford Ph1 + Ph2	31.0	£8.8m of repayments for Phase 1 received as at 31st December 2021
THG HQ	67.5	
Various Development sites	0.3	
Sub-total	**348.5**	
TOTAL	**378.9**	

Agenda Item 8

TRAFFORD COUNCIL

Report to: **Executive**
Date: **24th January 2022**
Report for: **Information**
Report of: **The Executive Member for Finance and Governance and the Director of Finance and Systems**

Report Title:

Budget Monitoring 2021/22 – Period 8 (April to November 2021).

Summary:

The purpose of this report is to inform Members of the current 2021/22 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.

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	Revenue and capital expenditure will be contained within available resources in 2021/22. In respect of the resourcing of the capital programme a number of capital receipts from the disposal of surplus land have been reprofiled to later years. This has given rise to some additional temporary borrowing the cost of which has been

	contained within the treasury management budget.
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

EXECUTIVE SUMMARY

1. **Summary of outturn**

There is a net estimated outturn pressure of £1.44m at Period 8, a favourable movement of £984k since Period 6.

This monitor for the financial year provides a forecast outturn based on patterns of expenditure and income up to November 2021. Although outturn patterns are firmer than those in earlier periods, there still remains a large degree of uncertainty, especially given the unknown impact of the Omicron variant and potential for further restrictions. The upwards trend in headline inflation rates and the unprecedented increase in energy and fuel price increases, add yet further uncertainty into the financial landscape both for the current and future years.

Although the estimated outturn is still showing a sizeable adverse variance of £1.44m, it is encouraging to see a favourable direction of travel resulting. Interventions, such as the revised vacancy approval and recruitment procedures, introduced since period 6, have helped in this regard, however ongoing commitment to manage pressures and continue to deliver savings must continue for the remainder of the year to mitigate against any further adverse movement.

The following issues are worthy of being highlighted:-

- Children's placements £0.962m overspend due to an increase in cases during the year; **a positive movement of £113k since period 6;**
- Adults placements £322k overspend, **a positive movement of £445k since period 6**; £325k (£579k period 6) of the pressure is due to savings not expected to be achieved, alongside an underlying pressure of £656k (£597k period 6) due to an increase in costs of care packages and new cases. The balance consists of a net underspend on the Hospital Discharge Programme of £659k (£409k period 6) ;
- Assumptions on demand remain uncertain, and contingency balances of £265k (£607k period 6) and £379k (£673k at period 6) are included for future demand in Children's and Adults Services.
- Staffing budgets net underspend of £1.632m, **a positive movement of £162k since period 6**, consisting of underspend of £1.68m in Children's and Public Health, largely due to delays in recruiting and service redesign, offset by pressures in Adults of £47k as a result of COVID-19 and exceptional circumstances largely within the Supported Living service.
- Home to School Transport pressures are now £396k **an adverse movement of £113k since period 6** due to increase in demand with the current passenger numbers during the year and additional costs for staffing to cover passenger assistants who are self isolating;
- Strategic Investment Programme – These investments are budgeted to generate a net revenue benefit in 2021/22 of £7.61m although revised forecasts show a potential reduction in receipts generated of £1.419m **an adverse movement of £80k since period 6.** This overall shortfall is largely COVID-19 related due to delays in developer loans being drawn

down, lower income from debt facilities due to lower interest rates, delays in schemes in the pipeline and lower trading income due to COVID-19 at retail investment sites;

- COVID-19 related pressures in Place and central services directorates of £610k, **a positive movement of £141k since period 6**, largely related to income pressures in traded services and lower sales, fees and charges as a result of the economic impact of the pandemic lasting longer than the first quarter assumed when setting the budget. Examples of pressures include parking fees and fines £521k, property rentals £300k, outdoor media advertising £170k, planning fees £459k. These pressures are lower than period 6, however given the uncertainty surrounding the potential for further restrictions, the forecasts are subject to change. The balance of £502k from the COVID-19 contingency will be utilised if required.
- Local Government Pay award – The final pay award offer, currently rejected by the trade unions, for local government at 1.75% for all staff being in excess of budget by £980k. This would require the use of the council wide contingency, leaving a balance of £100k for other unknown pressures during the year.
- Other favourable items of £640k, **a positive movement of £316k since period 6**. This includes a favourable outturn of £437k within the Place Directorate following a number of management actions since period 6 to reduce the previously reported overspend. This includes staff vacancy/running cost management and the release of reserves and other spend not contractually committed.

2. **2021/22 Savings Programme**

The latest forecast shows that the savings programme is currently expected to deliver savings of £8.96m, which is £2.96m below target. A number a mitigating actions have taken place in year (eg alternative savings) leaving a net shortfall in savings target of £2.37m, a positive movement of £491k since Period 6. This shortfall has been included in the overall estimated outturn. To date £8.43m has been achieved with £0.53m still to be achieved. Whilst there still remains a risk in the delivery of the programme, the majority of savings are classified as Amber indicating an element of management action is still required to deliver the savings before the end of the year.

3. **Council Tax**

The Council Tax budget was reduced temporarily in 2021/2022 to reflect the ongoing impact of the pandemic. Previous periods have reported a breakeven position for Council Tax, however as the year has progressed a favourable outturn is now forecast. The in-year position has been helped by a lower level of awards for Council Tax Support along with better than expected collection of historic debt. Although there remains a high level of uncertainty in the system, a favourable outurn of £1.55m is anticipated. This amount will be released in 2022/2023, however due to the level of ongoing uncertainty, particularly surrounding the demand for Council Tax Support both in the current and next financial year an amount of £500k will be added to a Council Tax Risk Reserve. The remaining balance of £1.05m will be used towards bolstering the budget resilience reserves to support future plans. This will result in a net nil variance for 2021/2022.

4. **Business Rates**

The estimated outturn for Business Rates in previous periods has been in line with budget. 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. Government support has been extended for retail, hospitality and leisure businesses along with a discretionary scheme for other businesses which is currently being developed based on Government guidance. At this stage of the year a favourable outturn is now forecast, largely as a result of a review of the level of the provisions held for historic appeals. A favourable outturn of £4.35m is now forecast. This surplus will be directed towards our budget support reserve to support future plans and will result in a net nil variance in 2021/2022.

The estimate includes £4.89m contribution to the Greater Manchester Combined Authority under the rates growth pilot. Discussions are ongoing regarding the sharing agreement, which could result in an increased share of rates growth being retained locally to alleviate the in year pressures.

5. **Managing the Risk**

Although the estimated outturn has improved since period 6, there remains a cause for concern, primarily around the delivery of the remaining savings programme and increases in client demand in Adults and Children. The following mitigating actions will continue for the remainder of the year to support the in-year budget position:-

- A revised vacancy management process was introduced in November, placing an intervention to limit all recruitment to internal applications in the first instance, with external recruitment by exception.
- A number of contingency items are included in the outturn which have yet to be released. Although these continue to be utilised during the year, they stand at £265k and £379k in Children's and Adults services for potential client demand. There is also £502k and £100k in Council Wide relating to the balance of £1.5m set aside for unknown COVID-19 pressures and balance of general contingency.
- Discussions are ongoing with Greater Manchester Combined Authority to review their centrally held reserves and the potential to review the local sharing agreement of the Business Rates Growth Pilot monies. Currently £4.89m is forecast to be paid over to GMCA.
- A review of all earmarked reserves is nearing completion which has focused on challenging and identifying potential uncommitted resource. This exercise has identified resource to alleviate some of the in-year pressures, as demonstrated within the Place Direcorate, as well as bolstering budget resilience reserves to support our medium term financial

strategy. Further details of this review will be presented in the final budget report for 2022/23.

- As previously reported in order to maintain robust challenge and focus attention on the delivery of the savings programme, the regular budget monitoring reports are supplemented by monthly updates on all demand led budgets and the savings programme which are considered by the Corporate Leadership Team.
- The Council continues to provide regular monitoring returns to the Government Departments. These returns have been used to inform the debate on whether additional resources will be required over the short and medium term relating to COVID-19 pressures. Although it has not included in this monitor, in December 2021 the Government announced a number of temporary support grants to support the additional costs within the adult social care sector resulting from the Omicron variant. Further details of the grants have yet to be published, however it is expected to be cost neutral with grant income offsetting cost pressures.

6. **Capital Programme**

The revised capital programme for this financial year is £40.25m which is net reduction of £8.19m from the P6 position of £48.44m. This was a result of a review of the overall programme and the outcome of the period 8 monitoring exercise resulting in the rephasing of the programme into future years.

The overall programme is currently overprogrammed by £2.54m over the three years, which is an decrease of £1.28m from period 6 and relates to a higher than expected receipt from five disposals which have recently been completed.

The issue of over-programming will be addressed as part of the current capital programme bidding round.

REVENUE BUDGET

7. 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	**2021/22 Budget (£000's)**	**Forecast Outturn (£000's)**	**Forecast Variance (£000's)**	**Percent-age**
Children's Services	42,456	43,335	879	2.07%
Adult Services	52,520	52,987	467	0.89%
Public Health	12,494	11,612	(882)	(7.06)%
Place	31,132	32,321	1,189	3.82%
Strategy & Resources	5,540	5,199	(341)	(6.16)%
Finance & Systems	7,683	7,867	184	2.39%
Governance & Community Strategy	6,159	6,392	233	3.78%
Total Directorate Budgets	**157,984**	**159,713**	**1,729**	1.09%
Council-wide budgets	21,488	21,196	(292)	(1.36)%
Net Service Expenditure variance	**179,472**	**180,909**	**1,437**	0.80%
Funding				
Business Rates (see para. 22)	(62,459)	(62,459)	0	
Council Tax (see para. 19)	(105,869)	(105,869)	0	
Reserves Budget Support	(2,803)	(2,803)	0	
Reserves to Support COVID-19	(8,341)	(8,341)	0	
Funding variance	**(179,472)**	**(179,472)**	**0**	**0.00%**
Net Revenue Outturn variance	**0**	**1,437**	**1,437**	**0.80%**
Dedicated Schools Grant	**150,236**	**152,212**	**1,976**	**1.32%**

Budget Adjustments and Virements

A number of virements across Directorates are detailed in Appendix 1.

Main variances, changes to budget assumptions and key risks

8. The main variances contributing to the projected overspend of £1.437m, 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	879	**Projected outturn variance £879k adverse, an adverse movement of £540k from Period 6.** The impact of the coronavirus pandemic is and will continue to have a significant bearing on the service both in terms of its service delivery and finances. Below is the projected position on children's placements and other budget areas. • £962k over budget on Children's placements (note 1), a favourable movement of £113k; • £1.009m under budget on staffing (note 2), an adverse movement of £355k; • £926k over budget on other running costs and income across the service, an adverse movement of £298k (note 3). **Note 1** Children's placements currently projects an overspend of £962k, a favourable movement of £113k. Over the two month period there has been a number of changes within Children's placements from costs for new placements £122k and net additional costs of £107k from movements within existing placements. The total cost of these over this two month period was £229k. However the contingency set aside to be utilised during this period was £342k which is more than sufficient to cover the above resulting in a favourable movement of £113k. To cover any further demand and potential timeline changes to the anticipated planned reductions mentioned above there is a contingency of £265k included in the above projections. The numbers of children as at the end of November compared to those at the end of September are as follows:- • children in care 366, a reduction of 16 • child protection is 173, a reduction of 6 • children in need 906, an increase of 26

To date £1.48m of the £1.50m savings included in the budget has been achieved. The remaining savings for placements is currently anticipated to be achieved however continuous scrutiny in this area will be applied and projections on deliverability of savings may be subject to change.

At this stage it is important to note that the service continues to operate with a high degree of uncertainty due to the potential consequences the pandemic will still have around future demand.

Note 2

A favourable variance in staffing of £1.009m which is due to delays in recruiting and are one-off in nature as the service undertakes its service redesign which will be in place during 2021/22. The adverse movement of £355k from P6 is mainly due to:-

- additional agency costs being incurred as difficulties continue in the permanent recruitment of social workers
- the procurement of a specialist project team to support the complex and additional needs service, with a focus on stabilising current service provision and a review of criteria and policies.

The staffing savings included in the budget of £580k are expected to be achieved this year due to the delays in recruiting as mentioned above. However this will be reviewed throughout the year as to their permanency as the service redesign takes place.

Note 3

The adverse variance in running costs and income across the service is £926k, an adverse movement of £298k, as outlined below:-

- £396k adverse variance on Home to school transport, an adverse movement of £113k. The service is continuing to see an increase in demand with the current passenger numbers at 697 compared to 648 as at the end of March 2021, with applications continuing to be received. In addition to this is the additional costs for staffing to cover passenger assistants who are self isolating;
- £77k adverse variance on Partington nursery, an adverse movement of £3k. This is due to a low uptake at the nursery resulting in a shortfall in income.
- £310k adverse variance on Section 17 (s17) payments, an adverse movement of £166k. S17 payments are made where, for children in need, the authority identifies the needs for these children and ensures that the family are given the appropriate support in enabling them to safeguard and promote the child's welfare. As the number of children in need has increased so have the costs in providing this support.
- £199k adverse variance on income, a favourable movement of £8k. This is mainly due to the impact of COVID-19 (£154k), and a loss of service level agreement income with schools (£40k).

		• £121k favourable variance on grant income, no change. This is due to the receipt of a grant for the school improvement service which it was not anticipated would continue. • Other movements include £65k adverse variance, an adverse movement of £24k. **<u>Note 4</u>** In addition to this there are further estimated costs due to COVID-19 as outlined below which are met by additional income:- • £689k for the COVID Local Support Grant (CLSG) which will be met by a government grant. • £372k for contain outbreak management which will be met by government grant.
Adult Services	467	**Projected Outturn variance £467k adverse a favourable movement of £824k from period 6.** The impact of the coronavirus pandemic and supporting the NHS in dealing with the backlog of patients waiting for treatments continues to have a significant bearing on the service both in terms of its service delivery and finances. The projected position on adult clients and other budget areas is as follows: • £322k adverse position on Adult clients, a favourable movement of £445k from period 6 (Note 1) • £145k adverse position on staffing and running costs, a favourable movement of £379k from period 6 (Note 2) **<u>Note 1</u>** **Savings** - £325k under achievement of savings, this is a favourable movement of £254k perriod 6. **Discharge to Assess** - £659k favourable a £250k favourable movement from period 6. The hospital discharge programme (HDP) is to continue to the 31st March 2022. Estimates have been made to account for potential income from Trafford Clinical Commissioning Group (CCG) for discharge to assess services that are covered by the (HDP). This is for a maximum of 6 weeks from the date of discharge until the 30th June and then for 4 weeks thereafter until the 31st March 2022. Not all of the discharge to assess costs are met by the HDP for the following reasons:- • if services provided are required for more than the maximum allowed under the HDP scheme

		• those beds that are paid for on block but not occupied. Previous estimates assumed that only 50% of costs associated with costs of under occupied block contracts from April to November would be reimbursed. The P8 position has now been revised to include 100% reimbursement of such costs. The impact of the above is a favourable movement of £250k since that reported in period 6. **Packages of Care** – £656k adverse a £59k adverse movement from period 6 This is due to the following:- • Increases in costs to existing packages of care £1.644m (301 clients). This is mainly due to increasing client needs/complexity and changes to clients' financial assessments. • Reductions in costs to existing packages of care £1.647m (283 clients). This is mainly due to reductions in care required, clients that have deceased and changes in clients' financial assessments. • New packages of care - the gross increase was £415k reducing to £62k after applying £353k for contingencies. This will include previous self funders whose savings have fallen below £23,250. It is important to reiterate that the service continues to operate with a high degree of uncertainty due to the potential risks of coronavirus infections, its impact on the care sector and the consequences the pandemic will have around further future potential demands on Mental Health provision. In addition to this is the increase in demand on services in supporting the NHS in dealing with the backlog of patients waiting for treatments. **Contingency** - within the projection there is a contingency of £321k set aside for additional increases in demand/cost pressures throughout the rest of the financial year. **<u>Note 2</u>** The current forecasts indicate there is an adverse variance of £145k on staffing and running costs, a favourable movement of £379k from period 6 which is due to the following:- • £47k adverse variance on staffing, a favourable movement of £373k. This adverse variance is due to additional resource requirements to respond to increased pressures on the service as a result of COVID-19 and due to exceptional circumstances within the Supported Living service; the significant decrease in the projection is due to severe difficulties in recruitment of staff.

		• £190k favourable variance on client equipment, repairs and maintenance, an adverse movement of £41k. This is due to the impact of COVID-19 and the low number of referrals being received; • £323k adverse variance due to projected underachievement of savings, an adverse movement of £25k. This is as a result of delays to changes in legislation and staffing pressures on the service; • Other movements include £35k favourable, a favourable movement of £22k. **<u>Note 3</u>** In addition to this there are further estimated costs due to COVID-19 as outlined below which are met by additional income:- • £4.333m which will be met by the CCG from their allocation given by NHSE for HDP; • £3.867m for infection control and Rapid Testing for care providers which will be met by government grant. • £451k for the clinically extremely vulnerable which will be met by government grant; • £705k for contain outbreak management which will be met by government grant; • £494k for self-isolation support which will be met by government grant. • £1.822m for Workforce Recruitment and Retention which will be met by government grant.
Public Health	(882)	**Projected Outturn variance £882k favourable, a favourable movement of £7k from period 6.** Currently there is a projected favourable position of £882k as a result of:- • £670k favourable position on 'business as usual' staffing costs, no movement from period 6, as the service continues to lead and support the contain outbreak management response to the pandemic; • £82k favourable position on activity based budgets, no movement; • £130k favourable position on running costs and other minor variations, a favourable movement of £7k. Currently activity based budgets are projected to be £82k below budget. However there is a further possibility that underspends on these budgets may increase further as a result of low levels of activity, due to the impact of COVID-19 throughout the financial year.

		In addition to this there are further estimated costs of £2.647m due to COVID-19 for contain outbreak management and this will be met by a government grant.
Place	1,189	**Projected outturn variance £1,189k adverse, a favourable movement of £559k since period 6.** **This includes gross COVID-19 pressures of £3.377m, offset by £3.170m included in the approved budget/reserves – a net COVID-19 pressure of £207k which is a favourable movement of £137k.** **This includes:** • COVID-19 related gross income losses are £3.207m (reduced by £268k), of which £1.470m is included in the approved budget and £1.5m earmarked in reserves relating to Leisure. This gives a net COVID-19 income pressure in the forecast outturn of £237k; • The gross COVID-19 related income losses include parking fees and fines £521k (increased by £35k), property rentals £300k, outdoor media advertising £170k (reduced by £132k), planning fees £459k (increased by £39k), licencing fees £80k, building control fees £61k, highways permits and grants £24k, street trading £20k, pest control £24k (reduced by £10k) and trade waste £48k. There is also £1.5m in forecast support for ongoing trading deficits of the Trafford Leisure CIC due to the ongoing effects of the various COVID-19 restrictions (reduced by £200k), which will be funded from existing earmarked reserves. Trafford Leisure continue to work closely with the Council to monitor finances and mitigate these budget pressures as far as possible within the various operational restrictions, including successful bids for grant funding; • COVID-19 related gross expenditure pressures are £170k (reduced by £69k). This is £30k under the £200k included in the approved budget. The overall gross pressure includes £100k in additional waste disposal costs (reduced by £50k) and £50k related to waste collection, £63k operational buildings (increase of £2k), £7k grounds maintenance, £6k licencing running costs. There is an underspend of £56k on Community Safety staffing relating to staff secondments to COVID-19 related work (increased by £21k); • There are also additional costs fully offset by additional specific COVID-19 grants of £305k Community Engagement and £328k for Public Protection/Economic Growth "pandemic contain" funding. **Other Forecast Variances £437k favourable, a favourable movement of £502k.** • The period movement includes a number of management actions to reduce the previously reported overspend. This

		includes staff vacancy/running cost management for the remainder of the year, £183k, and the release of reserves and other spend not contractually committed, £178k. The ring-fenced planning account also has a favourable movement of £141k after of review of staff, running costs and reserve commitments. **Strategic Investment Programme £1.419m adverse, an adverse movement of £80k:** The Strategic Investment Property Portfolio will deliver a net benefit to the revenue budget in 2021/22 of £6.19m. This is £1.419m lower than budgeted (increased by £80k) and is due to economic factors affecting some of the income, particularly from the town centre investments (see paragraph 40 for further details).
Strategy & Resources	(341)	**Projected outturn variance £341k favourable, a favourable movement of £178k since period 6.** **This includes gross COVID-19 pressures of £461k, a favourable movement of £65k, which is £20k less than the £481k included in the approved budget:** • Gross trading losses in the overall forecast outturn includes £226k in Catering (reduced by £42k), £107k in Cleaning (reduced by £12k) and £49k in the Music Service (no change). There is a forecast net loss of income from staff parking of £60k and £15k expected loss of SLA income. There are also £4k of staff costs (reduced by £11k); • There is also £1.356m of forecast additional staff costs relating to the Modernisation, Communications and Human Resources teams which are wholly funded from COVID-19 related grants up to the end of March 2022. **Other Forecast Variances £321k favourable, a favourable movement of £113k, including:** • Staff costs are £372k less than budget across the Directorate (favourable movement of £120k) based on actual and forecast vacancies across the whole year, which is 5.6% of the total staffing budget; • SLA and other income above budget £135k (increase of £27k); • Other minor variances are net £60k overspent (adverse movement of £34k mainly related to Bereavement services offset by income above). These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which is expected to be achieved in full.

Finance & Systems	184	**Projected outturn variance £184k adverse, a favourable movement of £43k since period 6.** **Forecast COVID-19 Pressures £218k, adverse movement of £7k:** This relates to additional unplanned costs associated with ICT staff, equipment and systems directly related to the COVID-19 pandemic. There are also additional costs fully offset by additional specific COVID-19 grants totalling £1.152m in Exchequer Services and £66k in ICT. **Other Forecast Variances £34k favourable, a favourable movement of £50k:** • Staff costs are £217k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 2.7% of the total staffing budget, and an increase of £41k; • Non COVID-19 related running costs are underspent by £38k, a favourable movement of £17k; • Income is £33k under budget, excluding the COVID-19 grant income above, an adverse movement of £8k. These are offset by the budgeted Directorate-wide efficiency saving target of £188k.

Governance & Community Strategy	233	**Projected outturn variance £233k adverse, an adverse movement of £87k since period 6.** **This includes gross forecast COVID-19 pressures of £445k offset by £240k included in the approved budget, an adverse movement of £54k – a net COVID-19 pressure of £205k:** • Projected gross income losses due to COVID-19 are £361k (increase of £54k) and includes £290k relating to Sale Waterside Arts Centre (increase of £67k), £13k for events including Flixton House (unchanged), land charges £35k (increase of £4k) and Registrar's now £27k above budget (increased by £17k). There is also a £50k loss of income expected from library lettings (unchanged); • cost pressures total £84k (unchanged) and relate to legal costs for fees and additional agency staff required due to the increase in caseload £100k, which is in line with budget, and an underspend in Library running costs due to grants of £16k. **Other Forecast Variances £28k adverse, an adverse movement of £33k:** • Forecast staff costs are £335k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 5.5% of the total staffing budget. This is an increase of £27k; • Running costs are forecast to be overspent by £28k, which is an adverse movement of £73k, largely relating to additional external legal fees and printing/postage costs in Registration Services; • There is a projected shortfall in income of £143k compared to budget excluding the COVID-19 pressures above, which is £13k less than last reported. The overall shortfall includes £34k in capital fee income which is related to staff vacancies, £64k shortfall in traded services (£13k decrease) and £45k reduced grant income in electoral registration service. The above is offset by the budgeted Directorate-wide efficiency saving target of £192k.
Council-wide budgets	(292)	**Projected Outturn variance, £292k favourable, no movement since Period 6** **Treasury Management** Income totaling £392k was forecasted to be received during 2021/22 from monies invested in Manchester Airport Group in 2020 by the Council along with the other 9 Greater Manchester LAs for the provision of a new car parking facility. As a result of the current COVID-19 pandemic, returns will not be forthcoming and it is envisaged that once the current restrictions on air travel are relaxed

		then an income stream from this project will start to be received. To reduce the impact this will have on the treasury management projected outturn for 2021/22, a contribution from the Council's COVID-19 contingency budget will be applied. No change since period 6. **Greater Manchester Advance Pension Payment** A greater than expected saving of £150k above budget from the three yearly advance pension payment is forecast. No movement since period 6. **Housing Benefit** The Housing Benefit budget is notoriously difficult to predict. At period 8 a pressure on the net Housing Benefit budget (payments made, less subsidy and overpayment recovery) of £314k is estimated, although there is a wide margin for error given the unknowns. It was considered prudent at the end of the last financial year to bolster the Housing Benefit Reserve by a figure of £500k and this will be drawn on to cover this in-year pressure, so no impact on the Council-wide outturn figure above. **Members Allowances** There is a projected saving of £25k on Members Allowances and running cost budgets, no change since period 6. **External Audit fees** Following the approval of its 2020/21 audited annual report, the Public Sector Audit Appointments has redistribute a total of £5.6m amongst its members. For Trafford this refund is £18k. **Council-wide Contingencies** **a) Pay Award** On 27 July 2021 the National Employers, who negotiate pay on behalf of local authorities, made an improved, final pay offer to Council employees, a pay increase from 1 April 2021 of 1.75% (with 2.75% for those on the bottom pay point). However, this latest offer was rejected by the Unions and negotiations are still on-going. The cost to Trafford of the above pay offer, had it been accepted, would be £1.145m. This would leave a shortfall of £980k above current budget assumptions, which would need to be met from within the general Council-wide contingency budget. This would now only leave £100k in the contingency budget for other unknown pressures during the year. **b) Sales, Fees and Charges Compensation Grant** Council-wide holds the budget provision for the Sales, Fees and Charges Compensation Grant to recompense the council for COVID related income losses limited for the first quarter of 2021/22. Income

		losses during the first quarter were lower than budget subsequently resulting in a lower compensation grant estimated at £566k. No change since period 6. The shortfall will be met from the COVID-19 contingency of £1.5m. **c) Greater Manchester Temporary Resting place** £40k potential COVID-19 related costs above budget. This shortfall will be met from the COVID-19 contingency. No change since period 6. **d) COVID-19 Contingency (temporary)** The Council-wide contingency budget for 2021/22 includes £1.5m specifically for potential COVID-19 pressures. The current commitments against this allocation identified above leaves a balance of £502k remaining, no change since period 6. **e) Transport Levy** The final GMCA Transport levy set is lower than the budget agreed in February by £99k. **f) Savings Programme** The savings from the Voluntary Redundancy/Voluntary Severance scheme of £919k over the two year period 2021/23 (£708k in 2021/22 and £211k in 2022/23) is projected to fall short by £50k. Also, the take up from the 9-day Fortnight scheme has been lower than expected and the saving of £60k will not be fully realised, leaving a shortfall of £48k. However, these savings shortfalls will be managed within the pay element of the Council-wide contingency budget, which includes an allowance to cover the reduced savings from the lower than expected take up of the Voluntary Leave Scheme in 2021/22, £100k compared to the budget of £250k.
Dedicated Schools Grant	1,976	**Projected outturn variance £1.976m adverse, an adverse movement of £63k from Period 6.** Underspends are expected in the Schools, Central Schools Services and Early Years blocks of £186k, a favourable movement of £29k. The High Needs Block is currently projected to overspend by £2.162m (an adverse movement of £92k from P6). The movement largely relates to an increase of 14 out of borough placements due to having no further capacity in borough and increasing complexity of need. There is a negative high needs block reserve of £181k, leaving an estimated overall DSG deficit of £2.343m at year end. The service are reviewing what mitigations can be put in place to provide longer term savings.

MTFP SAVINGS AND INCREASED INCOME

9. Given the financial pressures the Council continues to face, as identified in the Medium Term Financial Strategy, it is important that as much of the current savings programme is achieved in order to avoid recurrent shortfalls cascading into future years and increasing the budget gap.

10. The 2021/22 budget is based on the achievement of permanent base budget savings and increased income of £11.926m. A detailed review of the status of each saving is now undertaken on a monthly basis and a classification has been made using a "traffic light" system to highlight schemes at risk of not being achieved. Whilst some savings will be achieved through one-off alternative means/mitigating actions in the current year, a status has also been included on the risk of non-delivery falling into 2022/23.

Table 3 - Savings Programme Risk Assessment Summary - Impact in 2021/22								
Category	**No of Schemes**	**% Schemes**	**Budget (£000's)**	**Forecast (£000's)**	**Variance (£000's)**	**Variance after mitigating action (£000's)**	**Actuals Achieved to date (£000's)**	**Balance of Actuals (£000's)**
Red	23	38%	(2,560)	(937)	1,623	957	(596)	(341)
Amber	8	13%	(5,333)	(3,914)	1,419	1,419	(3,755)	(159)
Green	30	49%	(4,033)	(4,111)	(78)	(4)	(4,075)	(36)
Total	**61**	**100%**	**(11,926)**	**(8,962)**	**2,964**	**2,372**	**(8,426)**	**(536)**

The latest forecast shows that the programme is currently expected to deliver savings of £8.96m, which is £2.96m below target, after in-year mitigating actions, such as alternative savings, this has reduced the shortfall to £2.37m which is a positive movement of £491k since Period 6. To date £8.43m has been achieved with £536k still to be achieved.

Of the savings that will not be delivered in the current year, an exception report explaining the shortfall and mitigating action has been included in Appendix 2. This position has been considered when developing the 2022/23 budget plan with a figure of £929k relating to schemes which are unlikely to be delivered, including pressures in Adults Social Care of £606k and £323k in Place Directorate.

RESERVES

11. The usable reserve balance brought forward as at 1 April 2021 was £165.42m, excluding schools and capital reserves. Although the balance is substantial, the majority of this relates to COVID-19 reserves which are ring fenced to meet the 2020/21 Collection Fund shortfall. In addition, current budget plans have already assumed that £22.24m of reserves will be drawn down, including £2.80m in 2021/22 from the Budget Support Reserve and £8.34m in 2021/22 and £7.10m in 2022/23 from the COVID-19 General Reserve.

12. Details of the estimated balances and movements over the next three years was last presented in the draft budget report for 2022/2023 and a commitment was made to undertake a review to challenge and identify potential uncommitted resource as part of the final budget report. The review of all earmarked reserves is nearing completion and this exercise has identified resource to alleviate some of the in-year pressures, as demonstrated within the Place Direcorate, as well as bolstering budget resilience reserves to support our medium term financial strategy. The positive forecast outturn relating to Council Tax and Business Rates of £1.55m and £4.35m as reported below, will also be used to provide further resilience in managing our budget plans over the medium term.

13. Further details of the review will be presented in the final budget report for 2022/23.

COLLECTION FUND

Council Tax

14. During 2020/21 the challenges faced by COVID-19 placed considerable pressure on the Council Tax Collection Fund, largely related to a reduction in collection rates and an increase in Council Tax Support. The budget for 2021/2022 was set using assumptions that the impact of the pandemic would continue and an overall reduction of £3.24m was built in to reflecting higher take up of local council tax support, delays in new properties coming on line and lower collection rates. The Council’s budget includes a Government backed Local Council Tax Support Grant of £1.65m to offset some of the costs associated with the higher take up of the scheme.

15. The discretionary Council Tax Hardship Scheme was extended for a further year, enabling all existing working age Council Tax Support (CTS) recipients registered as at 31st March 2021 to claim a discretionary Hardship award equivalent to the value of their 2021/2022 liability. The cost of this extension was met from an underspend from the Government sponsored hardship grant received in 2020/21. There are no plans to extend the scheme beyond the current financial year.

16. As at period 8, a detailed review of key components of Council Tax income and support and assumptions has been undertaken and the following conclusions have been reached

- The level of cash collection for in year debt is largely in line with the budgeted collection rate. Note, the budgeted collection rate was reduced in the current year in response to the pandemic.
- The collection of prior year debt is better than expected and it is estimated that £1.2m could be released from the amount set aside for the provision for bad debt.
- The Tax base has dropped by £189k largely due to an increase in discounts (e.g. single person discount).
- Local Council Tax Support and award of the discretionary hardship is lower than budget by £700k.
- The combined positive effect of the above, albeit largely one off in nature from the favourable collection of historic debt, gives an estimated outturn surplus of approximately £1.9m, of which the Council's share would be £1.55m.
- Although due to Collection Fund accounting regulations this one off amount is not available for release in the current financial year, it can be built into our medium term financial plans to help close the budget gap in 2022/2023 and in addition bolster a risk reserve as set out below.

17. The Period 8 monitor is generally used to confirm the budget assumptions for the following financial year, and this year it is particularly critical in understanding whether the one off impacts of the pandemic show any signs of recovering to pre-pandemic levels. Given that the Government's support grant of £1.65m and the £1.0m discretionary Hardship scheme will cease in 2022/2023, there is a risk of an ongoing budget pressure if demand for support does not reduce proportionately at the start of the next financial year.

18. There remains to be a high level of uncertainty in forecasting the Council Tax outturn and ongoing impact of the pandemic in future years. With this in mind a figure of £500k was added to our draft budget plans for 2022/2023 to reflect potential pressures in the recovery of income. Given the estimated favourable outturn in 2021/22, this gives an opportunity to release a figure to support the 2022/23 budget gap and also earmark an amount to be held in a Council Tax Risk Reserve, should the ongoing impact of Council Tax Support be higher than anticipated. It is suggested that a figure of £0.50m from the estimated outturn be directed to a Council Tax Risk Reserve, leaving a balance of £1.05m to be used towards bolstering the budget resilience reserves to support future plans.

Business Rates

19. The 2021/2022 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £7.8m. Projecting business rates is by its nature complex and prone to variation, in addition the impact on COVID-19 has added further uncertainty to the accuracy of projections.

20. In order to support businesses with the impacts of COVID-19, the Government provided various rate relief packages, with 100% relief being given to retail,

hospitality and leisure sites until July 2021 and thereafter 66% until March 2022. The Council will be compensated for the loss in rates income via a Section 31.

21. In addition, further Government support is being offered to businesses via a discretionary scheme administered by the Council for other businesses falling outside of the retail relief scheme. Details of the scheme, which relate to 2021/2022 only, were recently released and will require the Council to design and adopt a local scheme and this will be reported separately to the Executive. The government will fully reimburse the cost the relief within a cash cap grant for each local authority, of which Trafford's allocation is £6.4m. Details of the scheme will be developed in due course with the intention of awards being made before in April 2022. Whilst the extension of such reliefs is welcomed news, it has added to the complexity of business rate monitoring.

22. When the budget for 2021/22 was set, an assumption was made that there would be a reduction in income from businesses of 5% over the year, this resulted in a reduction in the budget of £3.49m.

23. As reported in previous periods, the rates outturn was largely in line with budget, with shortfalls in the base income due to increases in empty properties and those being redeveloped, being offset by better than expected collection rates. Since Period 6, a detailed review has been undertaken to reassess the level of provision the council holds for historic business rate appeals. This exercise has allowed a balance to be released, resulting in an estimated surplus in the collection fund of £3.8m. Due to Collection Fund accounting regulations this surplus will be released in 2022/23 and will be built into our medium term financial plans accordingly.

24. In addition to the above surplus, there is a forecast surplus on the 2021/2022 General Fund components relating to rates income of £0.552m, which is largely due to the section 31 compensation grants being higher than anticipated. This amount will form part of the in year outturn will be transferred to the Budget Support Reserve to be used to support future budget plans, resulting in a breakeven outturn in 2021/2022.

25. Furthermore, the estimate includes a net contribution of £4.89m to the Greater Manchester Combined Authority (GMCA) under the business rates growth pilot scheme. Given the overall uncertainty in the financial landscape, discussions are ongoing with GMCA concerning the sharing arrangement and potential for a higher proportion of growth to be retained by each local authority, as was the case in 2020/21. Should the contribution be lower than planned, any surplus can be used to offset the in year pressure or alternatively be used to support our future budget.

Impact of COVID-19

26. The impact of the pandemic on the council's finances is anticipated to last for many years and the budget for 2021/2022 includes additional resources of £8.341m to help manage the continuing impact of the pandemic. Pressures were anticipated in client demand, lost income from our strategic investments in the Manchester Airport Group and from Sales, Fees and Charges. These were offset by Government backed support and use of reserves, based on assumptions at the time, that the pandemic would last for the first quarter of 2021/2022.

27. Due to the uncertainty of the impact of the pandemic the forecasting of pressures was particularly difficult in 2020/2021 and this situation continues to be the case. The COVID-19 pressures have become increasingly difficult to separate from business as usual activity and for ease of reporting, have only been shown within the service narratives where they can be isolated rather than a separate breakdown as was the case in 2020/21.

28. At the time of writing this monitor, the country is facing an increasingly uncertain situation relating to the potential for further restrictions following the rise in infections relating to the Omicron variant.

29. In December 2021, the Government announced a number of support packages specifically to address the pressures arising from the Omicron variant which included business rates reliefs for businesses in hospitality and leisure, plus discretionary funding made available for local authorities to support other businesses who have been impacted. Further one off ringfenced support grants have been announced, specifically aimed at supporting the Adults Social Services Sector. This included national allocations of £462.5m to support workforce recruitment and retention, £388.3m for Infection Control and Testing Fund and a further £60m to be released in January 2022 to support infection control measures and the further use of Direct Payments if required to meet care needs. Some details of the funding have yet to be released, however have involved elements being passported directly to providers. For monitoring purposes the grant income and costs have been assumed as neutral with any grant being fully spent by year end.

30. Although no further direct COVID-19 grants have been announced to support local authorities in future years, the Council continues to provide regular monitoring returns to the Government Departments which will be used at a national level to inform the debate on whether additional resources will be required over the medium term.

CAPITAL PROGRAMME

Approved Budget

31. Following a review of the overall programme and the outcome of the period 8 monitoring exercise, the revised capital programme budget for this financial year has been reprofiled from £48.44m to £40.25m, net reduction of £8.19m from the P6 position. This will be rephased into future years and will be reviewed as part of the budget monitor throughout the year. The following table details the service analysis of the revised budget (P6) and current revised budget for 2021/22 (P8).

Table 4 - Capital Programme 2021/22	**P6 Revised Approved Programme £m**	**Current Revised Programme £m**	**Period Movement £m**
Service Analysis:			
Children's Services	12.79	12.11	(0.68)
Adult Social Care	4.49	2.14	(2.35)
Place	29.82	24.78	(5.04)
Governance & Community Strategy	0.08	0.08	-
Finance & Systems	1.26	1.14	(0.12)
General Programme Total	**48.44**	**40.25**	**(8.19)**

32. The following the areas of re-profiling and changes to the individual schemes in the current financial year are as follows;

- Children's Services
  - There has been some re-profiling on a small number of schools schemes which will be delivered in the next financial year of £677k.
- Adult Social Care
  - The delivery of the Disabled Facilities Grant programme has been adversely affected by the Covid 19 pandemic. There have also been a number of changes in relation to providers for the service which have led to delays in the works. There may be a slight uplift in smaller cases before the end of the year if these can be approved before the end of January 2022. These delays have led to re-profiling of £1.85m into the next financial year.
  - There has been a re-profiling of spend of £102k for Right Care For You scheme with this work now due to be carried out in 2022.
  - The works associated with Shawe Road, Urmston, originally budgeted for £400k in 2021/22 with a further £400k in 2022/23 have been reviewed. It is now expected that only £100k in total in 2022/23 will be required to deliver the improvements needed.

- Place
    - The balance of the budget of £3.26m allocated to support the Manchester Airport Group may still be required in the future and has therefore been reprofiled to the next financial year.
    - There is a requirement to carry out essential repairs at Trafford Town Hall on the clock tower. The anticipated costs are expected to be £95k, funding has been identified from reserves.
    - Regeneration grant funding of £975k has been announced by the Department for Levelling Up, Housing and Communities (DLUHC) for works being undertaken by Irwell Valley, Sale West.
    - Altrincham Town Centre Public Realm works of £247k have been reprofiled as the next phase of the works are further developed.
    - Work is currently underway to provide a delivery strategy for the installation of EV Charging Points across the borough, the expected spend of £100k for this year has been reprofiled accordingly.
    - Mayors Cycling and Walking Challenge Fund Works of £2.05m have been reprofiled to later in the programme. Additional design and development work is still being undertaken.
    - Current improvements of £250k on Sale Waterside have been reprofiled. The resources are earmarked for the reviewing of current ways of working and the working environment at Sale Waterside and Trafford Town Hall post Covid 19.
    - Highways Infrastructure Safety Improvements Works of £200k have been reprofiled to be completed in the next financial year.
- Finance and Systems
    - SAP System Landscape upgrade works of £121k has been rephased, it is still anticipated that the works will be undertaken in the next financial year.

Status, Progress of Specific Major Schemes

33. Updates will be provided on specific issues where there is a significant impact on delivery of the forecast programme in terms of timescales or within approved resources. In addition updates on larger schemes will be provided throughout the year.

Specific Issues

- Decarbonisation Scheme

  At this stage there are a number of potential delivery pressures that are in the process of being managed. The scheme is being undertaken in partnership with GMCA who are currently in discussion with grant awarding body (Salix) to mitigate any funding risks. The Council has also met with its suppliers to mitigate costs and delivery risk.

- Tamworth JV

  To date expenditure of £260k has been incurred on initial feasibility and design, the cost of which has been split 50:50 in line with the original report to the Executive in January 2020. Additional costs in the region of £255k are to be incurred to get the scheme to detailed design and to achieve relevant planning approvals. The Council share of this will be £127.5k. It is to be noted that until the scheme progresses to the delivery stage there is a risk that these costs may need to be funded from revenue. Although it is anticipated that the risks of this arising are minimal as a Pre-application meeting was held with The Local Planning Authority to ensure that the next stage of design includes any specific requirements made. These further costs are to be shared equally between the two partners.

Resources

34. The general capital programme is resourced by a combination of both internal and external funding and is detailed in the table below:

Table 5 - Capital Programme Resources 2021-24	P6 Revised Approved Programme £m	Revised Programme £m	Variance £m
External:			
Grants	30.08	27.48	(2.60)
Contributions	2.32	2.07	(0.25)
Sub-total	**32.40**	**29.55**	**(2.85)**
Internal:			
Receipts requirement	5.00	4.68	(0.32)
Borrowing	9.33	5.22	(4.11)
Reserves & revenue contributions	1.71	0.80	(0.91)
Sub-total	**16.04**	**10.70**	**(5.34)**
Total Resourcing	**48.44**	**40.25**	**(8.19)**

35. The movement in resources of £8.19m relates to re-phasing to the remaining years of the current approved three year programme and additional DLUHC grant, use of reserves and removal of schemes funded by borrowing as detailed previously in this report. The following gives the detailed split of the variance;

- Net re-phasing to future years – (£8.86m);
- Additional Grant – DLUHC – £975k;

- Use of Reserves – £75k;
- Borrowing removed from programme - (£400k).

36. The Land Sales and Development Programmes are continuously reviewed and are updated for any known changes within the programme. The current position now indicates an over-programmed level within the capital programme of £2.54m which is a decrease of £1.28m from £3.82m, the position reported in P6 monitor. This is a result of five disposals that have been completed where a greater overall receipt than that anticipated was achieved. The properties that have been sold are detailed in Appendix 3 which also lists the current Land Sales programme and development sites along with the anticipated year in which the council will realise a receipt from the scheme.

37. The table below highlights the overall level of over-programming and the in year surplus and deficits which will need to be managed over the three year period of the programme.

Table 6 - Capital Programme Resources	Budget 2021/22 £m	Budget 2022/23 £m	Budget 2023/24 £m	Budget Total £m
General Programme Investment	**40.25**	**72.36**	**54.47**	**167.08**
Grants	27.48	49.89	39.38	116.75
External Contributions	2.07	3.61	2.92	8.6
Revenue and reserves	0.8	1.17	0.01	1.98
Prudential Borrowing	5.22	12.23	0.65	18.1
Shortfall in 20/21 Receipts	(3.38)	-	-	(3.38)
Forecast Capital Receipts	7.73	2.95	11.81	22.49
Total Funding	**39.92**	**69.85**	**54.77**	**164.54**
Surplus / (Deficit)	**(0.33)**	**(2.51)**	**0.30**	**(2.54)**

There are a number of options that will be considered in order to address the forecast deficit for the current year of £0.33m and the overall level of over-programming of £2.54m. The options are as follows:

- Re-phasing of capital schemes that are funded from receipts will assist in reducing the short-term deficit. Work has already been undertaken with services to identify some schemes that can and have now been delayed mainly until the next financial year, although this effectively delays the funding issue until later financial years;

- Deletion of schemes currently funded from receipts would assist with short term pressures and reduce the level of over programming within the programme. Historic schemes where work has not yet commenced will be reviewed as part of the new round of bidding to identify if all these schemes are still required and still align with council priorities. This will also include a wider review of the programme to identify any potential schemes that are no longer required;
- Identify additional opportunities for land sales and development returns that are currently not assumed within the anticipated levels of receipts. Work is continually ongoing to identify any sites that are no longer required that could be either sold or developed in addition to other development opportunities across the borough;
- Short term borrowing as detailed in the February 2021 capital strategy could be used to fund the deficit in capital programme for the next two years until receipts are realised and then used to repay the borrowing. This would have additional revenue costs that will need to be identified. This also carries a risk that if receipts are not realised within predicted time scales, or at all, the borrowing will then need to be paid for on a longer or more permanent basis for which there are no resources currently identified.

Asset Investment Fund

38. The Asset Investment Fund currently stands at a maximum approved limit of £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 current committed cost of £366.12m, of which £256.92m has currently been expended. The commitment is inclusive of a development loan of £12.0m to facilitate further the residential development at Castle Irwell, approved by the IMB in October 2021, and £16m of further investment in the Stamford Quarter, split between equity and debt, approved by the IMB in December 2021. This means the balance of the approved £500m which is available for further investment is £133.88m (Table 8 below).

Table 8: Asset Investment Fund	Prior Years £m	Repayments £m	Commitment £m	Total £m
Total Investment Fund				***500.00***
Property Purchase:				
Sonova House, Warrington	12.17	-	-	12.17
DSG, Preston	17.39	-	-	17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84	-	-	10.84
The Fort, Wigan	13.93	-	-	13.93
Sainsbury's, Altrincham	25.59	-	-	25.59
Sub Total	**79.92**	**-**	**-**	**79.92**
Property Development:				
Sale Magistrates Court	4.80	-	-	4.80
Brown Street, Hale	6.79	-	2.04	8.83
K Site, Stretford Equity	11.00	-	1.25	12.25
Former sorting office, Lacy Street, Stretford	0.87	-	0.09	0.96
GMP Site, Chester Road, Old Trafford			0.64	0.64
Care Home Purchase	2.23	-	-	2.23
Various Development Sites	0.43	-	0.11	0.54
Sub Total	**26.12**	**-**	**4.13**	**30.25**
Equity:				
Stretford Mall, Equity	8.82	-	-	8.82
Stamford Quarter, Equity	16.69	-	8.25	24.94
Sub Total	**25.51**	**-**	**8.25**	**33.76**
Development Debt:				
Bruntwood; K site	10.90		1.35	12.25
Bruntwood; Stamford Qtr /Stretford Mall	25.57	-	8.25	33.82
CIS Building, Manchester	60.00	-	-	60.00
The Hut Group	62.45	(62.45)	67.50	67.50
Castle Irwell, Salford	11.28	-	7.72	19.00
Castle Irwell, Salford – Phase 2	0	-	12.00	12.00
Sub Total	**170.20**	**(62.45)**	**96.82**	**204.57**
Total Capital Investment	**301.75**	**(62.45)**	**109.20**	**348.50**
Albert Estate Investment	17.62		-	17.62
Total Investment	**319.37**	**(62.45)**	**109.20**	**366.12**
Balance available				**133.88**

39. These investments were budgeted to generate a net revenue benefit in 2021/22 of £7.61m. The forecast net income is £6.19m, a deficit of £1.42m compared to budget. This adverse movement of £80k is due to £300k of income being set aside to fund debt repayments, offset by an improvement of £220k in the distributions expected from the Council's Joint Venture at the Stamford Quarter.

Table 7 - Asset Investment Strategy Period 8 Monitor	Budget Variance £000
Net Income target	(7,609)
Pipeline Recycling Target	2,454
Variable Interest Rates	854
Joint ventures	730
HUT Group delay	632
Castle Irwell earlier draw	(194)
Castle Irwell Phase 2	(53)
Reduced reserve contributions	(1,651)
HUT Group reserve smoothing	(632)
Pipeline Schemes	(720)
Net Income after mitigations	**(6,190)**
Variance to target	**1,419**

Issues / Risks

40. A key risk is the ability to deliver the revised capital programme in 2021/22, and this will continue to be closely monitored and reported throughout the year and as any significant issues may arise.

41. In addition, there is the risk that the level of Capital receipts that will be realised in the year and in future will be insufficient to fund the relevant schemes in the capital programme. A prudent approach to estimating these asset receipts and development returns will continue to be taken with only receipts that have a significant level of certainty being included in the resource forecasts.

Recommendations

42. It is recommended that that the Executive:

- note the updated positions on the revenue budget, collection fund and capital programme.

<u>Other Options</u>

No Applicable.

<u>Consultation</u>

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance **GB**.........
Legal Officer Clearance ......*JLF*...........

DIRECTOR'S SIGNATURE ...... G. Bentley ......

Appendix 1

Service Review/Virements	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)
Period 6 Outturn Report	**42,456**	**65,108**	**31,155**	**5,445**	**7,683**	**6,164**	**21,461**	**179,472**
Virements:								
Re-align Public Health expenditure		(90)		90				0
Re-align GMCA/AGMA budgets			(22)			(2)	24	0
Re-align Copyright licence fee budget				9			(9)	0
Re-align 9 day fortnight saving budget		(4)	(1)	(4)		(3)	12	0
Total movements	**0**	**(94)**	**(23)**	**95**	**0**	**(5)**	**27**	**0**
Period 6 Outturn Report	**42,456**	**65,014**	**31,132**	**5,540**	**7,683**	**6,159**	**21,488**	**179,472**

Appendix 2

Theme/Title	Service Area	Original Budget Saving 2021/22 £000's	Projection 2021/22 £000's	Gross Variance 2021/22 P8 £000's	Mitigating action undertaken in year £000's	overall net variance in year after mitigating action £000's	Actual achieved to date P8 £000's	Actuals yet to be achieved to meet projection £000's	22/23 Pressure savings not likely to be met P8	Description of Saving	Financial RAG 21/22	Explanation of variance	What mitigating action has been taken to achieve savings in year? * What activities have been or will be put in place to address underperformance over the long term? * When performance will be brought back on track?
Person Centred - Reshaping	Adults	(301)	(555)	(254)	250	(4)	(555)	0		Continuation and roll out of the let's talk and right care for you approach to promote independence and support better outcomes	GREEN	This continues to be rolled out but is dependent upon the level and types of activity during the year.	£250k of the overachievement will be utilised in the Person Centred reshaping - Mental health and learning disability shortfall below .
Liberty Protection Safeguards (LPS)/Portal - Reshaping	Adults	(201)	0	201	0	201	0	0	201	The implementation of the LPS scheme and a whole system portal which will drive through efficiencies and costs savings.	RED	This saving is dependent upon changes in legislation which have been delayed and it is not yet clear when this will be enacted.	This saving is dependent upon changes in legislation which have been delayed and it is not yet clear when this will be enacted. However once enacted savings are anticipated to be achieved.

Market Management	Adults	(68)		68	0	68	0	0	68	Pursuing alternative purchasing arrangements with providers.	RED	These purchasing arrangements have not materialised as anticipated due to the current market conditions within the residential and nursing sector.	Due to the current market conditions within the residential and nursing sector - e.g. recruitment and retention issues leading to rising staff costs together with ongoing impact of COVID, these purchasing arrangements have not materialised in the market as had been anticipated and are unlikely to be achieved in the near future.
Supported Living	Adults	(123)	(15)	108	0	108	0	(15)	71	To maximise the current service capacity.	RED	The review has concluded that not all this saving can be achieved. Of that which can be achieved the part year effect is £15k with another £37k in 22/23.	Due to needs/requirements of those placed in these settings the review has concluded that not all these savings can be achieved now or in the long-term. Of that which can be achieved the part year effect is £15k with another £37k in 22/23.
Person Centred reshaping - Mental health and learning disability	Adults	(500)	(250)	250	(250)	0	(132)	(118)		Reshaping of models and care pathways to create a single point of access for care letting, incorporating the let's talk and right care for you approach to promote independence and support better outcomes.	RED	This is being reshaped but is dependent upon the level and types of activity during the year. The target will not be achieved in full in this financial year. Progress has been slower than expected due to the pandemic and the Hospital Discharge programme that has impacted on	The target will not be achieved in full in this financial year. Progress has been slower than expected due to the ongoing effect of COVID and the Hospital Discharge programme that has impacted on the availability of beds. This has been mitigated by the overachievement of the overall person centred reshaping saving.

												the availability of beds.	
Learning Disabilities - supported accommodation	Adults	(173)	(75)	98		98	(15)	(60)	113	Retender the learning disability supported living accommodation commissioned within Trafford, on a patch basis.	RED	This has now not materialised as anticipated and will now not be achieved in full.	The retender of the learning disability supported living accommodation commissioned within Trafford did not secure the savings anticipated and will not in the near future.
Learning Disabilities - Develop an assessment facility (Shawe Road)	Adults	(30)	0	30		30		0	30	The reconfiguration of Shawe Road into an emergency accommodation and assessment unit.	RED	The reconfiguration for Shawe Road is still underway but this will not be achieved in this or the next financial year.	The reconfiguration for Shawe Road is still underway but it is not anticipated that this will be achieved in this or the next financial year due to delays in the review of this service until 2022/23.
Care – 1:1 hourly rate	Adults	(10)		10		10		0		Alignment of the hourly rate for 1:1 hours provided	RED	Due to current pressures in the care systems as a result of the continued pandemic this will not be achieved this year but will be carried forward into the following year	Due to current pressures in the care systems as a result of the continued pandemic this will not be achieved this year but will be carried forward into the following year
Digital front door	Adults	(30)	0	30		30		0		Drive through efficiencies and savings as the digital portal is launched at the front door.	RED	This will now not be achieved until the next financial year due to the extended time required to roll this out safely and fully.	This will now not be achieved until the next financial year due to the extended time required to roll this out safely and fully.

Care at home	Adults	(150)	(28)	122	(30)	92		(28)	123	Remodelling of the care at home services	RED	The remodelling of this service will not take place this year and therefore this years saving is based on keeping vacancies open. However at the present time this is difficult to do with the pressures being faced in the service.	Due to ongoing impact of COVID, the Hospital Discharge programme and capacity in the homecare market this resource is required and it is not anticipated currently that this will be achievable in the long term.
Home to School Transport	Children	(48)	(30)	18		18	(30)	0		Removal/amendment of the discretionary criteria on home to school transport with the re-introduction of a charging policy.	RED	Due to implementation not taking place until September 21, only 2 terms will be achieved	No mitigation actions are available due to the current pressures being experienced in this budget area but will be achieved in full in 22/23.
Property Estates review	Place	(220)	(156)	64		64	(86)	(70)		Improve efficiency of operational estate, including for example a review of occupation and use of Sale Waterside, Altrincham Town Hall and Flixton House (while still retaining Council ownership). Review opportunities for improved income generation from property assets	RED	A number of proposals being worked on with Amey although potentially only a part year effect. Includes £50k from Altrincham Market which will be achieved from October (£100k is the FYE).	

Business rates review	Place	(50)	0	50		50	0	0		Review rateable value of Council estate	RED	Avison Young appointed - timing is a key risk here - may need reserves to smooth but returns potentially higher than £50k.	
Amended parking tariffs - town centres	Place	(136)	(69)	67		67	(69)	0		A range of charging options assessed for amending the current parking charges in town centres.	RED	Budget allowance has been made in 21/22 as part of one off COVID pressures.	
New investment income	Place	(3,000)	(1,581)	1,419		1,419	(1,581)	0		This will be in line with our investment strategy, with the aim of replacing income that will be lost when some current investments are repaid.	AMBER	Assumed shortfall in overall programme. Includes review of contribution to risk reserve to manage some of the shortfall.	
Major events recovery of support services costs	Place	(207)	(82)	125	(125)	0	(82)	0	125	Holders of major events to pay for all associated support services, for example street cleansing, traffic management.	RED	Traffic Management £82k pa being billed. £125k shortfall re street cleansing can be mitigated in-year by underspends in events etc. from 20/21 (via reserves) and early 21/22.	Use of reserves from 20/21 and 21/22 to mitigate in year.

Move to wildflower / good verge guide throughout the Borough.	Place	(95)	0	95	(56)	39	0	0	95	Positive bio-diversity impact. Some cutting will still take place to maintain sightlines (e.g. for highways).	RED	Severance costs prohibitive to achieve saving at this stage.	Use of reserves from 20/21 and 21/22 to mitigate in year.
Grass cutting review	Place	(67)	0	67	(67)	0	0	0	67	Grass cutting: Move the cut frequency to 21 days	RED	As above	As above
20% of greenspaces moved to conservation areas	Place	(36)	0	36	(36)	0	0	0	36	Reduced maintenance in specified areas	RED	As above	As above
Pay inflation	Place	(50)	0	50		50	0	0		Pay freeze for staff on LG terms and conditions in line with national pay award	RED	Pay offer is minimum 1.75%	
Renegotiate contract performance targets in high cost areas and change in specification of the Amey contract as part of the 7year review	Place	(102)	0	102	(102)	0	0	0		Saving in operational costs e.g. out of hours call out, street lighting response times etc.	RED	7 year review savings - will be 22/23 now.	Use of reserves from 20/21 and 21/22 to mitigate in year.

Business support – shared services	Strategy and Resources	(150)	(118)	32		32	(118)	0		Review administrative support with a view to exploring shared services, maximising efficiency and potential withdrawal of vacancies.	RED	Review ongoing - delayed in 21/22	
Voluntary Redundancy/ Severance Scheme	Council-wide	(708)	(580)	128	(128)	0	(658)	78	0	Introduction of a VR/VS scheme which allows colleagues to apply to leave the Council's employment through voluntary means. Scheme rules would apply, with the main considerations being the impact on ability to deliver services, as well as cost implications (e.g. redundancy and pension strain).	GREEN	Shortfall in total saving across 21/22 and 22/23 of £109k.	To be met from within the pay costs elements of the Councilwide Contingency budget
9 day fortnight - voluntary	Council-wide	(60)	(12)	48	(48)	0	(10)	(2)		A scheme that allows colleagues to apply for a permanent 9 day fortnight. Would use the flexible working policy guidance as a framework to make it a permanent contractual change.	GREEN	Shortfall in take up of Scheme of £48k.	To be met from within the pay costs elements of the Councilwide Contingency budget.
TOTALS		**(6,515)**	**(3,551)**	**2,964**	**(592)**	**2,372**	**(3,336)**	**(215)**	**929**				

Anticipated Year for Land Sales and Development Returns

Land Sale Programme

2021/22

Flixton Road Children's Home, Urmston - SOLD
Trafford Park Depot (2nd Avenue) - SOLD
Higher Road Depot, Urmston - SOLD
2A Houldsworth Ave, Timperley - SOLD
Trafford MES - Flixton Road, Flixton - SOLD
65/65a Roseneath Road, Urmston – Offer Received
Equity Housing Properties - 12 Norton Street, Stretford
Equity Housing Properties - 68 Thornbury Rd, Stretford
Sale Cemetery Lodge
Virgil Street, Old Trafford
Friars Court, Sale

2022/23

Land at Central Road, Partington
Hale Library

2023/24/25

Brook Road, Urmston
Altair Developments

Development Schemes

2021/22

Brown Street, Hale

2022/23/24

Sale Magistrates Court
Trafford Park Depot (2nd Avenue)
Higher Road Depot, Urmston
Town Centres Re-gear
Jubilee Centre
Claremont Centre & Chapel Road DC, Sale
Stokoe Avenue, Broadheath
Tamworth, Old Trafford (Phase 2)
K Site, Stretford - Residential Development
Trafford High School - Lydney Road, Flixton
Denmark Street, Altrincham
Stretford Sorting Office

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 2 February 2022
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period November to December 2021.

Summary

The purpose of the report is:

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

Recommendation

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

Contact person for access to background papers and further information:

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

Background Papers: None

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Audit and Assurance Service Report November to December 2021

Date: **January 2022**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between November 2021 and December 2021 and highlights progress against the 2021/22 Internal Audit Plan to date. At the end of the year, these update reports will be brought together in the Annual Head of Internal Audit Report which will give the opinion on the overall effectiveness of the Council's control environment during 2021/22.

2. Planned Assurance Work

Key elements of the 2021/22 Work Plan produced in March 2021 include:

- Fundamental Financial Systems reviews.
- Input to the 2020/21 Annual Governance Statement
- Continued input to and review of risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- Audit reviews in respect of ICT and information governance.
- Anti-fraud and corruption work, including the National Fraud Initiative.
- School audits and other establishment audit reviews.
- Grant claim certification work plus input to processes in respect of the payment of business grants in relation to COVID-19.
- Audit reviews of other areas of business risk including audits of services and functions.
- Provision of guidance and advice to services across the Council.

3. Main areas of focus – November to December 2021

Work in this period has included progressing a number of planned internal audit reviews across the Internal Audit plan, including reviews in relation to financial systems, procurement, ICT, schools and other service reviews. All audit opinion reports completed or in progress are listed in Section 5 and other key areas of audit work undertaken are referred to in Section 6.

4. Summary of Assurances in November to December 2021

There were 8 internal audit reports issued in the period (4 final reports and 4 draft reports).

In respect of the 4 final reports issued, opinions of "Substantial Assurance and Reasonable Assurance were provided for 2 of the audits. For these reports issued, where applicable, agreed action plans are in place to implement the recommendations made. For the 2 other final reports, an audit opinion was not given at this stage but assurance was obtained regards ongoing developments and planned improvements in these areas and further audit reviews are planned later in 2022 to assess progress.

A listing of audit report opinions issued including overall findings plus a listing of draft reports produced is shown in Section 5.

5. Summary of Audit & Assurance Opinions Issued – November to December 2021
(See Appendix 3 for details of Audit opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS ISSUED		
Level 4 Reports :		
Social Value in Procurement (Finance and Systems) / (Finance and Governance)	**Substantial Assurance** * **(GREEN)** (16/11/21)	The audit was completed by Audit and Assurance on behalf of all four Local Authorities within the STAR Shared Procurement Service. The introduction of the use of the Social Value Portal has resulted in significant development of processes to establish targets and monitor performance for individual contracts in respect of levels of social value achieved. Previous audit recommendations made in a review in 2020 were followed up and it was confirmed that good progress had been made with one recommendation fully implemented with the other 3 in progress and expected to be completed by the end of 2021/22, which will further enhance processes.
Business Continuity (Authority-Wide) / (COVID-19 Recovery and Reform)	N/A (See Comments) * (23/11/21)	An audit review setting out a position statement of progress made to date against previous audit recommendations was shared with management in November 2021. This reflected the fact that a project is currently in progress by the Council which is aiming to address issues previously reported by Audit in relation to business continuity. Work includes refresh of existing business impact analyses and business continuity plans which will also help to inform IT Disaster Recovery plans. To date, 2 previous recommendations have been implemented but the remaining 9 recommendations are being progressed. Given the work in progress, it was agreed that a further follow-up audit will be undertaken later in 2022 which will further assess progress and an updated audit opinion will be provided (The previous audit opinion issued in 2018/19 provided a Limited Level of Assurance and this will be reviewed to take into account any developments currently underway).
Level 3 Reports:		
Supporting Families Programme (Children's Services) / (Children's Services)	N/A (See Comments) (2/11/21)	There is a commitment of all Greater Manchester local authorities to undertake regular audits to provide assurance that local systems and processes meet the minimum standards of the Supporting Families Programme, previously known as the Troubled Families Programme. Given service developments currently underway, an update report was shared with the Greater Manchester Combined Authority to highlight arrangements in place and actions underway. As part of previous audits, recommendations were made in relation to the development of a multi-agency approach, case level recording, tracking and monitoring, performance management and quality assurance processes. It is acknowledged that the overall direction of travel is improving and identified actions are being progressed such as through the Children's Services Improvement Programme. It is acknowledged that further developments are required in developing Early Help services which are being progressed as part of the work around the Children's Services Redesign. In 2022/23, Internal Audit will review progress further and provide assurance required in

		accordance with GMCA requirements.
Level 1 Reports:		
Kingsway Primary School (Children's Services) / (Children's Services – Education)	**Reasonable Assurance (GREEN)** (19/11/21)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. A number of recommendations were made relating to the procedures for the ordering and payment for goods and services, including improvements to internal checks and processes for obtaining quotes and tenders. It was also recommended that the school's Financial Procedures Manual was reviewed and updated.
DRAFT REPORTS		
Level 4 Reports:		
IT Asset Management (Finance and Systems) / (COVID-19 Recovery and Reform)		A review was undertaken by Salford Internal Audit Services of processes for managing the Council's IT Assets. Initial draft findings were shared with management. It is expected that the report will be finalised for issue in the final quarter of 2021/22.
Level 3 Reports:		
Highways Inspection and Repairs (Place) / (Environmental and Regulatory Services)		A draft report was issued in December 2021 and a final report has since been issued and will be reported in the January to March 2022 Audit and Assurance update report.
Level 1 Reports:		
St. Alphonsus RC Primary School (Children's Services) / (Children's Services – Education)		A report setting out draft findings from the audit review has been shared with the school. A final report will be issued in early 2022 to include the school's response to recommendations made.
Moorlands Junior School (Children's Services) / (Children's Services – Education)		A report setting out draft findings from the audit review has been shared with the school. A final report will be issued in early 2022 to include the school's response to recommendations made.
**Denotes this final report is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.*		

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued. Work in the period has included the following:

- Working with CLT to update the strategic risk register with an update report reviewed by CLT and presented to the Accounts and Audit Committee in November 2021.
- Continuing to provide assistance to the Strategic Growth team in completing checks to support the processing of applications for the payment of grants to local businesses in respect of the COVID-19 Additional Restrictions (Discretionary) Grant Scheme.
- Providing support to relevant services in respect of an ongoing investigation, including provision of advice regards internal control improvements to reduce risks going forward (Once completed further details will be reflected as part of the Annual Head of Internal Audit Report).

- Ongoing work in relation to the National Fraud Initiative as described below:

  National Fraud Initiative (update as at January 2022)

  The Audit & Assurance Service continues to co-ordinate the Council's participation in the statutory National Fraud Initiative (NFI) exercise. The NFI is a nationwide data matching exercise, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. The exercise is a mandatory requirement for Local Authorities, which is co-ordinated by the Cabinet Office. The main exercise is carried out once every two years.

  The Service has co-ordinated the submission of data, in liaison with other services across the Council. As part of the most recent major exercise, a number of datasets were submitted through 2020/21 and 2021/22. Following the release of data matches from these submissions, work has been ongoing to investigate these further.

  As at 12 January 2022, a total of 456 matches had been reviewed by officers covering data in relation to Payroll, Council Tax, Blue Badges and COVID-19 Small Business Grants. A further 153 matches are currently being reviewed. Further matches, including in relation to Creditor payments are expected to be reviewed over the coming months.

  Of the matches reviewed to date, errors in payments have been identified by Exchequer Services in relation to 5 cases which amount to just over £31k. These have been in relation to the payment of 3 COVID-19 Small Business Grants (amounting to £30k) and payments in relation to Council Tax Support for the remaining 2 cases identified. These amounts are subject to recovery.

  The Audit & Assurance Service will continue to liaise with services across the Council and details of outcomes up to the end of the 2021/22 will be reported within the Annual Head of Internal Audit Report.

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

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

Acceptance of Recommendations

From the final audit opinion reports produced and issued by the Audit and Assurance Service during the year to date, 23 of the 24 new recommendations made have been accepted (96%) compared to a service target of 95%. A number of other audits were in progress during the period and levels of acceptance of recommendations made in the subsequent reports will be reflected in the next Audit and Assurance update.

Implementation of Audit Recommendations

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

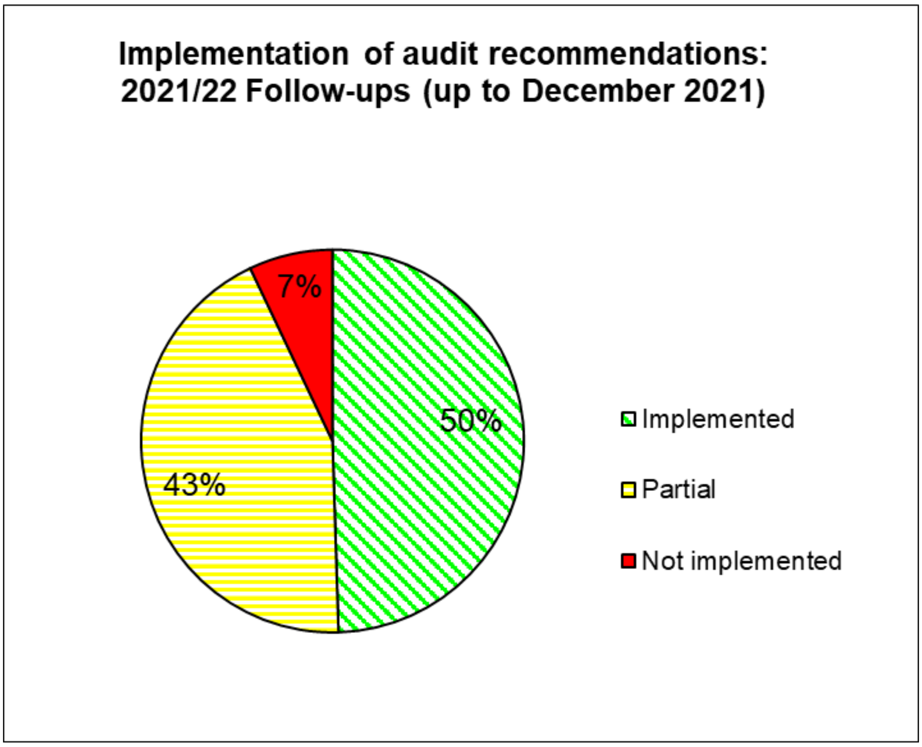
As shown under final reports issued in Section 5, follow up audits were completed in relation to the two audit reviews covering Social Value in Procurement and Business continuity.

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

- St. Vincent's Catholic Primary School (Children's Services – Education) – Of the 3 recommendations made, all 3 had been implemented and where applicable any revisions in policies or processes by the school are to be approved shortly by the relevant Governing Body committees.

An overall analysis of audit recommendations followed up in 2021/22 to date is shown on the following chart.

This is based on follow ups of 11 previous reviews covering a total of 99 recommendations.



Reporting of all follow-ups completed during the year up to the end of March 2022 will be reflected in the Annual Head of Internal Audit Report. Further follow-up of previous recommendations made will be considered as part of audit planning for 2022/23 with further follow up audits planned for some areas where there are still a number of control improvements to implement. This will be reflected in the 2022/23 Internal Audit Plan.

8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2021/22 Operational Internal Audit Plan

As at 31 December 2021, 611 audit days were spent against 637 allocated days (See Appendix 1). A further 100 contingency days were in the 2021/22 Internal Audit Plan but this is expected to be used to mitigate any loss of days from vacant posts arising during the year.

As part of the Internal Audit Plan, a target of 32 audit opinion reports was set to be produced during 2021/22 to final or draft stage. As at 31 December 2021, 17 reports had been produced to final or draft stage; 5 other reviews were in progress and planning had commenced on a further 4 reviews. It is also expected that other reviews will commence during the final quarter of the year. Whilst the target number of reports may not be achieved by March 2022, in addition to the reports produced, there are a number of other reviews where work has been undertaken and a report is not currently planned to be issued but work has been undertaken. (Examples as referred to for reviews in Appendix 2 include advice being given; updates on progress against previous recommendations obtained and a questionnaire being issued for future analysis to inform future audit work).

Within the Audit Plan, it was anticipated that there would a number of reviews which would commence before the end of 2021/22 with time also set aside in 2022/23 to complete the reviews. In appendix 2, for reviews listed where it is stated as “Timing to be Agreed”, these had not commenced by the end of December 2021 and are to be discussed with relevant services to agree future planned work and consider future timing. This will be considered alongside development of the Internal Audit Plan for 2022/23.

Finally, as indicated in Appendix 2, during the year, new work has been added to the Plan with further work expected to be added during the final quarter.

The next update on progress against the 2021/22 Internal Plan, including reports issued, will be reflected in an update for Quarter 4, to be provided with the 2021/22 Annual Head of Internal Audit Report.

9. Planned Work for January to March 2022

Areas of focus include :

- Issue of final reports for all reports listed in Appendix 2 where draft findings have been produced.
- Progression of other internal audit reviews as listed in Appendix 2. Where reviews have not commenced, agreement to be reached as part of the 2022/23 Internal Audit Plan regards future inclusion and timing of reviews in the Plan.
- 2022/23 Internal Audit Plan to be presented to the Accounts and Audit Committee for approval in March 2023.
- Continuing to support CLT in updating the Strategic Risk Register with a report due to be shared with the Accounts and Audit Committee in March 2022.
- Liaison with services to further progress work supporting the National Fraud Initiative.
- Planned liaison with Adults Services to provide guidance in considering processes for undertaking checks of care providers.
- Recruitment exercise to fill the post of Principal Audit and Assurance Officer, further to the previous postholder recently being appointed to the Team Leader position within the Service in November 2021.

APPENDIX 1

2021/22 Operational Plan: Planned against Actual Work (as at 31 December 2021)

Category	Details	Planned Allocated Days 2021/22	Planned Days (up to 31/12/21	Actual Days (as at 31/12/21)
Financial Systems	**Completion of fundamental financial systems audit reviews** See Appendix 2 for opinion reports issued and planned.	150	97	104
Governance	**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.** **Advice / assurance in respect of governance issues.** Work to date has included liaising with Democratic Services on the collation of both the Draft and Final versions, including providing guidance and comments on the documents.	25	21	17
Corporate Risk Management	**Facilitating the updating of the Council's strategic risk register.** **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.** Strategic Risk update reports completed and reviewed by CLT and the Accounts and Audit Committee through the year. (The update in the final quarter will be reported to CLT and the Accounts and Audit Committee in March 2022). Also See Appendix 2 for opinion reports produced and planned.	45	34	26
Anti-Fraud and Corruption	**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.** **Contributing to investigations of referred cases of suspected theft, fraud or corruption.** **Other work to support the Anti-Fraud and Corruption Strategy, including where applicable working with other relevant services**	60	45	55

	to review existing policies and guidance supporting the overarching strategy. Summary of work completed during the year to be set out in Annual Head of Internal Audit Report. Also see Section 6 regards investigation work and an update on work supporting the National Fraud Initiative.			
Procurement / Contracts/ Value for money	**Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).** See Appendix 2 for reports issued and planned.	60	35	21
Information Governance / Information, Communications and Technology	**ICT Audit reviews and advice, including reviews conducted by Salford Internal Audit Services.** **Information Governance audit reviews** See Appendix 2 for reports issued and planned.	80	50	58
Schools	**Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.** **Audit reviews of schools: At least 12 school audits to be undertaken during the year** **Follow-up of progress for audits completed in 2020/21.** See Appendix 2 for audit opinion reports issued and planned and Section 7 re follow-up work.	140	115	103
Assurance – Other Business Risks	**Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes:** **- Audit reviews** **- Follow up reviews including further audits and gaining assurance from service updates.** See Appendix 2 for audit opinion reports issued and planned.	195	105	92
Grant claims checks / Data Quality	**Internal audit checks of grant claims / statutory returns and other checks as required (including in relation to COVID-19 business grant payments)** **Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off.**	95	90	96

	Summary of work completed during the year to be set out in the Annual Head of Internal Audit Report. Also see Section 6 re COVID-19 business grant payments.			
Service Advice / Project Support	**General advice and guidance, both corporately and across individual service areas.** **Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.** Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.	60	45	39
TOTAL		**910***	**637**	**611**

* Note there is a further contingency of 100 days within the 2021/22 Plan which is currently being used to mitigate any loss of audit days through a vacant audit post.

APPENDIX 2

Audit Opinion Reports Issued and Planned 2021/22 (as at 31 December 2021)

Category	Audit Opinion Reports	Status (where progressed by 31/12/21)	2021/22 IA Plan
Financial Systems	- 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 follow-up (Authority-Wide) - Adult Social Care Payments System (Adults' Services) - Adult Social Care Direct Payments (Adults' Services)	Final report issued 10/9/21 In progress Final report issued 28/9/21 - - Final report issued 28/4/21 In progress Follow-up assessment completed August 2021 In progress In progress	Completed Reporting in Q4 Completed Expected to start Q1 2022/23 Expected to start Q2 2022/23 2022/23. Completed Final report to be issued Q4 Completed Final report to be issued by Q4 Final report to be issued by Q4
Risk Management	- Health and Safety (Strategy and Resources / Authority-wide) - Business Continuity follow up review	- Final report issued 23/11/21	Timing to be agreed Completed - 2021/22 interim review completed with further audit review to be included in 22/23 Internal Audit Plan.
Procurement /Contracts /Value for money	- Social Value in Procurement – follow-up (STAR authorities – Trafford lead) (Finance and Systems) - Purchase cards follow-up audit (Finance and Systems) (Any further reports to be issued during the year to be confirmed in liaison with STAR and partner authorities)	Final report issued 16/11/21 Final report issued 10/9/21	Completed Completed
Information Governance / ICT Audit	- 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) - Data breaches (Governance and Community Strategy/Authority-Wide)	Advice provided by Salford Internal Audit. Initial draft findings shared - In progress – questionnaire issued to schools Draft report completed	Further work to be agreed as part of audit planning. Final report to be issued Q4 Timing to be agreed Findings to be collated from questionnaire issued to inform future planned work. Final report to be issued Q4
Schools	12 School Audits (Children's Services) - Davyhulme Primary School - Gorse Hill Primary School	 Final report issued 21/6/21 Final report issued 13/7/21	 Completed Completed

	- Kingsway Primary School - Holy Family Catholic Primary School - St. Alphonsus RC Primary School - Moorlands Primary School - St. Mary's C of E Primary, Sale - Stretford Grammar - Trafford Alternative Education - Victoria Park Junior School - At least 2 other school audits in 2021/22	Final report issued 19/11/21 Final report issued 22/10/21 Draft findings shared Draft findings shared Planning commenced Planning commenced Planning commenced - -	Completed Completed Final report to be issued Q4 Final report to be issued Q4 Draft report to be issued Q4 Draft report to be issued Q4 Draft report to be issued Q4 Start date to be confirmed Q4. Planning to start in Q4
Assurance – Other Business Risks	- 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) Added to 2021/22 Plan: -Supporting Families (Children's Services) -Trafford Assist (Finance and Systems) (Note other additions to the Plan are expected in Q4 and will be reported in the Annual Head of Internal Audit Report).	- - - Planning commenced - Final report issued 27/9/21 In progress - - - - Draft report issued - - - Final report issued 2/22/21 -	To be included in 2022/23 Internal Audit Plan Timing to be agreed Timing to be agreed Draft report to be issued Q4 Timing to be agreed Completed Draft report to be issued Q4 Timing to be agreed Timing to be agreed Timing to be agreed Timing to be agreed Completed - Final report issued January 2022 Timing to be agreed Timing to be agreed Timing to be agreed Completed Expected to start in Q4

APPENDIX 3

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

Substantial Assurance	**Green**
Reasonable Assurance	**Green**
Limited Assurance	**Amber**
Low or No Assurance	**Red**

An opinion is stated in each audit report to assess the standard of the control environment.

Report Status:

Draft reports:
These are issued to managers prior to the final report to provide comments and finalise agreed responses to audit recommendations.

Final reports:
These incorporate management comments and responses to audit recommendations, including planned improvement actions.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4: Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3: Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2: Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1: Establishment / function specific** - Area under review relates to a single area such as an establishment.

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TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**2 February 2022**
Report for:	**Information**
Report of:	**Audit and Assurance Manager**

Report Title

Accounts and Audit Committee – Work Programme – 2021/22

Summary

This report sets out the work plan for the Committee for the 2021/22 municipal year.

It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.

The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Accounts and Audit Committee is asked to note the 2021/22 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**
22 July 2021	Agree Committee's Work Programme for 2021/22 Training workshop arranged outside of the meeting on the 2020/21 Financial Outturn and Statement of Accounts.					
	- 2020/21 Head of Internal Audit Annual Report	- Annual Audit Letter 2019/20 - Audit Strategy Memorandum 2020/21 - Audit Progress Report	- Strategic Risk Register Report	- 2020/21 Draft Annual Governance Statement - Accounts and Audit Committee 2020/21 Annual Report to Council		-Treasury Management update (Annual Performance Report 2020/21) -2020/21 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn Reports
28 September 2021						
	- Internal Audit Monitoring Report	- 2020/21 Audit Progress Update	- Strategic Risk Update: Asset Investment Strategy	- 2020/21 Annual Governance Statement		- 2021/22 Budget Monitoring Report (Period 4 report)

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	**External Audit**	**Risk Management**	**Governance (Including Annual Governance Statement)**	**Anti- Fraud & Corruption Arrangements**	**Accounts/Financial Management**
25 November 2021						
	- Internal Audit Monitoring Report	- 2020/21 Audit Completion Report (Mazars) - External Auditor Appointment Process (Report of Director of Finance and Systems)	- Strategic Risk Register Report. (Also see Financial Management – Insurance Performance Report 2020/21)		- Counter Fraud and Enforcement Team Update Report	- Approval of Annual Statement of Accounts 2020/21 - Treasury Management : 2021/22 Mid-Year Performance Report - Insurance Performance Report 2020/21 - 2021/22 Budget Monitoring Report (Period 6)
2 February 2022	Training: Treasury Management briefing session – 27 January 2022					
	- Internal Audit Monitoring Report	- Auditor's Annual Report 2020/21			(National Fraud Initiative update, within Internal Audit monitoring report)	- Treasury Management Strategy - 2021/22 Budget Monitoring Report (Period 8) - Procurement update (STAR)
22 March 2022						
	- 2022/23 Internal Audit Plan / Internal Audit Charter and Strategy	- Audit Strategy Memorandum (for year-ending 31st March 2022)	- Strategic Risk Register Report - Strategic Risk update: Cyber Security	- Report on arrangements for 2021/22 Annual Governance Statement		- 2021/22 Budget Monitoring Report (Period10) -Accounting Policies