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TRAFFORD
COUNCIL

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Tuesday, 22 March 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	P A R T 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 - 4
To receive and, if so determined, to approve as a correct record the Minutes of the meeting held on 2 nd February 2022.		

Accounts and Audit Committee - Tuesday, 22 March 2022

- | | | |
|-----|---|-----------|
| 5. | 2021/22 ANNUAL GOVERNANCE STATEMENT - APPROACH / TIMETABLE | To Follow |
| | To consider a report of the Head of Governance. | |
| 6. | AUDIT PROGRESS REPORT | 5 - 20 |
| | To receive a report by the Council's External Auditor, Mazars. | |
| 7. | BUDGET MONITORING REPORT 2021/22 - PERIOD 10 (APRIL 2021 - JANUARY 2022) | 21 - 52 |
| | To consider a report of the Executive Member for Finance and Governance and Director of Finance and Systems. | |
| 8. | ACCOUNTING CONCEPTS AND POLICIES | 53 - 82 |
| | To consider a report of the Executive Member for Finance and Governance and the Director of Finance and Systems. | |
| 9. | AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT OPERATIONAL PLAN 2022/23 | 83 - 126 |
| | To consider a report of the Audit and Assurance Manager. | |
| 10. | STRATEGIC RISK REGISTER 2021/22 (MARCH 2022 UPDATE) | 127 - 160 |
| | To consider a report of the Audit and Assurance Manager. | |
| 11. | ACCOUNTS AND AUDIT COMMITTEE WORK PROGRAMME 2021/22 | 161 - 164 |
| | To consider a report of the Audit and Assurance Manager. | |
| 12. | URGENT BUSINESS (IF ANY) | |
| | Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency. | |
| 13. | EXCLUSION RESOLUTION | |
| | Motion (Which may be amended as Members think fit): | |
| | That the public be excluded from this meeting during consideration of the remaining items on the agenda, because of the likelihood of disclosure of "exempt information" which falls within one or more descriptive category or categories of the Local Government Act 1972, Schedule 12A, as amended by The Local Government (Access to Information) (Variation) Order 2006, and specified on the agenda item or report relating to each such item respectively. | |

PART II

14. **CYBER SECURITY PRESENTATION**

165 - 182

To receive a presentation from the Chief Digital Officer.

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 **Monday, 14 March 2022** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford, Manchester, M32 0TH.

1.

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ACCOUNTS AND AUDIT COMMITTEE

2 FEBRUARY 2022

PRESENT

Councillor B. Brotherton (in the Chair).

Councillors C. Boyes, G. Carter, 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),
Director of Procurement (Ms. L. Cox) (part only),
Governance Officer (Mr. J.M.J. Maloney).

Also In Attendance

Ms. K. Murray (Mazars).

APOLOGIES

Apologies for absence were received from Councillor M. Cordingley.

38. QUESTIONS FROM MEMBERS OF THE PUBLIC

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

39. DECLARATIONS OF INTEREST

No declarations were made by Members of the Committee in relation to any item on the agenda.

40. MINUTES

RESOLVED – That the Minutes of the meeting held on 25th November, 2021 be approved as a correct record and signed by the Chair.

41. STAR PROCUREMENT UPDATE

The Director of Procurement was in attendance to deliver a presentation on behalf of the STAR procurement service, focussing in particular on the service's achievements during the past year and business plan and objectives for the period until 2024. The presentation drew particular attention to savings delivered, achievement of social value, volumes of spend achieved within the borough or immediate locality, and the expectation of new regulations covering procurement, with a likely implementation date in 2023.

An opportunity was provided for Members to raise questions, which centred on sustainability aspects of procurement, benchmarking against other comparators, and issues relating to the nature and delivery of, and compliance with, social value targets. On the latter, it was agreed that details of the current measures be circulated to the Committee for information and, when completed, the Trafford-specific measures which were currently in development. It was noted that the next update to the Committee would include a focus on the specific measures, outputs and delivery against them, as well as an update on the impact of incoming Regulations.

RESOLVED – That the content of the presentation be noted.

42. EXTERNAL AUDITOR'S ANNUAL REPORT 2020/21

Karen Murray was in attendance on behalf of the Council's external auditor, Mazars, to draw Members' attention to key features of their Annual Report on Trafford covering the financial year 2020/21. The report covered a number of principal areas of the auditors' activities, including the audit of the Council's financial statements, commentary on the Council's arrangements to secure value for money, and issues relating to their reporting responsibilities and fees. An unqualified opinion had been issued on the accounts, which had been prepared to a high standard. The Value for Money assessment was in a new format, following a change in the National Audit Office's Code. The auditor wished to draw attention to the fact that there existed significant challenges to the Council's financial position, arising from demand-led pressures, cost increases, the ongoing impact of the Covid-19 pandemic, and the provision of a single year financial settlement by Government. The reliance placed on reserves in recent years would not continue to be sustainable into the medium term.

Members raised questions in relation to the report's content, centring on the impact of investment to secure ongoing future savings, the consequences of OFSTED's assessment in relation to Children's Services, and the accuracy of assumptions in relation to a number of cost pressure factors.

RESOLVED – That the content of the report be noted.

43. TREASURY MANAGEMENT ANNUAL STRATEGY REPORT

The Executive Member for Finance and Governance and the Director of Finance and Systems submitted a report which outlined key features of the proposed strategy for the period in question, including in particular: the strategy to be implemented during the period for investments and borrowing; the outlook for interest rates; the management of associated risks; the policy to be adopted on Minimum Revenue Provision (MRP); and Prudential Indicators. It was noted that the report was to be considered by the Executive and Council at their Budget Meetings on 16th February 2022.

Accounts and Audit Committee (2.2.22)

In discussion, Members were advised of Government's intention to impose greater restrictions in respect of MRP on loan investments. Clarification was also sought, and provided, on the nature of security provided for the Council's shorter-term investment loans, and the possible impact of the expected increase in interest rates.

RESOLVED – That the content of the report be noted and that it be recommended to the Executive.

44. BUDGET MONITORING 2021/22 - PERIOD 8 (APRIL TO NOVEMBER 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. It was noted that the report, which disclosed a favourable variance since the previous monitor, had been referred to and considered by the Executive at its meeting on 24th January, 2022.

The Director of Finance and Systems gave details of the key factors which had contributed to a significant favourable variance since the previous reports. An opportunity was provided for Members to raise comments on the report's content. These focussed on expectations in respect of the airport dividend, and business loans made to the same party, and the challenges of making ongoing savings, especially in the context of single-year financial settlements.

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

45. AUDIT AND ASSURANCE REPORT FOR THE PERIOD NOVEMBER TO DECEMBER 2021

The Audit and Assurance Manager submitted a report which provided a summary of the work of Audit and Assurance during the period above; and sought to provide ongoing assurance to the Council on the adequacy of its control environment. Members were advised on the current position in respect of report output, responses to recommendations, and positive follow-up of previous reports; and detail was provided on the service's support for the National Fraud Initiative, and a wide-ranging questionnaire issued to schools.

RESOLVED – That the content of the report be noted.

46. 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. It outlined areas to be considered by the Committee at each of its meetings over the period of the year. It would help to ensure that the Committee met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee. The programme was designed to be flexible and could have items added or rescheduled if this ensured that the Committee best met. In this context, the STAR presentation had been included on the current agenda, and the Committee would receive an update on cyber security at its March meeting.

RESOLVED – That the content of the 2021/22 work programme be noted.

The meeting commenced at 6.30 p.m. and finished at 8.09 p.m.

Audit Progress Report

Trafford Metropolitan Borough Council

Page 5

March 2022



Agency

1. Audit Progress
2. National Publications

Page 6

01

Section 01:
Audit Progress

Page 7

Audit Progress

Purpose of this report

This report provides the Accounts and Audit Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

Audit progress

Statutory Audit of the 2020/21 Statement of Accounts

We have completed our audit in respect of the financial statements for the year ended 31 March 2021 and issued our opinion on 30 November 2021.

2020/21 Value for Money arrangements audit work

We completed our value for money work and presented the Auditor's Annual Audit Report to the February 2022. This provided our commentary on the Council's arrangements for the year ended 31 March 2021.

2020/21 Whole of Government Accounts (WGA) work

The instructions and timetable for Councils WGA are issued by HM Treasury. The instructions have not yet been issued so the Council has been unable to progress its 2020/21 submission. Our audit instructions and timetable are issued by the NAO. Again, the instructions have not yet been issued.

We will agree a timetable for the completion of this work once the relevant instructions are received by finance colleagues and ourselves.

Statutory Audit of the 2021/22 Statement of Accounts

Our planning work in relation to 2021/22 audit is currently in progress. We intend to present our Audit Strategy Memorandum to the next Accounts and Audit Committee meeting.

There are no matters arising from our work to date that we need to bring to your attention.

02

Section 02:

National Publications

Page 9

National Publications

This section highlights the recent national publications that may be of interest to Members of the Committee. If you require any additional information please contact any member of your engagement team.

We have, in the table below, provided a brief insight into the purpose/key points of the publications with indicative relevance and/or suggested action using the following ratings:

- Action required
- Action suggested
- For information only.

	Publication/update	Key points	Action
CIPFA			
Page 10	New Prudential and Treasury Management Codes	These two statutory and professional codes are important regulatory elements of Local Authority's capital finance framework	●
	Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code	CIPFA published a consultation on emergency proposals for the update of the 2021/22 (and 2022/23) Code. They are aimed at improving the completion rates for publication of audited accounts and include: <ul style="list-style-type: none"> • delaying the implementation of IFRS 16 for at least 1 year; and • allowing for an optional pause of the property revaluation cycle. 	●
Department for Levelling Up, Housing & Communities (DLUHC)			
3	Consultation on changes to the capital framework: Minimum Revenue Provision	This consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.	●
4	Measures to improve local audit delays and accounts and audit timetable confirmed	DLUHC have announced a new package of measure to support the improved timeliness of local audit. These include additional funds and an extension of the deadline for publishing accounts.	●
National Audit Office (NAO)			
5	The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management	The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the government's overall approach.	●

National Publications

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- Action required
- Action suggested
- For information only.

	Publication/update	Key points	Action
Page 11			
6	Good practice guide: Cyber and information security	Provides a good practice guide for audit committees on cyber security arrangements.	●
7	Financial sustainability of local authorities visualisation: update	Updated summary comparative analysis	●
Financial Reporting Council			
8	Major local audits – Audit Quality Inspection	Sets out the findings of FRC’s most recent quality inspection of major local audits.	●

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA publishes new Prudential and Treasury Management Codes, December 2021

CIPFA has published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions. Guidance notes will follow shortly in the new year.

The updated **Prudential Code** includes the following as the focus of the substantive changes:

- 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. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
- 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.

The main changes to the updated **Treasury Management Code** and the accompanying guidance for local authorities are as follows:

- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
- The guidance will recommend the introduction of the Liability Benchmark as a treasury management indicator for local government bodies (note that CIPFA has issued a toolkit to assist local authorities with the production of this indicator).
- Environmental, Social and Governance (ESG) risks are incorporated into TMP1 (Risk Management) rather than a separate TMP 13.
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-issues-new-prudential-and-treasury-management-codes>

NATIONAL PUBLICATIONS

CIPFA (continued)

2. Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code, February 2022

CIPFA LASAAC has issued an exceptional consultation on time limited changes to the code to help alleviate delays to the publication of audited financial statements. Only 9% of local authority accounts in England met the audit publication deadline of 30 September 2021. The consultation closes on 3 March 2022.

In December 2021, the Department of Levelling-up Housing and Communities asked CIPFA LASAAC to consider ways in which the code may ameliorate this crisis position. CIPFA LASAAC considered this request and has issued this exceptional consultation, which explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code. After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

- an adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- deferring the implementation of IFRS 16 *Leases* for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

The consultation also shows the wide range of options that CIPFA LASAAC considered, which includes some which the board considered were outside of its terms of reference.

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

3. Consultation on changes to the capital framework: Minimum Revenue Provision, December 2021

This consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.

Local authorities borrow and invest under the Prudential Framework (the Framework), which comprises legislation and 4 statutory codes that authorities must have regard to. Under this system, authorities have wide freedoms to borrow and invest without the need to seek the government's consent, provided that borrowing is affordable. The intent of the Framework is to make sure local decisions are prudent, affordable and sustainable.

The government is aware that some authorities employ practices that are not fully compliant with the duty to make a prudent revenue provision, resulting in underpayment of MRP. This was reported in the NAO's report Local Authority Investment in Commercial Property (February 2020) and the subsequent report by the Public Accounts Committee in July 2020, which recommended the government take steps to address the issue.

<https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision/consultation-on-changes-to-the-capital-framework-minimum-revenue-provision#excluding-specific-debt-from-mrp-determination>

4. A new package of measures to support the improved timeliness of local audit, December 2021

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market. The measures include:

- Steps to increase the number of auditors with skills to carry out the work;
- Additional funding to support increases in audit fees; and
- Extension of the audit deadlines to 30 November 2022 and 30 September for 2023 onwards.

https://www.gov.uk/guidance/measures-to-improve-local-audit-delays?utm_medium=email&utm_campaign=govuk-notifications&utm_source=81365e1a-e6b1-4c1b-bce1-b5ef8fafef6f&utm_content=daily#section-4-longer-term-measures-to-help-stabilise-the-market-and-address-long-term-supply-issues

NATIONAL PUBLICATIONS

National Audit Office

5. The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management, November 2021

In November 2021

- This report sets out the facts on:
- the government's approach to risk management and emergency planning (Part One);
- the actions the government took to identify the risk of a pandemic like COVID-19 (Part Two);
- the actions the government took to prepare for a pandemic like COVID-19 (Part Three); and
- recent developments (Part Four).

The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the government's overall risk management approach.

The report concludes that this pandemic has exposed a vulnerability to whole-system emergencies – that is, emergencies that are so broad that they engage the entire system. Although the government had plans for an influenza pandemic, it did not have detailed plans for many non-health consequences and some health consequences of a pandemic like COVID-19. There were lessons from previous simulation exercises that were not fully implemented and would have helped prepare for a pandemic like COVID-19. There was limited oversight and assurance of plans in place, and many pre-pandemic plans were not adequate. In addition, there is variation in capacity, capability and maturity of risk management across government departments.

The pandemic also highlighted the need to strengthen the government's end-to-end risk management process to ensure that it addresses all significant risks, including interdependent and systemic risks. This will require collaboration on risk identification and management not only across government departments and local authorities, but also with the private sector and internationally. For whole-system risks NAO states that the government needs to define its risk appetite to make informed decisions and prepare appropriately so that value for money can be protected. NAO state that the pandemic has also highlighted the need to strengthen national resilience to prepare for any future events of this scale, and the challenges the government faces in balancing the need to prepare for future events while dealing with day-to-day issues and current events.

<https://www.nao.org.uk/report/the-governments-preparedness-for-the-covid-19-pandemic/>

NATIONAL PUBLICATIONS

National Audit Office (cont)

6. Good practice guide: Cyber and information security, October 2021

The NAO has published a good practice guide for audit committees on cyber security arrangements.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

The NAO guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

NATIONAL PUBLICATIONS

National Audit Office (Cont)

7. Financial sustainability of local authorities visualisation: update, July 2021

The data visualisation describes changes in English local authorities' financial circumstances over the last decade.

It updates a number of pieces of analysis originally set out in the NAOs 2018 report Financial sustainability of local authorities 2018 and its accompanying data visualisation (2018). It also draws on and updates analysis and findings from their 2016 report Financial sustainability of local authorities: capital expenditure and resourcing and its data visualisation (2016), and the 2020 report Local authority investment in commercial property.

Key themes explored in the data visualisation include:

- Reductions in revenue funding
- Growth in some new and alternative income streams
- Changing patterns of service spending
- New capital investment strategies and associated risks
- Changing patterns of financial sustainability

<https://www.nao.org.uk/other/financial-sustainability-of-local-authorities-visualisation-update/>

NATIONAL PUBLICATIONS

Financial Reporting Council (FRC)

8. Major local audits – Audit Quality Inspection, October 2021

The Financial Reporting Council (FRC) is the independent body responsible for monitoring the quality of major local audits, as defined by the Local Audit (Professional Qualification and Major Local Audit) Regulations 2014. This monitoring is performed by the FRC's Audit Quality Review (AQR) team. The reviews of individual major local audit engagements are intended to contribute to safeguarding and promoting improvement in the overall quality of local audit in the UK. Audit firms are required to audit the financial statements and Value for Money (VFM) arrangements conclusion and exercise their additional powers or duties, as required, in accordance with the Local Audit and Accountability Act 2014

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of the firms' local audits that do not meet the definition of a major local audit.

The FRC has published its report setting out principal findings arising from the 2020-21 inspection of the audit firms completing major local audits in England as well as QAD results of other audits.

[FRC AQR Major Local Audits October 2021](#)

Contact

Mazars
Page 19

Partner: Karen Murray

Phone: 0161 238 9248

Mobile: 07721 234043

Email: karen.murray@mazars.co.uk

Senior Manager: Muhammad Uzair Khan

Phone: 0161 238 9972

Mobile: 07583 026054

Email: muhammad-uzair.khan@mazars.co.uk

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TRAFFORD COUNCIL

Report to: Executive

Date: 21 March 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 10 (April 2021 to January 2022).

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 Muggerridge, 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 can be

	contained within the treasury management budget.
Legal Implications:	<i>In accordance with the Local Government Act 2003 and the Council's Financial Procedure Rules, this report is provided for the purposes of budget monitoring and control.</i>
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 underspend of £6k at Period 10, a favourable movement of £1.443m since Period 8.

This monitor for the financial year 2021/22 provides a forecast outturn based on patterns of expenditure and income up to January 2022. It is encouraging to see a favourable direction of travel as the year progresses and with two months of the year remaining, forecasting assumptions of demand, the level of staffing vacancies, levels of income and the release of contingency budgets can be estimated with firmer certainty than in earlier periods.

The management action undertaken during the mid part of the year, which included a policy on vacancy management and a review of all non essential spend has had, and continues to have, a positive effect in managing our services within the budget.

If the situation continues and this results in a favourable outturn in the current year this will give the opportunity to bolster our reserves further in order to manage the scale of the challenges the Council faces in delivering a sustainable budget over the medium term as set out in the final budget report for 2022/23.

It is critical that we continue to deliver existing savings and maintain a continued commitment to robust financial management for the remainder of the year to mitigate against any adverse movement.

Although the forecast for the current year is encouraging, there still remains a large degree of uncertainty in the medium term given the upwards trend in headline inflation rates and the unprecedented increase in energy and fuel prices.

The following issues are worthy of being highlighted:-

Pressures include :-

- Children's placements £1.116m overspend due to an increase in cases during the year; **an adverse movement of £154k since period 8 due to an increase in the number of cases and higher costs.**
- Home to School Transport pressures are now £589k **an adverse movement of £193k since period 8** due to increase in demand with the current passenger numbers during the year and additional costs for fuel and also staffing to cover passenger assistants who were 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 £1.505m **an adverse movement of £86k since period 8.** 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 £813k, **an adverse movement of £203k since period 8**, 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. The adverse movement since period 8 largely relates to a further reduction in planning income £269k. Given the uncertainty surrounding the projections, the forecasts are subject to change, however a balance £502k from the COVID-19 contingency will be utilised if required.

Service underspends include : -

- Staffing budgets net underspend of £1.907m, in Adults Services, Childrens Services and Public Health, **a positive movement of £275k since period 8**, due to delays in recruiting and service redesign. The positive movement largely relates to exceptional difficulties in recruiting to vacant posts in Adults services and the use of the Workforce Retention Grant announced in December 2021.
- Adults placements £65k net underspend, **a positive movement of £387k since period 8**; the net outturn includes £314k of pressure due to savings not expected to be achieved, alongside an underlying pressure of £730k 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 £1.11m, a favourable movement of £450k since period 8, due to an increase in the income from the risk sharing agreement with the CCG.
- Public Health community services contract £400k underspend - **a £400k favourable movement since period 8**, representing a one off reduction due to assumed inflation costs being met from within the current financial regime operating in the NHS since the coronavirus pandemic.
- Other favourable items of £1.657m, **a positive movement of £1.017m since period 8**. This includes a favourable outturn of £529k within the Place Directorate, £400k within Strategy and Resources and £513k within Council Wide. The Council Wide figure includes £211k one off income in period 10 from Trafford Housing Trust associated with the recovery of VAT made on behalf of the Council at the time of the stock transfer. The remaining positive movement since period 8, although significant in isolation, relates to positive movements in minor budgets, following ongoing management actions on such things as vacancy/running cost management and the release of reserves and other spend not contractually committed.
- Contingency balances of £129k (£265k period 8) and £96k (£379k at period 8) remain for future demand in Children's and Adults Services.
- 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.

Council Tax

The Council Tax budget was reduced temporarily in 2021/22 to reflect the ongoing impact of the pandemic. At period 8 a forecast surplus of £1.55m was forecast, largely due to lower awards for Council Tax Support along with better than expected collection of historic debt. The benefit from the forecast outturn was directed towards a Council Tax Risk Reserve (£500k) to help mitigate against potential shortfalls in income in future years with the balance of £1.05m used towards bolstering the budget resilience reserves to support future plans. This resulted in a net nil variance for 2021/22 and there is no change at period 10 to this forecast.

Business Rates

The estimated outturn for Business Rates in the previous period was a favourable movement of £4.35m compared to budget. This was largely as a result of a review of the level of provisions held for historic appeals. Since period 8 there has been some negative movement in Rateable Value as a result of some large retail units being reconstructed and therefore being removed temporarily from the rating list. Whilst this reduction is only temporary, it has resulted in an adverse movement of £1.31m with the surplus now forecast at £3.04m.

The estimated surplus at period 8 had been built into our Medium Term Financial Strategy agreed by Council on 16th February 2022, with plans to use this resource to bolster our budget resilience and change reserve. The shortfall of £1.31m in our estimated level of reserves will need to be factored into our medium term assumptions and this will be considered at the year end, along with the potential to draw off the Business Rates Risk Reserve if required.

The estimate includes £4.25m 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 the benefit of the Council.

Capital Programme

The revised capital programme for this financial year is £32.09m which is net reduction of £8.16m from the Period 8 position of £40.25m. This reduction is the second major rephasing in the current financial year when £8.19m was rephased in period 8. Given the substantial level of rephasing, a new Capital Programme Group has been established which will be chaired by the Corporate Director of Place to monitor the progress and delivery of the overall Capital Programme during 2022/23.

REVENUE BUDGET

2. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Appendix 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)	Percentage
Children's Services	42,784	43,965	1,181	2.76%
Adult Services	52,750	52,332	(418)	(0.79)%
Public Health	12,505	11,076	(1,429)	(11.43)%
Place	31,565	32,904	1,339	4.24%
Strategy & Resources	5,685	5,295	(390)	(6.86)%
Finance & Systems	7,818	7,857	39	0.50%
Governance & Community Strategy	6,328	6,513	185	2.92%
Total Directorate Budgets	159,435	159,942	507	0.32%
Council-wide budgets	20,037	19,524	(513)	(2.56)%
Net Service Expenditure variance	179,472	179,466	(6)	(0.00)%
Funding				
Business Rates	(62,459)	(62,459)	0	
Council Tax	(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	(6)	(6)	0.00%
Dedicated Schools Grant	148,343	150,107	1,764	1.19%

Budget Adjustments and Virements

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

Main variances, changes to budget assumptions and key risks

4. The main variances contributing to the projected underspend of £6k, any changes to budget assumptions and associated key risks are detailed in Appendix 2.

MTFP SAVINGS AND INCREASED INCOME

5. The 2021/22 budget is based on the achievement of permanent base budget savings and increased income of £11.926m. The latest forecast shows that the programme is currently expected to deliver savings of £8.53m, which is £3.39m below target, after in-year mitigating actions, such as alternative savings, this has reduced the shortfall to £2.43m. This is an adverse movement of £54k since Period 8 which is largely due to the shortfall in strategic investment income. To date £8.30m has been achieved with £236k still to be achieved.
6. Of the savings that will not be delivered in the current year, a figure of £929k has been included in our 2022/23 budget to offset these schemes, made up from £606k in Adults Social Care and £323k in Place Directorate.

RESERVES

7. 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.
8. The final budget report for 2022/23 agreed by Council on 16th February 2022 set out details of the most recent review of all reserves which involved challenging and identifying potential uncommitted resource to bolster budget resilience reserves to support our medium term financial strategy.
9. It is encouraging that the estimated outturn is moving in a favourable direction which would indicate that a draw down from reserves to meet any shortfall in 2021/22 would be minimal or not required at all.
10. Significant reserve movements, which will impact in 2022/23, include the lower than anticipated surplus in Business Rates income of £1.31m since period 8, as detailed in para 18. This will need to be factored in to our medium term planning assumptions.

11. Should the opportunity allow, as part of the year end review, any favourable movements at outturn would be used to further bolster our reserves to meet the challenges faced over the medium term in delivering a balanced and sustainable budget.

COLLECTION FUND

Council Tax

12. 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.
13. 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.
14. As at period 8, a detailed review of key components of Council Tax income and support and assumptions had been undertaken and concluded that a benefit of £1.55m over budget was assumed. Our budgets plans assumed this would partly be released to reserves to mitigate against potential future shortfalls in income and also towards bolstering the budget resilience reserves to support future plans. The outturn forecast at period 10 makes no change to these assumptions.

Business Rates

15. 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.
16. 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.
17. 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, have required the Council to design and adopt a local scheme and payments are due to commence shortly. The government will fully reimburse the cost of the relief within a cash cap grant for each local authority, of which Trafford's allocation is £6.4m.

18. 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. As reported at period 8, Business Rates income was forecast to generate additional income of £4.35m above budget (£3.80m within the Collection Fund and £552k General Fund). However since period 8 there has been a reduction in the Rateable Value as a result of a number of large retail units going under reconstruction and therefore being temporarily removed from the rating list. The estimated benefit above budget is now expected to be £3.04m (£1.94m Collection Fund and £1.10m General Fund), a reduction of £1.31m from the previous period. The volatility in the business rates budget demonstrates the importance of maintaining the sizeable Business Rates Risk reserve.
19. The estimated favourable outturn from business rates at period 8 had been built into our final 2022/23 MTFS, with plans to use this resource to bolster our budget resilience and change reserve. The shortfall of £1.31m in our estimated level of reserves will need to be factored into our medium term assumptions and this will be considered at the year end, along with the potential to draw off the Business Rates Risk Reserve if required.
20. Furthermore, the estimated outturn includes a net contribution of £4.25m 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 pressures or alternatively be used to replenish the shortfall in reserves or support our future budget.

Impact of COVID-19

21. 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 £8.34m 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.
22. At the time of writing the previous monitor, the country was facing an increasingly uncertain situation relating to the potential for further restrictions following the rise in infections relating to the Omicron variant. The impact of Omicron was not as severe as first expected, and the Government support packages announced in December 2021, which included business rates relief in

hospitality and leisure plus grant allocations to support workforce recruitment and retention and Infection Control and Testing Fund have helped in mitigating the impact. For monitoring purposes the grant income and costs have been assumed as neutral with any grant being fully spent by year end.

23. 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

24. The revised value of the indicative capital programme for 2021/22 to 2023/24 as at Period 8 was £439.06m which included £271.98m of asset investment fund and £167.08m relating to the general programme. Since then there has been a slight decrease in the general programme of £0.27m to £166.81m relating to a reduction in costs of the full fibre scheme supported by grant funding from the GMCA. The revised overall budget is now £438.79m
25. The revised capital programme budget for this financial year is £32.09m which is net reduction of £8.16m from the P8 position of £40.25m.

Table 2 - Capital Programme 2021/22	P8 Programme £m	P10 Revised Programme £m	Period Movement £m
Service Analysis:			
Children's Services	12.11	11.80	(0.31)
Adult Social Care	2.14	1.87	(0.27)
Place	24.78	17.61	(7.17)
Governance & Community Strategy	0.08	0.08	-
Finance & Systems	1.14	0.73	(0.41)
General Programme Total	40.25	32.09	(8.16)

The current revised position of £32.09m (a reduction of £8.16m) is a result of the period 10 monitoring exercise, with the following the paragraphs detailing the areas of re-profiling and changes to the individual schemes.

This reduction is the second major rephasing in the current financial year when £8.19m was rephased in period 8. Given the substantial level of rephasing, a new Capital Programme Group has been established which will be chaired by the Corporate Director of Place to monitor the progress and delivery of the overall Capital Programme during 2022/23.

- 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 £160k.
 - £150k for the delivery of Foster Carers Accommodation Improvements has been re-profiled with a number of properties identified for work to be undertaken.

- 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. These delays have led to additional re-profiling of £196k into the next financial year.
 - There has been a re-profiling of spend of £70k for Liquidlogic updates with this work now due to be carried out in early 2022.

- Place
 - There has been a reduction in cost of £270k for the Greater Manchester Full Fibre Initiative, this element of the scheme is funded through grant.
 - The business loan scheme has seen less than anticipated uptake, mainly due to other resources being made available for support during the Covid pandemic. £100k has been reprofiled into the next financial year where uptake is expected to increase now other resources are no longer available.
 - Work on Altrincham Leisure Centre design work as part of the Leisure Strategy has begun but will not be completed until May, and £250k, has been reprofiled accordingly.
 - Future High Street works of £1.0m on the redevelopment of the Stretford Mall have been delayed. This is to ensure that all the correct agreements and procurement procedures are in place with our JV partner so that all the requirements of the grant funding are met. A more detailed update is provided below.
 - Decarbonisation grant of £1.8m have been reprofiled in line with the extension to the delivery timetable that has been granted by the funding provider. A more detailed update is provided below.
 - Football Facility Provision of £150k has been reprofiled although some work to progress this scheme has started.
 - Work on the CCTV Phase 2 has not started but a procurement exercise is currently underway to set out the tendering process with the intention to go out to find a delivery partner once the technical specifications have been formulated. The fly tipping element still requires further work in order to achieve progress on this scheme. As a result of the revised progress £351k has been reprofiled into the next financial year.

- Regent Road Multi story car park resources of £190k have been reprofiled. Procurement of Pay and Display machines is beginning imminently and work around electric vehicle charging points is progressing with site surveys and visits already undertaken. The car park is expected to open for public use in July so all of these elements are expected to be completed by then.
- Public/Council building repairs works of £613k have been reprofiled. This includes £143k of Public Building repairs relating to electrical testing at sites across the borough, reprofiling of works currently being undertaken on the Trafford Town Hall Clock Tower and some smaller schemes where work has not yet commenced. £160k identified in the budget for safety works at Watling Gate have not yet been undertaken and are currently subject of a potential levelling up bid. There is also £220k relating to Sale Waterside and Trafford Town Hall allocated for kitchen improvements and security measures which is now part of the work stream for hybrid working strategy across the administrative buildings of the Council and as such will now be delivered as part of this programme of works.
- Active Travel works of £300k have been reprofiled to next year, although it is to be noted that work on the scheme has started.
- A number of integrated transport schemes totalling £688k have been reprofiled for delivery into the next financial year. Of this £300k relates to the cycle scheme at Urmston to Sale Water Park where progress has been delayed whilst work is undertaken with Homes England, who are also the funding partner to develop the best way to progress the scheme. There has been reprofiling of the residents parking scheme of £150k which although is underway and a significant element of the budget has been spent the final elements of the scheme still need to be delivered. In addition to this there is £178k of smaller integrated transport schemes where £110k of works has been identified but not yet delivered and £68k of section 106 funded resources that have not yet been allocated have been reprofiled. The remaining element of reprofiling of £60k related to works around Boundary and village entry signs where work is still to be undertaken to identify the programme of works.
- £285k of schemes within Highways Structural Maintenance and Bridge Assessment and Strengthening programmes have not yet been delivered and been reprofiled. A significant element of the design works for the majority of schemes within the current programme has been undertaken with the delivery phase being the element that has been reprofiled. This will now be delivered as part of the next year's programme.
- 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.
- Additional Mayors Cycling and Walking Challenge Fund works of £600k have been reprofiled to later in the programme. This is as a result of the reduction in funding previously reported in this

monitoring cycle meaning additional design and development work was undertaken to reflect this impact, with delays acquiring the sign off of the schemes from TfGM adding to this delay. In addition to this there have been pressures on scheme delivery from land acquisition delays. Amey have now assigned a dedicated project officer to the scheme so there is now a better understanding of the delivery around the scheme. These delays have impacted on all tranches of the scheme but tender processes are now beginning for the delivery phases of tranche 1 (A5014 Talbot Road) and 2 (Talbot Road, A56 Chester Road) which are expected to start in October this year.

- Highways Infrastructure Safety Improvements Works of £150k have been reprofiled to be completed in the next financial year.
- A small number of other schemes with a value of £331k have been reprofiled to the next financial year.
- Finance and Systems
 - A number of ICT schemes totalling £410k have been reprofiled into the next financial year, work on these schemes in particular the Windows 10 implementation is well underway and will be completed in the new financial year.

Status, Progress of Specific Major Schemes

26. 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

Works is currently underway with this scheme with a number of elements nearing completion, although there are a number of potential delivery pressures these 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. Where there are potential cost pressures resources will be identified from the current Public Building repairs programme if required. There has been an extension granted for the delivery of this scheme by Salix meaning the scheme has a three month extension to the end of June to reach practical completion which is currently anticipated will be met.

- Future High Street Fund

The project is progressing as expected and generally on programme. Certain programme elements have slipped however these elements are not on the critical path. The JV partner is progressing the design to Work Stage 3 (WS3) and is also working towards submitting detailed planning application for the first phase of build Q1 2022. At the same time the JV

partner is progressing the procurement of a contractor under a Pre-Construction Services Agreement (PCSA). Works are due to commence July 2022 with the site refurbishments of the retail units. The Council led public realm works are progressing towards Work Stage 2 (WS2) and detailed budgets are being developed during Q1 2022. Design and project management teams are appointed and progressing with the development of both schemes and liaising with the JV partner on a regular basis. Risk registers are being further developed for both elements of schemes with particular focus on identified risks over the next stages of design. Governance structures are in place between the various parties involved in the projects and regular meetings are taking place with information being shared.

- Sale Magistrates

A report to Investment Management Board on 15th February 2022 provided an update on the progress of the scheme and with approval granted to progress to RIBA stage 4 and carry out enabling works at a combined cost of £690k. The Council sought reassurance from construction partner on the project cost before any further funds were committed. In December 2021, they advised a £1.7m increase on the project costs. Work is currently being undertaken to challenge and understand the detail of these costs increases, with the Council seeking evidence to justify the cost increases included. Works around fees, contingencies and profit and overheads is also underway to ensure that these are still at appropriate levels within the scheme. In addition to this there has been an increase in internal costings relating to staff resources and financing costs of £0.2m, inclusive of the £1.7m above this takes the current cost of the scheme from £25.8m to £27.7m.

In December the Council applied for Brownfield Site funding through the GMCA to address the gap. The Council were successful and received £1.3m of funding. Within their updated cost proposal, a potential c£1.2m of value engineered (VE) savings has been identified. A thorough cost/benefit review will take place during the next phase of design to identify where value engineering can be applied. The Council has taken a prudent approach, with a more achievable VE saving of £0.5m being targeted. Once the scheme has reached RIBA stage 4 more detailed and accurate cost will be provided to the Executive and Investment Management Board. The current assumed cost increases of £1.9m offset by brownfield grant (£1.3m) and Value Engineering (£0.5m) have led a decrease in the development return of £0.1m which has been reflected in funding position included within this report.

Resources

27. The general capital programme is resourced by a combination of both internal and external funding and is detailed in the table shown below:
28. The movement in resources of £8.16m relates to re-phasing to the remaining years of the current approved three year programme and a reduction in grant

required to support the full fibre initiative which has reduced previously in this report. The following gives the detailed split of the variance;

Table 3 - Capital Programme Resources 2021-24	P8 Revised Approved Programme £m	Revised Programme £m	Variance £m
External:			
Grants	27.48	23.37	(4.11)
Contributions	2.07	1.88	(0.19)
Sub-total	29.55	25.25	(4.30)
Internal:			
Receipts requirement	4.68	2.94	(1.74)
Borrowing	5.22	3.36	(1.86)
Reserves & revenue contributions	0.80	0.54	(0.26)
Sub-total	10.70	6.84	(3.86)
Total Resourcing	40.25	32.09	(8.16)

- Net re-phasing to future years – (£7.89m)
- Reduction in grant - (£270k)

29. 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 £2.61m which is an increase of £0.07m from £2.54m from the position reported in P8 monitor. This is a result of a reduction in the assumed development return for the Sale Magistrates Development as covered previously within this report.

Asset Investment Fund

30. 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 £331.75m, of which £223.84m has currently been expended.
31. In January 2022, the loan facility for the CIS Tower was part repaid by £24m as the scheme progresses to its next stage, with approval given by IMB to delay the remainder of the repayment to the end of April 2022. The first phase of the Castle Irwell scheme has also begun to be repaid as elements of the residential development are sold, with £9.1m repaid to date. This means the balance of the approved £500m which is available for further investment is £168.25m (Table 6 below):

Table 4: 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	-	0.69	5.49
Brown Street, Hale	6.79	-	2.13	8.92
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	-	-	0.43
Sub Total	26.12	-	4.80	30.92
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	(24.00)	-	36.00
The Hut Group	62.45	(62.45)	67.50	67.50
Castle Irwell, Salford	11.28	(9.08)	5.76	7.96
Castle Irwell, Salford – Phase 2	-	-	12.00	12.00
Sub Total	170.20	(95.53)	94.86	169.53
Total Capital Investment	301.75	(95.53)	107.91	314.13
Albert Estate Investment	17.62		-	17.62
Total Investment	319.37	(95.53)	107.91	331.75
Balance available				168.25

32. These investments were budgeted to generate a net revenue benefit in 2021/22 of £7.61m. The forecast net income is £6.10m, a deficit of £1.51m compared to budget.

Table 5: Asset Investment Strategy Period 10 Monitor	Budget Variance £000
Net Income target	(7,609)
Pipeline Recycling Target	2,454
Changes to Variable Interest Rates	854
Reduced dividends from JV's	815
HUT Group delay	632
Castle Irwell earlier draw	(194)
Castle Irwell Phase 2	(53)
Reduced reserve contributions	(1,651)
HUT Group reserve smoothing	(632)
CIS Tower Extension	(720)
Net Income after mitigations	(6,104)
Variance to Target	1,505

Issues / Risks

33. A key risk is the ability to deliver the revised capital programme in 2021/22, and the impact of any delay on the achievement of the Council's priorities. A new Capital Programme Group has been established which will be chaired by the Corporate Director of Place to monitor and challenge the progress and delivery of the overall Capital Programme during 2022/23.
34. 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

35. It is recommended that that the Executive:
- note the updated positions on the revenue budget, collection fund and capital programme.

Other Options

Not Applicable.

Consultation

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

Reasons for Recommendation

Not Applicable

Finance Officer Clearance **DM**.....

Legal Officer Clearance **DS**.....



DIRECTOR'S SIGNATURE

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 8 Outturn Report	42,456	65,014	31,132	5,540	7,683	6,159	21,488	179,472
Virements:								
Pay award 2021/22	356	213	190	145	135	97	(1,136)	0
Trafford Leisure CIC additional revenue support			215				(215)	0
Voluntary Redundancy saving adjustment			28				(28)	0
Safeguarding Development Manager post adjustment	(28)	28						0
Document Storage contract						72	(72)	0
Total movements	328	241	433	145	135	169	(1,451)	0
Period 10 Outturn Report	42,784	65,255	31,565	5,685	7,818	6,328	20,037	179,472

Page 39

Appendix 2

Main variances, changes to budget assumptions and key risks

The main variances contributing to the projected underspend of £6k, any changes to budget assumptions and associated key risks are highlighted below:

Table : Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	1,181	<p>Projected outturn variance £1.181m adverse, an adverse movement of £302k from Period 8.</p> <p>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.</p> <p>Below is the projected position on children's placements and other budget areas.</p> <ul style="list-style-type: none"> • £1.116m over budget on Children's placements (note 1), an adverse movement of £154k; • £871k under budget on staffing (note 2), an adverse movement of £138k and • £936k over budget on other running costs and income across the service, an adverse movement of £10k (note 3). <p>Note 1 Children's placements currently projects an overspend of £1.116m, an adverse movement of £154k.</p> <p>Over the two month period there has been a number of changes within Children's placements from costs for new placements £211k and additional net costs of £79k due to movements within existing placements. The total cost of these over this two month period was £290k. However the contingency set aside to be utilised during this period was £136k and was not sufficient to cover the above resulting in an adverse movement of £154k.</p> <p>To cover any further demand for the remaining 2 months there is a contingency of £129k included in the above projections.</p> <p>The numbers of children as at the end of January compared to those at the end of November are as follows:-</p> <ul style="list-style-type: none"> • children in care 376, an increase of 10 • child protection is 190, an increase of 17 • children in need 806, a reduction of 100

		<p>All of the £1.5m savings included in the budget has been achieved.</p> <p>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.</p> <p><u>Note 2</u> A favourable variance in staffing of £871k 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 & 2022/23. The adverse movement of £138k from P8 is mainly due to continued agency costs being incurred as difficulties remain in the permanent recruitment of social workers</p> <p>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 as to their permanency as the service redesign continues to take place during 2022/23.</p> <p><u>Note 3</u> The adverse variance in running costs and income across the service is £936k, an adverse movement of £10k, as outlined below:-</p> <ul style="list-style-type: none"> • £589k adverse variance on Home to school transport, an adverse movement of £193k. The service is continuing to see an increase in demand and applications continue to be received. There is also an increase in the complexity of cases, of which a number require transport to out of borough settings. In addition to this is the additional price increase being incurred due to the increase in fuel costs. Due to the size of the pressure and the rate of increase since the previous period, a travel officer post has been created to review travel provision and provider contracts to ensure full utilisation and in addition promote less expensive personal travel budgets as an alternative to council provided provision. • £62k adverse variance on Partington nursery, a favourable movement of £15k. The overall variance is due to a low uptake at the nursery resulting in a shortfall in income; • £271k adverse variance on Section 17 (s17) payments, a favourable movement of £39k. 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 over the year so have the costs in providing this support; • £220k adverse variance on income, an adverse movement of £21k. The overall variance is mainly due to the impact of COVID-19 (£161k), and a loss of service level agreement income with schools (£62k);
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		<ul style="list-style-type: none"> • £130k favourable variance on grant income, a favourable movement of £9k. This is due to the receipt of a grant for the school improvement service which it was not anticipated would continue and • £76k favourable variance on minor variances across the service, a favourable movement of £141k. <p>Note 4</p> <p>In addition to this there are further estimated costs due to COVID-19 as outlined below which are met by additional income:-</p> <ul style="list-style-type: none"> • £723k for the COVID Local Support Grant (CLSG) which will be met by a government grant and • £372k for contain outbreak management which will be met by government grant.
Adult Services	(418)	<p>Projected Outturn variance £418k favourable, a favourable movement of £885k from period 8.</p> <p>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.</p> <p>The projected position on adult clients and other budget areas is as follows:</p> <ul style="list-style-type: none"> • £65k favourable position on Adult clients, a favourable movement of £387k from period 8 (Note 1) • £353k favourable position on staffing and running costs, a favourable movement of £498k from period 8 (Note 2) <p>Note 1</p> <p>Adult Clients currently projects a £65k underspend, a favourable movement of £387k from period 8.</p> <p>Savings – £314k adverse, a £11k favourable movement</p> <p>This is due to an improvement in the savings anticipated to be achieved, although the overall amount is expected to be £242k below the original plan. To date £1.431m of the £1.866m saving proposals in this area has been achieved. The service will continue to look for other savings to mitigate the projected shortfall in the final months of the financial year.</p> <p>Discharge to Assess - £1.109m favourable, a £450k favourable movement. This is due to an increase in projected income from the risk share agreement in place with the CCG.</p> <p>Packages of Care – £730k adverse, a £74k adverse movement</p> <p>This is due to the following:-</p>

	<ul style="list-style-type: none"> • Increases in costs to existing packages of care £1.347m (195 clients). This is mainly due to increasing client needs/complexity and changes to clients' financial assessments. • Reductions in costs to existing packages of care £1.702m (331 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 £653k reducing to £429k after applying £224k for contingencies. This will include previous self funders whose savings have fallen below £23,250. <p>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.</p> <p>Contingency - within the projection there is a contingency of £96k set aside for additional increases in demand/cost pressures throughout the rest of the financial year.</p> <p><u>Note 2</u></p> <p>The current forecasts indicate there is a favourable variance of £353k on staffing and running costs, a favourable movement of £498k from period 8 which is due to the following:-</p> <ul style="list-style-type: none"> • £359k favourable variance on staffing, a favourable movement of £406k. This favourable variance and significant reduction in the projection is due to severe difficulties in recruitment of staff. The exceptional circumstances within the Supported Living service still exist but to a lesser degree due to a reduction in the use of Agency workers and the utilisation of the Workforce Recruitment and Retention grant; • £208k favourable variance on client equipment, repairs and maintenance, a favourable movement of £18k. This is due to the impact of COVID-19 and the low number of referrals being received; • £317k adverse variance due to projected underachievement of savings, a favourable movement of £6k. This is as a result of delays to changes in legislation and staffing pressures on the service and • £103k favourable variance on minor variances, a favourable movement of £68k. <p><u>Note 3</u></p> <p>In addition to this there are further estimated costs due to COVID-19 as outlined below which are met by additional income:-</p> <ul style="list-style-type: none"> • £4.681m which will be met by the CCG from their allocation given by NHSE for the Hospital Discharge Programme;
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		<ul style="list-style-type: none"> • £236k Omicron Support Fund which will be met by government grant; • £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; • £538k for Contain Outbreak Management which will be met by government grant; • £494k for Self-isolation Support which will be met by government grant and • £1.822m for Workforce Recruitment and Retention which will be met by government grant.
Public Health	(1,429)	<p>Projected Outturn variance £1.429m favourable, a favourable movement of £547k from period 8.</p> <p>Currently there is a projected favourable position of £1.429m as a result of:-</p> <ul style="list-style-type: none"> • £677k favourable position on 'business as usual' staffing costs, £7k favourable movement from period 8, as the service continues to lead and support the contain outbreak management response to the pandemic; • £100k favourable position on activity based budgets, £18k favourable movement; • £400k favourable position in the community services contract, a favourable movement of £400k. This is a one off reduction due to assumed costs of inflation being met from within the current financial regime operating in the NHS since the coronavirus pandemic and • £252k favourable position on running costs and other minor variations, a favourable movement of £122k. <p>In addition to this there are further estimated costs of £2.171m due to COVID-19 for contain outbreak management and this will be met by a government grant.</p>
Place	1,339	<p>Projected outturn variance £1.339m adverse, an adverse movement of £150k since period 8.</p> <p>This includes gross COVID-19 pressures of £3.533m, offset by £3.170m included in the approved budget/reserves – a net COVID-19 pressure of £363k which is an adverse movement of £156k.</p> <p>This includes:</p> <ul style="list-style-type: none"> • COVID-19 related gross income losses are £3.363m (increased by £156k), of which £1.470m is included in the approved budget and £1.5m earmarked in reserves relating to

		<p>Leisure. This gives a net COVID-19 income pressure in the forecast outturn of £393k;</p> <ul style="list-style-type: none"> • The gross COVID-19 related income losses include parking fees and fines £491k (reduced by £30k), property rentals £300k, outdoor media advertising £95k (reduced by £75k), planning fees £728k (increased by £269k), licencing fees £80k, building control fees £61k, highways permits and grants £24k, street trading £20k, pest control £16k (reduced by £8k) 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 (unchanged), which will be funded 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 (unchanged). This is £30k under the £200k included in the approved budget. The overall gross pressure includes £100k in additional waste disposal costs and £50k related to waste collection, £63k operational buildings, £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; • There are also additional costs fully offset by additional specific COVID-19 grants of £305k Community Engagement and £453k for Public Protection/Economic Growth “pandemic contain” funding. <p>Other Forecast Variances £529k favourable, a favourable movement of £92k.</p> <ul style="list-style-type: none"> • The forecast variance includes an overall a staffing underspend of £579k relating to vacancies across the year (increase of £46k), which is approximately 7.2% of the staffing budget and includes for management action on vacancies outlined in the previous report. The ring-fenced planning account has a forecast underspend of £362k (increased by £71k) which part offsets the COVID-19 income pressure for Planning application fees above. • These are offset by projected shortfalls in income relating to building control £192k, CCTV £35k and public protection £40k. There are net cost pressures relating to energy £50k and property £95k. <p>Strategic Investment Programme £1.505m adverse, an adverse movement of £86k:</p> <p>The Strategic Investment Property Portfolio will deliver a net benefit to the revenue budget in 2021/22 of £6.1m. This is</p>
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		<p>£1.505m lower than budgeted (increased by £86k) and is due to economic factors affecting some of the income, particularly from the town centre investments (see details in paragraph on capital programme).</p>
Strategy & Resources	(390)	<p>Projected outturn variance £390k favourable, a favourable movement of £49k since period 8.</p> <p>This includes gross COVID-19 pressures of £491k, an adverse movement of £30k, which is £10k higher than the £481k included in the approved budget:</p> <ul style="list-style-type: none"> • Gross trading losses in the overall forecast outturn includes £259k in Catering (increased by £33k) and £107k in Cleaning (unchanged) offset by a £41k surplus in the Music Service (£90k favourable movement). There is a forecast net loss of income from staff parking of £148k (increased by £88k) and £14k expected loss of SLA income (reduced by £1k). There are also £4k of staff costs (unchanged); • There is also £1.179m 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. <p>Other Forecast Variances £400k favourable, a favourable movement of £79k, including:</p> <ul style="list-style-type: none"> • Staff costs are £436k less than budget across the Directorate (favourable movement of £64k) based on actual and forecast vacancies across the whole year, which is 6.5% of the total staffing budget; • SLA income and other items above budget £90k. <p>These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which is expected to be achieved in full.</p>

Finance & Systems	39	<p>Projected outturn variance £39k adverse, a favourable movement of £146k since period 8.</p> <p>Forecast COVID-19 Pressures £219k, adverse movement of £1k:</p> <p>This relates to additional unplanned costs associated with ICT staff, equipment and systems directly related to the COVID-19 pandemic.</p> <p>There are also additional costs fully offset by additional specific COVID-19 grants totalling £1.152m in Exchequer Services and £66k in ICT.</p> <p>Other Forecast Variances £180k favourable, a favourable movement of £147k:</p> <ul style="list-style-type: none"> • Staff costs are £357k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 4.5% of the total staffing budget, and an increase of £140k; • Other variances of £11k, a favourable movement of £7k; <p>These are offset by the budgeted Directorate-wide efficiency saving target of £188k.</p>
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Governance & Community Strategy	185	<p>Projected outturn variance £185k adverse, a favourable movement of £48k since period 8.</p> <p>This includes gross forecast COVID-19 pressures of £461k offset by £240k included in the approved budget, an adverse movement of £16k – a net COVID-19 pressure of £221k:</p> <ul style="list-style-type: none"> • Projected gross income losses due to COVID-19 are £371k (increase of £10k) and includes £298k relating to Sale Waterside Arts Centre (increase of £8k), £22k for events including Flixton House (increase of £9k), land charges £39k (increase of £4k) and Registrar’s now £33k above budget (increased by £6k). There is also a £45k loss of income expected from library lettings (reduced by £5k); • cost pressures total £90k (increased by £6k) 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 £10k (reduced by £6k). <p>Other Forecast Variances £36k favourable, a favourable movement of £64k:</p> <ul style="list-style-type: none"> • Forecast staff costs are £401k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 7.1% of the total staffing budget. This is an increase of £66k; • Running costs are forecast to be overspent by £36k, which is an adverse movement of £7; • There is a projected shortfall in income of £137k compared to budget excluding the COVID-19 pressures above, which is £6k less than last reported. The overall shortfall includes £34k in capital fee income which is related to staff vacancies, £47k shortfall in traded services (£15k decrease) and £45k reduced grant income in electoral registration service. Other income shortfall is net £11k (increase of £9k). <p>The above is offset by the budgeted Directorate-wide efficiency saving target of £192k.</p>
Council-wide budgets	(513)	<p>Projected Outturn variance, £513k favourable, a favourable movement of £221k since Period 8</p> <p>Treasury Management</p> <p>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</p>

	<p>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 8.</p> <p>VAT recovery Trafford Housing Trust £211k - A one off release of monies received in period 10, from Trafford Housing Trust associated with the recovery of VAT made on behalf of the Council at the time of the stock transfer.</p> <p>Greater Manchester Advance Pension Payment</p> <p>A greater than expected saving of £150k above budget from the three yearly advance pension payment is forecast. No movement since period 8.</p> <p>Housing Benefit</p> <p>The Housing Benefit budget is notoriously difficult to predict. At period 10 a pressure on the net Housing Benefit budget (payments made, less subsidy and overpayment recovery) of £165k 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.</p> <p>Members Allowances</p> <p>There is a projected saving of £35k on Members Allowances and running cost budgets, a favourable movement of £10k since period 8.</p> <p>External Audit fees</p> <p>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.</p> <p>Council-wide Contingencies</p> <p>a) Pay Award</p> <p>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). Negotiations on the final pay offer have yet to be resolved.</p> <p>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</p>
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		<p>leave £100k in the contingency budget for other unknown pressures during the year.</p> <p>b) Sales, Fees and Charges Compensation Grant</p> <p>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 8. The shortfall will be met from the COVID-19 contingency of £1.5m.</p> <p>c) Greater Manchester Temporary Resting place</p> <p>£40k potential COVID-19 related costs above budget. This shortfall will be met from the COVID-19 contingency. No change since period 8.</p> <p>d) COVID-19 Contingency (temporary)</p> <p>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 8.</p> <p>e) Transport Levy</p> <p>The final GMCA Transport levy set is lower than the budget agreed in February by £99k.</p> <p>f) Savings Programme</p> <p>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.</p> <p>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.</p> <p>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.</p>
Dedicated Schools Grant	1,764	<p>Projected outturn variance £1.764m adverse, a favourable movement of £212k from Period 8.</p> <p>Underspends are expected in the Schools, Central Schools Services and Early Years blocks of £351k, a favourable movement of £165k. The majority of the favourable movement is within the schools block (£161k) and due to several growth fund applications not being required until 2022/23.</p>

		<p>There has been a reduction of £1.893m in the Early Years Block grant due to an update in pupil data, this was expected. Expenditure is in line with the revised budget, no change since period 8.</p> <p>The High Needs Block is over spending by £2.115m, a favourable movement of £47k from Period 8.</p> <p>There is a negative High Needs Block reserve of £181k, leaving an overall deficit of £2.296m.</p> <p>The service is reviewing what mitigations can be put in place to provide longer term savings.</p>
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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee

Date: 22 March 2022

Report for: Decision

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

Report Title:

Accounting Concepts and Policies

Summary:

This report explains the accounting concepts and policies that will be used in preparing the 2021/22 annual accounts.

There are no material changes to the Accounting Policies for 2021/22.

Recommendation(s)

It is recommended that:

- a) The Accounts and Audit Committee is requested to approve the accounting concepts and policies that will be used in completing the 2021/22 annual accounts
- b) Note the changes in accounting standards issued but not yet adopted until 2022/23 in respect of accounting for leases.
- c) Note the potential for changes to the accounting policies for 2021/22, pending the outcome of the emergency consultation on amendments to the Accounting Code.

Contact person for access to background papers and further information:

David Mugeridge, Head of Financial Management Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	None arising out of this report
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Carbon Reduction	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable

Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Executive Summary

General Principles - The statutory accounts are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

Some Key Policies

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

Changes in Policies 2021/22

Changes in accounting standards and policies:-

- Appendix 2 provides a summary of the changes relating to 2021/22. It should be noted that all of the changes for 2021/22 are either points of technical clarity, are not relevant to Trafford or their application need not be applied due to materiality and as such do not require any update to the accounting policies from those used for the 2020/21 annual accounts.

1. Introduction

- 1.1. This report details the accounting policies that will be used in the preparation of the 2021/22 accounts.

2. Accounting Concepts and Policies

- 2.1. The Council's accounting concepts and policies are the specific principles, conventions, rules and practices that are applied in preparing and presenting the annual accounts. These accounting concepts and policies have to be disclosed as a note to the annual accounts.
- 2.2. The accounting concepts and policies to be used in the preparation of the 2021/22 annual accounts are attached at Appendix 1. Changes to the code are attached at Appendix 2 and it should be noted that all of the changes are either points of technical clarity, are not relevant to Trafford or their application need not be applied due to materiality and as such do not require any update to our accounting policies from those used for the 2020/21 annual accounts.

3. Changes in Policies Issued but not yet adopted

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

4. Emergency consultation on changes to the Accounting Code

- 4.1. The COVID-19 pandemic presented many challenges in the preparation and audit of the 2020/21 accounts, with the majority of local bodies (91%) missing the statutory deadline of 30 September 2021 for publication of their audited 2020/21 accounts. In consideration of this delay, DLUHC

asked CIPFA to consider ways in which the accounting code could be adapted to ameliorate this crisis position. CIPFA considered this request and issued an exceptional consultation considering time limited changes to the accounting code that may help alleviate delays to the publication of audited financial statements. The consultation ran for a period of 4 weeks to 3rd March 2022. The outcome of the consultation is yet unknown.

4.2. The consultation explored two options:

1. an adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation;
2. deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

4.3. A number of workshops were held with CIPFA, local authorities and auditors to discuss the options contained within the consultation. The majority of attendees agreed that option 1 (pausing valuations) is unlikely to assist with the timeliness of published accounts with the greater part of the valuation work already being completed for 2021/22. On the other hand, the vast majority were in favour of option 2 suggesting a deferral in IFRS 16 is needed. It is anticipated that the outcome of the consultation will mirror these workshops and impose option 2 deferring implementation of IFRS 16 for a further year.

4.4. Trafford's response to the consultation was also in line with these workshops suggesting that option 1 should not be explored further but with option 2 being implemented. The response also made clear that these options in isolation will not resolve the issues faced by both local authorities and auditors and that further options need to be considered to assist the timeliness of the published accounts.

4.5. The accounting policies will be updated once the formal outcome of the consultation is released. Any changes will be highlighted at the time the draft accounts are presented to the Accounts and Audit Committee.

4.6. Introduction of IFRS16

As mentioned in the paragraph above, implementation of IFRS 16 (leases) will be included in the Code for 2021/22 unless the emergency consultation postpones this for a further year. In which case IFRS 16 will be introduced in 2022/23.

Currently there is a distinction between finance leases and operating leases which require two kinds of accounting treatments. A leasing contract is an agreement in which the lessor (owner of the equipment)

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

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

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

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

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

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

The Council is currently reviewing the impact of the requirements under IFRS16 and gathering details from service areas of contracts which may now be recognised as containing leases. It is too early to state the size of the impact this will have on our statement of accounts with any degree of certainty, however initial observations are thought to be minimal. If no changes to the code are made as a result of the exceptional consultation, the council must set out the activity it has undertaken to establish the

impact on the accounts and further details will be declared in the draft Statement of Accounts.

5. **Recommendations**

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

3a. Accounting Concepts

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end 31 March 2022. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

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

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

Underlying Assumptions

Going Concern

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

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

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

Primacy of Legislation Requirements

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

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

3b. Accounting Policies

(a) Accruals of Income and Expenditure

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

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

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

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

Non Domestic Rates (NDR)

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

Council Tax

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

Accounting for Business Improvement District

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

(c) Acquisitions and Discontinued Operations

There are no acquisitions or discontinued operations to report.

(d) Cash and Cash Equivalents

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

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

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

(e) Exceptional Items

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

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

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

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

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

(g) Charges to Revenue for Non-Current Assets

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

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

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

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

(h) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

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

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

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

Service cost comprising:

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

Remeasurement comprising:

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

Contributions paid to the Greater Manchester Pension Fund:

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

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

Discretionary Benefits

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

(i) Events After the reporting Period

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

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

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

(j) Financial Instruments

Financial Liabilities (Debt and Interest Charges)

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

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

Expected Credit Loss Model

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

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

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

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

Loans

- Group 1 – the Council has made three loans to Manchester Airport Group. An initial loan of £8.7m was made in 2009/10 is due to expire in 2055, a loan of £11.3m was made in 2018/19 specifically for the development of Terminal 2 due for repayment in 2057 and a further loan advance of £9.7m was made during 2020/21 set to mature in 2060 in respect of financial support for Covid-19 pandemic. Loss allowances for these loans will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.
- Group 2 – Loans made under Investment Strategy – The scope of the Council's investment strategy covers direct investment in properties (see policy covering investment property) as well as loans made to third party developers. To date the Council has made five developer loan advances. Loss allowances for these types of loan will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.
- Group 3 – Town Centre Loans – The Council offers an interest-free loan scheme for businesses that want to occupy ground floor, vacant premises in Altrincham, Sale, Urmston or Stretford town centres to part-fund works, overheads and marketing costs that are needed to bring a vacant unit back into use. The loans are advanced in two instalments and the first instalment is made within Long Term Debtors and Prepayments. Once the second instalment is made, the debt is transferred into our debtor collection system and appears in Short Term Debtors. Due to the immaterial value of these loans, Credit losses will be calculated under the simplified approach adopted for all Trade Debtors.
- Group 4 - Homestep Loans – these are loans provided to first time buyers to assist key workers to purchase a home. The amount advanced has been included as a long term debtor and is repayable when the property is sold. Credit losses will not be calculated on a collective basis using information available on any mortgage defaults.

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

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

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

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

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

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

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

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

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

Fair Value through Other Comprehensive Income (FVOCI)

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

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

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

- Manchester Airport Holding Limited

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

(k) Foreign Currency Translation

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

(l) Government Grants and Contributions

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

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

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

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

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

(m) Heritage Assets

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

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

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

Trafford Town Hall Collection

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

Historic Buildings

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Proceeds from the disposal of

such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Heritage Assets not reported on the balance sheet

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

(n) Intangible Assets

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

(o) Interests in Companies and Other Entities

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

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

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

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

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

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

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

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

(p) Inventories and Long-Term Contracts

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

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

(q) Investment Property

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

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

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

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

(r) Joint Ventures

On 20 March 2018 the Council set up a joint venture with Bruntwood (K Site Ltd) called Trafford Bruntwood LLP. The entity will deliver a new university campus on the former Kelloggs headquarters site at Talbot Road Stretford. From 2018/19 the entity forms part of

the Council's group accounts and will be treated as a Joint Venture and consolidated on an equity basis.

(s) Leases

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

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

(t) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The main basis of apportionment is by estimation of time spent on the various services. The cost of administrative buildings has been recharged on the basis of

floor area occupied. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

(u) Property, Plant and Equipment (PPE)

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

Recognition

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

Measurement

Assets are initially measured at cost comprising:

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

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

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

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

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

Assets are revalued with sufficient regularity by a qualified valuer to ensure that the carrying amount is not materially different from their fair value at year end and as a minimum at least every five years. Increases in asset value are matched by a credit to the Revaluation Reserve to represent the unrealised gain. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement for a particular asset where the

Comprehensive Income and Expenditure Statement have previously been charged with an impairment loss for that asset. Losses on revaluation are written off to the Revaluation Reserve, or if no Revaluation Reserve exists for that asset, charged to the Comprehensive Income and Expenditure Account.

Depreciation

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

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

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

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

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

Revaluation and Impairment Losses

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

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

Any charges for the use of Property, Plant and Equipment with the exception of external interest payments have a neutral impact on the amount to be raised from local taxation and are reversed from service revenue accounts through the Movement in Reserves Statement to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

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

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

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

Capital Receipts

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

(v) Schools

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

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

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

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

PFI contracts are agreements to receive services where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as the Council controls the residual interest in the asset at the end of the contract, the Council carries the assets used under the contract on the Balance Sheet.

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

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

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

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

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

(x) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established.

Contingent Liabilities

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

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

Contingent Assets

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

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

(y) Reserves

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

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

Insurance

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the

General Fund Balance to the Capital Adjustment Account is made. This reverses out the amounts charged so there is no impact on the level of Council Tax.

(aa) VAT

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

(ab) Fair Value Measurement

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

Schedule of changes

The key accounting changes principally introduced by the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22*, including:

- a) Confirmation of the arrangements for the endorsement of standards arising because of the United Kingdom's withdrawal from the European Union.
- b) Confirmation of the accounting arrangements for the Dedicated Schools Grant as a consequence of the issue of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020.
- c) Amendments to Accounting Policies, Changes in Accounting Estimates and Errors to confirm (but not introduce) the adaptation in Section 3.3 and Appendix C of the Code for standards issued but not yet adopted.
- d) Augmentations to Presentation of Financial Statements for the reporting of estimation uncertainty.
- e) Amendments to Section 7.1 (Introduction etc) to confirm the replacement of IPSAS 29 Financial Instruments: Recognition and Measurement with IPSAS 41 Financial Instruments.
- f) Confirmation in Subsequent Measurement of Financial Assets and Financial Liabilities and Financial Instruments – Disclosure and Presentation Requirements of the reporting requirements of interest rate benchmark reform.
- g) Confirmation in Changes in Accounting Policies: Disclosures in the 2020/21 and 2021/22 Financial Statements of the transitional reporting requirements of the new standards introduced in the 2021/22 Code.
- h) Confirmation in New or Amended Standards Introduced to the 2021/22 Code of the new standards introduced to the 2021/22 Code

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

- a) Adoption of IFRS16 in relation to accounting for leases
- b) Service concession arrangements liability measurement
- c) Clarification on HRA tenancies

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 22 March 2022
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2022/23

Summary

The purpose of the report is to provide, at a high level, the proposed Internal Audit Operational Plan for 2022/23.

The report sets out planned work for the year but acknowledges that this remains flexible and subject to review as needed during the year. There were some variations to planned work in 2021/22, partly due to the COVID-19 pandemic, and plans for the year ahead take account of both new areas for review and some work deferred to 2022/23.

The report also includes, in the appendices, the Internal Audit Charter and Strategy. These were previously reviewed by CLT and the Accounts and Audit Committee and are unchanged from the versions agreed in March 2021.

Recommendation

The Accounts and Audit Committee is asked to approve the 2022/23 Internal Audit Plan.

Contact person for access to background papers and further information:

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

Background Papers: None

Background Information

Implications:

Relationship to Corporate Priorities	The scope of the work of Internal Audit may cover all of the Council's corporate priorities.
Relationship to GM Policy or Strategy Framework	Where appropriate, Internal Audit will liaise with GM partners and where applicable, undertake joint working in carrying out planned work.
Financial	<p>In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS).</p> <p>The work of internal audit may cover a diverse range of service areas, functions and areas of risk covering both financial controls and wider aspects of internal control, risk management and governance.</p>
Legal Implications	See Financial Implications
Equality/Diversity Implications	Not directly applicable to this report
Sustainability Implications	Not directly applicable to this report
Carbon Reduction	Not directly applicable to this report
Staffing/E-Government/Asset Management Implications	Not directly applicable to this report
Risk Management Implications	See Financial Implications
Health and Safety Implications	Not directly applicable to this report



TRAFFORD
COUNCIL

Internal Audit Operational Plan 2022/23

Date: **March 2022**

Internal Audit Operational Plan 2022/23 – Audit and Assurance Service

1. Introduction

- 1.1 The 2022/23 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2022/23 Plan for approval.

2. Background

- 2.1 The ongoing challenges faced by local authorities in delivering effective services with limited resources available have increased since the start of the COVID-19 pandemic. Funding and cost pressures and increasing demand for some services emphasise how important it is that local authorities manage resources effectively, manage risks and consider opportunities to help achieve the corporate priorities. As part of this, councils need to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised. Internal Audit work aims to support the organisation by providing independent review of systems, processes and controls and provides a mechanism for identifying improvement actions required by the organisation.
- 2.2 Each year the Audit and Assurance Service sets out its annual internal audit plan for review by the Corporate Leadership Team (CLT) and approval by the Accounts and Audit Committee. Subsequent updates are then provided to CLT and the Accounts and Audit Committee through the year highlighting the work undertaken and progress against key areas of the plan. Actual work undertaken during the year against work planned is set out in the Annual Head of Internal Audit Report.
- 2.3 There continued to be an impact on planned audit work during 2021/22 as a result of COVID-19. Audit continued to provide some support to the Authority in respect of administering the payments of certain COVID-19 business grants. In addition, a number of planned audit reviews in 2021/22 have been rescheduled at the request of services. In agreement with relevant Corporate Directors, the Internal Audit Plan for 2022/23 therefore includes a number of such reviews.
- 2.4 Whilst this Plan covers a full year, it is acknowledged that there must be flexibility and where needed it will be revised during the year to take account of changes. This will be reflected in further updates during the year.
- 2.5 In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance

processes, taking into account public sector internal auditing standards or guidance.” The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS).

- 2.6 The Audit and Assurance Service’s approach to undertaking internal audit work is set out in the following documents:
- Internal Audit Charter (This defines the purpose, authority and principal responsibilities of Internal Audit – See Appendix 3)
 - Internal Audit Strategy (This details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and Assurance Service are met and the scope of it understood – see Appendix 4).
 - Quality Assurance Programme (This sets out how the Service monitors its work to ensure adherence with standards; that it operates in an effective and efficient manner; and through its work adds value to the organisation – See Appendix 5).

3. Compilation of the Internal Audit Plan

- 3.1 The Operational Internal Audit Plan is produced to take into account coverage of risks and associated controls in place. At the end of the year an audit opinion is given as to the overall adequacy and effectiveness of the Council’s control environment, which encompasses internal control, risk management and governance. An important consideration is that the plan should include good coverage across the Council’s services and systems.
- 3.2 A number of factors are taken into account in compiling the plan based on statutory obligations, the Council’s corporate priorities and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account.
- 3.3 The impact of COVID-19 will continue to influence aspects of planned audit work in 2022/23. Where appropriate, individual audit reviews will take into account relevant issues such as changes in procedures arising since the start of the pandemic.
- 3.4 The Internal Audit Plan takes account of risks in relation to financial resilience with reviews covering financial systems and budgetary control (See 5.2). Audits in relation to strategic risks relating to cyber security and information governance are also in the Plan (See 5.7) with further areas under consideration (See 5.4).
- 3.5 There is audit coverage across the Council’s Corporate Directorates to reflect the Council’s corporate priorities set out in the Corporate Plan. For instance, a variety of service audits are included within the Plan (as referred to in Section 5.9). The Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the

- year and through information provided such as through risk registers, action plans, self-assessments and control / governance issues raised.
- 3.6 The Audit and Assurance Service has a number of obligations to take into account in producing the plan. This includes time set aside for the Service to co-ordinate the update of the Council's Strategic Risk Register (See 5.4) and input to the review of the Council's Annual Governance Statement (5.3). A specific category of audit time is also included to reflect the requirement for internal audit checks of information supporting particular grant claims. For 2022/23, this will include checks of grant returns in relation to COVID-19 funding. (See 5.10).
 - 3.7 The risk of fraud and corruption is considered as part of planning a wide range of audits and also dedicated work in relation to fraud risks takes place, including co-ordinating, with other teams, the Council's work in relation to the National Fraud Initiative (See 5.5). For 2022/23, this will include reporting on final outcomes from previous NFI exercises as well as submitting relevant data as part of the forthcoming exercise in 2022/23.
 - 3.8 There is a programme of planned audits in place of the Council's maintained schools which includes providing assurance that schools are operating in accordance with the Schools Financial Value Standard (See 5.8).
 - 3.9 Plans take into account other audit, assurance or development work being undertaken in particular areas. This includes work by the External Auditor and where applicable reviews by other external bodies e.g. Ofsted. Where appropriate, account will also be taken of other internal reviews which may relate, for instance, to work in relation to the Council's Finance and Change Programme and also the work of Scrutiny. Where appropriate, the Internal Audit Plan will be revised through the year.
 - 3.10 Plans include co-ordination with partners to provide assurance. This includes ongoing liaison with other Internal Audit sections as part of the STAR Shared Procurement Service to co-ordinate planned work (See 5.6). Where appropriate, Audit will liaise with other Internal Audit teams in other Authorities.
 - 3.11 Time is allocated to follow up on control issues previously raised in 2021/22, including previous audit review work, to assess progress in implementing action plans, particularly where significant areas for improvement in controls have been identified. The plan highlights a number of follow up audits.
 - 3.12 The amount of time available to undertake the annual plan is identified, and individual areas of work selected taking into account the above factors. A contingency is also held to allow for unforeseen circumstances (For instance, in 2021/22 this was used to offset a reduction in days following the departure of one of the members of staff in Audit).

- 3.13 For reporting and monitoring purposes the plan is divided into a number of categories although it should be noted that there are significant areas of overlap between them.
- 3.14 There are a variety of activities undertaken to fulfil the plan and in addition to conducting internal audit reviews which result in the issuing of audit reports, work may also include providing input to project / working groups, providing guidance and advice, and providing input to council policies and procedures (See 5.11). The Service also facilitates the production of a number of corporate reports presented to the Accounts and Audit Committee.
- 3.15 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risk are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, further elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Regular updates to CLT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report are further plans detailing work allocated to individual staff.
- 3.16 Time is set aside for the completion of reviews which had been included as part of the 2021/22 Plan. Work completed or in progress in 2021/22 and work carried forward to 2022/23 will be reflected in the Annual Head of Internal Audit Report to be completed by June 2022. For some reviews, suggested timing during the year has been agreed and where applicable, this is indicated in the report. There are also other reviews that have been considered as part of audit planning which are expected to be undertaken in 2023/24.
- 3.17 Assumptions in respect of available audit days are considered to provide the total planned days. For 2022/23, there are 920 available operational audit days. There are currently 6 full-time internal audit posts within the staffing establishment with 5 of these expected to be in post at the start of 2022/23 with a vacancy expected to be filled later in 2022. In addition there are resources of 50 audit days to be purchased from Salford Internal Audit Services to undertake ICT audit work.
- 3.18 In addition to the 920 planned days shown, it should be noted that further time is allocated for a number of other activities undertaken that are not reflected in the analysis as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Mazars), development of audit systems, procedures and guidance, networking with other North West Internal Audit groups to share good

practice, information gathering in support of the production of the audit plan etc. Separate additional time allocations are given to individual staff to undertake these activities.

4. Reporting / Performance Monitoring

4.1 Through the year, progress updates will be provided to CLT and the Accounts and Audit Committee (through periodic updates and the Annual Head of Internal Audit Report) which will refer to details of the performance and impact of audit and progress against the plan. This will include details of:

- Actual chargeable audit days against planned days allocated.
- Number of audit reports issued against that planned for the year - Target of 30 audit reports (comprising opinion reports, consultancy reports and grant sign-offs) to be completed in 2022/23 to final or draft stage, with remaining audits to be completed in the following year (See Appendix 1 for planned reports to be issued)
- The impact of audit recommendations made in terms of both initial acceptance and also implementation (the latter identified through follow up audit work).
- A summary of feedback from managers in respect of client surveys, which is detailed in the Annual Head of Internal Audit Report.

4.2 Where reviews or other key areas identified in the 2022/23 Plan are not undertaken as scheduled, this will be reported in subsequent updates including in the 2022/23 Annual Head of Internal Audit Report.

4.3 Updates through the year will also include commentary on Audit resources available if there are issues that may impact on completion of the plan.

5. Internal Audit Plan Coverage 2022/23

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

In Appendix 1, there is a summary of the planned work and an estimated time is allocated to each category. It also includes a listing of audit reports to be issued. This also indicates reviews where reports are expected to be issued in quarter one of 2022/23.

In Appendix 2, there is an explanation of the audit opinion levels. These were updated in 2021/22 in line with guidance from CIPFA.

5.2 Financial Systems

Audit coverage includes review of core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Previous assurance obtained in earlier audits will continue to be taken into account in planning the level of audit coverage within individual reviews.

The challenges in managing risks relating to the Council's financial position have increased significantly with the impact from a number of factors including the COVID-19 pandemic and the inflationary impacts currently being felt. Where appropriate, audits will consider actions to address such risks.

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

- An audit review of the Council's payroll system and procedures is in progress during the final quarter of 2021/22 and it is planned that a final report will be issued in the first quarter of 2022/23. Findings from this review will inform any further work in this area.
- An audit review in relation to Trafford Assist, Trafford's Local Welfare Assistance scheme, covering new processes introduced in relation to its cash-first payment process.
- Audit review of other key systems and processes which are subject to periodic review:
 - Council Tax system review which was originally scheduled for 2021/22 and is to commence in quarter 1 of 2022/23.
 - Review of Treasury Management processes. (Given expected staffing changes within the service area it is agreed this review will commence later in 2022/23).
 - Review of budgetary control processes to include coverage of previous recommendations, improvement actions and consideration of good practice which was originally scheduled to commence in 2021/22 but is expected to commence later in 2022.
 - Accounts Payable system review to include covering further progress made in addressing previous recommendations.
- In relation to Adult Social Care:
 - An audit of the Adults Social Care payments system (Liquid Logic/ContrOCC) is currently in progress in the final quarter of 2021/22. Findings from this review (final report to be issued in Q1 of 2022/23) will be considered to inform any further possible work in this area in the coming year.
 - Adult Social Care Direct Payment – As above, an audit review is currently in progress and findings will help to inform any further work in 2022/23.

- In relation to Children's Services:
 - An audit review was completed in 2021/22 of the Children's Social Care payments system (Liquid Logic/ContrOCC). A number of areas were highlighted where actions were planned to improve procedures and controls and further audit work will be undertaken during 2022/23 to assess progress.
 - Further to ongoing work within Children's Services in relation to assessing controls regards cash imprest processes, it is expected that findings from this will be shared with relevant services to ensure adequate controls are in place.

Audit is developing its processes in relation to the use of data analytics as part of its work. Data analytics can be applied to Internal Audit processes to add value by discovering and analysing patterns, deviations and inconsistencies, and extracting other useful information in the data underlying or related to the subject matter of an audit. This can be applied for the purpose of planning and performing the audit. Consideration will be given to this in planning some of the review work covered above.

Time will also be set aside for other issues and developments arising in respect of financial systems where further audit input or advice may be appropriate or any further work from 2021/22 is to be completed. Audit and Assurance will also take into account findings from the External Auditor and will liaise with the Section 151 Officer to consider any further potential review work to include in the Internal Audit Plan. (Also see section 5.3 (Governance) in respect of the CIPFA Financial Management Code and 5.4 (Risk Management) in respect of the Asset Investment Strategy).

5.3 Governance

Audit and Assurance will continue to provide a role in reviewing the compilation of the Council's Annual Governance Statement (AGS), required to be produced in accordance with the Accounts and Audit Regulations 2015. Democratic Services lead in collating the AGS and Audit and Assurance will continue to work with them to provide support where required, including providing assurance to reflect in the AGS. Audit has provided feedback on the AGS processes and will continue to liaise with Democratic Services on areas for further development.

Audit will provide comment on the content of the draft 2021/22 AGS with reference to the CIPFA/SOLACE Governance framework and guidance and feedback to Legal and Democratic Services on its findings. (The approach/timetable for producing the Council's 2021/22 AGS is to be finalised by Legal and Democratic Services taking into account national statutory deadlines and guidance from CIPFA.

Local authorities are expected to include details within the AGS which assess the Council's compliance with the principles of the CIPFA Financial

Management Code. As part of reviewing the Draft AGS, Audit will consider progress in this area which may inform future audit planning.

It should be noted that within other sections of this report, planned audit work also includes reviewing developments in relation to a number of significant governance issues highlighted in the 2020/21 AGS with specific audits included in the 2021/22 Plan in relation to business continuity and aspects of information governance, including data breaches.

Time may also be used in the plan to provide internal audit input to reviewing other governance issues across the Council, including issues within the Council and through joint ventures and other partnerships. In addition to work in relation to the AGS, Audit are liaising with the Governance and Community Strategy Directorate to consider further specific audits in relation to governance and ethics and will be reflected in future plans.

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

5.4 Risk Management

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

An internal audit report on the Council's business continuity arrangements was issued in November 2021. This acknowledged that processes were currently subject to development with a project underway to strengthen arrangements across the Council. It was agreed that a further audit review would be undertaken later in 2022 to assess progress being made.

An internal audit review of health and safety was originally planned for 2021/22 to review this area of strategic risk, covering corporate processes in place. This was delayed at the request of the service and agreed to commence later in 2022/23, given commitments as part of the Council's workplace reintegration during 2022.

Issues in relation to other areas of strategic risk are also reflected in audits within this plan within other sections of the report. In addition, during the year as part of ongoing audit planning, there will be consideration of other audit work directly covering strategic risk areas and work may be added to this Plan or included in future plans. Risk areas currently being considered for future review include in relation to the asset investment strategy, climate change risk / progression of the Carbon Neutral Action Plan; and processes in managing risks in relation to the demand for school places.

Audit will also consider the adequacy of risk management within individual Directorates and as part of ongoing audit planning, consider further reviews, including in relation to the maintenance of risk registers.

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

5.5 Anti-Fraud & Corruption

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

The Service will continue to support the National Fraud Initiative (NFI), the national data-matching exercise, co-ordinated by the Cabinet Office, designed to help participants identify possible cases of error or fraud. Audit will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2022/23 exercise. The Service will also co-ordinate any reporting of outcomes from existing exercises and will reflect details in the 2021/22 Annual Head of Internal Audit Report.

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

Audit and Assurance will continue to work with the Counter Fraud and Enforcement Team, Legal and Democratic Services, Human Resources and other services as required to review policies and guidance in relation to the Anti-Fraud and Corruption Strategy, and where applicable publicise any updates to these as appropriate.

5.6 Procurement / Contracts / Value for Money

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

As part of internal audit planning in relation to the STAR Shared Procurement Service, Audit liaises with both STAR and the Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans are agreed and relevant findings shared to ensure a co-ordinated audit process. At the time of this report, some planned review work had been agreed for 2022/23, with further areas to be confirmed later in 2022 as part of ongoing audit planning. Details to date are referred to below with any further added to be reflected in future Audit and Assurance updates through the year:

- STAR acquired the In-Tend system to use to support contract management processes, initially with the aim of utilising it for the contracts register with a potential view to rolling out the system further to services across the Councils to support contract management. A review (to be undertaken by Stockport Council on behalf of all the respective authorities) was originally scheduled to commence towards the end of 2021/22 but work has been rescheduled with the aim to commence in Q1 of 2022/23 with a report expected to be issued later in 2022.
- There is currently a review underway by STAR of processes regards exemptions to the Council's Contract Procedure Rules and modifications to contracts which is expected to be completed, subject to approval, by May 2022. It was agreed that an audit review of processes and controls in this area will be undertaken to assess their effectiveness as part of ensuring compliance with the Contract Procedure Rules. Responsibilities and timing for completing this work are to be confirmed.
- An internal audit review was completed in November 2021 covering Social Value in procurement, in particular covering use of the social value portal. It is noted that further development to support Social Value are being considered including work relating to key priorities such as Carbon neutral targets. Developments in this area will be considered.
- STAR regularly liaise through the year with Internal Audit and provide updates on developments. During 2021/22, this included details of performance updates, risks and also areas for development taking into account best practice and lessons learned from outcomes at other authorities. Where applicable, Audit will seek further assurance on developments being made.

Other review work across the Audit Plan covered in other sections includes consideration of aspects of procurement and contract monitoring.

In respect of the latter, in relation to the Council's One Trafford Partnership with Amey (Place Directorate), it was also agreed that an audit review of Waste Services would be planned covering compliance with statutory

requirements and the accuracy and effectiveness of monitoring and reporting in this area.

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

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

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

- An audit was originally completed of cyber security in November 2020, primarily based on the National Institute of Standards (NIST) Cyber Security Framework. A follow up of this is currently in progress with a final report due to be issued in March 2022. Further to this, a review is now planned for later in 2022 to focus on particular identification and protection systems to gain assurance that these are functioning to an agreed standard and are being managed effectively.
- Two other reviews were completed in 2021/22 where it is expected further audit input will be planned in for 2022/23:
 - IT and Digital Services are planning to introduce a new, cloud based, IT service management application called Freshservice. The new application, together with revised service management processes, is aimed to support the IT Service desk and end users to increase the efficiency and effectiveness of the service. In January 2022, a consultancy report was produced by Salford Internal Audit Services to share good practice to be considered as part of system implementation. There will be liaison with IT and Digital Services during the year to consider progress. It is planned that an audit review of the system will be considered within 12 months of the system being implemented.
 - An Asset Management review covering processes for managing the Council's IT assets was completed in March 2022. A number of recommendations were made and actions to address these are being taken with the implementation of the Freshservice system. It is expected that Audit will liaise further with the IT and Digital Service during 2022/23 to consider progress with future audit input to be agreed.
- During late 2021, as part of a review of the adequacy and effectiveness of ICT security in schools, a survey was undertaken of Trafford schools to gather information on current IT security arrangements in place.

Findings from this are being collated and will inform further audit work which is expected to include visits to a selection of schools and the sharing of best practice across the borough.

- Time may also be allocated to consider possible audit input in relation to new systems and developments. This may include the implementation of Microsoft 365 across the Council and also developments in respect of disaster recovery processes.

(As at early March 2022, the IT Audit plan is subject to further discussions and any developments further to the above will be reflected in any further updates to CLT and the Accounts and Audit Committee).

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

- A follow-up audit was completed in 2021/22 in relation to the Council's processes for managing the risks of data breaches, taking into account the requirements of the General Data Protection Regulations (GPDR). This highlighted a number of actions that had progressed with further actions planned. Developments in this area will continue to be monitored by Audit through further follow-up of progress.
- As indicated in the previous year's Audit Plan, new operating processes were being established in relation to processes for responding to Subject Access Requests (SARs). It was agreed that Audit will review these processes now in place.
- As indicated in recent strategic risk updates, action is currently being undertaken to improve Council performance in relation to responding to Freedom of Information (FOI) requests. Work is ongoing to implement improvements. Further to any audit review on SARs in 2022/23, an audit to assess systems introduced in relation to FOI will also be considered.
- In liaison with the Information Governance team and other services as appropriate, consider other areas of risk and consideration of further possible audit work. This may include developments in records management across the Council and also consideration of any issues arising from the Council's completion of the NHS Data Security and Protection Toolkit.

5.8 Schools

As part of the Schools Financial Value Standard (SFVS), schools are required each year to submit a declaration to show adherence to the Standard. The audit work programme takes into account the standards expected when evaluating the adequacy and effectiveness of internal controls, governance and risk management at individual schools.

Information provided in SFVS assessments submitted is utilised by Audit and Assurance to assist in planning and undertaking school audits.

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

Whilst during 2021/22, schools audits have continued to be completed there have been some delays given the impact of the pandemic. Actual work completed in 2021/22 will be reflected in the Annual Head of Internal Audit Report to be issued in June 2022. It is currently planned during 2022/23, that at least 10 school audits will be undertaken. Audit reports will be issued as part of each review.

In addition, as part of follow up audit work, requests will be made from schools previously audited during 2021/22 to provide updates regarding progress in implementing audit recommendations made.

It should be noted that other internal audit work in relation to schools is also included within some other areas of the Plan (In particular, see 5.7 regards the Schools ICT security review).

5.9 Assurance – Other Business Risks

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

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

At the request of respective Directorates, a number of audit reviews have been rescheduled from 2021/22 to be included in the 2022/23 Plan. These are as follows:

- Aids and Adaptations (Adult Services) – Audit to include follow-up of recommendations made in a previous review.
- Special Educational Needs and Disability (Children's Services) – Review to include coverage of effectiveness of controls supporting out of borough education placements and short breaks.

- Building Control (Place) - Audit to include systems and processes for dealing with Building Regulation applications.
- Outdoor Advertising (Place) - Processes for arranging outdoor advertising across the borough including collection of income and contract management. Review to be planned in for final quarter of 2022/23.
- Safety at Sports Grounds (Place) - Review of the Council's processes for fulfilling its statutory responsibilities.
- Recruitment processes (Strategy and Resources) - The audit was agreed to be further rescheduled to commence later in 2022/23.
- Cleaning Services (Strategy and Resources) - Audit review of systems, procedures and controls agreed to commence around Quarter 2 of 2022/23.
- Sale Waterside Arts Centre (Governance and Community Strategy) - Audit review to include coverage of controls in respect of income (box office procedures), expenditure and stock control. This is expected to commence in Q4 of 2022/23.

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

- Care Act Compliance (Adult Services) – A new inspection framework for local authorities is expected to be in place (by April 2023 at the earliest) by the Care Quality Commission. Time will be allocated to support the Directorate in reviewing areas of governance, controls and risk to support assessment against compliance with the Care Act 2014. Audit will agree coverage with Adult Services during the year. Areas for possible inclusion are safeguarding issues and processes for transitions regards preparedness for adulthood.
- Supporting Families Programme / Early Help (Children's Services) - Audit review to provide assurance on systems and process in line with requirements set out by the GMCA.
- Let Estates (Place) – An audit review was undertaken in 2021/22. A final report is due to be issued in March 2022 but findings are based on processes prior to the function being recently transferred back in house from Amey as part of the One Trafford Partnership. A further review will be undertaken in the final quarter of 2022/23 to assess new arrangements in place and progress to address previous recommendations.
- Bereavement Services (Strategy and Resources) - Review to include systems and procedures in place at Altrincham Crematorium, including review of previous control improvements made following previous audit review work (to commence in Q3/4 of 2022/23).
- Schools Catering Services (Strategy and Resources) - Review of procedures and systems within this Service, to include controls in

relation to the use of purchase cards (to commence in Q4 of 2022/23).

- Registration Service (Governance and Community Strategy) - Review including controls in relation to income and consideration of any findings from previous external inspection from the General Register Office (GRO). Audit expected to commence around Q3 of 2022/23.

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

- There will also be time allocated for the completion of any other work in progress by the end of March 2021, following up other previous work and for planning further work. This will also be reflected where applicable in the 2021/22 Annual Head of Internal Audit Report. This will include the following:
 - Home to School Transport (Children's Services) - review of processes including applications and monitoring of services provided. It is expected that a final report will be issued in Q1 of 2022/23.
 - Licensing (Place) – As at March 2022, Audit were liaising with the Service to obtain a follow-up update on progress against previous recommendations. Outcomes from this exercise will inform any further audit work in 2022/23.
 - Highways Inspection and Repairs (Place) – follow-up update on audit completed in 2021/22 to be requested from Service during 2022/23.
 - Blue Badges (Governance and Community Strategy) – Audit to obtain an update in 2022/23 from the Service regards its improvement action plan to inform any future audit input likely to commence towards the end of 2022/23.

Further to discussions with a number of services, other areas may be added to the Plan during 2022/23.

5.10 **Data Quality/Grant Claims**

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

As required by the Department of Health and Social Care, Audit will be required to complete checks and sign off grant claims made in relation to the COVID-19 Contain Management Outbreak Fund. At this stage, latest guidance indicates this will be required to be completed by the end of June 2022.

There is expected to be a requirement for Audit input to sign off the 2021/22 grant claim in respect of the Disabled Facilities Grant and submit to the Ministry of Housing, Communities and Local Government.

Audit may be notified of other grant claims and returns to be checked at various stages during the year. Work actually completed will be reported in Audit updates through the year and in the Annual Head of Internal Audit Report.

5.11 Service Advice / Project support

The Audit and Assurance Service provides advice across the Council on governance, control and risk issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, and liaison with services. It may include, for instance, support and advice as part of project groups and system boards and liaison with services in respect of the development of new systems, processes and associated controls. In 2022/23, this could include issues arising from the Council's Finance and Change Programme which may also inform future audit planned work.

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

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

2022/23 Operational Audit Plan – Allocation in Days

Appendix 1

Category	Details	Impact of Audit and Assurance's work	Planned Days
Financial Systems	<p>Coverage, includes audits of fundamental financial systems reviews as described in section 5.2:</p> <p>Advice in relation to consideration of new systems / system development.</p> <p>Audit Opinion Reports planned to be issued include the following:</p> <ul style="list-style-type: none"> - Payroll (Strategy and Resources) (Q1) - Trafford Assist /Cash-first scheme (Finance and Systems) (Q1) - Adult Social Care Payments (Adults Services) (Q1) - Adult Direct Payments (Adult Services) (Q1) - Children's Social Care Payments (Children's Services) - Council Tax (Finance and Systems) - Treasury Management (Finance and Systems) - Accounts Payable (Finance and Systems) - Budgetary Control (Finance and Systems/Authority-wide) 	<p>Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council's position in respect of its external audit review.</p>	165

Governance	<p>Coverage as described in section 5.3:</p> <p>Corporate Governance / AGS – to liaise with Legal and Democratic Services, including providing comment on processes supporting the AGS, and its content with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Advice / assurance in respect of governance issues and ongoing liaison with services to consider further audit reviews.</p>	<p>Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities.</p> <p>The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.</p>	<p>25</p>
Corporate Risk Management	<p>Coverage as described in section 5.4. includes:</p> <p>Facilitating the updating of the Council's strategic risk register.</p> <p>Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p> <p>Audit Opinion Reports to be issued include the following:</p> <ul style="list-style-type: none"> - Business Continuity (Authority-wide) - Health and Safety (Strategy and Resources) 	<p>Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the allocation of resources. The work also supports the Council in evidencing good practice undertaken when subject to inspection and review.</p>	<p>50</p>
Anti-Fraud & Corruption	<p>Coverage as described in section 5.5:</p> <p>Co-ordinate the Council's activity in respect of the National Fraud Initiative in accordance with Cabinet Office requirements.</p>	<p>Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption. Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.</p>	<p>80</p>

	<p>Contributing to investigations of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and Corruption Strategy, including working with other relevant services to review existing strategy, policies and guidance.</p>		
Procurement / Contracts / Value for money	<p>Coverage as described in section 5.6:</p> <p>Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>Audit Opinion Reports to be issued to be confirmed. Expected to include:</p> <ul style="list-style-type: none"> - In-Tend system / Contracts Register (Stockport – lead) - Waste Services <p>(Other opinion reports to be issued in 2022/23 to be confirmed through future updates).</p>	Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.	50
Information Governance / Information, Communications and Technology	<p>Coverage as described in section 5.7:</p> <p>ICT Audit reviews. (Reports to be planned are currently subject to review and will be confirmed by the end of April 2022).</p> <p>Service advice conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews Audit Opinion Reports expected to be</p>	Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems. Assurance to managers who place significant reliance on ICT systems for the delivery of services. Contribution to the review and further development of the Council's information governance arrangements.	85

	<p>issued include:</p> <ul style="list-style-type: none"> - Data breaches follow-up (Governance and Community Strategy/Authority-wide) - Subject Access Requests (Governance and Community Strategy) 		
Schools	<p>Coverage as described in section 5.8:</p> <p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools: At least 10 school audits to be undertaken during the year (Children's Service). Final audit opinion reports expected to be issued include</p> <ul style="list-style-type: none"> - Stretford Grammar (Q1) - St. Anne's CE Primary (Q1) - Lostock High (Q1) - Trafford Alternative Education - St. Mary's CE Primary, Sale - Victoria Park Junior - 4 other schools to be arranged and audit reports issued in 2022/23. (A number of other school audits expect to commence by year-end) <p>Follow-up of progress for audits completed in 2021/22.</p>	Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by the DfE.	135
Assurance – Other Business Risks	<p>Coverage as described in section 5.9:</p> <p>Audits selected on the basis of risk from a number of sources including senior</p>	This work enables Internal Audit to provide a breadth of assurance across the Council that there are adequate governance and control arrangements in place, that policies and procedures are being	180

	<p>managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes new audit reviews, follow up audits and gaining assurance from service updates.</p> <p>Audit Opinion Reports to be issued in 2022/23 include the following:</p> <ul style="list-style-type: none"> - Home to School Transport (Children's Services(Q1)) - Aids and Adaptations (Adults; Services) - SEND (Children' Services) - Supporting Families (Children's Services) - Building Control (Place) - Safety at Sports Grounds (Place) - Cleaning Services (Strategy and Resources) - Registration Service (Governance and Community Strategy) <p>Reviews to commence in Q4 2022/23 with final reports due in 2023/24:</p> <ul style="list-style-type: none"> - Outdoor Advertising (Place) - Let Estates (Place) - Recruitment Services (Strategy and Resources) - Bereavement Services (Strategy and Resources) - Schools' Catering (Strategy and Resources) - Sale Waterside Arts Centre (Governance and Community Strategy) <p>(Note: Further reviews to be confirmed</p>	<p>implemented, that risks are being managed, and outcomes delivered.</p>	
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	including in relation to Adults' Services as per 5.9)		
Grant claims checks / Data Quality	<p>Coverage as described in section 5.10: Internal audit checks of grant claims / statutory returns and other checks as required.</p> <p>Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off. Expected to include:</p> <ul style="list-style-type: none"> - Contain Management Outbreak Fund (Q1) - Disabled Facilities Grant 	Ensuring the Council adheres to requirements in submitting relevant grant claims where Internal Audit input is required, providing assurance regarding the accuracy of data and supporting information reviewed. Includes providing support to the Council's COVID-19 response.	35
Service Advice / Projects	<p>Coverage as described in section 5.11:</p> <p>General advice and guidance, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</p>	<p>Support to services, groups, project teams etc. around the relevance and application of corporate policies, procedure rules and good governance arrangements.</p> <p>Contributing to the delivery of effective project outcomes including input to the consideration of key risks and appropriate controls considered in the development of new systems, functions and procedures.</p>	65
		Total Allocated Days	870
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	50
		Total Planned Days	920
		Available Days	920
		Surplus/Deficit for Year	0

Audit Opinion Levels

For the above reviews listed where an audit opinion report is to be issued, an audit opinion will be provided as per the framework below:

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



TRAFFORD
COUNCIL

Internal Audit Charter

Audit and Assurance Service (March 2022)

TRAFFORD COUNCIL

AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT CHARTER

1. Introduction

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

2. Definitions

Internal Audit

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

The “Board” and “Senior Management”

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

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

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

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

4. Status

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

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

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

5. Reporting Lines

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

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

6. Independence

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

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

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

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

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

7. Responsibilities

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

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

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

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

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

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

8. Fraud and Corruption

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

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

9. Access

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

10. Limitations of Internal Audit Responsibilities

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

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

11. Resources

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

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

12. Consultancy

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

13. Review

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

Mark Foster
Audit and Assurance Manager
March 2022



TRAFFORD
COUNCIL

Internal Audit Strategy

Audit and Assurance Service (March 2022)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

INTERNAL AUDIT STRATEGY

1. Introduction

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

2. Strategy Statement

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

3. Service Provision

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

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

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

4. Audit Planning

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

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

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

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

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

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

5. **Service Delivery**

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

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

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

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

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

6. Reporting

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

7. Staffing / Resources

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

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

8. Ongoing Development Actions

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

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

9. Review

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

Mark Foster
Audit and Assurance Manager
March 2022



TRAFFORD
COUNCIL

Quality Assurance Improvement Programme - Audit and Assurance Service

Audit and Assurance Service (March 2022)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

Quality Assurance Improvement Programme

1. Introduction

1.1 The Audit and Assurance Service Quality Assurance and Improvement Programme (QAIP) is in place to provide reasonable assurance to the various stakeholders of the Internal Audit activity that the Service:

- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

1.2 The QAIP covers Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
- Helping the Internal Audit activity add value and improve organisational operations;
- Undertaking both periodic and on-going internal assessments (Standard 1311); and
- Commissioning an external assessment at least once every five years, the results of which to be are communicated to the Accounts and Audit Committee (in accordance with Standard 1312 and 1320).

2. Internal Assessments

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

On-going Reviews

2.2 Continual assessments are conducted through:

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

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

Periodic Review

2.3 Periodic assessments/reviews are conducted through:

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

3. External Assessments

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

Frequency of External Assessment

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

Scope of External Assessment

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

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

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

4. Review of the QAIP

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

Audit and Assurance Service : March 2022

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 22 March 2022
Report for: Discussion
Report of: Audit and Assurance Manager

Report Title

Strategic Risk Register 2021/22 (March 2022 update)

Summary

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

Recommendation

The Accounts and Audit Committee notes the report.

Contact person for access to background papers and further information:

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

Background Papers:

None

1. INTRODUCTION

- 1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.
- 1.2 In accordance with the Council's Risk Management Policy, the Corporate Leadership Team (CLT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.
- 1.3 This report is based on information provided by risk owners in February/early March 2022 for each risk. Further developments since then, including in relation to the impact of ongoing international issues, will be reflected in the update report to be shared at the next Accounts and Audit Committee meeting.

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

- 2.1 The Audit & Assurance Service liaises with CLT and senior managers to agree the risks to be included in the strategic risk register and provide updates on risks under their remit.
- 2.2 This report contains an update on each of the strategic risks, including recent developments relating to the risks and progress made in managing each risk.
- 2.3 There has been a decrease in the risk score for one of the risks since the previous strategic risk update report in November 2021 i.e. Risk 15 (Adult Safeguarding) which shows a decrease from a risk score of 12 (Medium) to 8 (Low). Details relating to the risk are shown in Section 3.
- 2.4 The risk charts in section 2.6 show an analysis of the current strategic risks. The charts analyse the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are currently 15 strategic risks. For each risk, set out in Section 3, this includes the relevant Executive Portfolio and Service Directorate.
- 2.5 The next strategic risk update will be undertaken in quarter 1 of 2022/23 and will be reported to the next meeting of the Accounts and Audit Committee.

2.6 **Comparison of Risk Levels November 2021 and March 2022**

IMPACT **Risk Levels – November 2021**

Very High(5)			6	5	1
High (4)			1	1	1
Medium (3)					
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD

IMPACT **Risk Levels – March 2022**

Very High(5)			6	5	1
High (4)	1			1	1
Medium (3)					
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD

High Risk
Medium Risk
Low Risk

3. Strategic Risks (March 2022)

Red	Amber	Green
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<i>Risk</i>	<i>Strategic Risk Title / (Directorate / Portfolio)</i>	<i>Likelihood (1-5)</i> (A)	<i>Impact (1-5)</i> (B)	<i>Risk Score</i> (A x B)	<i>Change in Risk Score</i>	<i>Comments</i>
1	Continuing uncertainty regarding the Council's medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes that are planned concerning the reform of local government funding (Fair Funding) and the review of the business rate retention system with a planned full reset of business rate baselines originally expected from April 2021 now delayed until possibly 2024/25 (Finance & Systems /	5	5	25 High	↔ No change	<p>2021/2022 Budget Position</p> <p>The latest period monitoring for 2021/22 (Period 8) is forecasting an outturn pressure of £1.44m largely associated with a shortfall in the budgeted savings programme and increases in demand in Children's and Adults.</p> <p>A sizeable savings programme of £11.93m was included in the 2021/22 budget of which £2.96m is forecast not to be achieved. The consequences of this shortfall will not only impact on the current financial year but will cascade into 2022/23. A figure of £906k has been included in the 2022/23 budget to reflect savings which will not be achieved.</p> <p>A range of mitigating actions are in progress to reduce the estimated outturn pressure and these include discussions with Greater Manchester Combined Authority regarding the Business Rate growth pilot sharing agreement, more frequent reviews of performance of the savings programme by CLT and a review of all non-essential spend.</p> <p>MTFS 2022/2025 and Budget 2022/23</p> <p>In February 2022 the Council approved the updated budget strategy including the final revenue budget proposals for 2022/23 and the Medium Term Financial Strategy (MTFS) for the period 2023/25.</p> <p>The key summary of figures for the revenue budget, based on forecasts at the time were :</p> <p>The budget gap for the three years before applying any of the policy choice savings and income proposals is estimated to be £38.59m comprising:</p> <ul style="list-style-type: none"> • £41.85m of additional expenditure and funding pressures • £3.26m improvements in funding

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
	Finance and Governance).					<p>For 2022/23 there is a gross budget gap of £20.14m consisting of £7.10m COVID-19 pressures and £13.04m BAU.</p> <p>Plans to close the gap in 2022/23 consist of £3.39m additional funding from Council Tax, and £5.32m income generation and savings proposals, use of one off reserves of £7.1m to address COVID pressures and £4.33m use of General Reserve for the remaining gap.</p> <p>The Local Government Act 2003 requires the Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council their own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves and the minimum level of reserves. The Directors opinion is included in section 1 of the February 2022 budget report. Further details of the robustness exercises supporting the statement relating to the adequacy of Reserves and Risk Assessment are shown in section 7.</p> <p>Whilst the final budget report highlights the continuing financial challenges over the medium term, of which there are many, the Council's Section 151 Officer remains confident that at this moment the Council can meet these challenges using its robust and resilient financial management platform that has been built pre-pandemic.</p> <p>The current assessment is that, whilst the Council will secure a balanced budget position for 2022/23, Trafford like other local authorities faces serious concerns in achieving a sustainable budget position beyond 2022/23.</p> <p>The proposals set out in the budget report can secure a robust budget for 2022/23 but do require a use of reserves to enable a balanced budget to be presented; this is not sustainable beyond 2022/23 and reserves cannot be used to avoid the requirement for permanent savings.</p> <p>As such the medium term budget strategy has incorporated the requirement to embark on a programme of innovative change to make</p>

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>permanent reductions in net expenditure. The programme will be supported by a Finance and Change Board to provide strategic direction and proactive governance.</p> <p>In order to provide a level of resilience our reserves have been realigned. A Budget Resilience, Innovation and Change Reserve has been bolstered significantly to provide a cushion and to support the MTFP as the Council continues its recovery from the financial impacts of the pandemic. It will support the budget over the short-term and provide the necessary investment in the innovation and change programme which will support us to deliver a balanced budget in later years.</p> <p>Income from Strategic Investments of £7.6m is included in the budget, including £3.0m of anticipated income from recirculating previous investments which have been repaid. Due to the magnitude of the income anticipated from our strategic investments, a separate item has been included in the SRR.</p> <p>Impact of the Covid-19 pandemic The outbreak of the virus during 2020/21 had significant and far reaching implications on the Council and the way it has delivered its services during the response phase and how it will deliver them in the recovery phase.</p> <p>The impact has been felt across all Council services, which has placed a burden on expenditure, reduced income streams from fees and charges and impacted funding from council tax and business rates.</p> <p>The 2021/22 and 2022/23 budget included resources of £15.4m to address a number of anticipated ongoing COVID-19 pressures. Pressures continue to be monitored as part of the regular bi-monthly monitoring alongside business as usual activity.</p> <p>The forecasting of the ongoing impact of Covid is challenging given the long term consequences on many aspects of the Council's operations.</p>

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						<p>Regular impact returns continue to be submitted to central government. No further resource relating to the impact of COVID-19 after 2022/23 was announced by the Government in the recent Spending Review (SR21) for the period 2022 to 2024.</p> <p>The demand in children's and adults social care, continues to be monitored carefully to identify the potential for latent demand within the system which was anticipated to be felt over the short to medium term. There continues to be a high level of uncertainty regarding the wider economic impact and how this will particularly affect business rates income although the SR21 announced further relief support for certain businesses to reduce the risk of a shortfall in income.</p> <p>The long term impact of the pandemic remains a significant risk for the Council in future years. The Council utilised its favourable outturn in 2020/21 and general COVID-19 support grants to bolster its COVID-19, Budget Support Reserves and specific earmarked reserves.</p> <p>The impact of COVID-19 and ongoing requirement to make significant business as usual savings reinforces the reason why the uncertainty in the medium term plans appears within the Council's Strategic Risk Register.</p> <p><u>Risk Mitigation</u></p> <p>The key activities below provide a further level of risk mitigation (details of all risk mitigation themes are shown in Annex H of the final budget report). Key themes are shown below</p> <ul style="list-style-type: none"> • A Finance and Change Programme established (2022) to enhance our structured response to the significant budget issues and to provide strategic direction and proactive governance around the management of our Finance and Change programme. • Review of earmarked reserves to provide a Budget Resilience, Innovation and Change Reserve with sufficient capacity

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						<p>to cushion and to support the MTFP during the programme.</p> <ul style="list-style-type: none"> Continuation of more streamlined and focussed budget monitoring to the Executive on a bi-monthly basis. High risk areas of the budget continue to be monitored on a monthly basis. Savings Programme monitored on a monthly basis and reported to CLT. The 2022/23 budget provides for a number of contingency items for potential covid pressures (delayed demand, prolonged impact on collection rates). Engagement with Greater Manchester Combined Authority to review GM wide commitments seeking reprioritisation of uncommitted resource.
2	Significant disruption as a consequence of the COVID-19 outbreak (Authority-Wide)	5	4	20 High	↔ No change	<p>The Council has continued to work to the GM Pandemic Strategic Response Plan in preparing a coordinated response to the COVID-19 outbreaks in Trafford but we are now moving towards a steady state and beginning to transition activity and governance to BAU. The risk score is subject to review and, if applicable, any change will be reflected in the next update provided.</p> <p>The government has further announced the ending of most COVID restrictions and plans are under development to stand down the recovery governance and silver groups.</p> <p>All activity is under review in order to classify:</p> <ul style="list-style-type: none"> Business as usual – transition to DMT or other existing meetings Public health led projects to continue (vaccination/contact trace/testing) Activity to halt Activity is transformational and could potentially form a programme of work Activity outside of other criteria and recommended approach needed.

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						<p>All project level risks will be reviewed, with residual risks assigned to appropriate owners.</p> <p>A COVID Contain capability has been retained to continue necessary activities and to be in a position to respond quickly and effectively if we see a new variant / further surge. A tool kit is under development so that governance arrangements can be stood up quickly if required.</p> <p>The neighbourhood based community engagement team continues to work in localities on community engagement and behaviour change, and vaccination uptake.</p> <p>Our ongoing communication programme for residents, staff and partners continues and HR are reviewing Council policies in relation to new ways of working and returning to the office.</p> <p>Programmes to support residents and businesses to mitigate economic impact continue.</p>
3	Climate Change Emergency (Place / Sustainability and Climate Change)	5	4	20 High	↔ No change	<p>This considered to have a very high likelihood, in that all available indicators suggest that climate change is already occurring and will, if anything, become more prominent. The Impact is considered to be High as a minimum (very high without mitigation) as the consequence of climate change give rise to unpredictable and severe weather events – and events that occur with increasing regularity. These will in turn have significant impacts on our environment, economy and society. Examples could range from changing patterns of food production through to the financial to households and businesses. In short, the impacts are wide ranging and cross cutting in character</p> <p>Climate Change can be addressed firstly through adaption (as it is already occurring) - actions designed to promote greater resilience to more extreme weather events. Secondly it can be addressed through mitigation – actions that are intended to slow or avoid the more severe climatic impacts. These are primarily</p>

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						<p>focussed on reductions in local Carbon Emissions.</p> <p>To progress these matters the Council has prepared a draft Carbon Neutral Action Plan as a means of establishing actions to reduce emissions in Trafford. These will contribute to wider Low Carbon targets across Greater Manchester – and ultimately the UK as part of the National 25 year Environment Plan. The Trafford Air Quality and Climate Change Commission is now well established – and a new performance tool is managing progress. Activity is now focussed on businesses, which account for a significant portion of emissions – and most especially SME's. New staff have been recruited through 2021 and are now in post – thus improving the Council's overall capacity to address the issue.</p> <p>As at, 24/2/21, activity is now maturing – with studies underway for de-carbonising Trafford Park. The Council has also been successful in two rounds of the Public Sector De-carbonisation Scheme – and this will assist in lowering emissions within the Council and Leisure estate.</p> <p>A Citizen's panel was held at the end of November to discuss the climate crisis and work is underway to progress a citizen's assembly in the autumn.</p>
4	Trafford Council must ensure that it and 3 rd parties acting on their behalf are handling personal/ sensitive and commercial data securely both in technology and physical terms and in	4	5	20 High	↔ No change	<p>Although there is an overarching risk score of 20 (High), this is made up of a number of constituent risks which make up the overall score i.e.</p> <ul style="list-style-type: none"> • Records Management – 20 High • Subject Access Requests (SAR) – 5 Low • Freedom of Information (FOI) / Environmental Information Regulations (EIR) – 20 High • Data Breaches – 15 Medium • Data Security Protection Toolkit – 20 High <p>The risks remains high, significant work has been undertaken and work over the past few months to identify areas for improvements have concluded, with a focus now on implementation. It is anticipated that by the next monitoring report,</p>

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	<p>accordance with legislation and Trafford Council's policies and procedures. The following areas of risk have been identified:</p> <ul style="list-style-type: none"> • Compliance risks • SAR delays • FOI compliance • Data breaches • Mandatory Training <p>(Governance & Community Strategy / Finance and Governance)</p>					<p>there has been improvement to lower the overall risk score.</p> <p><u>Records Management</u></p> <p>A review of the Council's record management position has been undertaken with a view to identifying work streams and potential solutions. An options paper is being compiled which will set out recommended strategies around the following themes:</p> <ul style="list-style-type: none"> • Retention Schedule: Commit to an update of current subscription OR commence work internally on producing a bespoke Trafford Council records and retention schedule OR commission an external records management expert to producing a bespoke Trafford Council records and retention schedule. • Offsite Storage: The Council's current offsite storage contract has been reviewed and a re-tendering exercise has been initiated to ensure VfM and attainment of fiduciary duties. • Hard Copy Files: An assessment of the Council's handling and storage of hard copy records had been underway but was paused as a result of the pandemic. The pandemic has altered the way in which employees are working. A further assessment will now be undertaken to explore the position and present recommendations around data cleansing and hard copy protocols. • Email management: recommendations regarding email management is being developed alongside IT colleagues. <p><u>Subject Access Requests (SAR)</u></p> <p>The Information Commissioners Office (ICO) had expressed concerns that the Council was failing to adhere to statutory deadlines in the processing of subject access requests (SAR's) subject to UK GDPR.</p> <ul style="list-style-type: none"> • SAR processing is an issue for most LAs across the UK and has resulted in an increase in complaints made to the ICO.

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						<ul style="list-style-type: none"> • The Council responded by securing additional resource and establishing a task and finish group to address the issue. • As of January 2021, the Council had a backlog of approx. 149 SAR cases, with an average of 15 new cases being received each month. The IG team were processing an average of 7-10 SAR cases per month. • As of January 2022, the Council's backlog SAR cases had been reduced to 4, with an average of 19 SAR cases being processed by the IG team per month. • The IG team have also reduced the number of cases which exceeded the statutory response timescales from 104 in September 2020 to 21 in September 2021 to 14 in February 2022. • The ICO has been informed of the progress that has been made to date and the Council has now been formally notified that we will no longer be subject to inspection. • Furthermore, the ICO have asked the Council to act as an exemplar to other LA's in sharing knowledge and approach to the processing of SAR's and how to tackle case backlogs. • Work to continue improving SAR processes will continue. <p><u>Freedom of Information (FOI)/ Environmental Information Regulations (EIR)</u></p> <ul style="list-style-type: none"> • The average compliance rate to date had been steadily decreasing month by month, reaching a rate of 41% (responded to within 20 working days) in September 2021. The Team undertook a significant push in January 2022 with the current rate being at 58%. The target compliance rate (and ICO expectation) is 90%. • Assessment of this performance shortfall has been undertaken and work is ongoing to implement actions identified and work will continue to determine solutions both in the near term and longer term. • Identified actions: Targeted collaboration with teams where delays are being experienced; Rota system implemented across the IG team to improve processing; Reporting

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						<p>mechanisms reviewed; Refocus of resource from SAR cases to FOIs.</p> <p><u>Data Breaches</u></p> <p>Position Statement:</p> <ul style="list-style-type: none"> • Between April 2021 and the 6th October 2021, the Information Governance Team has received reports of 40 data breach incidents for investigation. (Avg: 6.5 a month). • Between the 6th October 2021 and 31st January 2022, the Information Governance Team has received reports of 23 data breach incidents for investigation. (Avg: 6 a month). • The most common types of data breach are: <ul style="list-style-type: none"> - Email sent in error to wrong recipient. - Letter posted to wrong recipient. - Error in redaction of information. - Excessive information shared with professionals by email. - Documents left on office printers. - Documents lost to theft/burglary at employees home. - Lost information. - IT system glitches. • The majority of the cases logged at Severity level 3 were found to have risks mitigated through appropriate and timely measures taken and no risks were posed to the rights and freedom of affected individuals. <p>The Head of Governance is leading an ongoing review to improve processing and awareness of data incidents:</p> <ul style="list-style-type: none"> ➤ Interim processes which have already been embedded across the IG Service are being developed further to determine more substantive permanent mechanisms of reporting, - Incident reviews and decision making across the process: ➤ IG team have weekly meetings with IG Officers to triage new data incidents. Enables more serious incidents to be progressed on an urgent basis. Ensures Incidents are allocated promptly for investigation. ➤ There remains a risk from delayed oversight of data incidents, poor quality reporting and

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						<p>lack of accountability for reporting and recommendation implementation.</p> <ul style="list-style-type: none"> ➤ As previously identified by Internal Audit, the biggest issue to be addressed is “Squaring the circle” and ensuring that the IG Team’s recommendations are fully implemented – work ongoing to identify solutions. ➤ Recommendations are being reviewed to ensure that they are both practical and effective and to ensure that implementation and success can be measured. ➤ Recommendations will be reviewed to ensure that they are tailored to common types of breaches. The common types of breaches have been evolved somewhat as a result of the pandemic and remote working. ➤ A system to capture data around data incidents is now in place which will inform smarter reporting and increase transparency. ➤ There is a correlation between training take up and number of breaches originating from specific areas. ➤ Actions are being developed to secure commitment from the senior levels across target Directorates to ensure that data protection training is made a priority within agreed timescales. <p>Together, the above issues raise the following risks – legal/regulatory (non-compliance with legal requirements), reputational, financial, adverse publicity.</p> <p><u>Data Security Protection Toolkit</u></p> <ul style="list-style-type: none"> • This an annual piece of work that requires the Council to demonstrate that it is fully compliant with the minimum data protection standards in order to access and process information from NHS Digital. • This piece of work requires significant resource from both IG and ICT. Moreover, it requires the Council to corporately demonstrate commitment in areas such as data protection training and cyber security. • Our last submission was June 2021 and there were 4 areas where the Council did not

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						<p>meet the minimum standards. These consist of:</p> <ul style="list-style-type: none"> - No Business Continuity Plan covering data and cyber security - Software that is unsupported - Need to ensure cyber security certification is in place for all IT system suppliers <ul style="list-style-type: none"> • The Council submitted an improvement plan in which we put forward proposals for addressing each of these areas with a deadline for compliance of 31st December 2021. An update report on progress to date, prepared by the Chief Digital Officer, and was shared with CLT in November 2021. • The improvement plan deadline was cancelled by the NHS and the work of the improvement plan would be merged in to the next full submission for June 2022. As of February 2022, there is still concern at the progress being made regarding a Business Continuity Plan covering data and cyber security. (See Business Continuity Risk 12 regards progress to address this). • In previous years the Council has struggled to ensure that we have met the target for corporate data protection training: <ul style="list-style-type: none"> - A new DSP Toolkit sub team to be established from within the IG team with clear roles and responsibilities - Alternatives to the current data protection training modules are to be considered. <p>Consideration being given to methods of ensuring that training is undertaken in a timely fashion.</p>
5	Demand for school places underestimated and/ or additional school places are not delivered to satisfy increased demand.	4	5	20 High	↔ No change	<p>In the normal admissions round for entry into reception and year 7 in September 2021 there were sufficient places in all areas for our residents.</p> <p>However the surge of in-year applications in 2021 from families newly resident in Trafford, continues to have an impact on primary places and is starting to create pressures in the secondary sector as children move up.</p>

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	(Children's Services / Children's Services).					<ul style="list-style-type: none"> • In Years 1, 3, 4 and 6 every school in Sale East and Sale West is full and additional children have been admitted above the published admission number. • This means that there are now insufficient places in these year groups in Sale. • Places above the admission number will continue to be allocated through the appeals process and fair access protocol in line with Trafford's determined admission arrangements • Altrincham has vacancies in every year group, places in Years 5 and 6 are limited. • In Urmston every reception class is full and Infant Class Regulations limit the number of number of additional children that can be admitted except in a very few limited circumstances. <p>School Places & Capital Group and Place Shaping Board have oversight of school place planning and school expansion projects. Key activity to mitigate risk:</p> <ul style="list-style-type: none"> • A capital scheme is underway at Firs Primary School to create 30 additional places from January 2023. • Proposals underway to permanently expand 4 schools from September 2024, 2 in Sale East (1 infant, 1 junior), 1 in Altrincham and 1 in Urmston. • In Altrincham, 15 additional places have been created as an emergency measure in Years 5 and 6 ahead of the permanent expansion proposal. • Temporary bulge class created 30 additional places in Y5 and 6 in Sale West through conversion of specialist space. • Continue to update and review the most recent GP registration data, taking into account recent and planned housing development and pupil flows to the independent sectors and non-Trafford schools.

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						<ul style="list-style-type: none"> • Annually review catchment areas for primary schools to ensure that the available places are targeted most effectively. • Implement EYES Schools Admission module for enhanced monitoring and reporting on in-year applications and impact of inbound migration. • Link in with DfE Place Planning Teams to monitor impact of inbound migration, particularly from Hong Kong and the Afghanistan resettlement scheme. • Fragmentation of governance arrangements makes it increasingly difficult to affect the allocation/availability of places in the secondary sector. Trafford is the Admissions Authority for only one of its 19 secondary schools and, therefore, has limited direct powers in relation to place planning and admissions policies.
6	<p>Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</p> <p>(Place / Environment and Regulatory Services)</p>	4	5	20 High	↔ No change	<p>Following the Council's Overview and Scrutiny Committee review into the service delivery of Amey in 2018, a report to Executive on 28 October 2019 was submitted to agree the next steps. A business case was submitted stating that Trafford council will be taking the following option:</p> <ul style="list-style-type: none"> ▪ Consider alternative models of service delivery, including the development of a predominately In-House Service model, with a view to ending the contract with Amey. ▪ Should an amicable agreement not be reached with Amey that keeps the council whole and allows services to be undertaken without detriment by an in house or further procurement measure then the council shall continue the Amey contract and seek significant improvements to the delivery of existing services. <p>The Covid-19 Crisis has delayed the process of negotiation for this. Amey's performance during this period has continued to be generally good.</p>

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						<p>Discussions between the Council and Amey could not satisfactorily or economically come to a solution to move to an in-House service model. In a paper to the Council in October 2020 the decision to move to the second option was taken. To achieve the significant improvements in the delivery of the contract, the council has subsequently activated the contractual 7 year review clause. This gives an opportunity to recommend any changes to the contract for improvements and efficiencies. This process is still ongoing (with member oversight and resident and stakeholder input), notice has been served to Amey and the contract specifies that a reply will be received in 4 weeks, understandably this may be delayed due to negotiations. We have elongated the process due to COVID interference.</p> <p>It should be noted that the efficiencies needed for the 2021/22 COVID affected budgets were achieved with Amey's assistance.</p>
7	Leisure Services (Place/ Authority wide)	4	5	20 High	↔ No change	<p>Since the ending of restrictions on 19th July 2021, all facilities have remained open running a programme of activities. While user numbers are increasing, facilities continue to operate at below full capacity. The Council were successful in securing £550k of funding from the Leisure Recovery Fund, to offset some of the loss of income in the previous and current financial year.</p> <p>A review of the Council's Leisure Investment Strategy was completed by Max Associates and approved at the January 2021 Executive. This included the recommendation to further explore the options to refurbish Altrincham, Sale and Stretford Leisure Centres.</p> <p>Alliance Leisure are assisting with development of the refurbishment programme. In December 2021 Executive approval was gained to continue with the proposed capital investment into the design of the refurbishment for Altrincham in the first instance, up to the end of RIBA Stage 3. The outcomes of the RIBA Stage 3 report for Altrincham will be presented to the June 2022</p>

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						Executive. Business cases for Sale and Stretford are also being developed.
8	Economic Impact of Brexit and COVID-19 (Authority-wide)	4	4	16	↔ No change	<p>On 23 June 2016, Britain voted in a referendum to leave the European Union (EU) and on 1 January 2021 the UK left the EU with a Trade Deal covering new rules for how the UK and EU will co-operate, and trade together.</p> <p>Under the Trade & Co-operation Agreement, tariff and quota free trade between the UK and EU will continue as a part of a bilateral trade agreement. However, it is important to note that there are certain issues around the regulatory framework, rules of origin, Northern Ireland status and additional administrative requirements / bureaucracy that are likely to have a direct effect on businesses. For example, businesses must show where their goods were made and where the components in those products come from, to determine whether tariffs are levied on goods into the EU. Also British exporters must register to pay VAT in the EU countries they are exporting to. In addition, the ending of free movement of people from the EU to the UK could have an impact on recruitment and meeting skills gaps.</p> <p>A high level Transition Preparedness Plan identifying key priorities/issues for each Service area has been produced by the Transition Preparedness Group as a focus for activity going forward. The Preparedness Plan is a combination of actions and issues that are monitored and reviewed by the Group on regular basis. In light of the above, and the ongoing effects of the Covid crisis, a review of the previous Brexit Impact Assessment has been produced and a report was presented to the Council's Executive on 26 July 2021. This report also includes an update on the Inclusive Economy Recovery Plan.</p> <p>The Trafford Inclusive Economy Recovery Plan, approved by the Council's Executive in February 2021 complements the above and was produced in light of the effects of the pandemic on the economy and the need to set out key</p>

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						<p>initiatives to steer the borough through recovery. The Plan has not only been set in the context of meeting key issues facing the borough, but also to be complementary to the work of the GM LEP Economic Vision and Build Back Better priorities which sets out to create a better opportunity for a strong and successful recovery.</p> <p>The Plan is a 'live' document and may be amended over time as circumstances changes and new issues arise. Meeting the challenges caused by the Covid pandemic and ensuring an effective recovery will not be easy and will require a strong partnership approach to tackle the issues facing the local economy through to recovery and beyond.</p> <p>The Plan covers the following themes:</p> <ul style="list-style-type: none"> -Business Support and Sustainable Job Creation -Transition Preparedness -Green Economy and Sustainable Job Creation -Sustainable Jobs and Skills Growth for local residents -Inward Investment and Sustainable Job Creation -Funding and Growth -Strategic Sites Development and Job Creation -Improved Town Centres for Residents and Businesses -Increase Visitor Economy <p>The Transition Preparedness Group is currently inviting proposals from service leads for utilising the remaining Preparedness Funding granted to local authorities from the government. This funding can be used to support service delivery that will ensure Trafford's economy can adapt to the changes that arise through Brexit. Those proposals that are taken forward and approved by the Council will aid the delivery of the Inclusive Economy Recovery Plan.</p>
9	Breach of health and	3	5	15 Medium	↔	<ul style="list-style-type: none"> • Covid Safe risk management measures remain in place to protect staff wellbeing and

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	<p>safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations.</p> <p>(Strategy and Resources / Finance and Governance).</p>				No change	<p>business continuity, even with Government Plan B restrictions eased, due to continuing high levels of the Omicron variant regionally and nationally. Reintegration will be managed in line with Public Health advice and government guidance. Measures continue to be supported by the testing and vaccination programmes.</p> <ul style="list-style-type: none"> • The risk management strategies include managing occupancy rates to allow for Covid Safe controls to remain effective and manage transmission, hybrid work style to support occupancy rates and staff wellbeing, COVID safe building measures for distancing, hygiene, face coverings and ventilation, access to PPE where required. Covid rapid testing available for all front line staff from TTH combined with a test and trace local system and refocused mental wellbeing support. • Current Health & Safety Policy and comprehensive arrangements in place. Subject to periodic review as required and available to the workforce via the intranet. • Health and Safety Audit programme in place across all Directorates and schools. This programme includes proactive monitoring of compliance with health & safety law and internal H&S management arrangements. • Policy, arrangements, protocols and guidance for Directorates and schools updated to reflect legislative or organisational changes and any new or emerging risks (in addition, a targeted rolling programme is ongoing). • Health & Safety Unit (HSU) support in the comprehensive assessment and investigation, where required, of health and safety issues or incidents. Facilitates the effective management of risk and statutory compliance. • HSU support in Competent HSU advisory service with advisors subject to continuing professional development requirements. • Employee Health and Wellbeing Strategy in place which incorporates ill health reduction and mental wellbeing support. • Online training available to support managers and schools in ensuring staff are competent to undertake tasks/role.

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						<ul style="list-style-type: none"> • Arrangements in place for the health and safety assessment of providers/contractors prior to approval and for subsequent monitoring of performance. • HSU engagement in Health, Safety, Welfare and Security issues relating to the Council's Corporate and Let Estate through Corporate Landlord and associated focused audits and reviews. responding to occupational health and workforce referrals to ensure the health, safety and welfare of staff. • Staff consultation processes in place to report and liaise on Health and Safety performance issues.
10	<p>The Council does not fulfil its statutory duties and all accompanying policy requirements in terms of identifying and safeguarding vulnerable children.</p> <p>(Children's Services / Children's Services).</p>	3	5	15 Medium	↔ No change	<p>Safeguarding children is an area of Council responsibility that requires constant high levels of vigilance to guard against the risk of harm or abuse to children that could have been prevented through early help, identification, assessment and support.</p> <p>Trafford Children's Services was inspected under the Inspection Local Authority Children's Service Framework in March 2019 and received an overall rating of inadequate. The sub-judgements were Requires Improvement for children in need of protection, Requires Improvement for children in care and care-leavers and Inadequate for Leadership. Following this judgement a number of actions are in place:</p> <ul style="list-style-type: none"> • An Improvement Board has continued to be in place with an Independent Chair (DfE) and attended by senior politicians and senior officers from the Council and key partners. • A full and comprehensive Improvement Plan is being implemented, this is continually reviewed and updated in line with our internal findings from quality assurance • Progress towards improvement continues to be monitored by the Department of Education regularly through the

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						<p>Involvement of our Improvement Advisor and DfE link officer.</p> <ul style="list-style-type: none"> • Most recent DfE review has been undertaken in January 2022 but we have not yet received the final report. The latest report from the Chair of Improvement Board February 2022: <i>“...have appropriate plans for improvement and clear ambitions and priorities, and have maintained this commitment throughout the pandemic” (Ofsted letter 2.11.21). In summary, Trafford has solid foundations in place and now, together with partners, needs to relentlessly focus on the quality of practice and the difference it makes to each child’s life. A successful workforce strategy is central to this in terms of stabilising the workforce through positive recruitment and retention strategies and there is evidence this is now beginning to have impact. I am confident that they will be able to do this over the coming months.</i> <ul style="list-style-type: none"> • We continue to provide fortnightly assurance data. Meetings continues to take place with DfE regarding LA response to vulnerable children during the Covid pandemic. Our performance relating to visits to children open to CSC, vulnerable children attending school has been consistently strong during the past several months. The DfE report that they are assured that we are seeing our children are safe. • Ofsted conducted a Monitoring Visit in September 2021, which was published in November 2021 and has been presented at CYP Scrutiny Committee. They found that leaders have an accurate picture of the service through effective governance and reporting. There has been instability in the social work workforce which is compounded by weaknesses in first line management and oversight by Safeguarding Children Unit (Conference Chairs) meaning that there has been an impact upon children in terms of drift and delay. There were no cases formally raised where children were felt to be at risk during the visit. • The Quality Assurance framework is embedded across the service which is

Risk	Strategic Risk Title / (Directorate / Portfolio)	Likelihood (1-5) (A)	Impact (1-5) (B)	Risk Score (A x B)	Change in Risk Score	Comments
						<p>contributing to an accurate view about the quality of practice and identifying actions required to further improve.</p> <ul style="list-style-type: none"> • The Service Re-design was implemented from 4th October 2021. Workers are now in move into their new teams. • During Covid-19 we have maintained processes to focus on keeping children safe and maintaining placement stability for our cared for children. Our 'Sit-Reps' show an improving picture of resilience in all services (average 80%). This was challenging over the festive period particularly in our Residential Services. There have been regular Incident meetings and sub-groups to ensure safe delivery of practice. We have issued guidance and reminders to staff, initiated an extensive Work from Home programme, used a monitoring process to measure our performance and continued with key aspects of our Improvement Journey.
11	<p>A successful Cyber Security Attack could lead to sensitive data being compromised , denial of access to the Council's computing services or severe degradation or loss of control of those services.</p> <p>(Finance & Systems / Finance and Governance)</p>	3	5	15 Medium	↔ No change	<p>The Council is subject to cyber-attacks daily, but a range of technical solutions and processes are in place to protect Trafford's IT systems and data. The volume and level of sophistication of these attacks is increasing so the Council needs to continuously review and improve how it protects systems and data. The National Cyber Security Centre reported increased cyber threats during the COVID-19 crisis as criminals take advantage of vulnerabilities.</p> <p>In relation to events in and around Ukraine, the National Cyber Security Centre (NCSC) is not aware of any current specific threats to UK organisations. The Council's IT and Digital Service will be monitoring risks over the coming weeks and months. The NCSC has called on organisations in the UK to bolster their online defences and we are doing what we can in relation to this which will include communications and raising awareness of staff.</p> <p>We encounter multiple attacks daily so even though there is the potential of an increased threat, we would expect our defences to protect</p>

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						<p>us in most instances. Our view is that the impact score remains at 5 (very high / extreme) but likelihood of an attack being successful remains 3 (medium). Risks will continue to be monitored and risk levels reviewed if intelligence emerges of targeted attacks on the UK.</p> <p>The increase in home working poses security challenges, but solutions have been put in place to maintain cyber security. The rollout of Microsoft Teams and the Pulse Virtual Private Network (VPN) have helped protect the Council's data and systems.</p> <p>There remains a significant risk that the Council's defences could be breached even with effective tools and approaches in place, so it is equally important to ensure the processes for dealing with an attack are effective.</p> <p>A detailed assessment of the Council's and CCG's cyber security technical solutions and processes was completed in 2020 by Internal Audit. Response to the recommendations was delayed due to the Covid-19 crisis. Responses have now been provided and the final report completed. An improvement plan has been agreed and activities allocated to the IT teams.</p> <p>Delivery of the improvement plan has been slow, and aspects are paused due to capacity challenges. Funding for an additional temporary IT Security Manager post was agreed in 2021 but three attempts to recruit have been unsuccessful. Options to fill the cyber security capacity and skills gaps within the existing IT & Digital service are being considered, so that the improvement plan can be delivered, and cyber security risks further mitigated.</p> <p>Other controls and activities are:</p> <ul style="list-style-type: none"> An internal cyber security group meets monthly to review and manage the Council and CCG's cyber defences and processes. Progress against the audit review recommendations is monitored at the meetings.

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						<ul style="list-style-type: none"> IT Managers have attended the National Cyber Security Centre / iNetwork Cyber Resilience Training Programme. Trafford is actively sharing information about potential cyber threats with partners including the North West Warning, Advice and Reporting Point (WARP) and nationally with the NHS CareCert service. The Network People (TNP) provide Trafford Council with specialist security advice to help develop, manage, and monitor Trafford's security defences and incident response. A phishing awareness campaign began during 2021 to provide employees and Councillors with ongoing security awareness training. The campaign has successfully raised awareness of phishing risks and was extended for another year running through to July 2022. The IT & Digital Service have undertaken a cyber audit on the Trafford IT environment in conjunction with the Department for Levelling Up, Housing and Communities (DLUHC). A Cyber Treatment Plan has been agreed following the audit with planned improvement supported by funding. Audits have identified applications exist on the Trafford network that are no longer supported by the software vendor. The unsupported applications are therefore not protected from the latest security threats. The IT & Digital Service will work with directorates and business areas to identify alternative solutions so that the risk can be removed.
12	Delay in completing the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may	3	5	15 Medium	↔ No change (See comments)	<p>A report was presented to CLT to note the delays in progressing the Council's Business Continuity (BC) Plan and the actions required to move this work forward. This included the support needed for Council wide commitment to the development of a BCP and for the identification of a project resource.</p> <p>The report also highlighted the inter dependency between the Council's IT Disaster Recovery Plan (DRP - managed by the IT and Digital Service)</p>

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	<p>fail to deliver Council services in the event of significant disruption.</p> <p>(Authority-wide)</p>					<p>and individual services' Business Continuity Plans. A separate report by the Chief Digital Officer, was also presented to CLT in September 2021 updating on the work to date and planned actions in relation to development of a DRP and to strengthen cyber security.</p> <p>Following this meeting the BC Programme was relaunched, with the Director of Growth & Regulatory Services assigned as the Senior Responsible Officer (SRO), Emergency Planning Manager as Programme Manager, project management resource provided by the Modernisation Team and subject matter expertise from the GM CCRU. A project plan was drawn up, based on the following timeframe:</p> <p>Phase 1 Staff engagement & governance (Aug – Oct 2021). Briefing paper to CLT due 3rd November</p> <p>Phase 2 BIA workshops & clinics (Oct - Dec 2021). Starting with Place and moving to Adults, Corporate Strategy and Children's.</p> <p>Phase 3 Development & testing of BCPs (Jan -Mar 2022). Further details have been provided to the Audit Team on how these support delivery of the outstanding audit recommendations.</p> <p>Phases 1 & 2 of the BC Programme have been completed, with Phase 3 now underway the work scheduled to be completed by the second half of April 2022. Internal Audit will continue to monitor progress, and following completion of the programme it is proposed that a post implementation review will be conducted by Audit in Quarter 1 2022/23. This will provide additional assurance to support the Annual Governance Statement Improvement Plan, Strategic Risk Register and the NHS DSPT self-assessment.</p> <p>Please also refer to comments relating to Risk 2 COVID-19 and Risk 11 'Cyber Security Attack'.</p> <p>With the above developments it is expected that the overall risk level should reduce and a possible reduction in risk score will be</p>

<i>Risk</i>	<i>Strategic Risk Title / (Directorate / Portfolio)</i>	<i>Likelihood (1-5)</i> (A)	<i>Impact (1-5)</i> (B)	<i>Risk Score</i> (A x B)	<i>Change in Risk Score</i>	<i>Comments</i>						
						considered as the programme progresses through the rest of 2021/22.						
13	Asset Investment Strategy (Finance & Systems / Finance and Governance).	3	5	15 Medium	↔ No change	<ul style="list-style-type: none"> In February 2022 the Council agreed to a continuation of the Investment Fund of £500m. To date £371m of commitments have been made. Gross returns from the investments are used to cover the cost of any borrowing required to support the investment, provide for debt repayment and also contribute to a risk reserve. This investment to date has already provided a net benefit to support the revenue budget of £1.67m, £3.12m and £6.37m in 2018/19, 2019/20 and 2020/21 respectively and is projected to contribute £6.27m in 2021/22. The returns in 2021/22 are approximately £1.4m lower than originally forecast and the specific reasons for this relate predominantly to the impact of the Covid-19 pandemic on some of our key town centre retail asset acquisitions and also the impact on income when investments are repaid caused by timing differences in identifying new investments to provide a replacement revenue stream. More specific detail is provided in the period 8 budget monitoring report presented to Executive in January. The revenue budget for 2021/22 and 2022/23 assumes a level of net income from the Asset Investment Strategy of £7.6m. This is a challenging target and therefore in later years of the MTFP this has been reduced down by £1.5m in 20/23/24 and a further £0.5m in 2024/25. The level of the investment fund will be reviewed as part of the budget setting for the 2023/24 budget. It will be important that sufficient headroom is left in the fund to cover the cost of a number of planned regeneration schemes in the borough. A list of the current commitments as at 23/2/22 is detailed below:- <table border="1" data-bbox="971 1730 1598 1892"> <thead> <tr> <th>Asset Investment Fund</th> <th>Total £m</th> </tr> </thead> <tbody> <tr> <td>Total Investment Fund</td> <td>500.00</td> </tr> <tr> <td>Property Purchase:</td> <td></td> </tr> </tbody> </table>	Asset Investment Fund	Total £m	Total Investment Fund	500.00	Property Purchase:	
Asset Investment Fund	Total £m											
Total Investment Fund	500.00											
Property Purchase:												

					Sonova House, Warrington	12.17
					DSG, Preston	17.39
					Grafton Centre incl. Travelodge Hotel, Altrincham	10.84
					The Fort, Wigan	13.93
					Sainsbury's, Altrincham	25.59
					Sub Total	79.92
					Property Development:	
					Sale Magistrates Court	4.80
					Brown Street, Hale	8.82
					Former sorting office, Lacy Street, Stretford	0.96
					GMP Site, Chester Rd, Old Trafford	0.64
					Care Home Purchase	2.23
					Various Development Sites	0.54
					Sub Total	18.00
					Equity:	
					Stretford Mall, Equity	8.82
					K Site, Stretford Equity	12.25
					Stamford Quarter, Equity	24.94
					Sub Total	46.01
					Development Debt:	
					Bruntwood; K site	12.15
					Bruntwood Shopping Centre	33.82
					CIS Building, Manchester	60.00
					The Hut Group	67.50
					Castle Irwell, Salford	19.00
					Castle Irwell Phase 2	12.00
					Hale Library Redevelopment	4.60
					Sub Total	209.07
					Total Capital Investment	353.00
					Albert Estate Investment	17.62
					Total Investment	370.62
					Balance available	129.38
					<ul style="list-style-type: none"> To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets. Each year all investments are reviewed as part of a risk assessment process by our advisors together with an annual valuation. This review takes account of the rental market, financial health of the tenants and 	

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						<p>whether anything is likely to impact on future income streams. Since the outbreak of Covid-19 more frequent reviews have been undertaken to identify the potential risk to income streams. The impact is mitigated to some extent due to the broad range of asset classes in the Council's portfolio, including offices, retail and industrial assets. The vast majority of income is derived from tenants that are considered to be low, or below average, risk according to credit agencies Experian and Dunn and Bradstreet. In respect of the loan portfolio, these are made at prudent loan to value levels and to borrowers of good covenant.</p> <ul style="list-style-type: none"> • The annual revaluation exercise is used to determine if an appropriate level of debt repayment is being made. It is inevitable there will be changes in valuation year on year but the risks of downward movements in value are being mitigated through a diversified portfolio of assets. • Further risk mitigation is being undertaken through the bolstering of a "Risk Reserve" through the ring-fencing of an element of the returns and an allowance for debt repayment (in accordance with national regulations). The reserve level was £5.98m as at 31/3/21. • All investments are scrutinised by an Investment Management Board which includes cross-party representation. • When evaluating potential opportunities extensive legal and property due diligence is undertaken which places a significant emphasis on security and liquidity and includes for example an assessment of the financial strength of the tenants and market sector, length of unexpired lease, location, asset condition and residual land value. • Coronavirus has had a marked impact on global economies with a significant impact on stock markets worldwide and cuts in interest rates. The impact of this on the Council's investments has been closely monitored and regular updates have been received from our external advisors. It is inevitable that there has been an impact on rental streams, particularly from some of our town centre

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						<p>investments. This impact has been closely monitored and reported through the Council's bi-monthly financial reporting process.</p> <ul style="list-style-type: none"> As certain investments are repaid the programme relies on these being replaced by suitable alternatives. The budget for 2021/22 assumes that new schemes will deliver £3m of benefit. Should this not occur, pressure will be faced in the annual revenue budget. This risk has been partially mitigated by the inclusion of a balance within the calculation of the minimum level of General Reserve, based on an assumed risk that 25% may not be delivered. As part of the Asset Investment Programme, the Council has entered into three joint venture arrangement with Bruntwood Works to acquire three key sites in the Borough, namely the former Kellogg's HQ site in Old Trafford, Stretford Mall and the Stamford Quarter. The primary reason for acquisition of the assets was for regeneration and no assumptions are included in the budget for any additional income from the assets to support Council services. Significant master planning and options appraisal work is currently being undertaken around each assets and further updates will be provided to the Executive throughout the course of the year.
14	<p>Loss / absence and retention of senior managers to the organisation.</p> <p>(Strategy and Resources / Finance and Governance).</p>	3	5	15	↔ No change	<ul style="list-style-type: none"> Strengthening of the senior leadership team – through introduction of Assistant Director level posts to aid succession planning for senior leadership roles. Professional coaching is available for all managers/senior managers across the organisation to support them in leading and engaging their staff through transformational change and/or to support leaders with their health and wellbeing. An EPIC People Manager offer is in place to ensure managers are conversant with all People management responsibilities. We also offer a range of fully funded apprenticeships/qualifications from Operational to Senior Leadership (Level 7/MBA) and variety of apprenticeships at level

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						<p>6 in role specific areas to support development.</p> <ul style="list-style-type: none"> • A succession planning strategy approach helps to retain key skills, whilst up-skilling staff to take on higher graded roles. This approach has yielded several internal succession appointments. Successors will continue to be identified at senior manager level and targeted development initiatives provided to ensure that we are equipped to flex our workforce to react to resource and skills gaps. Each successor will also have access to a coach. • A refreshed performance management approach to the PDR process has been developed and launched. The framework makes clear reference to career development conversations (Broaden, Deepen, Step Up), which should support us to identify senior management potential early. • Trafford Let's Talk Leaders events are run regularly and are an opportunity for senior leaders to hear from our corporate leaders, keynote speakers, benefit from networking opportunities and sharing learning. Attendance also includes any colleagues stepping up or if relevant to their development. • EPIC values and a supporting behaviour framework have been developed in line with Trafford's vision aligned to corporate priorities. • Pro-active attendance management strategy developed and will be rolled out across Trafford with and EPIC manager Module to support the implementation of knowledge and skills. • A Health & Well-being strategy is in place with actions to maintain and improve employee morale and well-being. • Corporate Wellbeing Principles have been defined and regularly promoted along with support and resources advertised on our newly created health, safety and wellbeing pages. • Internal resources available to bespoke development plans for senior leaders identified at risk or potential for future/ready for growth.

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				8		<ul style="list-style-type: none"> Our next Engagement Survey will take place in June 2022. Analysis of the results from this survey at senior leadership level will help identify areas of focus and further actions/support required.
15	<p>Failure of the Adult Safeguarding Systems and Processes to prevent an adult at risk of abuse or neglect from being harmed or a failure of the council to adequately safeguard an adult at risk from neglect or abuse.</p> <p>(Adult Services / Adult Social Care).</p>	2	4	8 Low	Decrease in Risk Score ↓	<ul style="list-style-type: none"> The risk score has reduced in likelihood due to a number of improvements to the safeguarding practice over the last 12 months; The Safeguarding Hub was launched on the 7th of June 2021, creating one central point for all safeguarding referrals into Adult Social Care. The Safeguarding Hub will also be responsible for managing organisational safeguarding and complex safeguarding issues such as self-neglect and hoarding, coercion and control, and capacitated adults who are making unwise decisions where the risk is remaining or increasing and previous attempts to engage have failed. The Safeguarding Hub will also represent ASC at multi-agency meetings such as the Daily Risk Meeting, MARAC, MAPPA, and Prevent. The process of handling provider concern notifications is more focused on reporting higher numbers of low level concerns and providing rich data across the care market. Provider concern data is routinely reviewed in the Joint Quality Improvement Board to detect trends and provide a coordinated partnership response to adverse reporting through support and prevention in the first instance. We have established a devoted Adult Protection phoneline for members of the public to directly contact social care to raise safeguarding concerns. Work has commenced on developing the newly implemented Adult Safeguarding Hub into a multiagency safeguarding hub which aims to include GMP, IDVAs, Probation, GMMH, Health, Drug and Alcohol Services, and Housing within the service to provide a holistic multi agency response to safeguarding concerns.

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						<ul style="list-style-type: none"> • Daily Risk Meetings, for the optimum management of individual cases, takes place with ASC, GMP, Children Social Care, Mental Health, and Achieve (Drug & Alcohol Service). This enhanced information sharing provides a multi-agency review of cases attended by the police in the previous 24 hours. • All safeguarding referrals received are triaged using a written risk assessment on receipt by the Adult Safeguarding Hub. • Considerable work completed on incoming safeguarding referrals resulting in significant improvement in the timeliness of allocation. • Learning Lessons from adverse cases through Safeguarding Adult Review Panel (SAR) and Adult Learning and Improvement Committee (LIC) disseminated to staff across Adult Social Care (ASC). • We have an internal joint Legal and Social Care Coroners process embedded in to practice, this is being reviewed for effectiveness throughout 2022 • Targeted monitoring areas set by DASS and co-chairs of Joint Quality Improvement Board where concerns re quality or safety of providers is highlighted through usual reporting mechanisms. • Joint chairing arrangements introduced for MARAC as part of the MARAC review completed. A task and finish group is in place monitoring the effectiveness of the revised arrangements. • Response to Safeguarding Adult Review from the TSSP to optimise “lessons learnt” has been strengthened and includes managerial representation at strategic meetings that manage multi-agency safeguarding (DASS and JQIB), greater emphasis on practice change and embedding new ways of working.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 22 March 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 i.e. items covered during the year in addition to the agenda for the March 2022 meeting.

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

Recommendation

The Accounts and Audit Committee is asked to note the 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
23 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 Progress Report	- 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

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